

Local indicators of child poverty after housing costs, 2020/21

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CAUTIONARY NOTE ON THIS YEAR'S DATA

The statistics on local child poverty rates after housing costs presented in this report are calibrated to regional three-year average rates from Households Below Average Income (HBAI). Due to sampling issues during 2020/21, additional caution may be required in interpreting these statistics. More information on the technical issues with HBAI is available [here](#).

1. Executive summary

This report outlines the main findings relating to this year's after housing costs (AHC) estimates of child poverty in local areas. The statistics estimate the impact of housing costs on the number and percentage of children living below 60% median income in local authorities and parliamentary constituencies by using local rent and house prices data to adjust the before housing costs (BHC) statistics, *Children in Low Income Families: Local Area Statistics*, released by the Department for Work and Pensions (DWP).

Key findings

- Child poverty was down overall in the UK in 2020/21, but is likely to be a temporary improvement related to the additional support provided to low-income families during the Covid-19 pandemic via the £20 uplift to Universal Credit.
- There is substantial regional variation in the AHC rates. Child poverty has continued to increase in the North East and Wales, and the North East has now overtaken London to have the highest AHC child poverty rate in the UK.
- At a local level, local authorities and constituencies in London continue to dominate the top 20 areas with the highest AHC child poverty rates. Rates are also high in other large urban local authorities and constituencies, including in Birmingham and Manchester, and in areas of the North East.
- The statistics highlight major inequalities in rates of child poverty both between and within regions of the UK, indicating that 'levelling up' is far from becoming a reality in the case of child poverty.

2. Introduction

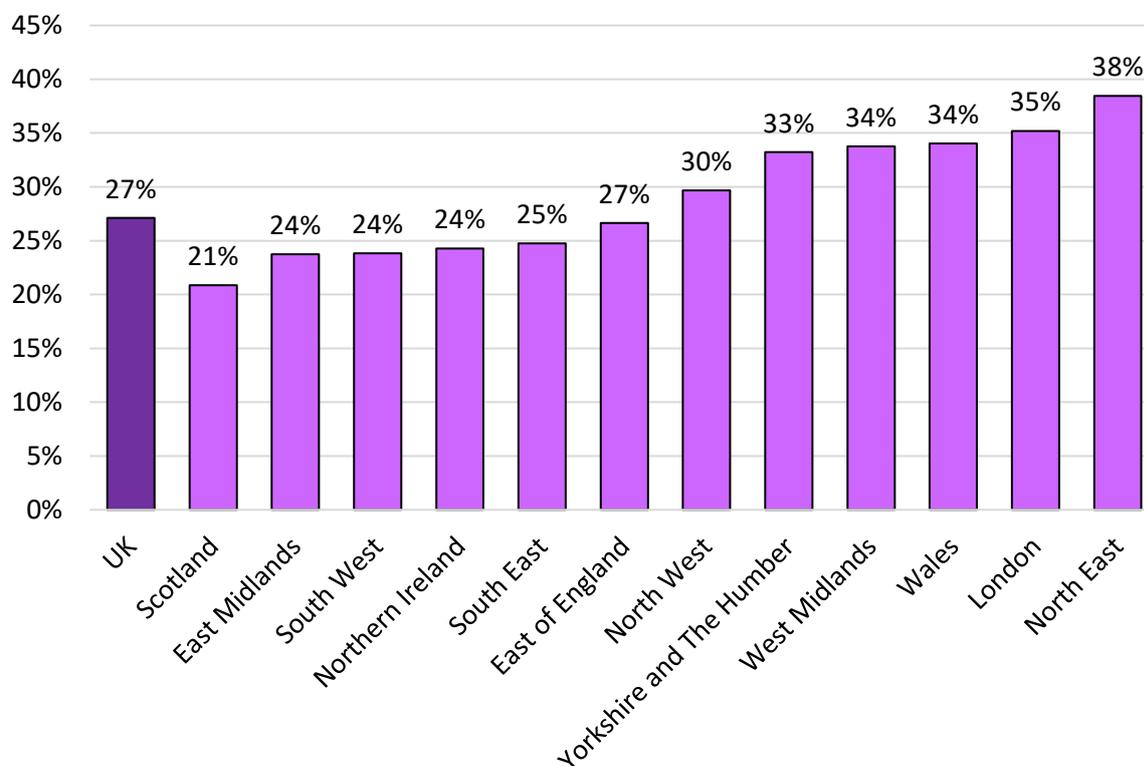
This report summarises the latest data on local child poverty after housing costs, produced for the End Child Poverty Coalition by the Centre for Research in Social Policy at Loughborough University. The data are for the year ending March 2021, and therefore cover the first year of the Covid-19 pandemic. The extraordinary circumstances of 2020 brought disruption to many areas of life, including financial challenges for individuals and for the wider economy. In response to this, in March 2020, the Government announced that to help those households who might be particularly vulnerable to financial hardship, there would be a £20 increase to the standard allowance of Universal Credit (UC), amounting to just over £1,000 additional income, per year, for households in receipt of UC. Originally planned to be in place for a year, the uplift to UC was subsequently extended for a further 6 months, but was removed in October 2021.

The impact of the temporary increase to UC is reflected in the overall poverty statistics for 2020/21. The percentage of individuals in relative poverty, after housing costs, fell from 22% in 2019/20 to 20% in the most recent Household Below Average Income (HBAI) data. The percentage of children in poverty fell even more markedly, from 31% to 27%. On the one hand, this could be regarded as encouraging evidence that a policy that put more money in the pockets of low-income households had a positive impact on rates of child poverty. On the other hand, it is likely that the reversal of this policy 18 months later will have, in turn, reversed this beneficial effect. Moreover, the UK statistics provide only a very broad indication of the impact of both Covid-19 and of the £20 UC uplift. In the context of the current 'levelling up' agenda being emphasised by the UK government, it is important to consider how these trends may vary at regional and local level.

Figure 1 shows overall rates of child poverty in the regions and countries of the UK in 2020/21. Although rates remain high in London overall, at 35%, for the first time in the period covered by this data series (from 2014/15), the North East has overtaken London to have the highest AHC child poverty rate, at 38%. Scotland and Northern Ireland continue to

have lower child poverty rates AHC, at 21% and 24%, respectively, while the rate in Wales is much higher, at 34%.

Figure 1 Percentage of children in poverty, AHC 2019/20, by country and region



Source: HBAI 2018/19 to 2020/21 (DWP).
UK statistic is for 2020/21, regional statistics are 3-year averages

The statistics in Figure 1 are derived from the Households Below Average Income (HBAI) data released annually by the Department for Work and Pensions (DWP) and are considered the official poverty statistics for the UK. One of the many consequences of the Covid-19 pandemic was that collection of household-level data via cross-sectional surveys such as the Family Resources Survey (on which the official poverty statistics are based) became more problematic, and the 2020/21 survey included only around half the usual sample. Although this has led to a larger than usual degree of uncertainty in relation to the overall UK statistics, an alternative data source is available when considering geographical variation in child poverty – the DWP’s *Children in low income families: local area statistics*, which estimates the percentage of children living in households with below 60% median income in

local areas.¹ These data are drawn directly from tax and benefit records and are not subject to the same degree of data collection issues that have affected survey-based estimates of poverty such as HBAI.² However, because administrative data on housing costs are not routinely collected, the statistics are only reported on a 'before housing costs' (BHC) basis. Therefore, they do not provide a complete picture of how the *disposable* income of households with children varies geographically, and underestimate poverty rates in regions like London where housing costs are very high.

To address this issue, we developed a method for adjusting the BHC statistics to estimate the effect of varying housing costs on child poverty in local areas. The method is outlined in detail in our [original 2020 paper](#). Briefly, we use administrative data on rents for local authorities, combined with household-level data from the *Understanding Society* longitudinal survey³ to estimate the relationship between housing costs and the relative risk of being in poverty before and after housing costs. We then use this information to adjust the BHC statistics for local authorities. For constituencies, for which local rent data are not available, we also include information median house prices.⁴

¹ <https://www.gov.uk/government/collections/children-in-low-income-families-local-area-statistics>

² Note, however, that these statistics are calibrated to regional 3-year averages from Households Below Average Income for the financial years 2018/19 to 2020/21 so caution is still advised in interpreting these most recent statistics.

³ University of Essex, Institute for Social and Economic Research. (2022). *Understanding Society: Waves 1-11, 2009-2020 and Harmonised BHPS: Waves 1-18, 1991-2009*. [data collection]. 15th Edition. UK Data Service. SN: 6614, <http://doi.org/10.5255/UKDA-SN-6614-16>.

⁴ The AHC local area statistics are, like the BHC data, calibrated to 3-year regional averages from HBAI and are therefore subject to the same caveats regarding interpretation due to the sampling issues in 2020/21.

3. Local authority and parliamentary constituency rates in 2020/21

Tables 1 and 2 show the 20 local authorities and constituencies with the highest child poverty rates, after housing costs, in 2020/21, the latest year for which data are available.

Table 1 The 20 local authorities with highest child poverty rates, 2020/21

Local authority	% of children below 60% median income after housing costs, 2019/20
UK	27%
Tower Hamlets	51.4%
Newham	49.5%
Barking and Dagenham	46.4%
Hackney	45.3%
Luton	44.6%
Waltham Forest	42.6%
Newcastle upon Tyne	42.4%
Birmingham	42.2%
Manchester	42.0%
Middlesbrough	41.2%
Greenwich	40.1%
Bradford	39.8%
Sunderland	39.7%
Sandwell	39.6%
Brent	39.5%
Oldham	39.3%
Redcar and Cleveland	39.3%
South Tyneside	39.1%
Hartlepool	39.0%
Peterborough	38.9%

Table 2 The 20 parliamentary constituencies with highest child poverty rates, 2020/21

Constituency	% of children below 60% median income after housing costs, 2019/20
UK	27%
Bethnal Green and Bow	56.1%
Birmingham, Hall Green	52.9%
Birmingham, Ladywood	52.8%
Birmingham, Hodge Hill	51.3%
Bradford West	51.2%
Middlesbrough	50.7%
Bradford East	50.1%
East Ham	50.1%
Hackney South and Shoreditch	49.5%
Barking	49.1%
West Ham	48.8%
Newcastle upon Tyne Central	47.8%
Manchester, Gorton	47.5%
Luton South	47.5%
Oldham West and Royton	47.4%
Luton North	47.4%
Poplar and Limehouse	47.2%
Vauxhall	47.1%
Walthamstow	47.0%
Peterborough	47.0%

As in previous years, once housing costs are taken into account, local authorities and constituencies in London are most commonly affected by high levels of child poverty. Rates are also high in other large urban areas, including Birmingham and Manchester, and in areas of the North East. Despite the overall fall in child poverty in the UK, over half the children living in the eight worst affected constituencies remain in poverty after housing costs.

4. Change in local child poverty rates over time

As noted above, one of the most striking findings this year is that the overall AHC child poverty rate has continued to increase in the North East, with the rate overtaking London. Rates in Wales have also increased markedly for the past two years.

Figure 2 shows how this trend has developed over a longer time period. While child poverty rates improved considerably in the North East during the five-year period between 2008/09 and 2013/14, they have since risen dramatically to reach the same high level as in the late-1990s and early 2000s. Rates in London have remained relatively stable over the time period covered in Figure 2, and have consistently been the highest of all UK regions and countries, but have fallen based on the two most recent years of data, with a particularly notable fall between 2019/20 and 2020/21. The trend in Wales looks similar to the North East, although the changes are smaller in magnitude.

While we cannot be certain as to the underlying reasons behind these diverging trends, it is likely to be linked to the historical and ongoing patterns of economic activity and the need for social security in the different regions. Figure 3 shows the unemployment rate in the North East and London from 2013/14 until 2020/21. Both regions have an unemployment rate consistently higher than the UK average, with the North East having the highest rate until the most recent year. In 2020/21, the unemployment rate rose sharply in London, but only marginally in the North East, with the rates now converging. Unemployment rates in Wales are similar to the UK average, although did not increase to the same extent in the most recent year.

During the pandemic, job losses were particularly prevalent in industries related to arts, entertainment & recreation, as well as in hospitality and catering⁵, which are particularly key industries for those working in the capital. Why then, did child poverty rates fall in London overall during this period, particularly when rates in the North East were continuing

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<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/labourmarketeconomicanalysisquarterly/december2020>

to rise despite a less pronounced rise in unemployment? Part of the explanation lies in the within-region variation; as outlined in section 2, many local areas in London still have very high rates of child poverty after housing costs, with a rate of over 50% in Tower Hamlets – the local authority with the highest child poverty rate. However, this is not the case across the region – figure 4 shows that while child poverty rates are consistently high across the North East, in London there is much wider variation, with many local authorities having a rate much lower than the UK average. Therefore, the decline in child poverty in London overall masks a more heterogeneous picture that includes major inequality between local areas within the region.

Variation in receipt of the £20 uplift to Universal Credit also plays a role. Those in London who became newly unemployed in 2020/21, and who were eligible for out-of-work benefits, would usually have had to apply for Universal Credit rather than Job Seekers Allowance (JSA), and would therefore have received the additional £20 during 2020/21. In the North East, where unemployment rates were already higher, there would likely have been more households still receiving benefits under the old system, and these households were excluded from receiving the £20 uplift. Figure 5 shows that between March 2020 and April 2021, the number of people on Universal Credit more than doubled in London, but showed the lowest increase (68%) in the North East. Wales, which as noted above also saw a marked increase in child poverty in the most recent data, had the second lowest increase in people on UC.

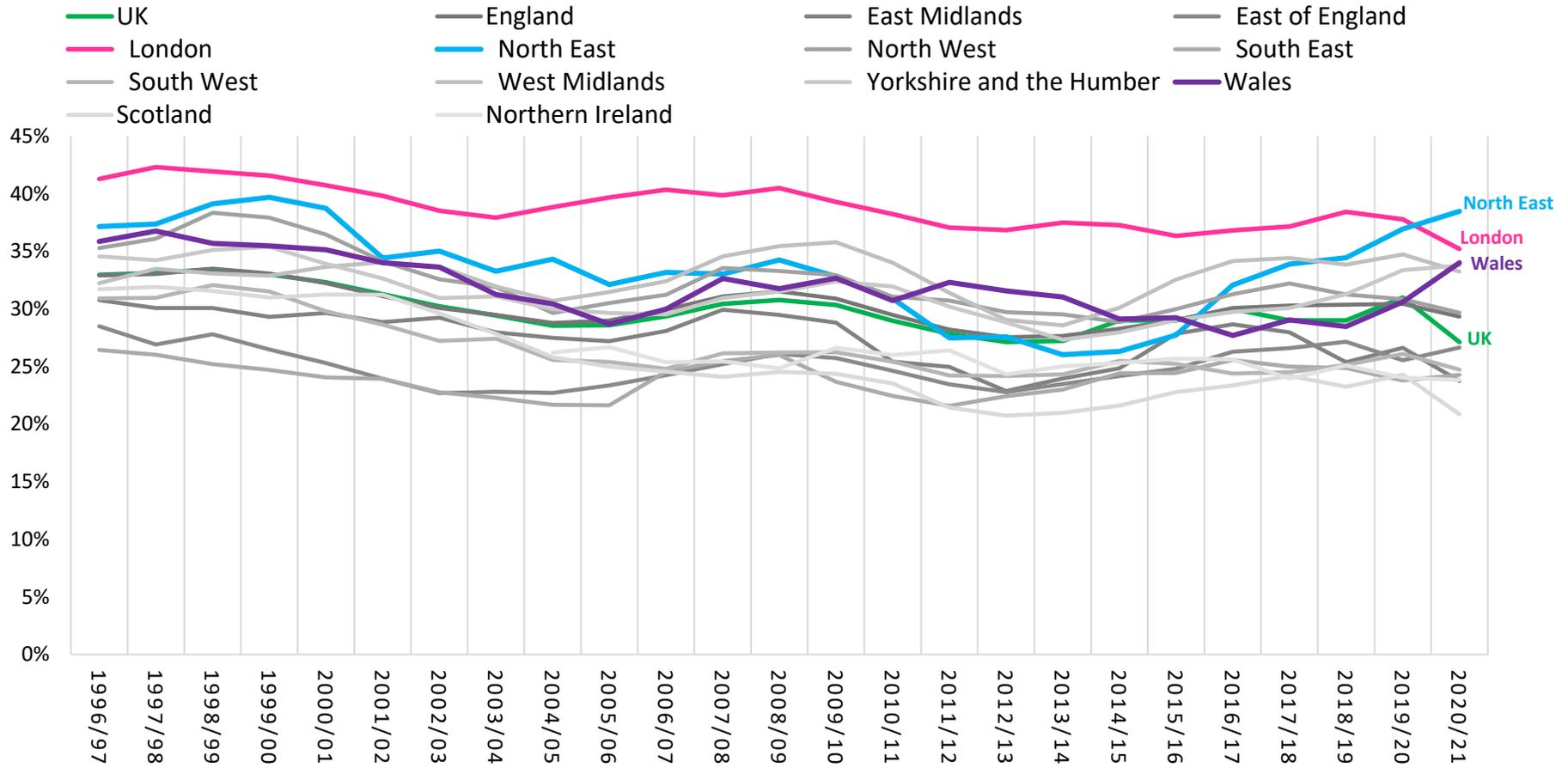
The story is not, however, just about unemployment. In recent years, in-work poverty has become a major issue for families – since 2014/15, the proportion of children in poverty who live with at least one adult in work has risen from 67%, to 76% in 2019/20⁶. While we do not have reliable regional breakdowns of in-work poverty after housing costs for the most recent year, we can use the before housing costs statistics from the *Children in Low Income Families: Local Area Statistics* to provide some insight into regional poverty rates by work status. Figure 6 shows how the proportion of children in poverty, who are in a household with at least one adult in work, has changed for selected regions over time. The

⁶ Households Below Average Income, 2019/20: Children (Time Series - Composition). Table 4_7ts.

proportion in in-work poverty is highest in London, and increased notably between 2016/17 and 2019/20, but fell in the more recent year. In contrast, in the North East, the proportion remained fairly flat until 2018/19, when it showed a sharp increase that continued until the most recent timepoint. The proportion of children in poverty who are in a working household is now similar in the two regions. Wales shows a less consistent pattern, increasing in the early part of the period, before a temporary decrease in 2018/19, but rising again to reach a similar level to the North East in 2020/21.

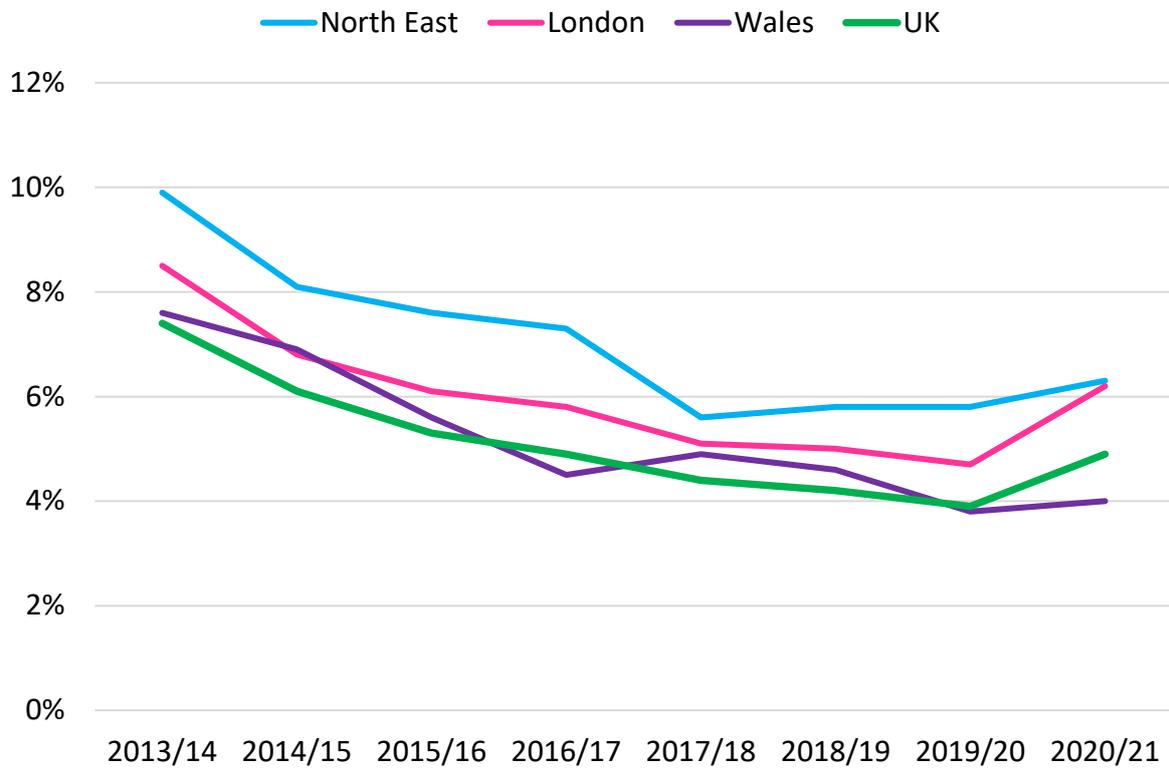
These trends indicate that low wages are likely to play an important part in explaining the continued rise in child poverty rates in the North East and Wales. In London, where out-of-work poverty became more prevalent in 2020/21, the temporary strengthening of the safety net via the £20 uplift to Universal Credit provided protection against poverty in the short term for those out of work, but with the reversal of the uplift, it is likely that child poverty will now rise again for workless households.

Figure 2 Percentage of children in poverty, AHC, 1996/7 to 2020/21



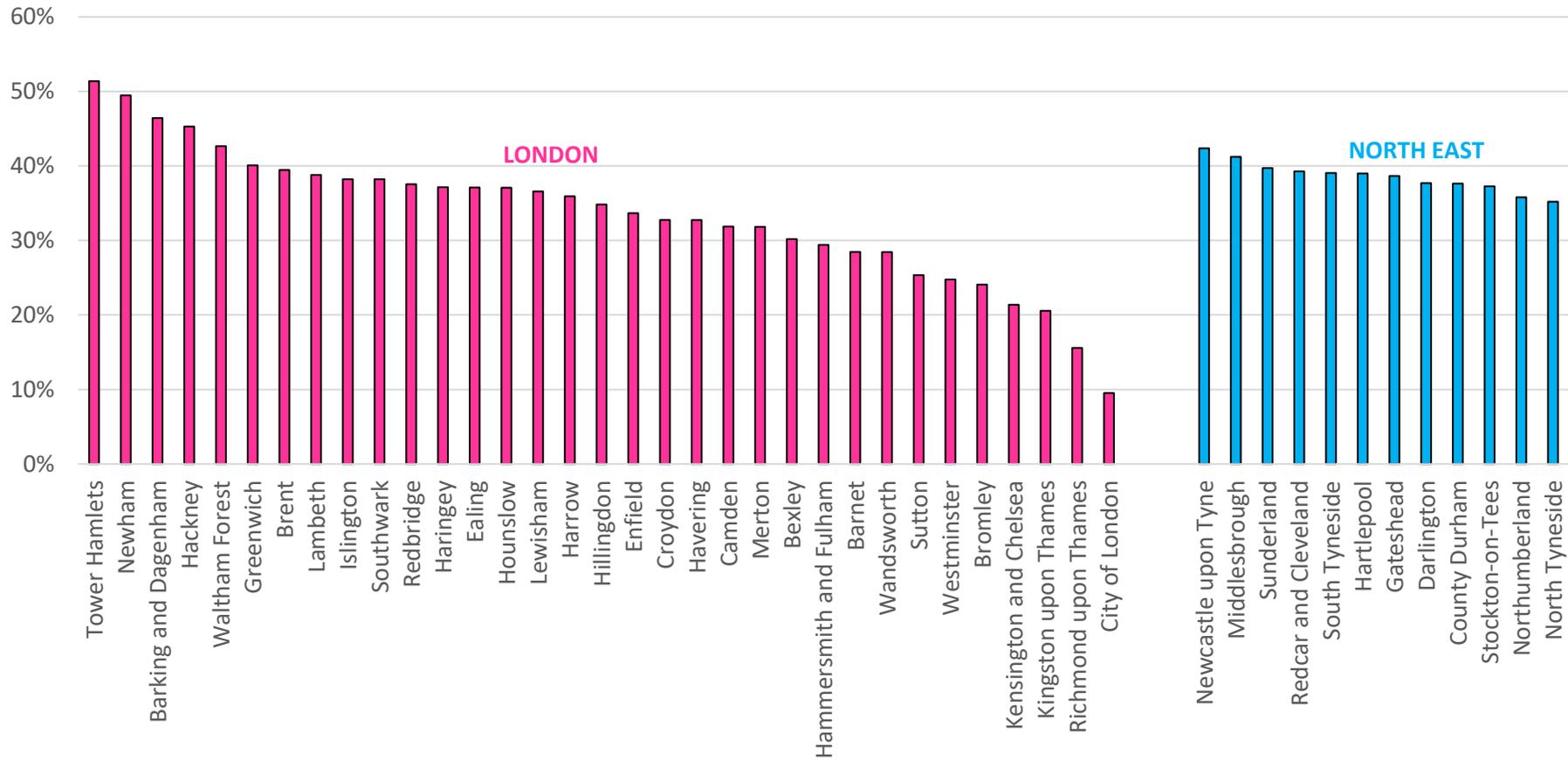
Source: HBAI 1996/97 to 2020/21 (DWP).

Figure 3 Unemployment rate by selected region, 2013/14 to 2020/21



Source: Annual Population Survey 2013/14 to 2020/21 (ONS).

Figure 4 Percentage of children in poverty, AHC, 2020/21. Local authorities.



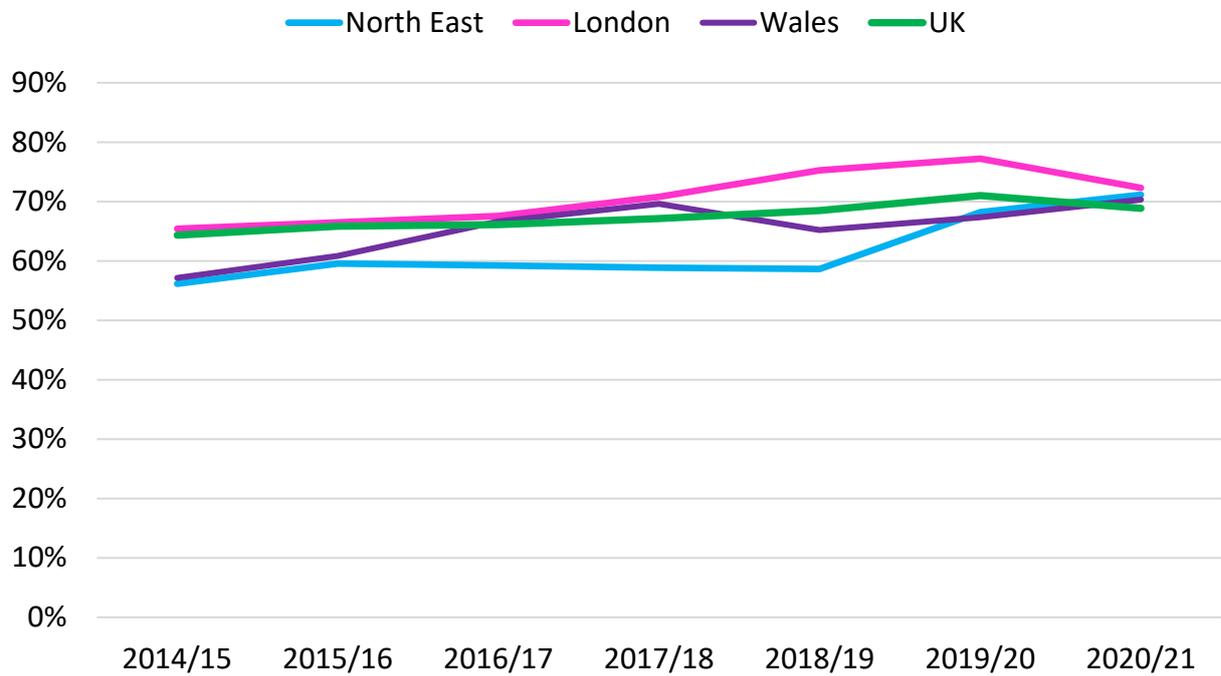
Source: End Child Poverty/Loughborough University local AHC child poverty statistics 2020/21

Figure 5 Percentage increase of people on Universal Credit by region, Great Britain, March 2020 to April 2021



Source: Universal Credit data tables (DWP)

Figure 6 Proportion of children in before housing costs poverty who are in households with at least one adult in work by selected region, 2014/15 to 2020/21



Source: Children in Low Income Families: Local Area Statistics (DWP)

5. The effect of housing costs

This report has used the after housing cost indicator of child poverty as the best indicator of how families experience low disposable income. Tables 5 and 6 show in which local authorities and constituencies adjusting for housing costs makes the most difference. Unsurprisingly, the greatest differences are in London, where housing costs are greatest.

Table 5 The 20 local authorities with the highest AHC compared to BHC poverty rates, 2020/21

Local Authority	% of children below 60% median income AHC		
	AHC	BHC	%age point difference
UK	27%	19%	8%
Tower Hamlets	51.4%	25.3%	26.1%
Newham	49.5%	25.1%	24.4%
Hackney	45.3%	21.3%	24.0%
Islington	38.2%	16.8%	21.4%
Barking and Dagenham	46.4%	25.3%	21.1%
Southwark	38.2%	17.3%	20.9%
Lambeth	38.8%	17.9%	20.9%
Waltham Forest	42.6%	21.8%	20.8%
Brent	39.5%	18.9%	20.6%
Greenwich	40.1%	19.8%	20.3%
Ealing	37.1%	17.0%	20.1%
Haringey	37.1%	17.2%	19.9%
Redbridge	37.5%	18.3%	19.2%
Hounslow	37.1%	18.0%	19.1%
Lewisham	36.6%	17.6%	19.0%
Harrow	35.9%	17.0%	18.9%
Camden	31.9%	13.3%	18.6%
Hillingdon	34.8%	16.6%	18.2%
Enfield	33.7%	15.9%	17.8%
Merton	31.8%	14.4%	17.4%

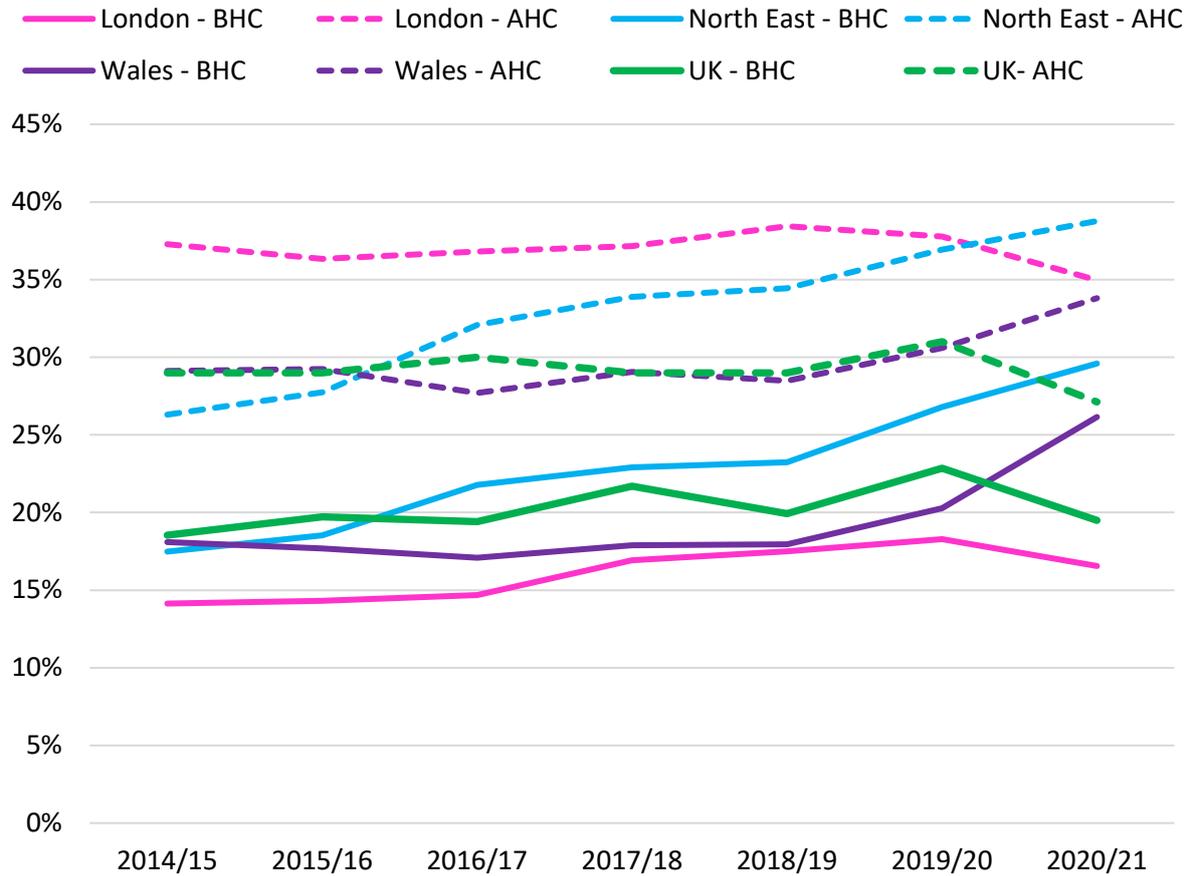
Table 6 The 20 constituencies with the highest AHC compared to BHC poverty rates, 2020/21

Constituency	% of children below 60% median income AHC		
	AHC	BHC	%age point difference
UK	27%	19%	8%
Bethnal Green and Bow	56.1%	28.6%	27.5%
Hackney South and Shoreditch	49.5%	23.5%	26.0%
Vauxhall	47.1%	22.0%	25.1%
East Ham	50.1%	25.4%	24.7%
Poplar and Limehouse	47.2%	22.7%	24.5%
West Ham	48.8%	24.7%	24.1%
Walthamstow	47.0%	23.1%	23.9%
Barking	49.1%	25.8%	23.3%
Tottenham	44.4%	21.7%	22.7%
Islington South and Finsbury	40.4%	17.7%	22.7%
Brent North	43.8%	21.2%	22.6%
Hackney North and Stoke Newington	42.1%	19.6%	22.5%
Harrow East	43.1%	20.6%	22.5%
Holborn and St Pancras	40.0%	17.6%	22.4%
Greenwich and Woolwich	42.2%	20.2%	22.0%
Mitcham and Morden	43.5%	21.5%	22.0%
Ilford South	43.5%	21.5%	22.0%
Leyton and Wanstead	41.4%	19.7%	21.7%
Dagenham and Rainham	44.0%	22.3%	21.7%
Bermondsey and Old Southwark	40.9%	19.2%	21.7%

While only considering incomes before housing masks high AHC poverty rates in London, the analysis throughout this report has shown that it is not just areas with high housing costs that are affected by high rates of AHC child poverty. The North East, in particular, is not generally a high housing costs area, but has shown a persistent increase in rates of child poverty after housing costs. Figure 7 shows, at a regional level, how child poverty before and after housing costs has changed over time for selected regions, and for the whole of the UK. This shows that while London has the biggest gap between before and after housing costs child poverty rates throughout the time series, the observed increase in child poverty rates in the North East and Wales is not driven by high housing costs. In fact, the before housing costs rates show a similar and striking increase over the past two years in these regions. As discussed in previous sections of this report, other factors, particularly relating

to unemployment and in-work poverty, are also of key importance in explaining the high poverty rates in these areas.

Figure 7 Percentage of children in poverty before and after housing costs by selected region, 2014/15 to 2020/21



Source: HBAI 2014/15 to 2020/21 (DWP).

6. Conclusion

This report has shown that during 2020/21, a period of great disruption in many areas of life in the UK due to the Covid-19 pandemic, child poverty remained a major issue across the UK despite the additional support provided to low-income families via the £20 uplift to Universal Credit.

This is not to say that the UC uplift did not have a positive impact – child poverty fell overall in the UK for the first time in a number of years, demonstrating that boosting the incomes of low-income families via cash transfers works to alleviate poverty. Nevertheless, wide variation between local areas in the impact of this policy and of the trends in child poverty, has shown that this is only part of the answer. In particular, areas affected by already high rates of unemployment and in-work poverty, particularly in the North East of England and in Wales, saw substantial increases in child poverty both before and after housing costs between 2019/20 and 2020/21. The rate of child poverty after housing costs in the North East now outstrips London.

There are also additional factors that are likely to affect regional variation in child poverty rates but that cannot be directly evaluated via the statistics presented here. In particular, there are persistent ethnic inequalities in child poverty across the UK – in 2019/20, 45% of children in Asian or Asian British households and 48% of those in Black households were in poverty after housing costs, compared with just 26% of those where the head of household was White.⁷ This is one factor that likely contributes to high rates of child poverty in London, which has by far the most ethnically diverse population among the regions of countries of the UK.⁸

Disability is also associated with an increased risk of poverty. In 2019/20, children living in a family where someone is disabled had a poverty rate of 37% after housing costs, compared with 28% for children living in families where no-one is disabled.⁷ Although quantifying this is beyond the scope of the statistics presented in this report, it is likely that factors such as regional differences in access to support – both practical and financial – for those living in households where one or more people are disabled can also play a role in driving the local and regional variation in child poverty.

⁷ Households Below Average Income, 2019/20: Children – detailed breakdown. Table 4_5db
⁸

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/populationestimatesbyethnicgroupandreligionenglandandwales/2019>

These continued inequalities, and the stark local and regional variation in child poverty rates, presented in this report suggest that the government's 'levelling up' agenda has a long way to go where child poverty is concerned.

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