Poor Kids: Trends in Child Poverty in Britain, 1968–96

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Abstract

According to Family Expenditure Survey (FES) data, child poverty (with a poverty line defined at half mean equivalised household income) has risen markedly in Britain in the last 30 years. By 1995–96, around one in three — or 4.3 million — children were living in poor households. This compares with child poverty rates of one in ten, corresponding to 1.4 million children, in 1968.

The employment position of the household is seen to be important, with over half of poor children in 1995–96 living in households with no adults in work. If an absolute, rather than a relative, poverty line is utilised, child poverty remains stagnant since the late 1970s, following a period of rapid decline from 1968, despite considerable rises in average living standards. This reveals that the income position of households with children has been falling relative to that of childless households over time. Finally, looking at expenditure patterns and comparing their trends with income-based poverty measures tends to reinforce these findings.

JEL classification: I3, D1.

I. INTRODUCTION

There is now a large literature on the increase in income inequality that has occurred in the UK since the late 1970s (see Goodman, Johnson and Webb (1997)). The changes have been nothing but dramatic. In the 1980s, overall

income inequality rose faster in the UK than in any other OECD country and wage inequality reached an all-time measured high (Machin, 1996). Increasing worklessness has been an important factor in the rise in household inequality, with the proportion of non-pensioner households without a working adult currently standing three times higher than in 1975, at nearly one in five households (Employment Audit, 1996). Other major changes in the labour market include increased female employment and the faster return of women to work after childbirth (Hewitt, 1993; Brannan et al., 1997; Callender et al., 1997).

These changes have been accompanied by shifts in the pattern of family formation and dissolution. Increased divorce rates, a fall in the number of people marrying and reduced fertility rates have all led to growing numbers of single-adult households, single-parent families and families without children. It seems surprising, given these changes, that shifts in the economic position of children, and indeed between households with and without children, have gone largely unrecorded.[1] Part of the reason for this is the lack of empirical work in economics (and even in social policy) that attributes a key role to children, who are frequently modelled only in terms of their effects on parental or household economic outcomes.[2] This paper tries to rectify this at least partially by considering trends in child poverty and the distribution of family income across children, and changes in the relative economic position of households with and without children over time.

Some of the findings we report are striking and deserve to be more widely known than they currently are. Child poverty rates have risen very fast in the last 30 years, despite the fact that family size and the number of families with children have fallen. By 1995–96, over 4.3 million children (or about one-third of all children) were living in households below a poverty line defined as half mean equivalised household income. The employment position of the household is very important as over half (2.3 million) of the poor children live in households with no one in work. Of the 4.3 million children in poor households, less than one in eight (0.5 million) live in households with a full-time employee on hourly wages above the lowest quartile of the earnings distribution.

The rest of the paper explores the changing incidence of child poverty and the evolution of inequality for households with and without children in more detail. The next section focuses upon trends in child poverty since the late 1960s,

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[1]Numbers on children in poverty are also given in the Households Below Average Income (HBAI) publications (Department of Social Security, 1997). And some researchers do break down income relativities and look at the changing shape of the income distribution for families with and without children (for example, Cowell, Jenkins and Litchfield (1996)), but placing a principal focus on children remains rare.

[2]A classic example of this (although by no means the only one) is the large body of work on the relationship between women's labour supply decisions and the age or number of children they have (see Browning (1992) for a survey of work on the impact of children on household economic outcomes). There is therefore a comparative dearth of empirical work on children in the UK. There is, of course, a bigger tradition to carry out empirical work on children in developing countries (for example, on child sex bias or child labour).

looking at the evolution over time of both relative and absolute child poverty measures and examining ways in which the time profile of child poverty has differed across different types of households. Section III looks at ways in which the distribution of income has altered over time for households with and without children. Section IV then turns to comparisons based on expenditure rather than income, focusing specifically on household spending on children. Section V concludes.

II. TRENDS IN CHILD POVERTY

1. Defining Poverty

One can (and some people do) debate for an inordinate amount of time how one could and should measure poverty. Part of the discussion is concerned with the measurement of poverty, as some argue that it may not be as well defined in the UK as in some other countries because there is no official poverty line.[3] Rather than to argue that any one way of modelling poverty is better than others, our approach is to explore the implications of changing our definition of poverty in a number of ways. First, we look at trends in relative poverty rates that are based on relative income levels with a separate poverty line defined for each year of our sample. Second, we look at absolute measures of poverty based on a poverty line of half mean income in 1995–96 applied to all years. Third, we consider poverty definitions based on income both before housing costs (BHC) and after housing costs (AHC).

The data source we analyse is the Family Expenditure Survey (FES) between 1968 and 1995–96.[4] For the most part, we concentrate on poverty measures based on income after housing costs[5] but, where relevant, do highlight variations that occur if one uses a before-housing-costs income measure. It should be noted that our measures of poverty before and after housing costs match closely those in the Households Below Average Income (HBAI) series, although we have not undertaken all the minor adjustments that are carried out in that. In terms of numbers of children in poverty, our estimated AHC measure is within 100,000 of published HBAI estimates. Our BHC measures are slightly less consistent because of the complex imputed rent calculations in the HBAI. But even here we are usually within 200,000 of the HBAI numbers.

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[3]Though even here it is not necessarily clear that the existence of an official poverty line makes poverty any more or less 'well defined'.

[4]The FES data were based on calendar year up to 1993, from when they altered to cover the tax year.

[5]We prefer to focus on the AHC-based measures for two reasons: (i) to give better comparability with the official Households Below Average Income statistics; (ii) because we believe that changing rents and housing benefit entitlements do not accurately reflect changes in living standards over this period (at least in the social sector).

2. Changes over Time in the Extent of Child Poverty

If households with equivalised[6] AHC income below half the national average are defined as poor, FES data show that the number of children living in poor households increased massively from 1.4 million to 4.3 million between 1968 and 1995–96.[7] Table 1 shows that this corresponds to a rise in the child poverty rate — the percentage of children living in poverty — from about one in ten in 1968 to just under one in three by 1995–96. The year-on-year variations in this trend are clear, with the proportion of children in poverty showing only a moderate rise in the 1970s but increasing at a rapid rate thereafter (see Figure 1).

If one uses the same relative poverty definition but this time basing it on income before housing costs, the number of children in poor households rises from 1.1 million to 3.2 million (or from 8 to 24 per cent) between 1968 and 1995–96.[8] The time-series profile of this child poverty definition is also recorded

FIGURE 1

**Percentage of Children Living in Households
with Income Below Half Average Income**

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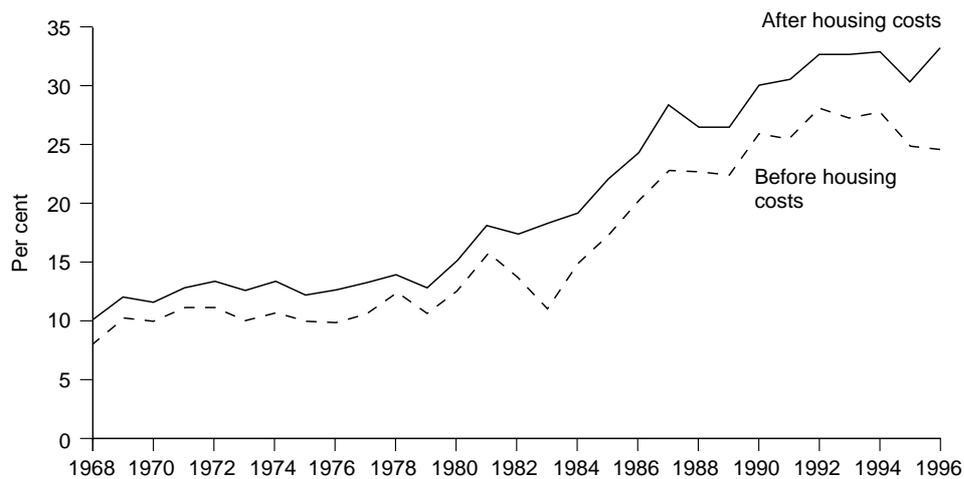
[6]In order to account for differences in income needs resulting from differences in the size and composition of the family unit, income is equivalised using the McClements equivalence scales, which are different for AHC and BHC income measures.

[7]This is based on all dependent children of school age or younger.

[8]Child poverty based on BHC income is lower than that based on AHC income. This is partly because housing costs are less unequally distributed than income as a whole. It is also due to the equivalisation scheme, which gives different weights for AHC and BHC measures.

TABLE 1

Child Poverty in Britain, 1968–96
(relative poverty measure based on income after housing costs)

Percentage of children

	1968	*1979*	*1990*	*1995–96*	*Change, 1968 to 1995–96*
Couple working	91.8	85.1	75.5	70.8	–21.0
Couple not working	2.1	4.7	6.9	7.5	5.4
All couples	93.9	89.8	82.4	78.3	–15.6
Single parent working	4.3	6.6	8.4	9.2	4.9
Single parent not working	1.8	3.5	9.3	12.5	10.7
All single parents	6.1	10.2	17.7	21.7	15.6
All children	100	100	100	100	—

Percentage of children in poverty AHC

	1968	*1979*	*1990*	*1995–96*	*Change, 1968 to 1995–96*
All children	10.0	12.6	29.8	32.9	22.9
Couple working	7.1	7.3	17.5	17.3	10.2
Couple not working	75.0	60.9	79.5	88.7	13.7
All couples	8.6	9.7	22.0	24.1	15.5
Single parent working	8.8	14.3	35.2	31.2	22.4
Single parent not working	84.5	73.3	88.1	89.1	4.6
All single parents	31.3	34.9	63.0	64.5	33.2

Distribution of children in poverty AHC

					Per cent
	1968	*1979*	*1990*	*1995–96*	*Change, 1968 to 1995–96*
Couple working	65.3	49.2	44.4	37.3	–28.0
Couple not working	15.7	22.7	18.3	20.2	4.5
All couples	81.0	71.9	62.7	57.5	–23.5
Single parent working	3.8	7.5	9.9	8.8	5.0
Single parent not working	15.2	20.6	27.4	33.8	18.6
All single parents	19.0	28.1	37.3	42.5	23.5

Note: Poverty AHC = poverty as measured by households below half the average equivalised income after housing costs.

TABLE 2

Child Poverty in Britain, 1968–96
(absolute poverty measure based on 1995–96 income after housing costs)

Percentage of children in poverty AHC

	1968	*1979*	*1990*	*1995–96*	*Change, 1968 to 1995–96*
All children	55.0	36.0	30.2	32.9	–22.1
Couple working	53.8	31.2	17.9	17.3	–36.5
Couple not working	93.5	71.9	79.5	88.7	–4.8
All couples	54.7	33.4	23.0	24.1	–30.6
Single parent working	46.5	41.5	36.1	31.2	–15.3
Single parent not working	93.9	91.3	88.1	89.1	–4.8
All single parents	60.5	58.8	63.4	64.5	4.0

Distribution of children in poverty AHC

					Per cent
	1968	*1979*	*1990*	*1995–96*	*Change, 1968 to 1995–96*
Couple working	89.7	73.9	44.8	37.3	–52.4
Couple not working	3.6	9.4	18.1	20.2	16.6
All couples	93.3	83.4	62.9	57.5	–35.8
Single parent working	3.6	7.7	10.0	8.8	5.2
Single parent not working	3.1	9.0	27.1	33.8	30.7
All single parents	6.7	16.7	37.1	42.5	35.8

Note: Poverty AHC = poverty as measured by households below half the average 1995–96 income after housing costs.

in Figure 1. It is clear that both relative child poverty measures show a striking increase, with child poverty tripling over the 28-year period of study. Changing equivalence scales to reflect proposed levels of income support for different family types, which are to come into force in 1999, raises childhood poverty rates a fraction in all years but makes little difference to the observed trends when we use AHC income. However, it does alter the BHC picture somewhat, raising child poverty rates in 1995–96 to 28 per cent, or 3.8 million, up from 12 per cent, or 1.2 million, in 1968.[9] But the overall pattern is very clear and very marked: relative child poverty measures show a huge increase in the number of children below the relevant poverty line.

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[9]The reason the BHC measure is lower is partly due to higher housing costs relative to income at the bottom end and partly due to the different equivalence scale used for BHC calculations.

Relative poverty measures assess how the household incomes of children are doing compared with average income over time and, because of this, it is also interesting to look at shifts based on absolute measures of living standards. Table 2 reports the percentage of children living in households with below half of 1995–96 average income over time (hence choosing the most recent year in our sample as a constant bench-mark). Just under a third of children are poor on this definition in 1995–96, compared with 36 per cent in 1979. This is an extremely small fall over these 16 years, a period during which living standards generally rose. By contrast, the shorter period from 1968 to 1979 saw a huge decline in child poverty based on this measure, from 55 per cent of all children in 1968. Figure 2 plots this absolute poverty measure over time for BHC- and AHC-income-based measures of poverty. It becomes very clear that many children are no better off now than they would have been in 1979, despite there having been big improvements in the standard of living of a large fraction of the population over this time period (for example, average real income growth among all households was about 30 per cent).

The patterns in Figures 1 and 2 emerge for other measures of child poverty. Figure 3 plots the time profile of a poverty gap measure, defined as $\Pi = \{(z–y)/z\}P$ where z is the poverty line, y is average income for those below the line and P is the poverty rate, for relative and absolute poverty lines. This poverty measure has the advantage over the simple headcount P that it takes into account the fact that, especially in a period when income inequality has risen, poverty should be measured as rising if incomes are falling further behind the

FIGURE 2

**Percentage of Children Living in Households
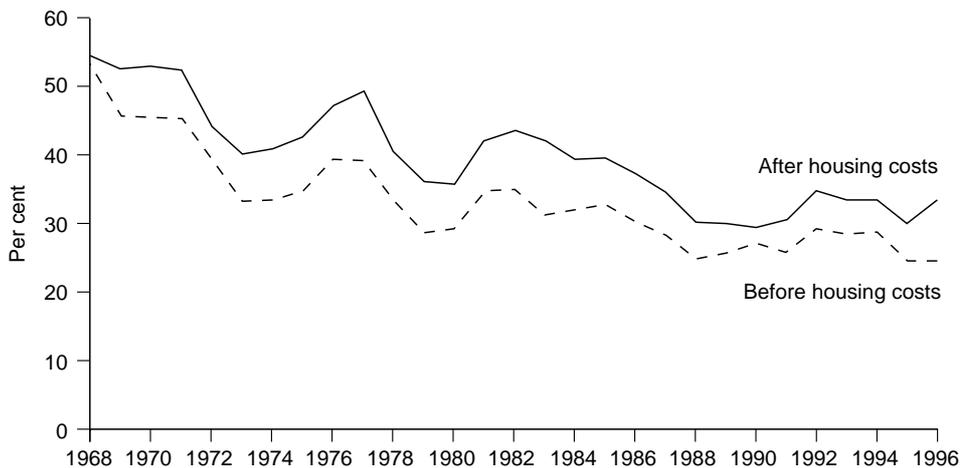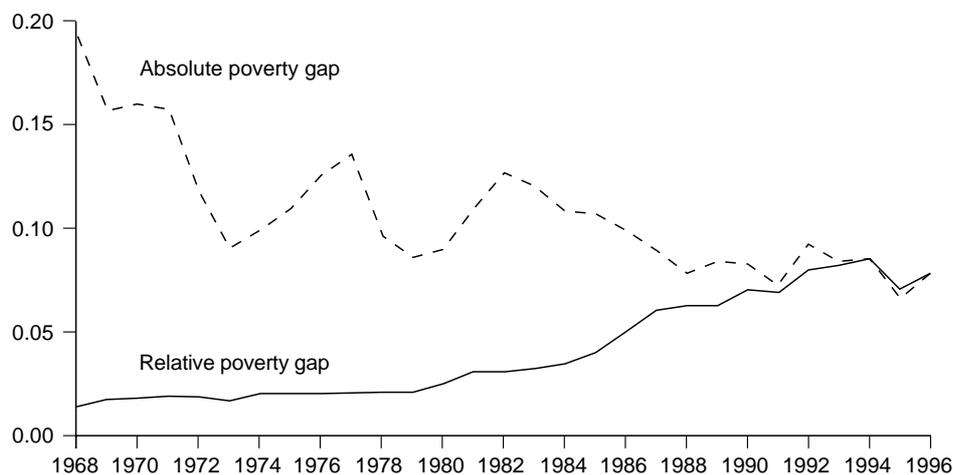with Income Below Half 1995–96 Average Income**

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FIGURE 3

Child Poverty Gaps

upon the relative poverty line and also that child poverty has not altered much
since 1979 if one chooses the absolute measure based upon the 1995–96 poverty
line in all years.

3. Child Poverty and Household Structures

Table 1 also reports information on the structure of households in which children
were living (in the top panel), poverty rates among these household types (in the
middle panel) and the share of children in poverty in particular types of
household (in the bottom panel). We choose to look at two types of household
structure, based upon whether they are single-adult or more-than-single-adult
(couple) households and upon the employment status of the household (anyone
in work or not).

Between 1968 and 1995–96, the percentage of children living in two-parent
households where at least one parent worked fell dramatically, from 92 per cent
of all children to just 71 per cent. This change was partly a consequence of
increasing numbers of children growing up in lone-parent households, with this
percentage trebling between 1968 and 1995–96 from 6 per cent to 22 per cent.
Furthermore, poverty rates among children in lone-parent households are, and
were in 1968, higher than those among children living with two parents. In 1968,
9 per cent of children living in two-parent households were poor, compared with
31 per cent of children in single-parent households. By 1995–96, these figures
had risen to 24 per cent and 65 per cent respectively.

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The other dimension of household status we consider is defined by the employment status of the adult members of the household. By 1995–96, fewer than half of those children growing up in a lone-parent household were living with a working adult (9 per cent of all children in 1995–96 lived in a lone-parent household where the parent worked, compared with 13 per cent in workless lone-parent households). The growing incidence of worklessness is also clear, with 8 per cent of all children in 1995–96 living in households with two parents where neither parent worked (compared with under 2 per cent in 1968). By 1995–96, therefore, around 20 per cent of children lived in households with no adult working and, of these, just under 40 per cent lived with two non-working parents.

Very high rates of worklessness among single-parent families were the most important factor behind the high levels of poverty among children in these families. Indeed, the rise of the workless household contributes substantially to the overall rise in child poverty, as the bottom panel of Table 1 shows. By 1995–96, a huge 54 per cent (or about 2.3 million) of poor children lived in workless households.

As already noted, the share of children defined as poor using an absolute poverty line did not change much between 1979 and 1995–96. But Table 2 shows that this overall lack of shift masks important differences by household type. First, rates of child poverty based on the absolute poverty measure fall among two-parent households (from 33 to 24 per cent) but increase for single-parent households (from 59 to 65 per cent). Second, within these groups, the growing number of workless households is central to the change in child poverty in absolute terms. For children living in working couple households, absolute poverty rates fell from 31 per cent in 1979 to 17 per cent by 1995–96. On the other hand, child poverty in workless couple households shows a sharp increase, going from 72 to 89 per cent.

4. Children's Household Income and Household Structures

Table 3 reports equivalised income (again after housing costs) for children living in single- and two-parent households by parental employment status between 1968 and 1995–96. All amounts are weekly income reported in January 1997 prices. Between 1968 and 1995–96, average equivalised income of children in all households grew by 54 per cent, but children living in two-parent households realised an above-average increase in income (69 per cent) while real income barely changed for those in single-parent households (rising by just 8 per cent). There was clearly a significant deterioration in the relative economic position of children in single-parent families, as reflected by a decline in the ratio of equivalised income for those in single-parent families to that for those in two-parent families from 0.90 to 0.58 between 1968 and 1995–96.

TABLE 3

Children's (Equivalised) Household Income after Housing Costs

	1968	*1979*	*1990*	*1995– 96*	*Percentage change, 1968 to 1995–96*	*Percentage change, 1979 to 1995–96*
All households (£ p.w.)	143.2	169.1	218.1	220.5	54.0	30.4
All couples (£ p.w.)	144.0	172.6	233.8	242.6	68.5	40.6
Working couples (£ p.w.)	145.6	175.5	244.5	257.7	77.0	46.8
Non-working couples (£ p.w.)	75.9	121.4	115.5	99.7	31.4	–17.8
Income ratio: non-working couples / working couples	0.52	0.69	0.47	0.39		
All singles (£ p.w.)	130.2	138.4	144.8	140.8	8.1	1.7
Working singles (£ p.w.)	152.8	163.4	192.1	192.2	25.8	17.6
Non-working singles (£ p.w.)	75.4	91.6	102.0	102.8	36.3	12.2
Income ratio: non-working singles / working singles	0.49	0.56	0.53	0.53		
Ratio of family income of children in single-parent/two-parent families	0.90	0.80	0.62	0.58		

Looking at subperiods for single- and two-parent families shows that, between 1968 and 1979, the real incomes of workless households rose a little faster than those of equivalent working households. After 1979, there is a dramatic fall in the relative income position of workless couples and a smaller fall among single-parent households.

5. Child Poverty and More Detailed Household Employment Structures

As has already been made clear, the employment structure of households is central to the rising income inequalities between children. Table 4 further considers this, returning to child poverty comparisons across household types delineated more comprehensively than the above analysis by the labour market position of its members. Households are broken down into the following six mutually exclusive labour market categories, the first being the workless group and the other five being different classifications of working households:

- no adults in work (workless);
- any self-employed workers (self-employed);

- no one in the household working more than 30 hours but someone with a job paying above the lowest quartile cut-off of the earnings distribution (part-time, not low-paid);
- no one in the household with a job paying above the lowest quartile cut-off of the earnings distribution (low-paid, not part-time);
- no one in the household working more than 30 hours and no one in the household with a job paying above the lowest quartile cut-off of the earnings distribution (both low-paid and part-time);
- at least one full-timer and one wage in the top three quartiles (neither).

The top two panels of Table 4 report the numbers of children in each group (with percentages in parentheses). The bottom panel shows child poverty rates by employment status in 1995–96 for all children, for children in couple households and for children in single-parent households. This demonstrates the importance of rising worklessness for the sharp increase in child poverty: by 1995–96, about 2.3 million children in poverty lived in workless households (comprising around 0.9 million living with couples and 1.4 million living with single parents). The rise in part-time employment and increased earnings disparities have also contributed towards the rise in child poverty, with 8 per cent of children in poverty (or 361,000 children) in 1995–96 living in households classified as both part-time and low-paid (this compares with a mere 26,000 in 1968). Over 900,000 children lived in poor households with only a part-time or

TABLE 4

Household Employment Structure and Child Poverty

Number of children: thousands (per cent of all children)

	1968	*1979*	*1990*	*1995–96*	*Change, 1968 to 1995–96*
Workless	517	1,105	1,964	2,622	2,105
	(3.9)	(8.3)	(16.1)	(19.9)	(16.0)
Self-employed	1,647	1,496	2,204	2,118	471
	(12.4)	(11.2)	(18.1)	(16.1)	(3.7)
Part-time	95	237	211	282	187
(not low-paid)	(0.7)	(1.8)	(1.7)	(2.1)	(1.4)
Low-paid	579	577	628	773	194
(not part-time)	(4.4)	(4.3)	(5.2)	(5.9)	(1.5)
Both low-paid	76	269	458	538	462
and part-time	(0.6)	(2.0)	(3.8)	(4.1)	(3.5)
Neither	10,332	9,703	6,707	6,822	–3,510
	(77.9)	(72.5)	(55.1)	(51.9)	(–26.0)

Continues overleaf.

TABLE 4 continued

Number of children in poverty AHC: thousands (per cent of children in poverty)

	1968	*1979*	*1990*	*1995–96*	*Change, 1968 to 1995–96*
Workless	410	731	1,657	2,333	1,923
	(30.9)	(43.2)	(45.7)	(54.0)	(23.1)
Self-employed	209	295	671	570	361
	(15.7)	(17.4)	(18.5)	(13.2)	(–2.5)
Part-time	2	27	58	119	117
(not low-paid)	(0.2)	(1.6)	(1.6)	(2.7)	(2.5)
Low-paid	204	176	387	432	228
(not part-time)	(15.3)	(10.4)	(10.7)	(10.0)	(–5.3)
Both low-paid	26	108	316	361	335
and part-time	(2.0)	(6.4)	(8.7)	(8.4)	(6.4)
Neither	470	354	535	510	40
	(35.6)	(20.9)	(14.8)	(11.8)	(–23.8)

Number of children in poverty AHC by household employment status in 1995–96: thousands (per cent of group)

	All	*Couples*	*Singles*
Workless	2,333	872	1,461
	(89)	(89)	(89)
Self-employed	570	530	40
	(27)	(26)	(49)
Part-time (not low-paid)	119	63	56
	(42)	(52)	(35)
Low-paid (not part-time)	432	379	53
	(56)	(62)	(32)
Both low-paid and part-time	361	146	215
	(67)	(78)	(61)
Neither	510	495	15
	(7)	(8)	(3)
All	4,325	2,485	1,840
	(33)	(24)	(65)

Note: Poverty AHC = poverty as measured by households below half the average equivalised income after housing costs.

low-paid earning source by 1995–96. That labour market standing is crucial for child poverty is reflected in the fact that only around one in eight children (0.5 million) live in households with a full-time employee on hourly wages above the lowest quartile of the earnings distribution.

TABLE 5

Child Poverty and Age of Child
**(relative poverty measure based on income after housing costs)**

Number of children in poverty AHC: thousands (per cent)

	1968	*1979*	*1990*	*1995–96*
Aged 0–4	415	426	1,282	1,343
	(8.9)	(11.4)	(32.8)	(34.7)
Aged 5–10	652	834	1,587	1,941
	(11.5)	(14.8)	(32.1)	(35.7)
Aged 11–15	236	376	630	865
	(9.5)	(11.5)	(25.2)	(29.4)
Aged 16+	27	57	126	176
	(5.9)	(7.7)	(15.4)	(19.5)

Note: Poverty AHC = poverty as measured by households below half the average equivalised income after housing costs.

6. Variations by Age of Child

There are also some potentially interesting differences by age of child. Table 5 reports child poverty rates, based on both BHC and AHC income definitions, for

FIGURE 4

Incidence of Workless Households in OECD Countries
(among households with children)
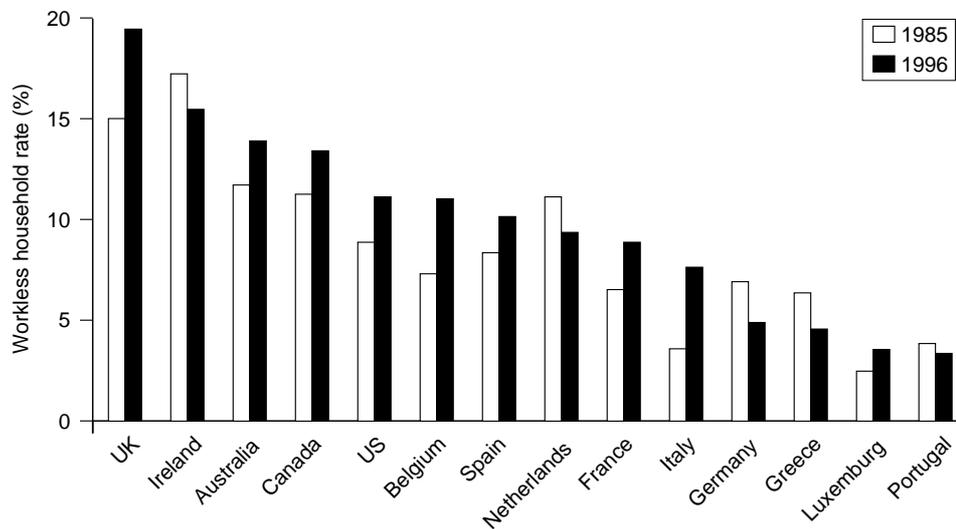
four age-groups (0–4, 5–10, 11–15 and 16+) for selected years between 1968 and 1995–96. Child poverty rises for children in all four age-groups. But the rise in child poverty is clearly greater for younger children, both of pre-school age (0–4) and of primary-school age (5–10).

7. International Comparisons

In terms of international comparisons, the rate of change in the incidence of worklessness among households with children between 1985 and 1996 is shown in Figure 4. In 1996, the highest level of worklessness is in the UK. Moreover, the fastest rate of change over this 11-year interval is also in the UK, with an absolute change of almost 5 percentage points. In other countries, both the level is lower and changes over time have been much more moderate, with falls actually occurring in some countries (Germany, Greece, Ireland, the Netherlands and Portugal).[10]

III. COMPARISONS OF HOUSEHOLDS WITH AND WITHOUT CHILDREN

The analysis so far concentrates only on households with children. But there have been important compositional changes related to the presence of children over the period we study. For example, as Figure 5 shows, both the average number of adults and the average number of children in households with children have fallen markedly. Furthermore, the share of households with children in the population has declined. And, as is well known, income inequality has risen not only for households with children but across all households in the population (Goodman, Johnson and Webb, 1997). All of these observations necessitate comparisons of the evolution of poverty and income inequality across households with and without children.

1. Households with and without Children: Changing Income Differentials

It is evident from the discussion of Section II that income disparities for households with children have changed dramatically over time and, in particular, that child poverty has risen very rapidly since the late 1970s. However, over recent decades, increased income inequality has also led to a rise in poverty among households without children. Therefore rising child poverty may not be any more important than trends in overall poverty, unless households with children now form a greater proportion of poor households (especially since we are probably more inclined to worry about them). This is particularly the case

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[10]Micklewright and Stewart (1999) present an interesting perspective, with empirical evidence, on the extent to which a number of indicators of child welfare (including child poverty) are converging across Europe.

FIGURE 5

Changes in Household Size
(mean numbers of children and adults in households with children)
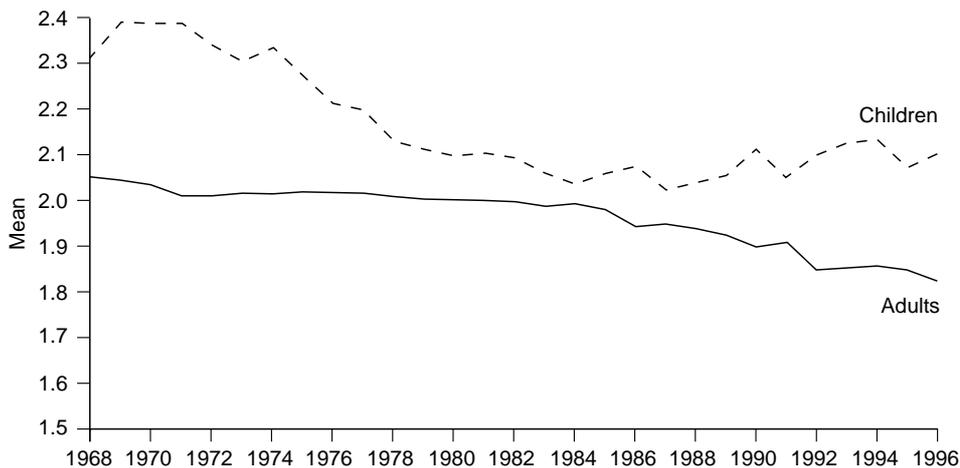
since, while there was a substantial rise in the percentage of households with children during the baby boom of the 1960s, by 1995–96 the percentage of households with children had fallen to 39 per cent, compared with 45 per cent in 1968.

2. Households with and without Children: Changing Patterns of Poverty

Table 6 goes on to consider population shares and poverty rates for households with and without children between 1968 and 1995–96 (the numbers use the same poverty definitions, but notice that they differ from those in the earlier tables as it is now the household, not the child, that is the unit of analysis). In all years considered, households with children are more likely than those without to be poor, and this has increasingly become the case over time. In 1995–96, 28 per cent of households containing children were poor compared with 15 per cent of those without children. Moreover, poverty has risen markedly faster in households with children, by 21 percentage points between 1968 and 1995–96, as compared with a 10 percentage point rise for childless households.

Poverty rates amongst single-adult households are substantially higher than those among couples, whether or not there are children present. In 1995–96, 23 per cent of households with a single adult and no children, and 60 per cent of those with children, were poor, compared with 19 per cent of couples with children and 8 per cent of those without. The high poverty rate of single,

TABLE 6

Poverty Comparisons for Households with and without Children
(non-pensioner households)

Percentage of households

	1968	*1979*	*1990*	*1995–96*	*Change,* *1968 to 1995–96*
All households					
With children	44.7	46.4	38.7	39.2	–5.5
Without children	55.3	53.6	61.3	60.8	5.5
Couples					
With children	41.6	41.3	31.5	30.3	–11.3
- working	40.8	39.5	29.4	27.9	–12.9
- not working	0.8	1.7	2.1	2.4	1.6
Without children	37.6	31.8	32.1	31.1	–6.5
- working	36.5	30.3	29.6	27.8	–8.7
- not working	1.1	1.5	2.6	3.3	2.2
Singles					
With children	3.1	5.1	7.2	8.9	5.8
- working	2.4	3.4	3.6	4.3	1.9
- not working	0.7	1.7	3.5	4.7	4.0
Without children	17.8	21.9	29.3	29.8	12.0
- working	15.6	18.2	22.8	21.1	5.5
- not working	2.1	3.6	6.4	8.6	6.5

Percentage in poverty AHC

	1968	*1979*	*1990*	*1995–96*	*Change,* *1968 to 1995–96*
All households					
With children	7.4	10.4	25.8	28.4	21.0
Without children	5.3	6.3	12.8	15.3	10.0
Couples					
With children	6.2	7.7	18.4	19.2	13.0
- working	5.1	5.5	14.3	13.6	8.5
- not working	67.4	55.9	75.6	84.3	16.9
Without children	3.4	3.5	7.1	8.4	5.0
- working	1.9	1.5	3.8	4.7	2.8
- not working	54.9	42.7	44.9	38.8	–16.1
Singles					
With children	23.3	32.7	58.4	59.5	36.2
- working	6.6	11.9	31.0	28.8	22.2
- not working	78.2	74.1	86.3	87.3	9.1
Without children	9.2	10.4	19.1	22.5	13.3
- working	3.3	2.9	6.3	8.1	4.8
- not working	53.0	48.0	64.4	57.9	4.9

TABLE 7

Income by Household Type
(non-pensioner households, equivalised income after housing costs)

|	1968	1979	1990	1995–96	Change, 1968 to 1995–96
All households					
With children (£ p.w.)	152.2	177.4	232.9	235.2	83.0
Without children (£ p.w.)	200.7	246.9	351.2	338.5	137.8
Equivalised income ratio: children / no children	0.758	0.719	0.663	0.695	
Couples					
With children (£ p.w.)	152.7	181.7	250.8	259.8	107.1
Without children (£ p.w.)	202.3	255.7	378.9	370.9	168.6
Equivalised income ratio: children / no children	0.755	0.711	0.662	0.700	
Singles					
With children (£ p.w.)	145.7	142.6	154.5	151.8	6.1
Without children (£ p.w.)	197.2	234.1	320.1	304.6	107.4
Equivalised income ratio: children / no children	0.739	0.609	0.483	0.498	

childless adult households reflects the relatively high incidence of workless households and the increased incidence of sickness and disability. Once account is taken of differences in household types, it is clear, however, that the incidence of poverty, and particularly its rise over time, are strongly correlated with the presence of children in the household.

Table 7 compares in detail the extent of real income disparities between single people and couples both with and without children. The ratio of mean real income for households with children to mean real income for those without fell from 0.76 in 1968 to 0.70 by 1995–96. Comparisons for couples with and without children are very similar, but single parents have lost ground dramatically relative to other single adults, with their mean income ratio falling from 0.74 to 0.50.

3. Households with and without Children: Changing Income Distributions

So far, we have dealt with changes in poverty rates and average real incomes. This, however, does not illustrate the full extent of the dramatic changes in the distribution of income that have occurred in recent decades. We therefore consider the whole income distribution in Figure 6, which plots kernel density

FIGURE 6

**Kernel Density Representations of
Income Distribution for Households with and without Children**
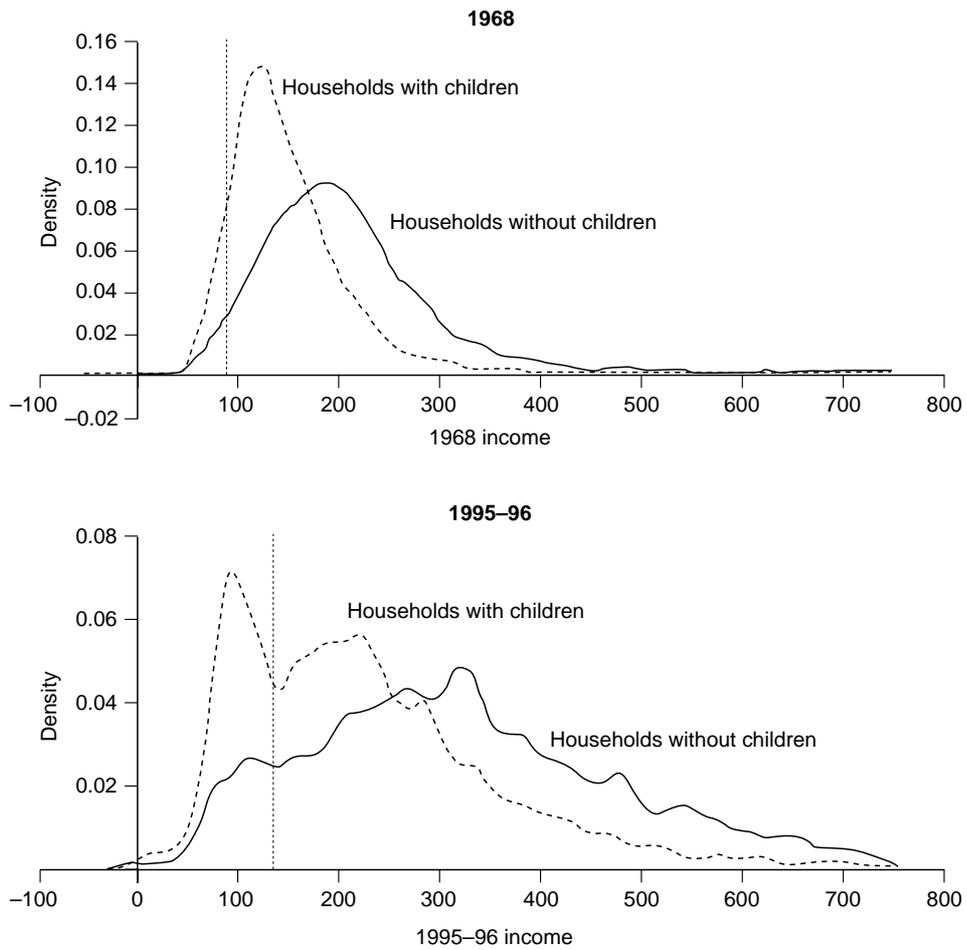
1968

1995–96

Note: Vertical lines are poverty cut-offs (at half mean income).

estimates of the income of households with and without children in 1968 and 1995–96.[11] Poverty lines (at half mean income) are represented by the vertical line in each figure.[12]

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[11]Kernel density estimation is a standard way of smoothing income data in distributional analysis (some good, clear examples on its use in analysing the income distribution are given in Cowell, Jenkins and Litchfield (1996)).

For both distributions, there is a considerable flattening between 1968 and 1995–96, reflecting the sharp increase in income inequality experienced by both groups. The distribution across households with children shifts more to the left, showing the increased concentration of poverty documented above. Moreover, there is a very clear spike (which coincides with workless household income levels) in the 1995–96 distribution for households with children and a much more marked bimodality in the distribution as compared with childless households (see also Cowell, Jenkins and Litchfield (1996)). Rising income inequality and the increased incidence of poverty have clearly been more marked among households with children.

IV. INEQUALITY OF EXPENDITURE

So far, we have concentrated on income measures to examine the relationships between children, inequality and poverty. In so far as income is subject to transitory fluctuations, expenditure, which is thought to reflect individuals' expectations of future income better, may be more stable. In addition, differences in family income may not provide a good guide as to how well children's needs are being met within families. Expenditure may sometimes (to the extent that it reflects permanent income) therefore provide a more satisfactory measure of family welfare. This is even more true when one recognises that household income is often low when children are young (due to non-participation in the labour force by mothers) but that low income need not imply poverty if consumption smoothing is possible. We therefore also supplement our information on income by looking at expenditure data from the Family Expenditure Survey.
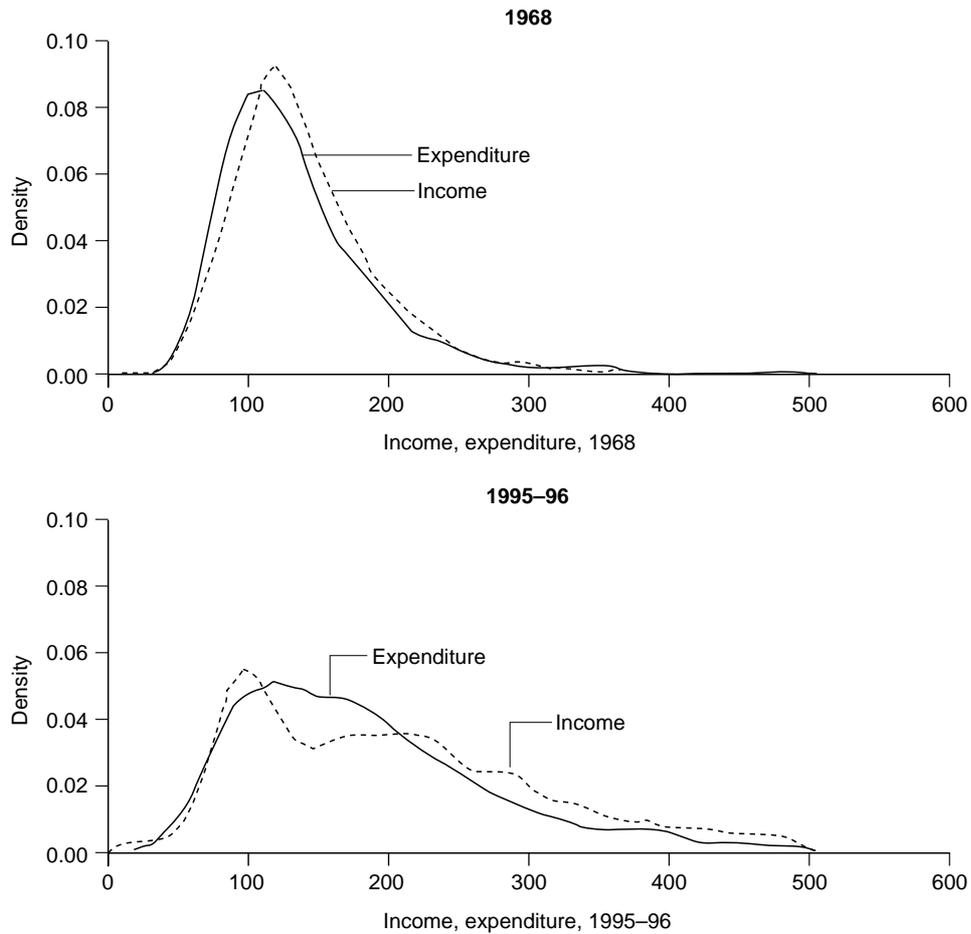
1. Changing Child Expenditure Distributions

Figure 7 graphs kernel density functions for equivalised household income after housing costs (the dashed line) and for equivalised household expenditure excluding housing costs (the solid line) for all children in 1968 and 1995–96. This graph shows clearly that, while expenditure is slightly more equally distributed than income, particularly in 1995–96, there has been a large increase in inequality of expenditure as well as in inequality of income. The distribution of equivalised household expenditure across children is smoother than the distribution of income, and the bimodality observed in the income distribution in the later years is absent in the expenditure distribution. It is also notable that, among the lowest income groups, expenditure generally exceeds income

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[12]Notice that the movement in the peak of the distribution from the right to the left of the chosen poverty line illustrates the degree to which the results may be sensitive to the chosen poverty measure.

FIGURE 7

**Kernel Density Representations of
Income and Expenditure Distributions for Children**

1968

Income, expenditure, 1968

1995–96

Income, expenditure, 1995–96

(observe the left tail of the distributions). This is drawn out further in Table 8, which shows that, in these four periods, the expenditure of families with poor children is consistently higher than income. This suggests that some of these poor families see their current income position as transitory. It is notable too from this table that, while the ratio of equivalised expenditure of poor to non-poor households is higher than the equivalent ratio of equivalised income, there has been a sharp decline in both these ratios. The poor have been getting poorer in both relative income and relative expenditure terms (see also Blundell and

TABLE 8

Income and Expenditure by Type of Household with Children

	1968	*1979*	*1990*	*1995–96*
Equivalised income				
Poor (£ p.w.)	65.41	75.03	88.70	91.21
Not poor (£ p.w.)	151.37	181.75	272.09	283.94
Income ratio: poor / not poor	0.432	0.413	0.326	0.321
Equivalised expenditure				
Poor (£ p.w.)	91.07	108.00	134.82	122.37
Not poor (£ p.w.)	145.76	180.40	242.12	231.19
Expenditure ratio: poor / not poor	0.625	0.599	0.557	0.529

Preston (1998) for an analysis of trends in the distribution of income and consumption).

2. Child Expenditure and Household Employment Structure

In Table 9, we look at expenditure by family type (working and non-working families with one or two parents). It is clear that the expenditure position of workless households has deteriorated for both couple and single households. The fastest rise in expenditure between 1968 and 1995–96 is for working couple

TABLE 9

(Equivalised) Expenditure by Employment Status of Household with Children

	1968	*1979*	*1990*	*1995–96*
All couples (£ p.w.)	139.78	174.07	222.07	207.11
Working couples (£ p.w.)	141.91	175.69	230.20	216.51
Non-working couples (£ p.w.)	91.32	144.43	131.55	118.21
Expenditure ratio: non-working/working couples	0.644	0.822	0.571	0.546
All singles (£ p.w.)	143.77	147.85	153.87	152.85
Working singles (£ p.w.)	157.68	170.91	194.32	199.66
Non-working singles (£ p.w.)	99.48	99.90	120.05	117.93
Expenditure ratio: non-working/working singles	0.631	0.585	0.618	0.591
Ratio of family expenditure of children in single/couple families	1.028	0.849	0.693	0.738

households and it is notable that the smallest increase is for non-working lone parents.

3. Expenditures Related Specifically to Children

It may be that parents of poor children are cutting back on expenditure on themselves and not on their children. If this is true, then the above analysis — for both household income and household expenditure — may be misleading as it effectively equates the welfare of children with the welfare of the household (as does much of the distributional literature).

In order to consider this, we have also looked at FES data on expenditure related specifically to children. Here, we look at spending on children's clothing, children's shoes and toys. We look at differences in expenditures on these items in families with one and two children. Information is presented by equivalised total expenditure quintiles (1 = lowest, 5 = highest) for 1968 and 1995–96 in Figure 8.
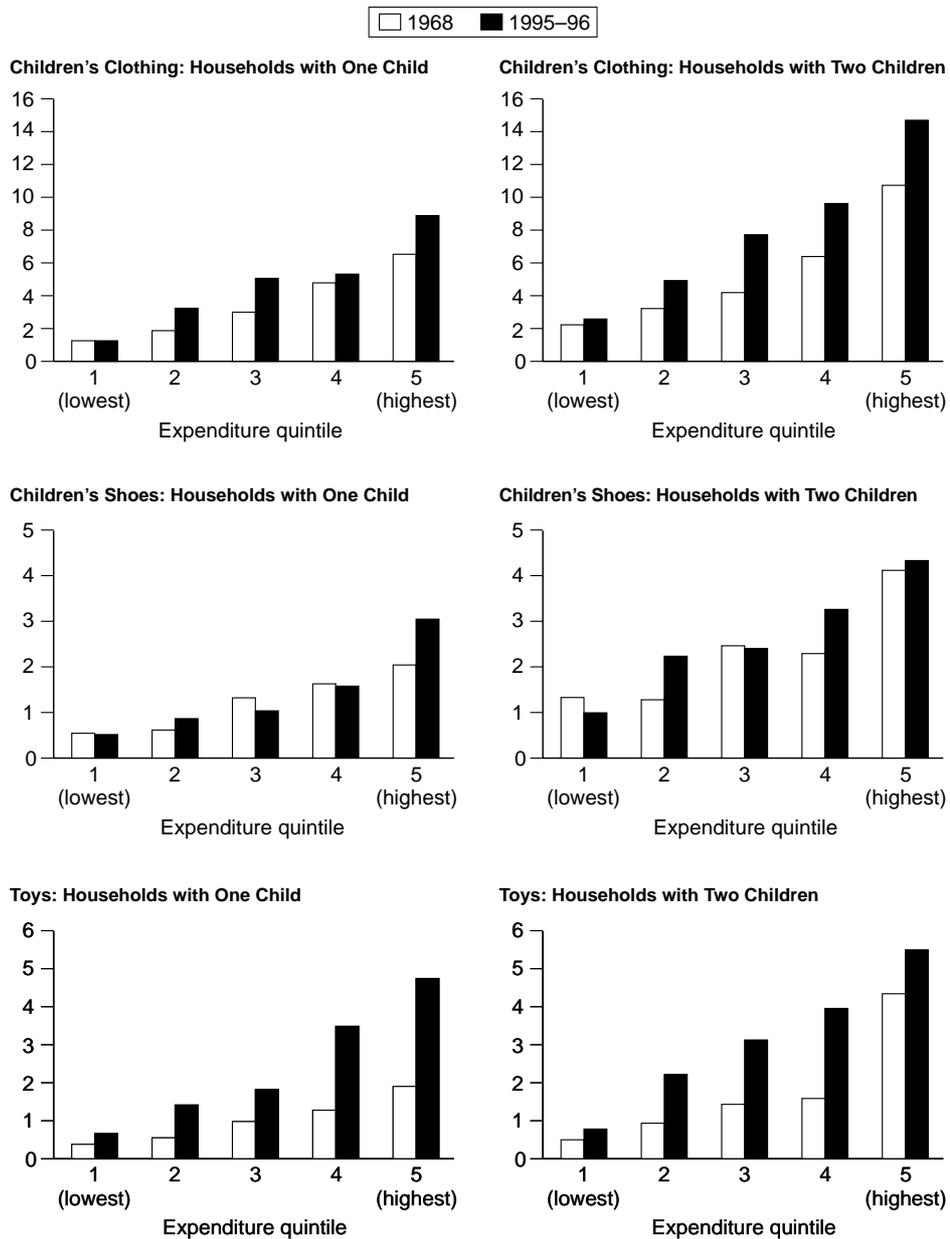
Looking first at expenditure (in 1997 prices) on children's clothing, we can see that both one- and two-children families in the bottom expenditure quintile spent substantially less in both periods than other families. More strikingly, while those in higher expenditure groups were spending considerably more on children's clothes in real terms in 1995–96 than in 1968, expenditure on children's clothing for those in the bottom quintile saw no increase over this period. The charts showing real expenditure on children's shoes and on toys tell similar stories.[13] These findings suggest that increasing inequality in expenditure is having a direct impact on the welfare of children.

Other work on expenditure on children and childhood poverty has been done by Middleton, Ashworth and Braithwaite (1997). This research involved collecting information on families' expenditure on each child, and therefore allows for a much more detailed analysis of costs of and spending on children than allowed by FES data. One of their main findings was that having a working parent had a far greater impact on expenditure on children than whether the child lived with one or two parents. This is consistent with the results we have presented using FES data. They also find that much of the difference in expenditure on children between working and non-working households is accounted for by differences in expenditure on childcare. Our results do, however, point to an increase in inequality of expenditure directly on children. A more worrying finding of the Middleton et al. research was that children in single-parent families are more likely to go without necessities regardless of parental employment status because 'the longer periods of time which lone parents spend outside the labour market are likely to have a greater impact on

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[13]One should exercise some caution, however, if there are changes in the quality of the goods considered over time.

FIGURE 8

**Weekly Expenditure on Children's Clothing, Children's Shoes and Toys
(1997 pounds per week)**

☐ 1968 ■ 1995–96

Children's Clothing: Households with One Child

Children's Clothing: Households with Two Children

Children's Shoes: Households with One Child

Children's Shoes: Households with Two Children

Toys: Households with One Child

Toys: Households with Two Children

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their ability to provide the necessities in the index than on average spending on regular purchases'. This is not something that we have been able to test here, and suggests perhaps that our finding that spending is affected more by parental employment status than by whether one or two parents are present be treated with caution in any discussion of child poverty.

While some differences emerge, it is nevertheless clear that rising trends in child poverty measured on an income basis are also reflected in a wider dispersion of expenditures. As a consequence of a more pronounced incidence of low incomes, a large, and increasing, proportion of children are also losing out in terms of what is spent on them.

V. CONCLUSIONS

Child poverty rates (with poverty defined as income below half of mean household equivalised income) have grown massively over the last 30 years. Around 4.3 million children now live in poverty according to this definition. Over half (2.3 million) of these children live in households where no one is in work. Furthermore, if one compares the income levels of households with and without children, it is evident that incomes of those with children have fallen further behind those without, particularly since the late 1970s. The same is true if one looks at expenditure rather than income. It is well known that income inequality and expenditure inequality have risen sharply in the UK. What is less well known is the fact that increased child poverty, coupled with rising joblessness at a household level, is a very important feature of this rise in inequality.[14]

Of course, these results have potentially important ramifications for the economic and social out-turns facing children when they become adults. Some of our earlier work (Gregg and Machin, 1998) shows that growing up in a family facing financial difficulties is closely linked to poor educational attainment and reduced chances of success in the adult labour market. This work covered a cohort of people born in 1958 who therefore grew up in the 1960s and early 1970s. According to the numbers presented earlier, child poverty was much lower then but was associated with reduced life chances as an adult during the era of rising income and labour market inequality of the 1980s and 1990s. The pessimistic line offered by this paper is that the increased incidence of child poverty that has occurred since then may well result in more people facing reduced life chances in the near future as compared with that earlier cohort.

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[14]An important area for future research concerns the extent to which one can find an association between the observed rises in child poverty and changes in social security payments and other policy changes. This would involve a much more in-depth look at changes in the different components of income and how they have shifted through time.

As such, these results are very important for policy, particularly given the stance of the Labour government. The Prime Minister has recently called for the abolition of child poverty within a generation (and a reduction by 700,000 by the end of this parliament). The results we present clearly illustrate that the scale of this task is huge. The policy response our numbers imply needs to be a large and effective one, and one that will need to persist over the lifetime of several governments. Much more research is required to see what works best: some of the policies currently on the table include improved access to better education, better-quality childcare, the New Deal and the SureStart programme. That these programmes have the real potential to eliminate child poverty is highly unlikely, but they are a step in the right direction.

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