



Northern Ireland
Assembly

Committee for Employment and Learning

**OFFICIAL REPORT
(Hansard)**

Child Poverty Outcomes Model

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This is a discussion paper, so it is a work in progress. It stems from the junior Ministers asking us to give a presentation to the poverty and social inclusion stakeholder forum. That forum includes all Departments. The genesis of all that is the Child Poverty Act 2010. The Act places a statutory duty on Departments to describe the effect of their actions in contributing to the reduction of child poverty. Therefore, they must quantify how their actions reduce child poverty.

We had a meeting with statisticians and economists in the glasshouse at Stormont Castle to discuss how we could do that. It was a very necessary meeting. However, it was very pessimistic, because the statisticians and economists were saying that that was not possible and that there were a whole range of reasons why we could not do that. I was asked to draw up a discussion paper to try to see a way through that. Although that conversation was very pessimistic, it got people thinking about how we overcome some of the barriers.

I will go through the child poverty targets as they are defined in legislation. I will say a little bit about them and what the current trends are. I will then take a purely financial approach to solving child poverty. I will say how much it would cost and whether it is sustainable. I will then look at a purely employment approach to reducing child poverty. We came up with four opportunities that Departments could consider to try to take the debate further. As it is a work in progress, four has now increased to six. I will mention them at the very end of my comments.

I will deal first with income distribution. I do not want to lose my audience on the first slide. However, it is important to recognise that it represents income distribution in 2008-09. It is defined as relative income poverty before housing costs. It is income before housing costs because that is how the legislation defines it. Committee members will see that the UK median income is around £400 a week. Sixty per cent of that level is the poverty line, which is £244 a week. I have committed that figure of £244 to memory because it correlates perfectly with the level of income that people in Northern Ireland will earn if they have no qualifications. That figure of £244 is 70% of the Northern Ireland average wage. It corresponds to 90,000 people with no qualifications in the workforce at present. Those people can expect to earn £244 a week on average. There are 90,000 such people in the system at present.

The purpose of that talk was to make Departments aware and give them a sense of the scale of the problem that we face, and to give some consideration to the actions that are necessary and the costs of those actions. You will notice — well, those who are at the back of the room will not — that there is a bar to the very left of the graph at around the 15,000 mark. That represents the number of self-employed people who are in poverty. The bar labelled “1” represents, essentially, people who are totally dependent on benefits. The bar labelled “2” represents a mixture of people who are on benefits and in work. Around half of the number of children who are in poverty live in households in which there is a working adult. The figure of £244 is very important.

I looked at the 2009-2010 figures. I found that the UK median had increased very slightly. The poverty line went from £244 a week to £248 a week. The graph illustrates 60% of the UK median household income of £244, and the 60,000 household mark is shown. This year, the increased median of £248 pulled up the income distribution, throwing those 60,000 families into poverty. That is what increased the child poverty figures from 107,000 —

The Chairperson: Run that past us again. There was too much clicking going on.

Dr Donnelly: The poverty line was £244 in 2008-09.

The Chairperson: Yes. That is 60% of UK median income, which is the definition of poverty. Did the figure go up to £248 the next year?

Dr Donnelly: Yes. It went up a mere £4, but that was enough to increase the numbers in child poverty from 107,000 to 122,000. So, small increases in the UK median household income quite quickly push up our poverty levels. The UK median income is a form of average. If it drifts upwards, Northern Ireland drifts away from it, and that pushes our poverty levels up dramatically. If that trend continues, we could be looking at very serious levels of child poverty in a few short years.

The Chairperson: I know that you are talking in general about child poverty, but you are now describing adult poverty. What individuals are you talking about? Who are the 120,00 people, and what age group are they in?

Dr Donnelly: Essentially, they are 0- to 16-year-olds. If you count those in full-time education, the figure goes up to —

The Chairperson: So, there are 120,000 in poverty.

Dr Donnelly: There are 122,000 children in poverty. This is really a child poverty outcomes model, rather than a measure of adult poverty. I am showing the distribution in households and describing the number of children in those households that fall below the poverty line. The figure for that is 28%. That is the biggest variation on record from the UK figure, which is 20%, so a gap is opening up.

The UK median income is drifting off; or rather, Northern Ireland is drifting off the pace of the increase in the average household income in GB.

I have another graph illustrating Northern Ireland relative income poverty for children that shows the numbers and percentages that are involved. It begins in 1998, when we estimated that 29% of children were in relative income poverty. In other words, those children live in households where income was below 60% of the UK median. That fell until about 2007-08, when it started to increase. We need to follow a trajectory to meet the 2020 targets, but we are significantly deviating from those targets, and the child poverty level is currently around 28%.

The Institute of Fiscal Studies carried out a study that looked at what the UK child poverty figure might be in 2020, and it estimated that it would be around 24-4% by then. Northern Ireland has always been 2% or 3% ahead of those figures. Even on a pro-rata basis, that could put our levels of child poverty in 2020 at 28%, 29% or 30%, or it could bring us right back to the 1998 level.

The second definition in the Child Poverty Act 2010 is the absolute poverty level for children, and it is one of those measures that is defined in legislation that has a target. We define it by looking at how many children are in relative income poverty in 1998. We then set that in stone, and, as time moves on, we look at the number of children in households who live today at levels of poverty that existed in 1998. It was good to see a downward trend, but in the past three years, we have seen an increase. What that means is —

The Chairperson: I am sorry; I did not get that, Stephen. What is "relative income poverty"?

Dr Donnelly: Relative income poverty is the number of households that have incomes that are below 60% of the current UK median income. The UK median income is about £400.

The Chairperson: OK. I got that bit. That is the definition in the statute. What is absolute poverty?

Dr Donnelly: To measure absolute poverty, we set in stone the relative poverty that existed in 1998, and we then we look at household incomes.

The Chairperson: Does that mean that you look at the numbers of people who are in relative poverty?

Dr Donnelly: Yes; we set that in stone. Then, taking inflation into account, we look at the number of households that are still living at 1998 poverty levels. The target for the relative income poverty level is to be below 10% by 2020, and the target for the absolute poverty level is to be below 5% by 2020. It is currently at about 18%. Households were doing better materially, year on year, until 2007-08, which was when their incomes started to retreat towards the poverty levels that existed in 1998. We expect those households to be seeing an actual material deterioration in their living standards. Again, we are deviating from the trajectory that is needed to meet the 2020 target.

Since 1998, Northern Ireland's relative income poverty levels have been higher than those in the UK. The 2009-2010 figures show the biggest differential on record.

The legislation has a third definition: the mixed measure. That takes a measure of low household income and combines it with a series of questions that are asked of families. They are asked such questions as, do you have trouble paying utility bills? Do you have a problem replacing worn-out furniture or broken white goods? Can you afford household contents insurance? Are you finding it difficult to save even a small amount of money, such as £10 a week? Those questions are combined with figures on households that are on low income. The figures for the mixed measure have increased dramatically between 2008-09 and 2009-2010. We have 23% of children in households that are in poverty on that mixed measure.

Those are the three measures that are defined in the legislation. A number of other measures, such as persistent poverty, are mentioned in the legislation, but, as yet, they have not been defined.

We had a meeting with statisticians and economists, and we asked why it is difficult to model childhood poverty outcomes that are linked to Departments' actions. They responded that we do not have control over taxation or the redistribution of income, which is essential if you are going to be bearing down on child poverty. They also said that we do not have control over the effect of global economics on employment rates. We accepted that. On the other hand, we have control over prevention. The witnesses in your previous session spoke about the importance of prevention and early investment, and some of those preventative actions include investment in areas such as Sure Start, reducing teenage births, and investment in health education and childcare.

We also do not have control over things such as fertility rates. The larger a family, the higher the risk of its falling into poverty. We do not have control over such things as divorce and separation. We looked at family structures and the risks that are related to poverty. We found that, if you are married or cohabiting, you have the lowest risk of falling into poverty; if you are divorced, your chances of living in poverty go up; if you are separated, the risk of poverty goes up further; and if you are single or have never married, it goes up further still. When looking at such families, we also found that, as those proportions increase, you get poorer housing, for instance. As we went down the list, we got such things as increased crime and poorer environments. So, the family structure is particularly important, but statisticians and economists told us that we cannot control those sorts of things. However, we have control over some of the other issues, so there are things that we can do.

I put to the statisticians and economists the reasons that they could bring back to their Minister and Department that could help them think through how their actions could be quantifiably linked to reductions in child poverty. I will not say a lot about one particular area, because it is statistical modelling, but I will briefly mention two examples. Some academics looked at parental qualifications, and they modelled the relationship between parental qualifications and childhood poverty. Then they modelled what would happen to child poverty by a certain date if parental qualifications were to increase by a certain amount. They could make that link and quantification. So, investment in increased parental qualifications could be quantifiably linked to reductions in child poverty.

Another example was a piece of research that was done on childcare. Increased investments in childcare were quantifiably linked to decreases in child poverty. A lot of this information is based on many economic assumptions, and, in the childcare example, the pieces of research that I looked at suggested that investments in childcare could reduce child poverty by a maximum of 50% and a minimum of 15%. I told my statistical colleagues in Departments that that had been done elsewhere and that they should go back to economists and statisticians in their Departments and look for opportunities to develop those sorts of models. I said that that would give their Minister the evidence that he or she needs to demonstrate the impact of their Department's actions on child poverty.

Simplifying that considerably, we were looking at correlations that predict child poverty. There is a very well-known book by Jonathan Bradshaw that looks at the poverty outcomes for children. That book has been updated over the years, and the latest version was out just last year. It looks at the research evidence that quantifies and demonstrates a causal relationship between one factor and child poverty outcomes. I will give you some examples of that.

We told Departments that they need to consider what drives child poverty. That could be factors such as children's qualifications, which affect earnings potential. I also told them that they need to think

about what actions can be linked to poverty outcomes, and very importantly, how much that will cost, because we were encouraging Departments to move towards a child poverty budgeting and targeting approach.

All that was helped by the publication of Revenue and Customs statistics on child poverty. The Department for Social Development (DSD) runs the families resources survey, which covers only around just over 2,000 households, so we cannot break down the statistics geographically very well. The Revenue and Customs data looked at children in households that could be identified as being in poverty, and they had their postcodes. Therefore, we now have a database where you can look at a super output area (SOA), which is a neighbourhood of around 2,000, and very accurately identify the proportion of child poverty in that area. In some areas, the figure is 1%, and, in others, it is approaching 75%. We have a fine-grained geographical analysis of where the poverty is, and that gives us a lot of evidence to help in targeting.

We realised that that is an opportunity to do some more research and to look at the links between child poverty and other factors on which we have geographic information. We have not taken this very far; I am talking about only a few days' work. Domestic violence, for example, has a high correlation of 0.63 with child poverty — a correlation goes between zero and one — and there are high correlations between child poverty and the location of the long-term unemployed and between child poverty and attendance at further and higher education. We intend to follow up some of those links further. Stay with me while I explain the scatter plot that I have on that.

The Chairperson: I am just scanning that, and I am not sure that that dot in the bottom left-hand corner is in the right place. Tell us what the scatter plot means.

Dr Donnelly: You may be right; research is never surgically precise.

We are looking at the quality of the living environment, going from good to poor. That is charted against a measure of child deprivation, so, as the quality of the environment falls, the level of poverty or deprivation in that geographic area will increase. You know from the research that there is a causal relationship; we are not just saying that we are correlating everything with everything else.

The Chairperson: How do you know that it is causal? I was going to wait until you had finished, but, in statistical analysis, you can look at a lot of interrelated factors, but the key issue is whether they are causal. You could argue that people who do not do qualifications are obviously at a lower level in society and therefore will have outcomes that are not as good as those who do. The whole thing is not necessarily causal. I am not disagreeing with you, but I am not convinced that, just because people with more qualifications earn more money, giving people more qualifications will automatically give them more money. It may just be that there is an available pool of money and that you have to add value somewhere to get money. You say that things are causal, but I want to know why.

Dr Donnelly: We have a body of research evidence that has looked at the quality of the environment and child deprivation. That body of evidence consistently says —

The Chairperson: I have no idea whether they are linked. I have absolutely no problem with them being linked. It is almost common sense that they are linked, but is it causal?

Dr Donnelly: That is what the academics in the research literature argue. We take a common sense approach to it as well. The measure of the living environment is in two parts: the quality inside the home and the quality of the area around the home. A series of pieces of research demonstrates that improving the home environment or the environment around the home will reduce the risk of child poverty. I presented the scatter plot on that to Departments, because things such as the extent to which neighbourhood renewal can be expected to drive down child poverty are not always clear. We are saying that, because the strength of the relationship is known, Departments can invest in improving the quality of the environment, they can measure that improvement, and they can predict, or guesstimate, the impact that that might have on reducing child poverty. We are saying to Departments that they should explore those relationships further, because their Ministers need to bring that sort of evidence to the Executive and explain their contribution. Without that sort of evidence, they simply cannot do that.

The Chairperson: I will not interrupt you too much, but the point is that, if you improved the quality of the housing stock in an area, you might expect people who earn a bit more money to move in to that area and drive out the people who were living there. Those people would then go off to other sink estates or whatever. You would see an improvement in child poverty in a super output area. However, it would not necessarily be because the environment has interacted better with those people; it could be because you have taken a different stratum of society in to your analysis.

Dr Donnelly: That is possible, but movement between areas is sluggish at best. When people move, their average distance moved is, believe it or not, about 3,000 metres. So, people move, but they are moving only 3,000 metres.

The Chairperson: OK; that is fair enough.

Dr Donnelly: Research evidence suggests that those two variables are quantitatively related. Therefore, officials in DSD and the Department of the Environment (DOE) can make use of that information.

My next scatter plot shows teenage births and child poverty. One of the dots shows that the number of children in poverty is around 500. There were 50 teenage births in a particular super output area in which around 500 children were in poverty. Those 50 births to teenage mothers are all at very high risk of child poverty, so that area can be identified and targeted. So, we are saying to Departments that, in a very practical and real sense, they can reduce the risks for those 50 children in that super output area by providing extra support and education for those mothers. It is difficult to ascertain the overall impact of the Programme for Government on reducing child poverty, but, when you get down to the detail of it, there are things that can be done. It is not for me to give all the Departments a list of all the things that they can do; all that I am doing is putting forward a discussion document and telling them that, although they tell me that this is a pessimistic scenario and that it is very difficult, there are ways through it.

I will now discuss wage rates by qualification level, which I mentioned earlier. People with no qualifications are among those represented on the graph that I have on that. As I said, there are 90,000 of those people in the workforce at the moment. The figures that I have on this show data from only 2005, but if I looked at a period of about 20 years, I would see that, if you have no qualifications, you are going to be earning around 70% or 75% of the Northern Ireland average wage, which just happens to correlate with the poverty line. That covers a big group of people, so it is about turning that oil tanker around. I looked at the figures for a 20-year period, and it looked as though, of those 90,000 people, on average, around 3,000 people were leaving that group. So, if we have 90,000 people there at the moment, it will take 20 to 30 years for that to decline to zero, so they are going to be in the system for a long time. Anyone in that group who has children will be contributing to the child poverty targets.

We are having bilateral discussions with the Departments about the outcomes model. Following those, at official level, the junior Ministers will have bilateral discussions with Ministers. We hope that, at that stage, the economists and statisticians will have been able to have conversations with their Ministers and will have given them some ideas about how they can contribute to their statutory obligation under the Child Poverty Act to demonstrate their impact. A good example is the percentage of children leaving school with no GCSEs. There are around 500, but my figures demonstrate that, over time, there is a decreasing percentage of children in receipt of free school meals leaving school without GCSEs. That is a very positive picture. One of the things that we are saying to Departments is that they should think about scale. There may be 90,000 people in the workforce with no qualifications, but there are 500 children who are leaving school with no GCSEs. The Departments know who those children are, so they can target them.

Departments could try to upscale their intervention. There are around 1,500 births to teenage mothers every year — they can be targeted. There are around 2,000 children leaving care every year — they can be targeted. There are around 18,000 children in households receiving income support for more than 10 years. Theoretically, those children could have grown up in poverty. We have the names, addresses and postcodes of those 18,000 children — they can be targeted. So, we are telling

Departments that, given that they can target those 50 births in that particular super output area, they can target those 500 children, the 2,000 leaving care, or the 18,000. They should also think about the scale, the quantum of the intervention, how much it is going to cost and how they are going to monitor it. We are gradually building up a dossier of examples so that Departments can say what they are doing, what they are spending and what they are researching, evaluating and charting, with the result that they can provide the evidence of how their measures are contributing to implementing the Child Poverty Act.

We told the Departments about a simple outcomes model through which we can identify poverty stressors, such as unemployment, poor health and lack of access to affordable childcare, that lead to a particular outcome, affect Y number of people and cost X pounds. We tell Departments to go through these very simple steps: identify the stressor; define your outcome; take note of the scale; and note the cost of your intervention. If every Department were to take that particular line, we would have a template that we could compile and use to try to draw an overall conclusion of its impact. One example is the expansion of the childcare sector. All the research suggests, and there is no ambiguity in this, that an expansion of the childcare sector will reduce unemployment and increase the maternal employment rate, in particular. It will also improve child development and their cognitive, social and behavioural outcomes and will get them school ready. The outcome of that would be increased parental earnings, which we can measure. I will be talking about that a little bit later. You may have heard about a child poverty reduction study. We initially referred to it as an earnings disregard study, which I will mention later.

Through surveys and research, we can measure improved health and child development and identify the numbers supported. In this particular case, some of my policy colleagues in OFMDFM got £12 million to develop the childcare sector in a strategic way by improving the quality of the workforce and reducing backlogs in registration and inspection. Another example was intensive family support for families on long-term benefits. There is a lot of research that shows what the impact of that support on poverty outcomes would be, but I will not dwell on those.

I said that I would take a purely financial approach and then a purely employment approach. From a financial perspective, we looked at all the children who were in households below the poverty line. We asked how much money would have to go into those households to bring them to just above the poverty line. We looked at the information over three years. In the first year, the sum of money involved to eliminate poverty was £125 million. In the second year, it was £155 million and in the third year it was £185 million. If you were to take what I refer to as a technical fix, it would cost us an additional £30 million a year to keep that up. That technical fix involves putting money in to bring those families to just up to the poverty line. That is no great achievement, but it moves everyone out of poverty if they are still on very low incomes. So, that fix is completely unsustainable, and the message is that you really need to focus on early intervention and prevention. The financial sums that involved are massive.

If you were to take an employment rate example, some research was conducted that estimated how many couples and lone parents would have to be in employment for us to meet our 2020 targets. The current lone parent employment rate is 52%, but to eliminate child poverty, it would have to be 86%. That is a massive increase. The number of lone parents currently in employment is approximately 30,000. Increasing the lone parent employment rate from 52% to 86% would require an additional 19,000 jobs, so creating that amount of employment would be a huge mountain to climb, and that is just for lone parents.

If we look at the figures for couples with children, the numbers in employment would have to increase from about 300,000 up to about 362,000. Depending on the year and the quarter that you look at, to help us to meet our targets, we need 19,000 jobs for lone parents and about 50,000 to 55,000 jobs for couples with children. That means that there is a not inconsequential task ahead.

The Chairperson: Are you taking rising demographics into account? Is that an absolute number? Those percentages presume that the population is static.

Dr Donnelly: The research on which the numbers are built took a forward look to 2020. By 2020, and taking demographic changes into account, those are the employment rates that would be required to meet the target. So, it is a moving target.

A colleague of mine, Guy Palmer, did a particular analysis on my behalf. I will cut to the chase and tell you what that says. It tells me that there are 50,000 children in households that are within £50 of the poverty line and that there are 10,000 children in households that are within £10 of the poverty line.

The Chairperson: Hold on a tick; I have not got that. Will you go and point to that? We will not record you for a minute.

Dr Donnelly: There are 50,000 children in homes that are within £50 a week of the poverty line. If the parent in that home was earning a wage of £7 an hour for seven or eight hours' work, it would pull them out of poverty. There are 10,000 children in homes that are within £10 of the poverty line. Even one or two hours' work could pull those 10,000 children out of poverty.

From that point of view, if you can target efficiently, you can make a bigger impact on reducing child poverty by allowing those homes to earn a relatively small amount of money without it being deducted from their benefits. That is one of the key elements of universal credit. It is an earnings disregard. It is about allowing people on low incomes to remain on benefits, with their housing benefit protected, and to earn a small amount of money — perhaps £10 or £50. That could have a massive impact on reducing child poverty.

There are possibilities here. We have 50,000 here, and we have 122,000 children in poverty overall. That figure has not changed very much over the past decade. Anything that we can do to target —

The Chairperson: We have not quite got to universal credit, so can I just check something? Are you saying that the prospective introduction of universal credit may be beneficial to us in tackling child poverty because it allows you to earn a little bit more without affecting your benefits?

Dr Donnelly: Yes, it will. On the other hand, a raft of other social welfare reforms is acting against that.

The Chairperson: I understand that. I was just checking that there was one positive potential.

Dr Donnelly: The latest Department for Work and Pensions (DWP) estimate is that, overall, the changes could drive up child poverty levels in the UK by around 100,000. I think that I am right in saying that. Therefore, proportionately, we are about 3·3% of the child population, which could mean an increase of 3,300 here. However, that is just from memory, so I will have to check.

The Chairperson: Did a paper come out from DWP?

Dr Donnelly: Yes, very recently. It is on the DWP website.

The Chairperson: We would be interested in seeing that if you can identify it for us.

Dr Donnelly: Another piece of research is beginning. The Institute of Fiscal Studies is going to take a look at what might happen to child poverty in Northern Ireland from 2011-2020. It will take into account universal credit and all the various changes. I am speaking to my DWP colleagues on the models that it is running. I do not know whether those can be applied here because of our sample sizes, but there are possibilities.

The possibility here is that there are large numbers of children in homes that are within a reasonable financial distance of the poverty line. That was the rationale behind the First Minister and the deputy First Minister asking for an earnings disregard study to be carried out. We were given £1·5 million to do that. We hope that the Department of Finance and Personnel (DFP) clears the business case in the next few weeks so that we can get that started soon.

That is really it. We are telling Departments that there are some essential elements of an outcomes model: look at your action; tell us what it is going to be; tell us on what poverty stressor it will fall;

monitor the outcome; put the resources in to do that monitoring properly; have smart outcomes; measure the number of children in families supported, whether that be 50 teenage mothers, 500 children leaving school or 18,000 children in households that have been in receipt of income support for 10 years or more; and identify the financial costs of the action.

An organisation called C4EO — the Centre for Excellence and Outcomes in Children and Young People's Services — has done quite a lot of work on that exact topic. It has put financial advisers — statisticians and economists — into local authorities to help them think through the actions that they take and their quantifiable impact on childhood outcomes. We hope to develop that.

My policy colleagues have had bilateral meetings around all the Departments, priming them for bilaterals between the junior Ministers and their Minister to try to develop a portfolio of actions through which we can cost everything.

The Chairperson: Thank you very much, Stephen. I am going to ask a few questions. Normally, I come in at the end, but it might be useful for me to deal with a few things at the outset. I will then call on members. I know that David and Michelle have questions. However, if anyone else is interested, please indicate.

Let me take you back to the initial premise, the definition of poverty as a percentage of the UK median income. That is in statute. I take on board that, when we spoke of the absolute level, you said that it might not be appropriate to link Northern Ireland's real poverty level with an economy in Great Britain that is going in a different trajectory.

Dr Donnelly: That is a good point. We rejig the figures according to a Northern Ireland median, so we looked at poverty in Northern Ireland. We have not done it for the latest figures, but we did it for last year's. Then, the poverty figure was 25%; it has since gone up to 28%. When we calculated it on the Northern Ireland median, poverty rates fell to 19%. Therefore, you are right. If you compare yourself to an affluent neighbour, you will look worse off. The affluent neighbour's median income has started to drift away from ours. Our average wages are around only 85% of wages in GB.

The Chairperson: We accept the point. By the way, I thought it an excellent presentation, which is why I want to ask a few pertinent questions. If you take that point, you can then ask how inflation looks. If benefits are set at UK levels, you can argue that they are disproportionately higher than the economic reality in Northern Ireland.

Dr Donnelly: Yes. What we find is that people are reducing their hours of work. They are either doing that or moving into part-time work. That pulls them down towards the level that they would be on if they were on benefits. It reduces the incentive to take up work. That is happening.

The Chairperson: I think that there is anecdotal evidence for that. People will say that they need to work for less than 16 hours, or whatever, because of the benefits trap. Have you done any work on what it means to be in poverty over and above a financial definition? There will be differential costs — for better or worse, I do not know — for things such as heating or food. Does food shopping for basic items in Northern Ireland cost more or less than in Great Britain?

Dr Donnelly: It costs the same. The Joseph Rowntree Foundation (JRF) did a study on that two or three years ago. It was based on what is called "minimum income standard", which is a basket of goods. It excluded housing, but that minimum income standard is something that the Joseph Rowntree Foundation promotes at the moment, because, in people's minds, it is truer measure.

The Chairperson: Is that the Work Foundation?

Dr Donnelly: No. This is the JRF.

Here is the thing about the minimum income standard: the foundation did its shopping in Northern Ireland in big supermarkets, compared the prices with those in GB and did not find any difference. It found a difference in fuel prices, but on that basket of goods there was no difference. The only other

point that I will make about that is if you have a poverty level, it will be here; if you have a minimum income standard level, it will be there. It raises the bar. It is a more stringent definition to try to meet.

The Chairperson: You might want to indicate for us where the Joseph Rowntree Foundation paper is to be found. It would be useful to us.

I have one final question, although it may be more of a statement. I was intrigued by your supposition that the scale is manageable. The danger in all these things is this: a lot of my colleagues do a lot of work with people, but you wonder whether dealing with 50 or 100 people makes a difference. In essence, we are trying to boil an ocean. Where do we begin with deprivation and poverty? If I am right, your central tenet is that the issues can be tackled if we focus on discrete areas over a long period. Is that what you are saying?

Dr Donnelly: Absolutely. I have found that the argument has moved on from the purely legislative definition, which is technical. Being held to those targets is important, but Departments and Ministers have told us it is just as important to put in place the long-term strategies that are needed.

The witnesses in the previous evidence session talked about NEETs, who are the parents of the future who will have children in poverty. Although investment in NEETs at the moment probably will not help us to meet our 2020 targets, the ground is shifting towards doing things that will improve the long-term child poverty outcome risks. Those may not necessarily have a direct impact on the targets as they are currently defined.

The Chairperson: I think that that is right. It is a challenge for any Government to look to the longer term, because of the fixation on the term of a particular mandate. Thank you for your answers. They were very good. I do not want to monopolise your time.

Ms Gildemew: Stephen, it is good to see you again. The last time that I saw you was at a meeting of the ministerial subcommittee on children and young people. The Department for Employment and Learning (DEL) has a significant amount of work to do to achieve what you hope can be achieved through the bilateral working between the junior Ministers and the Minister for Employment and Learning.

One of the areas that I am greatly exercised about is rural childcare. That comes not only from my own experience but from the experience of women in my constituency, whom I have listened to for well over a decade. My childcare bill for three weans, for 9.00 am to 5.00 pm Monday to Friday, ranges from £230 to £300 a week. That is in an affordable childcare setting, and it does not include childcare cover in the evenings or at the weekends for the other commitments that I have as an elected representative.

On my first day as a Minister in the previous mandate, one of the first things that I said was that I wanted to do a piece of work on rural childcare and access to that childcare. That raised eyebrows all around, and I attracted a bit of criticism for it. However, we put £1.9 million from our anti-poverty money into a pilot to increase the capacity for childcare in rural areas. I cannot disagree with what you have said, but access to affordable childcare is much more difficult in rural areas than it is in built-up areas, and that has an impact on rural families.

A couple or three years ago, the Vincentian Partnership for Social Justice (VPSJ) did a study that looked at the three main areas of family spend — I notice that your figures are before household costs. That study looked at the cost of housing, fuel and food, and its findings disagreed with the findings from the Joseph Rowntree Foundation. I suppose that you could compare a big supermarket in Manchester to a big supermarket in Belfast. They will have similar prices, and that is grand if you can get to a big supermarket. However, if you are dependent on a local shop and have to pay 60p for a tin of beans in that shop instead of 10p for a tin of value beans in a supermarket, there is a significant difference. The VPSJ study found that rural families are €100 a week worse off than their urban counterparts after fuel, housing and food costs.

Your figures paint a really depressing picture. We have so much more to do to try to tackle the situation. However, reading it from a constituency viewpoint, I am conscious that the impact on rural

families and children in poverty has not been studied enough. At the end of your paper, you have supplied nine measurements. Measurement 8 is:

“Travel to work costs as a proportion of low income family outgoings.”

That is really the only nod that I can see to the distances that rural residents have to travel to school, work and elsewhere. In the past 12 to 18 months, fuel bills have become unaffordable.

Do you think that enough is being done on childcare? Is there enough of a corporate approach across Departments? It was not the business of the Department of Agriculture and Rural Development (DARD); I made it DARD’s business. I would have made it the business of the Department of Enterprise, Trade and Investment (DETI), DEL, DSD or whichever Department I ended up in. I would have got that in there. I know the impact that it can have on rural areas. Do Departments make enough of a conscious effort to provide affordable childcare? Is enough being done to determine the impact on rural families? Often, poverty is hidden in rural areas. Is enough being done to look at the impact of the current economic crisis on children in rural areas, who are becoming increasingly vulnerable?

Dr Donnelly: I am a statistician in the Department. Therefore, I can comment only on research and figures, rather than on what my policy colleagues are doing. They are working on a childcare strategy in a cross-departmental group. It will meet next Tuesday. They have asked me to draft an affordability paper for that meeting. I have looked at international comparisons. The UK does not fare well when it comes to subsidising childcare. Throughout the Organisation for Economic Co-operation and Development (OECD) countries, the average amount that a person will pay is 18% of his or her weekly earnings. Average weekly earnings in Northern Ireland are £451. Eighteen per cent of that is around only £80. The figures that you gave — £230 to £300 — say it all.

The Chairperson: There is tax support for childcare through tax credits or vouchers. There is no uptake. At least, there is no —

Dr Donnelly: It surprised me when I looked at the figures. The subsidy was 80%, and it was reduced to 70%. I did some back-of-an-envelope calculations. Around 16,000 families claim the childcare element of working tax credit. On average, it is around £80 to £83 a week. For 16,000 families, that totals around £69 million a year. Therefore, quite a lot of subsidy is going into those households.

The Chairperson: I do not want to distract you, but I just want to point out that the number with children is around one third of the potential number of people who could claim. People are not claiming vouchers for childcare.

Dr Donnelly: Part of the childcare strategy will look at the sort of work that is being done, such as salary sacrifice vouchers and Employers for Childcare-type initiatives, as well as at the take-up rate. When I looked at the percentage of families, I saw that 16,000 constituted around 11% or 12% of families in Northern Ireland. I looked at other areas across the UK. Their figures were all perhaps 1%, 2% or 3% higher. Therefore, there is probably —

The Chairperson: I am sorry. I will say one thing, because it is germane to the point that you are making. If you are looking at 11% of families getting support from government for their childcare, even if you made the wild supposition that 50% of families have children — perhaps it is only 40% — there is still a huge gulf between that figure and the number of people who are not claiming what is an absolute entitlement.

Dr Donnelly: We know, pretty much, that there are around 100,000 children in formal childcare situations. We know that another 100,000 — probably many more — are being looked after in informal situations. Therefore, we really cater for only half of the market. There are around 50,000 registered and inspected childcare places. A child may be using half that place in the morning and another child may be using the other half in the afternoon. Therefore, there are 100,000 children in those places. The numbers are huge compared with the 16,000 families who actually get the benefit.

One thing that I want to say on your point is that we looked at what people in rural areas spend their money on. Some people work for one day to pay their petrol expenses for the week. That is 20% of their income. If you add that to childcare costs, it quickly becomes a disincentive to work. We are looking at affordability, accessibility and quality. In the meantime, my colleagues have that £12 million to help support the infrastructure of childcare. However, it is obvious that that is a lot less than the £70 million in subsidies that is currently being paid.

The Chairperson: Are you finished, Michelle?

Ms Gildernew: I would like to ask about meaningful job-sharing options, because those may factor into the discussions with the Minister and DEL officials. We do not have a lot of those sorts of options. If you are working part-time in a supermarket, for example, there is not much scope to be in the higher-earning bracket and to have a meaningful job-share so that you are paid for the work that you do and not paid a part-time wage for a full-time job, which is what usually happens. The difficulty in affording fuel and childcare may be something that should be discussed with the Minister for Employment and Learning. There needs to be a way of helping people to work in a manner that allows them to be able to afford those costs.

Mr D McIlveen: Thank you, Stephen. I do not want to get away from the child poverty side of things, because I know that that is the main focus of your research. However, I want to ask whether you have been approached about extending the research into other groups, such as elderly people, who are obviously affected by poverty. The Chairperson and I attended an event recently at which we learned that there is no specific research on poverty in ethnic minority communities in Northern Ireland. Are there any plans to develop and further the remit of the research?

Dr Donnelly: OFMDFM has a remit to develop the older persons' strategy, and I have been working with officials to feed in the statistics and research that go into that strategy. Interestingly, the pensioner poverty figures decreased this year for the first time. We have poverty figures for the various lifetime groups, including pensioners. We have not been able to do research on ethnic minority groups. We can do some qualitative work in that regard, but we have been talking to my friends in the Northern Ireland Statistics and Research Agency (NISRA) about how we can get access as early as possible to the census information, because that will give us a lot of information about the location of ethnic minority children. We can correlate that with the Revenue and Customs data on child poverty. There are a few things that we can do.

There is also a proposal on the table to carry out a Northern Ireland longitudinal study of ageing. Queen's University have been very active in pushing that forward and has asked for a meeting with our Ministers to determine whether it can be.

Ms Gildernew: Stephen, the pensioner poverty figures did not change, because the people at the bottom of that group died of fuel-related illnesses. If we could extrapolate why that figure went down — I suppose it went up when all the other figures went up — it could show up a worse scenario than we previously thought.

Dr Donnelly: I think that what has happened is that, because all this is relative, households with incomes that are moving from full-time to part-time work and drifting off the UK median got poorer. It is simply because they are getting poorer that pensioners look less poor. It is all relative.

Mr D McIlveen: I would like to see a bit more work done that is similar to that which has been presented here. We need more detailed work on groups that have not been considered. It is obvious that there are needs that are not being fully identified, and, because of that, it is very difficult to do anything about it. I am conscious that a lot of work needs to be done on elderly people and, in particular, ethnic minority communities. It would be worthwhile to determine the extent of the need in those communities.

The Chairperson: It is not within our remit as a Committee to do that, but we could write to OFMDFM to ask for information on the different sectors and what it is doing about the various issues.

Mr Allister: Disappointing as it is, your message seems to be fairly clear: the 2020 targets are not attainable. Is that right?

Dr Donnelly: It depends on how much is invested. If £185 million were invested today, we would meet the 2020 targets.

Mr Allister: We all know that that is not feasible, or is it?

Dr Donnelly: I doubt it, but I do not want to make a judgement at this point.

Mr Allister: Your paper makes a judgement, in that it says that the targets are not achievable. Does it not? It states:

“This is not achievable given the projected rate of job creation (about 5,000 per annum) and the wage rates that might be expected to be paid to low skilled workers.”

That is in your paper.

Dr Donnelly: From an employment point of view, it is not feasible for us to create that number of jobs. However, that does not mean to say that there are not things unrelated to the economy that can be done.

Mr Allister: It does not mean that we should not try. Just to correlate what is in your paper with what you are saying to us, should I conclude that you are saying that the 2020 target is or is not attainable?

Dr Donnelly: That depends on the outcomes of the bilaterals that Ministers have with other Ministers, the actions that are taken and the quantum of investment. However, it will take an absolutely huge effort, on the part of all Departments, to reach that.

Mr Allister: Judging by the implementation of the previous Programme for Government, the targets in which were not met, it is not very encouraging, is it?

The Chairperson: Jim, I have told you that you cannot ask an official to comment on policy and things like that.

Mr Allister: I can ask him whether the targets of the previous Programme for Government were obtained.

Dr Donnelly: I did not come briefed to answer that particular question. If you mean the child poverty targets, we have been drifting off them for the past three or four years.

Mr Allister: That is what your first three or four slides were about.

Dr Donnelly: That is right.

The Chairperson: The projection, Jim, as you rightly point out, is that we are not heading to meet the targets.

Dr Donnelly: From a —

Mr Allister: Therefore, your message to the Government is that, if they are to meet targets that they have set in the draft Programme for Government, they need to find a phenomenal amount of money.

Dr Donnelly: A phenomenal, coordinated effort needs to take place, yes.

Mr Allister: May I ask you a specific question about childcare as a contributor to getting people into work? Of the present take-up of childcare, do you know how many of the parents who take those places are not in work?

Dr Donnelly: No, I do not have that figure. We have information on the geographical distribution of childcare places. However, that may be something that we can pick up from the Family Resources Survey (FRS).

Mr Allister: Would the contribution that childcare makes to getting people into work be a relevant statistic to know?

Dr Donnelly: It is a piece of research that, I am surprised, no one has ever bottomed out. It is a part of the child poverty reduction study that the First Minister and the deputy First Minister have asked for.

Mr Allister: To put it bluntly, if we are pouring money into childcare, with an ambition to pour more money into it, and a significant proportion of that money is simply being soaked up by parents who are not going out to work anyway but are just finding free or subsidised care for children while they sit at home, it is not a big contributor to getting people and work. I think that that is a question to which it might be beneficial to know the answer.

Dr Donnelly: That could be the case. At the same time, all the research on childcare suggests that children from the most disadvantaged backgrounds benefit most.

Mr Allister: Yes, the children benefit. I do not dispute that. However, I am addressing the issue of whether childcare is a panacea for getting people into work.

Dr Donnelly: There are significant opportunities in expanding the childcare sector that can help get people into work. In its own right, it would be a massive job-creation effort.

Expansion of the childcare sector will create jobs and will allow people to access childcare, whereas if they did not have such access, they would not go into employment. We have to find out the extent to which that might happen both in the current climate and into the future.

Mr Allister: To know the absolute worth of that, we need to know whether there are statistics of childcare places at present being occupied — to the benefit of the children, no doubt — but without the parents going out to work.

Dr Donnelly: We do not have a good socio-economic breakdown of the characteristics of the families that are availing themselves of childcare. Through discussions with policy colleagues in OFMDFM, we are drafting a research agenda that is needed to allow us to find out exactly those sorts of things. I am talking to colleagues in the Northern Ireland Statistics and Research Agency about what that would cost and whether it would be possible to do a survey of parents right across Northern Ireland. A survey of that magnitude could cost £400,000.

Mr Allister: What is that £1.5 million for?

Dr Donnelly: That £1.5 million is for a child poverty reduction study, and the vast majority of it will replace the earnings that the Social Security Agency will deduct. A lone parent is allowed to earn an initial £20, and, after that, deductions are made pretty much on a pound-for-pound basis. We are saying that we will replace that. The Social Security Agency still takes it. Under those circumstances, we want to find out how the work incentives change.

Mr Allister: Thank you.

The Chairperson: As there are no other indications from members — I am sorry, Sandra, did you want to ask a question?

Mrs Overend: No, I do not have a question. I just wanted to say that I found the presentation very interesting. My questions have been covered.

The Chairperson: Sorry, I did not mean to be pre-emptive. Is everyone else content?

Thank you very much, Stephen. That was interesting.

