



Department for Work & Pensions



HM Revenue & Customs

Guidance

Background information and methodology: Children in low income families: local area statistics

Published 26 March 2020

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1. Context

The [children in low income families \(CILIF\)](#) statistics, provide information on the number and proportion of children living in Relative and Absolute low income Before Housing Costs by local area across Great Britain.

Statistics on the number of children (by age) and the proportion of children under 16, in low income families each year are published on Stat-Xplore. Figures are calibrated to the [Households Below Average Income \(HBAI\)](#) survey regional estimates but provide more granular local area information not available from the HBAI for example, by local authority, parliamentary constituency and Ward.

These statistics replace earlier Official Statistics previously published by Department for Work and Pensions (DWP) [Children in out-of-work benefit households](#) and HM Revenue & Customs (HMRC) [Children in low income families local measure](#). In December 2018, DWP and HMRC published their respective releases with a commitment to combine releases going forward.

The new combined set of statistics provide a more coherent picture of children in low income families at a local level throughout Great Britain.

2. Purpose

Sourced from survey data the HBAI provides estimates of children in low-income families only at national and regional levels. To fill the demand from users for local estimates, administrative data has historically been used to produce Official Statistics on measures such as the number of children in out-of-work benefit households (DWP) and children in low income families derived primarily from Tax Credits income data (HMRC).

With the rollout of Universal Credit and the Higher Income Child Benefit charge, neither measure now offers an accurate view of children in low income families at a local level. Both DWP and HMRC announced that a new set of statistics would be developed and published to better meet users' needs.

3. Illustration

An illustration of what these statistics show.

In Bexley Local Authority, 7,900 children under 16 years lived in families with an income less than 60% of the median income in 2018 to 2019 (Relative measure Before Housing Costs).

This represents 16% of children under 16 in Bexley. This rate compares to 18% for London overall and has risen by 4 percentage points since 2014 to 2015.

Of these 7,900 children, 5,800 (73%) lived in working families and 3,700 (47%) lived in lone parent families.

4. Methodology

The methodology underpinning these new statistics addresses 3 of the key limitations of the previous official statistics:

- inclusion of Universal Credit claimants transitioning from Tax Credits
- calibration to HBAI estimates at regional level and by work-status
- calculation of rates for under 16s, using Office for National Statistics (ONS) mid-year population estimates rather than Child Benefit claims which no longer provide a useable proxy given the Higher Income Child Benefit charge

Calibration

Statistics are calibrated to HBAI estimates at regional level and by work status. Thus, the figures will be consistent with HBAI regional estimates which use a 3-year average of the number of children in low income families.

Income

The number of children in families (not households), whereby income is less than 60% of median income Before Housing Costs (BHC) in both Absolute (2010 to 2011 index) and Relative terms is derived from analyses of family income over the entire tax year.

Income is defined as Gross Personal Income from benefits/tax credits, from employment and self-employment, and from occupational pensions.

This is not the same as HBAI income measures, but for the purposes of looking at the distribution of family income across local areas, it offers a consistent approach that captures the main income streams.

Equivalisation

In order to allow comparisons of the living standards of different types of households, income is adjusted to account for variations in the size and composition of the households in a process known as equivalisation. This assumes that all individuals in the household benefit equally from the combined income of the household. Thus, all members of any one household will appear at the same point in the income distribution.

Equivalence scales conventionally take an adult couple without children as the reference point, with an equivalence value of one. The process then increases relatively the income of single person households (since their incomes are divided by a value of less than one) and reduces relatively the incomes of households with three or more persons, which have an equivalence value of greater than one.

Relationships

Statistics are derived from a new database "RAPID" (Registration and Population Interaction Database) which provides a single coherent view of citizens' interactions with DWP and HMRC within a tax year. Relationships are built from analyses of household benefits. That is, information on sole or joint claimants of Universal Credit, Tax Credits and Housing Benefits which is used to determine claimant and partner information. When combined with Child Benefit claimant data, this view provides a measure of the family unit.

The methodology accounts for changes in family composition throughout the year (for example re-partnering, multiple partners, becoming a sole parent) by tracking these changes in benefit claims and the associated personal income of claimants and partners.

Time-series

Statistics on the number of children in low income families from 2014/15 to 2018/19 are published. Limitations in the coverage of RAPID mean that earlier statistics using this methodology are not available. In addition, figures for the latest year are provisional as some self-employment data from the previous year is used as a proxy to fill in gaps in timely recording.

Building local areas

Consistent with DWP's approach to building local area statistics, Census Output Area (COA) is used as the building block to derive standard geographies including:

- Lower Super Output Area (LSOA)
- Middle Super Output Area (MSOA)
- Ward
- Local Authority
- Parliamentary Constituency

Work status

RAPID provides weekly views of income and hours worked from employment and self-employment over the tax year. For the purposes of these statistics, "in-work" status is defined as a family who, combined, have had employment or self-employment for more than 26 weeks of the tax year.

Rates

Rates have been derived by dividing the number of children aged 0 to 15 in low income families by the number of all children aged 0-15 (sourced from ONS mid-year population estimates). Rates for all children (aged 0 to 19) have not been produced as a family who, combined, have had employment or self-employment for more than 26 weeks of the tax year.

5. Data source

These new statistics draw data from a new database "RAPID" (Registration and Population Interaction Database) which provides a single coherent view of citizens' interactions with DWP and HMRC within a tax year for the UK. RAPID provides a basis for analyses of children, the family unit, and gross personal incomes (benefits/tax credits, employment, self-employment, occupational pensions) from which estimates of the number of children in low income families can be derived calibrated to HBAI regional estimates on Absolute and Relative definitions.

RAPID is based on 100% extracts of various DWP benefit systems and is supplemented with 100% data extracts from HMRC systems. RAPID collates information on individual activities (and the income generated from those activities) within each tax year, including benefit, employment and in-work benefit interactions, for example Tax Credits and Housing Benefit. Children have been identified from HMRC Child Benefit scans.

6. Definitions

Term	Definition
Children	Dependent individuals aged under 16; or aged 16 to 19 in full-time non-advanced education.
Family	A single adult; or a married or cohabiting couple; or a Civil Partnership; where one adult is claiming Child Benefit and other DWP and HMRC household benefits and tax credits, and any dependent children.
Lone Parent	A single adult who is claiming Child Benefit and other DWP/HMRC household benefits/tax credits, and dependent children.
Low income	A family whose equivalised income is below 60 per cent of median household incomes. Gross income measure is Before Housing Costs (BHC) and includes contributions from earnings, state support and pensions. Equivalisation adjusts incomes for household size and composition, taking an adult couple with no children as the reference point. For example, the process of equivalisation would adjust the income of a single person upwards, so their income can be compared directly to the standard of living for a Couple
In-work	A family who, combined, have been in employment or self-employment for over 26 weeks of the year.
Out-of-work	A family who, combined, have been in employment or self-employment for under 26 weeks of the year
Age of child	Child age is derived as the duration from Date of Birth (DoB) to 31 March in each year. For 2018 to 2019, analyses of family relationships and income during that year are linked to child ages as at 31 March 2019.

7. Interpretation of the statistics

- figures provide a consistent view of the number of children in low income families over the past 5 years
- the statistics are not directly comparable with the previous statistics produced by HMRC for the reasons outlined in [section 3](#)
- the statistics are calibrated and will match 3-year average HBAI published estimates of children in low-income families at national and regional level
- they are designed to provide local area insights for small geographical areas
- whilst the HBAI estimates are built from a survey of households, these administrative statistics cover the family unit as defined in [section 6](#)
- statistics are available for individual ages of children 0 to 19. Rates are calculated for children under 16 for both the numerator and denominator

8. Status

These statistics are badged as experimental Official Statistics. Experimental statistics are official statistics which are published in order to involve users and stakeholders in the assessment of their suitability and quality at an early stage, in compliance with the [UK Statistics Authority's Code of Practice for Statistics](#).

9. Feedback

Email stats.consultation-2018@dwp.gov.uk with feedback and queries about the statistics.

10. Useful links

- [DWP Stat-xplore](#)
- [DWP Children in out of work benefit households](#)
- [HMRC children in low-income families](#)
- [ONS working and workless households](#)
- [Households Below Average Income \(HBAI\)](#)
- [Family Resources Survey \(FRS\)](#)
- [English Indices of Deprivation](#)