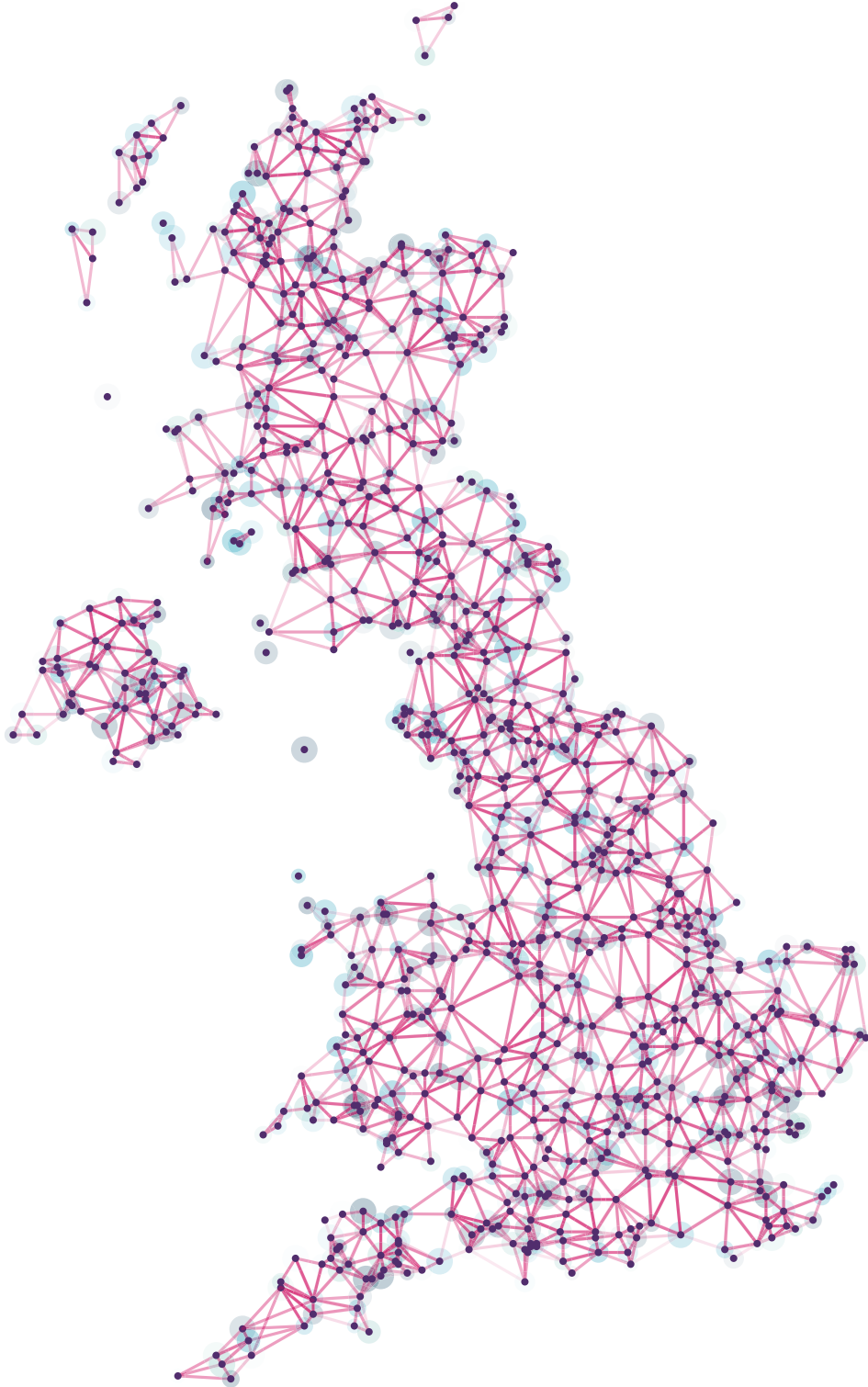


# UK Poverty 2017

A comprehensive analysis of poverty trends and figures



Report by the JRF Analysis Unit

**JRF** JOSEPH  
ROWNTREE  
FOUNDATION

# Contents

Acknowledgements	<b>2</b>
Executive summary	<b>3</b>
Introduction	<b>7</b>
Poverty among children and working-age adults	<b>13</b>
Pensioner poverty	<b>51</b>
Housing, health and relationships	<b>68</b>
Drivers of future poverty	<b>85</b>
Conclusion	<b>99</b>
Notes	<b>101</b>
Appendix: UK poverty 2017: methodology	<b>105</b>
Appendix notes	<b>110</b>

# Acknowledgements

Thank you to the team at JRF who worked on the report: Helen Barnard, Ashwin Kumar, Andrew Wenham, Eddie Smith, Ben Drake, Aleks Collingwood and David Leese.

We would like to thank Wendy Sykes, Nick Coleman and Andrea Finney from Independent Social Research, and Dave Thomson from the Education Datalab/FFT Education, for their contributions to the analysis for this report. We would also like to thank Luke Staniland for his advice and support in developing the analysis for the report. All views and any errors contained in this report are the responsibility of the authors.

# Executive summary

## Introduction

Nearly a quarter (24%) of the UK's population lived in poverty 20 years ago. By 2004, this had fallen to one in five (20%) of the population. By 2015/16, the proportion had risen slightly to 22%. However, the overall trend masks large variations in the fortunes of different groups. Over the last 20 years the UK succeeded in reducing poverty significantly among those groups who had traditionally been at most risk – pensioners and some types of families with children. Very little progress was made in reducing poverty among working-age households without children. In more recent years, poverty rates have started to rise again among both pensioners and families with children.

## Working-age poverty

Poverty rates are consistently highest among children and their parents. Twenty years ago, a third of children lived in poverty. This fell by 15% between 1994/95 and 2004/05, to 28% of children. The child poverty rate fell to its lowest level (27%) in 2011/12, but has started to rise again in recent years, reaching 30% in 2015/16.

Over the last 20 years there have been very significant reductions in poverty among those working-age families particularly at risk: lone-parent families and families with three or more children. In 1994/95, 58% of lone parents lived in poverty, rising to 62% in 1996/97. Their poverty rate then fell to a low of 41% in 2010/11 before rising again to 46% in 2015/16. In 1994/95, 45% of children in families with three or more children lived in poverty; compared with 27% of children in families with one or two children. The risk of poverty for children in families with one or two children barely changed over 20 years. However, poverty among families with three or more children had fallen to 32% by 2012/13. Since 2012/13 their poverty rate has started to rise again – reaching 39% by 2015/16 (even before the two-child limit on benefits and tax credits was introduced in April 2017).

Poverty rates among couples without children have always been low and have changed very little, with around one in 10 in poverty throughout the last 20 years. Levels of poverty among single people without children have also been fairly steady – around 25% were in poverty in 1994/95, rising to 28% in 2009/10 and falling back to 25% by 2015/16.

Two factors drove the falls in poverty among families with children. First, successive governments chose to increase support for these families through the benefit and tax credit system. Benefits for out-of-work families not only kept up with prices, between 2000 and 2013 they rose in comparison with average incomes.<sup>1</sup> The introduction of tax credits meant that those in work but with low earnings were also supported. These decisions meant that these families saw their living standards move closer to those among the rest of the population and were protected from the worst effects of the 2008–09 recession. Second, there were big reductions in worklessness and rises in employment. These were accompanied by rising skill levels and increased wages for the low-paid due to the introduction and raising of the minimum wage.

Since 2013, these reductions in poverty among families with children have gone into reverse. Their poverty rates are rising, largely due to reductions in the support offered by benefits and tax credits. Tax cuts and minimum wage rises are beneficial for some, but for many low-income families, the gains are far outweighed by reductions in the more targeted support given by the benefit and tax credit system.

The financial pressures faced by families on low incomes have been exacerbated by increases in the cost of essential goods and services. The proportion of working-age adults in the poorest fifth of the population who spend more than a third of their income (including Housing Benefit) on housing costs has risen from 39% in 1994/95 to 47% in 2015/16. This is partly due to far greater numbers now living in the private rented sector, but has also been affected by increases in the cost of social rented housing and reductions in the benefits intended to help low-income families afford it. The cost of childcare has also increased substantially. People on low incomes spend proportionally more of their income on food and fuel, and fuel prices have increased faster than overall inflation. This means that since 2003, people on low incomes have also experienced consistently higher inflation than those with higher incomes, despite having far less scope to reduce spending.

## Pensioner poverty

In 1994/95, pensioners had the highest rates of poverty in the UK apart from children. 28% of pensioners lived in poverty; by 2011/12, this had fallen to only 13%, driven mainly by falls in poverty among single pensioners. More recently, however, pensioner poverty has started to increase again, reaching 16% in 2015/16.

The largest falls in the pensioner poverty rate happened in the period from 1998/99 to 2004/05. The increase in income was driven by two main factors. First, increased state benefit income, particularly the Pension Credit Guarantee (previously the Minimum Income Guarantee), which boosted the incomes of lowest income pensioners. Second, more pensioners retired owning their own home, meaning that their housing costs were much lower than those still renting.

However, in the past few years these drivers have become weaker. The Pension Credit Guarantee failed to keep up with prices for a number of years. Housing costs for those pensioners still renting have risen, and growth in occupational pensions has tended to benefit better-off pensioners more than those on lower incomes.

## Housing, health and relationships

Living on a low income reduces the options available for housing, leaving some people more vulnerable to living in poor quality or insecure homes. The proportion of homes which do not meet minimum standards of covering safety, state of repair, facilities and heating has fallen over time but those on low incomes remain more likely to live in them than those who are better off. For instance, in England just over one in five of people in the poorest fifth of the population live in 'non-decent' homes.

Poverty is also closely linked to health. The stress of struggling to make ends meet affects both physical and mental health. Poor health also increases the risk of poverty by limiting people's opportunities to work and increasing costs. The evidence shows that adults in the poorest fifth of the population experience worse physical health than those who are better off. Disability is strongly linked to poverty – 30% of people in families with disabled members live in poverty, compared with 19% of those who do not. Mental health is also associated with poverty. Nearly a quarter of adults in the poorest fifth of the population experience depression and anxiety – more than twice the number in the richest two-fifths of the population. The proportion of those in the poorest fifth in England experiencing these mental health difficulties has also increased over time.

There is an emerging body of evidence about the links between poverty and relationships – both within families and with wider support networks. Measurement of these issues and of the ways that they interact with poverty and other factors is at an early stage. Social isolation (defined as having no more than one close friend) is more common among those with lower incomes than those who are better off. More than one in 10 working-age adults in the poorest two-fifths of the population are socially isolated, compared with just over one in 20 of those in the richest fifth. This link is even stronger among pensioners: around one in six of the poorest fifth of pensioners are socially isolated, compared with only around one in 14 in the richest fifth.

Within families, poverty can also place a strain on relationships. Children in lower-income families are more likely to report that they quarrel with their parents and do not discuss important issues with them. The proportion of couples experiencing ‘relationship distress’ is higher in the poorest fifth of the population and decreases as incomes rise: just over one in 10 of those in the poorest fifth compared with around one in 20 of those in the richest fifth. Separation is well known to greatly increase the risk of poverty, but the evidence also shows that couples who are on low incomes are more likely to separate than those who are better off.

## Drivers of future poverty

There are several factors that affect the chances of children experiencing poverty when they grow up, and of working-age adults experiencing poverty later in their lives. Many of these factors not only contribute to the risk of future poverty, they are also, at least to some extent, a consequence of current poverty. Living in poverty as a child increases the risk of having low attainment at school. Adults in poverty, and those in low-paid jobs, are less likely to receive training and to progress into better jobs than those who are better paid. Adults on low incomes are less likely to save money or pay into a pension.

The data suggests that children’s educational attainment overall has risen across the UK but that the gap in attainment between children from richer and poorer backgrounds remains stubbornly large. In England and Northern Ireland, at age 16, young people from poorer backgrounds are around a third less likely to achieve good qualifications; in Wales they are about half as likely and in Scotland a fifth less likely (although this is not directly comparable with other parts of the UK as attainment data in Scotland is available by area rather than family’s circumstances). These results are not directly comparable between the four parts of the UK as both measurement and educational systems vary considerably, but it is clear that young people from poorer backgrounds across the UK are much less likely to achieve good qualifications, putting them at much higher risk of continuing to live in poverty as adults.

Since 1996, there has been a large decrease in the proportion of working-age people with no qualifications and an increase in the proportion with higher education and degree-level qualifications. By 2016, less than one in 10 working-age adults in England, Scotland and Wales had no qualifications, a reduction of more than half. Wales had caught up with England and Scotland by this time, having begun with a higher proportion of adults with no qualifications. Northern Ireland stands out as having started the period with the highest proportion of adults with no qualification (30%), and still having a much higher proportion in 2016 (16%), despite a reduction of nearly half.

The proportion of working-age adults with higher education qualifications has nearly doubled in England, Wales and Scotland; 45% of working-age adults in Scotland, 38% in England and 35% in Wales have these qualifications. In Northern Ireland, the proportion with higher education qualifications was the lowest in 1996 (at 17%) and remained the lowest in 2016 (at 31%).

The level of financial resilience among those on low incomes can be seen in the data on the level of savings, debt and pension accumulation among this group. Having some savings can be an important buffer to cover unexpected fluctuations in income and avoid having to take on high-cost credit to meet day-to-day expenses. Likewise, getting into debt by falling behind with bills can make it much harder for someone to reach a reasonable living standard, even if their income increases. Building up a pension is an important factor affecting someone's risk of poverty in later life.

In 2015/16, six in 10 of those in the poorest fifth of households had no savings at all, while a further one in nine had savings less than £1,500. This is in stark contrast to those in the better-off parts of the population: most households in the richest three-fifths of the population have savings of more than £1,500.

Just under one in 10 households report having 'problem debt', defined by the Family Resources Survey as being behind with any household bill or credit commitment. This is much higher among those in the poorest fifth compared with the rest of the population: 20% compared with 11% of the second poorest fifth, and 1% of the richest fifth.

The proportion of the in-work population contributing to a pension scheme increased from 45% to 55% following the introduction of a new pension scheme and auto-enrolment for employees in 2012. However, only 30% of people in work in the poorest fifth of the population are contributing to a pension scheme, compared with 67% of those in the richest fifth.

## Conclusion

The prospects for solving UK poverty are worrying. The continuing rise in employment is no longer leading to lower poverty. Changes to benefits and tax credits for working-age families are reducing the incomes of many of those on low incomes. High housing costs continue to reduce the incomes available for those in poverty to meet other needs. Inflation is rising and is higher for those on lower incomes than for better-off groups. This squeeze on living standards is also storing up problems for the future. Most people on low incomes have no savings and are not building up a pension. The decreasing proportion of the working-age population buying their own home means that in the future more older people are likely to rent and have higher housing costs in retirement.

The UK's success in increasing employment rates means that many of those who are now out of work are disabled or have health conditions, have young children or are caring for disabled adults. Those circumstances make it far harder for them to find and sustain work and more likely that when they do get work, it is low-paid and part-time.

The skills profile of the adult population has improved considerably over the last 20 years, enabling more people to get work and improve their earnings. But there is still a group with no or low qualifications who are at an increasing disadvantage in the labour market. Qualifications are also far less effective in improving pay prospects for people working part-time.

The impact of poverty on physical and mental health and on relationships within families adds to the disadvantages facing those living on low incomes. Enabling those in poverty to improve their incomes and reduce their costs, as well as addressing the negative impacts of low incomes, would help to prevent future poverty.

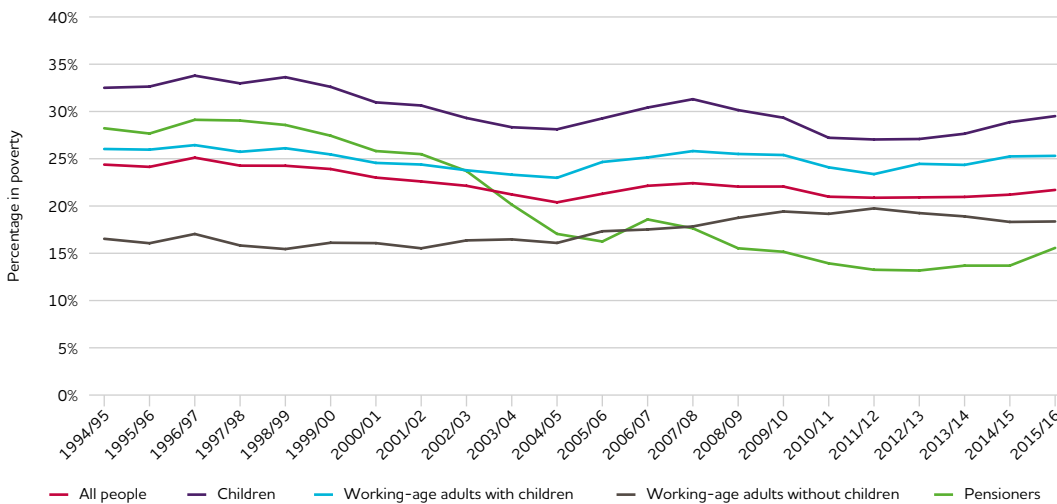
# Introduction

This is the first report to assess the progress the UK is making in reducing poverty rates and tackling the underlying drivers of poverty since the publication of the Joseph Rowntree Foundation’s report *We can solve poverty in the UK*. The report takes a long view of these trends – examining how UK poverty has changed over the last 20 years, as well as more recent developments.

Poverty is when a person’s resources are well below their minimum needs, including the need to take part in society. Measuring poverty accurately is difficult, with most measures providing only a partial view. The main poverty indicator used throughout this report is when someone lives in a household whose income is less than 60% of median income, adjusted for their household size and type. This is the most commonly used measure both in the UK and internationally. The report also references other measures where these provide particularly important information that is not captured by the headline indicator.

Poverty varies greatly across the population. Overall, poverty fell by about a fifth between 1994/5 and 2004/5. In the following decade progress stalled and poverty started to rise again. In 1994/5, 24% of the population lived in poverty. This fell to 20% in 2004. By 2015/16 it had risen slightly to 22%. However, poverty among some groups has fallen markedly, while others have seen little improvement or a deterioration in their fortunes.

## Relative poverty rates\*



\* Measured using 60% of median income, after housing costs (AHC)

Source: Households Below Average Income (JRF analysis)

The report starts with an overview of changes to a range of headline indicators over the last five and the last 20 years.



The second chapter focuses on the UK’s working-age population. It examines changes in poverty among different groups of working-age families – those with and without children, couples and single people and those in and out of work. It then examines some of the main drivers of those changes – employment, worklessness, pay, skills and disability. Poverty is caused not only by the resources that people have available to them, but also by the cost of living. The report focuses on two of the biggest costs facing many households – housing and childcare. It also sets out the overall inflation rates faced by richer and poorer people in the UK.

We then look at the changes in pensioner poverty across the UK. This starts with the overall trends in poverty among pensioners in different household types. It then moves to examine the drivers of these changes, in particular changes in state benefits, occupational pensions and home-ownership.

The fourth chapter examines issues that are closely linked to poverty – housing quality and security, physical and mental health and relationships within families and more widely. The evidence shows that living in poverty affects all these areas of life, making it harder for individuals and families to thrive and damaging their future prospects.

Finally, we look ahead, considering the outlook for poverty. Education and skills are the biggest factors predicting whether individuals are likely to experience poverty. The report therefore examines progress in improving qualifications and raising educational attainment, in the adult population and among children from low-income or disadvantaged backgrounds. Financial resilience is also crucial to enabling people to manage changes in their needs or resources and to avoid poverty in later life. The report therefore concludes by exploring trends in savings, problem debt and pension accumulation.

## Summary of trends over the last five and last 20 years

Indicator		20 years	5 years
Poverty rates	Child poverty	Better	Worse
	Working-age adults with children poverty	No change	No change
	Working-age adults without children poverty	Worse	No change
	Pensioner poverty	Better	Worse
	Persistent poverty	–	No change
	People in a family which includes a disabled adult or child	Better	No change
Work and worklessness (working-age)	Poverty risk for people in workless families	Better	No change
	Poverty risk for people in working families	Worse	Worse
	Employment rate	Better	Better
	Workless households %	Better	Better
Costs	% of poorest fifth spending more than one-third of income on housing	Worse	No change
Education and skills	Attainment gap at age 16*		
	England	–	Better
	Scotland	–	Better
	Wales	–	Better
	Northern Ireland		**
	Working-age adults with no qualifications	Better	Better
Working-age adults with a higher education qualification	Better	Better	
Health (for the poorest fifth of the population)	Adult physical health (UK, working-age adults)	–	Worse
	Adult mental health (England)	Worse†	Worse†
	Adult mental health (Scotland)	–	Better§
	Young people's mental health	–	No change
Financial resilience (for the poorest fifth of the population)	% with no savings	Worse	No change

### Notes:

– Data is not available for comparison with 20 years ago.

\* Changes over time in England and Wales should be treated with caution due to changes in education systems.

\*\* Changes in the eligibility for free school meals in Northern Ireland means that comparative data is not available.

† Analysis of this data covers a slightly different time period: from 1998 to 2008 and then from 2008 to 2014.

§ Analysis of this data covers a slightly different time period: from 2008 to 2014.

### Methodological note:

All indicators except the education attainment gaps at age 16 are based on survey data. The summaries of change shown for survey data are based on statistical tests that measure whether a change in a rate is significant with 95% confidence.

## Overview of the number of people in poverty and the poverty rate for different groups

Group	Number in poverty	Poverty rate
People in poverty	13,900,000	22%
People in persistent poverty	4,600,000	7%
Children in poverty	4,000,000	30%
Working-age adults in poverty	8,000,000	21%
Pensioners in poverty	1,900,000	16%
Disabled people in poverty (using the after disability benefits measure)	4,200,000	31%
People in families that include a disabled adult or child	6,400,000	30%
People in families that do not include a disabled adult or child	7,900,000	19%
Single pensioners in poverty	900,000	20%
Couple pensioners in poverty	1,000,000	13%
Single working-age adults in poverty with no children	2,900,000	25%
Working-age adults in poverty in a couple with no children	1,600,000	12%
Working-age lone parents in poverty	900,000	46%
Children in poverty in lone-parent families	1,500,000	47%
Working-age parents in poverty in couple families	2,600,000	22%
Children in poverty in couple families	2,500,000	24%
Working-age adults and children in poverty in workless households	4,100,000	63%
Working-age adults in poverty in workless households	2,800,000	60%
Children in poverty in workless households	1,300,000	72%
Working-age adults and children in poverty in working households	8,000,000	18%
Working-age adults in poverty in working households	5,200,000	16%
Children in poverty in working households	2,700,000	23%

<b>Group</b>	<b>Number in poverty</b>	<b>Poverty rate</b>
Working-age adults in poverty in couple families where both adults work full-time	200,000	3%
Children in poverty in couple families where both adults work full-time	100,000	5%
Working-age adults in poverty in couple families with one full-time worker earner	1,200,000	27%
Children in poverty in couple families with one full-time worker earner	800,000	36%
Working-age adults in poverty in couple families with one full-time and one part-time worker	400,000	7%
Children in poverty in couple families with one full-time and one part-time worker	300,000	10%
Lone parents working full-time in poverty	200,000	28%
Children in poverty in full-time working lone-parent families	200,000	28%
Lone parents working part-time in poverty	200,000	35%
Children in poverty in part-time working lone-parent families	400,000	36%
Children in poverty in families with one child	1,000,000	27%
Children in poverty in families with two children	1,600,000	26%
Children in poverty in families with three children	900,000	36%
Children in poverty in families with four or more children	500,000	45%
Children in poverty in families where the youngest child is under 4	2,100,000	34%
Children in poverty in families where the youngest child is aged between 5 and 10	1,000,000	24%
Children in poverty in families where the youngest child is older than 10	900,000	28%
Workers in poverty	3,700,000	12%
Full-time workers in poverty	2,400,000	10%
Part-time workers in poverty	1,300,000	20%

Source: Households Below Average Income 2015/16 (JRF analysis) except figures for persistent poverty which are taken from Persistent poverty in the UK and EU: 2015 (2017) Office of National Statistics. Available at: [www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2015](http://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2015)

## Poverty lines for different households

The poverty indicator used throughout this report is when a family has an income of less than 60% of median income for their family type, after housing costs (AHC). The most recent poverty lines for four illustrative family types are provided below.

It is important to note that these represent the total net income for each family type – earnings from employment, profit or loss from self-employment, state support (including benefits, tax credits and state pensions) and any other source of income. They are also after income tax, National Insurance and Council Tax payments, as well as contributions to occupational pension schemes, maintenance payments and student loan repayments. These income levels are measured after housing costs. They subtract costs such as rent and the contribution of Housing Benefit to their income.

Many families on low incomes receive all or part of their income from sources other than employment, meaning that their earnings may be considerably less than these income levels.

<b>Family type</b>	<b>£ per week, equivalised, 2015/16 prices</b>
Couple with no children	248
Single with no children	144
Couple with two children aged 5 and 14	401
Single with two children aged 5 and 14	297

Source: Households Below Average Income 2015/16, table 2.2db ([www.gov.uk/government/statistics/households-below-average-income-199495-to-201516](http://www.gov.uk/government/statistics/households-below-average-income-199495-to-201516))

# Poverty among children and working-age adults

This chapter examines changes in poverty among children and working-age adults over the last 20 years. It describes the ways in which poverty has changed among different groups and sets out the factors that have driven changes in poverty rates over time.

Summary	<b>14</b>
Poverty levels and trends	<b>15</b>
Drivers of changes to poverty levels	<b>17</b>
Disability and ethnicity	<b>25</b>
Poverty across the UK	<b>29</b>
The challenge ahead	<b>29</b>

# Poverty among children and working-age adults

## Summary

Over the last 20 years there have been very significant reductions in poverty among working-age families who were particularly at risk. Lone-parent families and families with three or more children have always had high rates of poverty but these have fallen markedly.

Poverty rates among couples without children have always been the lowest and have changed very little – around one in 10 were in poverty between 1994/95 and 2004/05. Since then there has been a very slight increase to 12% in 2015/16. Levels of poverty among single people without children have also been very steady – 24% were in poverty in 1994/95, rising to 28% in 2009/10 and falling back to 25% by 2015/16.

There are two main factors driving the striking falls in poverty among families with children.

First, the choices of successive governments to increase support for these families through the benefit and tax credit system. Benefits for out-of-work families have not only kept up with prices, between 2000 and 2013 they rose compared with average incomes. The introduction of tax credits meant that those in work but with low earnings were also supported. These decisions meant that these families saw their living standards move closer to the rest of the population and were protected from the worst effects of the 2008–09 recession.

The second factor is the UK's great success in reducing worklessness and increasing employment, accompanied by rising skill levels and the impact of the minimum wage on increasing wages for the lowest paid. Rising employment was a key reason for the reduction in poverty among lone-parent families in particular.

Since 2013, these reductions in poverty among families with children have begun to unravel. Their poverty rates are rising, largely due to reductions in the support offered by benefits and tax credits. Reductions in tax and increases in the minimum wage are beneficial for some but mostly benefit families who are already out of poverty. For most families on low incomes, the gains are far outweighed by reductions in the more targeted support given by the benefit and tax credit system.

The financial pressures faced by families on low incomes have been exacerbated by increases in the cost of several essential goods and services. The proportion of low-income households spending more than a third of their income on housing has increased markedly. This is partly due to far greater numbers now living in the private rented sector, but it has also been affected by increases to the cost of social rented housing and reductions in the benefits intended to help low-income families pay for it. The cost of childcare has also increased very substantially. People on low incomes spend proportionally more of their income on food and fuel, sectors where prices have increased faster than overall inflation. Since 2003, people on low incomes have also experienced consistently higher inflation than those with higher incomes, despite having far less scope to reduce spending.

## Poverty levels and trends

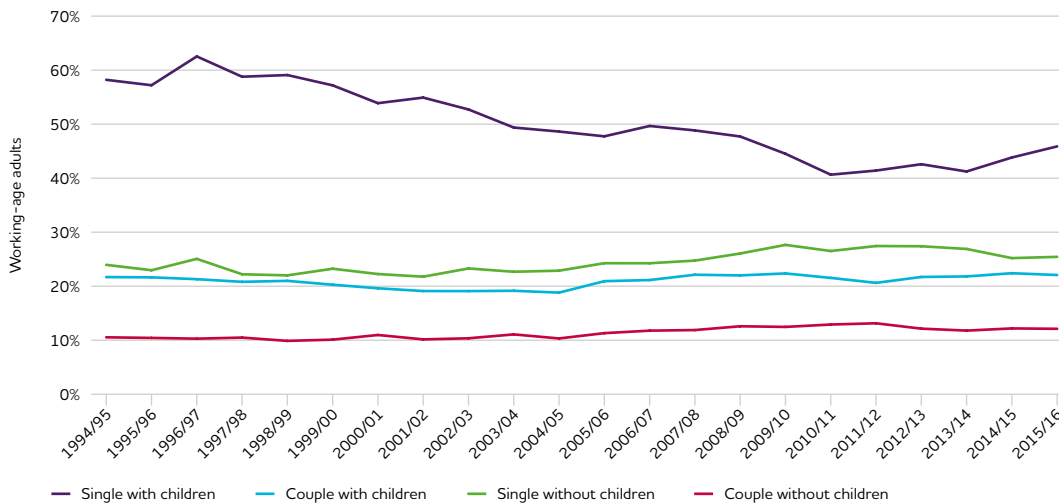
The group with the highest poverty throughout the last two decades is **lone parents**. They still have the highest poverty rates, but this is the group where the greatest progress has been made. In 1994/95, 58% lived in poverty, rising to 62% in 1996/97. Their poverty rate then fell significantly, to a low of 41% in 2010/11. However, since then this has started to rise again – reaching 46% in 2015/16.

**Couples without children** have always had the lowest poverty rates and these have hardly changed in 20 years. In 1994/95, 11% lived in poverty. That rose to a high of 13% in 2011/12 before falling back to 12% in 2015/16.

**Couples with children** have the next lowest poverty rates, which have also remained steady: 22% in 1994/95, falling to 19% in 2004/05, and rising again to 22% in 2015/16.

Similarly, among **single people without children** 24% were in poverty in 1994/95, rising to a high of 28% in 2009/10 and falling back to 25% by 2015/16.

### Working-age poverty rate by family type



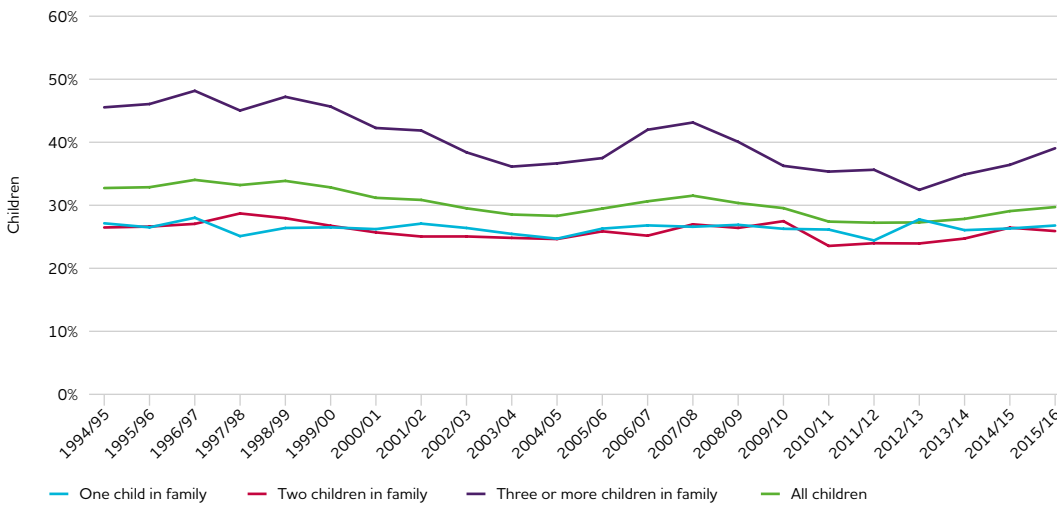
Source: Households Below Average Income (JRF analysis)

Among families with children there are very different patterns of poverty depending on the number and age of children. 45% of children in families with three or more children lived in poverty in 1994/5, compared with 27% of children in families with one child and 26% with two children.

The rate of poverty for children in families with one or two children barely changed over 20 years. However, poverty among families with three or more children had fallen to 32% by 2012/13. Since 2012/13 their poverty rate has started to rise again however, reaching 39% by 2015/16 (even before the two-child limit on benefits and tax credits was introduced in April 2017).



### Children’s poverty rate by number of children in family



Source: Households Below Average Income (JRF analysis)

Similarly, poverty has always been greatest among those with young children, but fell between 1994/95 and 2010/11. As is the case for other groups that saw sharp falls in poverty, rates have started to increase sharply again since 2013/14.

### Destitution

People living in poverty experience different levels of low income. The usual definition of poverty is when people have incomes of less than 60% of median income (for their household type). However, some fall far beyond this level. The most extreme form of poverty is destitution. This is not yet measured regularly in the UK. Research published in 2016<sup>2</sup> provided the first estimate of the number of people who were destitute in the UK. In consultation with experts and the public, destitution is defined as being when someone lacks two or more basic essentials in one month. This means that, over that month, people have: slept rough, had one or no meals a day for two or more days, been unable to heat or to light their home for five or more days, gone without weather-appropriate clothes or gone without basic toiletries.

The research showed that 1,252,000 people, including 312,000 children, were destitute at some point in 2015. The vast majority were born in the UK. Young, single people, particularly men, were more likely to be destitute, but there were also considerable numbers of families living in destitution. The research found that there was no single cause, but most people had been living in poverty for a considerable length of time before tipping into destitution. The most common factors driving this were:

- the extra costs of ill health and disability
- the high costs of housing and other essential bills
- unemployment
- a financial shock like a benefit sanction or delay.

## Persistent poverty

The Office for National Statistics defines persistent poverty as being when someone is currently in poverty and has been in poverty for at least two of the three preceding years.<sup>3</sup>

In 2015, 7% of the UK population were in persistent poverty – around 4.6 million people.<sup>4</sup> This is a slight reduction from 9% in 2008.

People who are in persistent poverty are more likely to lack essential goods and services than those who are in more short-lived poverty. 27% of those in persistent poverty, compared with 16% of all those in poverty, were ‘severely materially deprived’ – lacking four or more essential items.<sup>5</sup>

Some groups are more likely to be in persistent poverty than others.<sup>4</sup> In particular, lone parents are much more likely to experience poverty than all other groups, followed by single people without children. The proportion of those in persistent poverty in different household types is:

- 20% of lone-parent households
- 15% of single adults without children
- 5% of couples with children
- 5% of households with two or more adults and no children.

## Drivers of changes to poverty levels

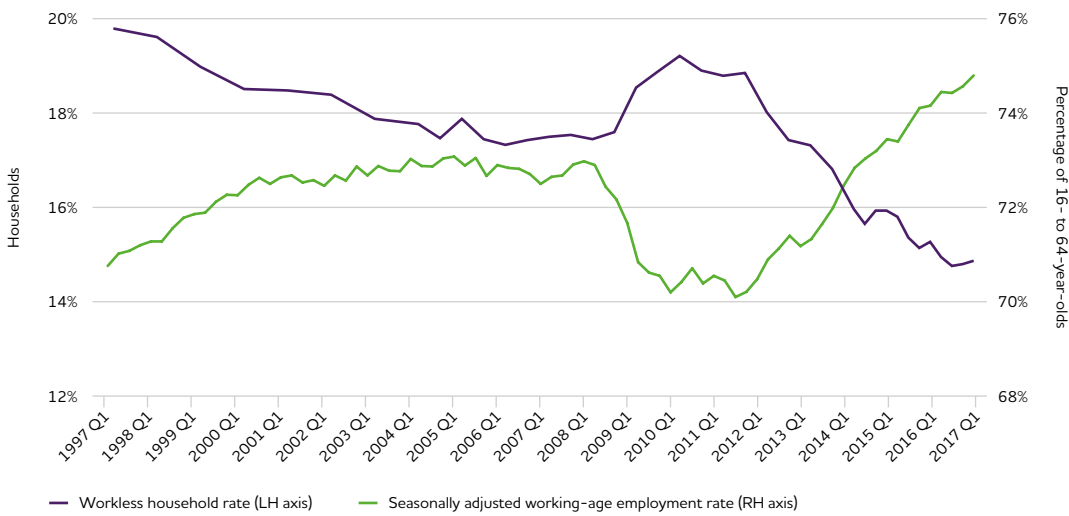
Four main factors explain the changes to levels of poverty over the last 20 years: employment; pay; skills; and benefits and tax credits.

### Employment and worklessness

People who live in workless households have much higher rates of poverty than those who live in households where at least one person is in work: in 2015/16, 60% of working-age adults in workless households were in poverty, compared with 16% of those in working households.

One of the UK’s successes over the last 20 years has been a large drop in the proportion of people living in workless households and a big rise in employment rates, particularly since 2011.

### Workless household and working-age employment rates 1997–2017

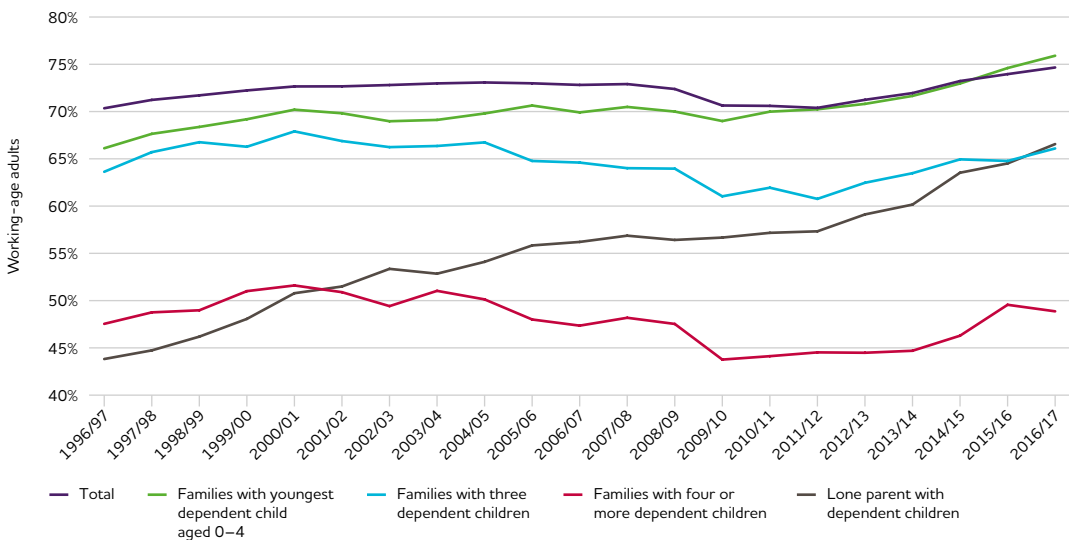


Note: Y axis does not start at 0. The workless household rate only includes households where at least one person is aged 16 to 64. The working-age employment rate is the percentage of 16- to 64-year-olds in employment.

Source: Labour Force Survey (JRF analysis)

The three groups where poverty has fallen most are lone parents, families with three or more children and families with young children. Employment rates have risen significantly for both lone parents and people in families with young children, contributing to their falls in poverty (alongside rises in benefits and tax credits<sup>6</sup>). However, the employment rates for people in families with three, four or more children are little different from 20 years ago, and are below the rates in 2000, suggesting that the fall in poverty among this group was not driven by rising employment.

### Working-age employment rate (%) by selected family characteristic; annual four-quarter averages 1996/7 to 2016/7



Note: Y-axis does not start at 0. Employment rate is for working-age adults in families with these numbers of or age of children, not just parents, except lone-parent employment rate, which is from the ONS Working and Workless households statistical release (April to June quarter data only). Families with youngest dependent child aged 0-4, families with three dependent children and families with four or more dependent children may be one-parent households or two-parent households.

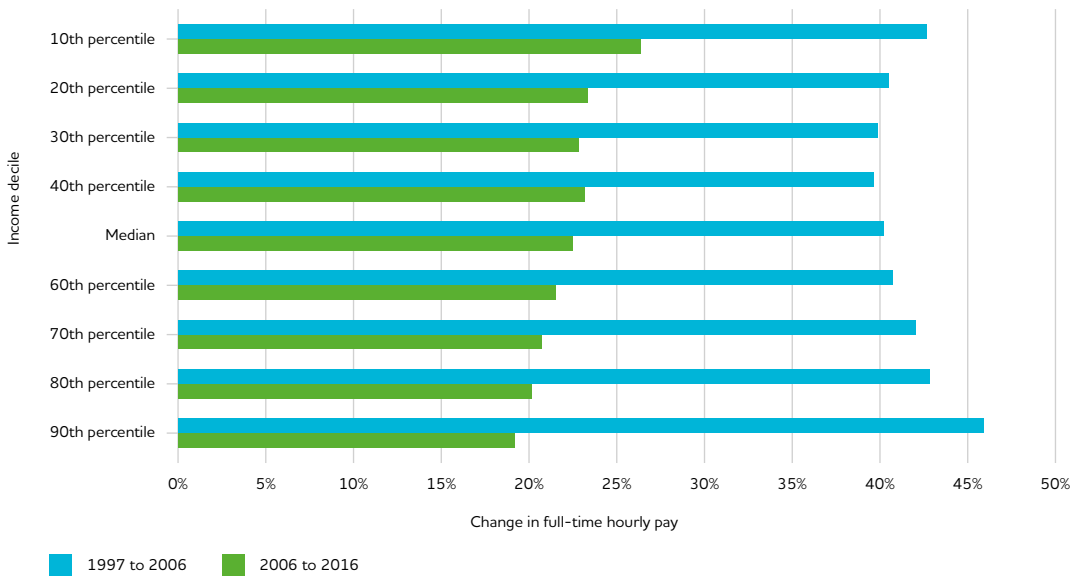
Source: Labour Force Survey (JRF analysis) (data only available from 1997)

## Pay and skills

Low pay is one of the key drivers of poverty, although the relationship between low pay and poverty is not straightforward. Most workers in poverty are low-paid, however the majority of low-paid workers live in households where other earners mean that they do not have a low income overall. Two policies played a vital role in translating rising employment into falling poverty over the last two decades: rising wages for the low-paid and in-work tax credits (discussed below).

The minimum wage was introduced in April 1999 with the aim of eradicating extreme low pay. Since then it has been expanded to cover more and more people and jobs and, in April 2016, a higher minimum wage (called the National Living Wage) was introduced for workers aged 25 and over. Since its introduction, the minimum wage has resulted in earnings increasing fastest for those employees with lower-paid jobs, particularly in the most recent 10 years. During this period, the percentage hourly pay increase for full-time employees was greatest for the lowest paid while, in the earlier period, full-time pay growth had only been faster among the very highest paid. This pattern is evident for both full-time and part-time pay.

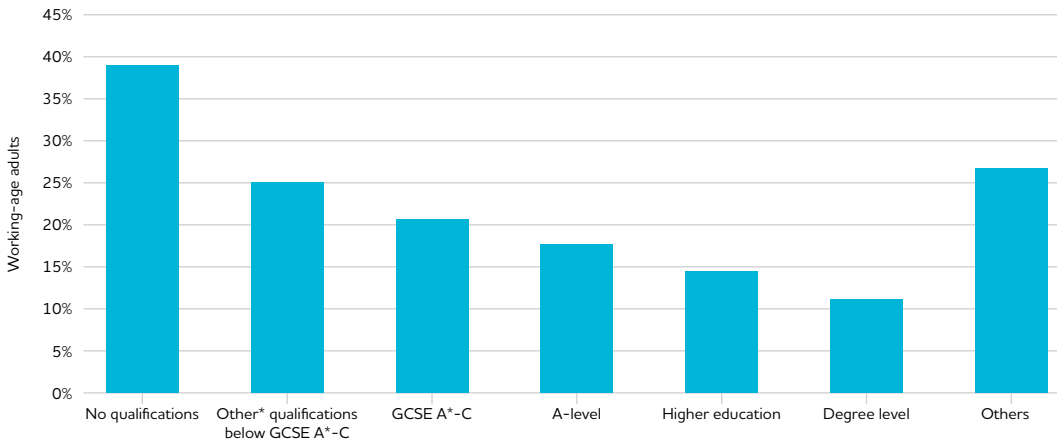
### Percentage change in full-time hourly pay by decile



Source: Annual Survey of Hours and Earnings

Skills and qualifications have a considerable influence on the risk of poverty, affecting both employment and pay. Those with no or low skills are far more likely to be in poverty than those with higher levels of skills.

### Poverty by highest qualification among working-age people



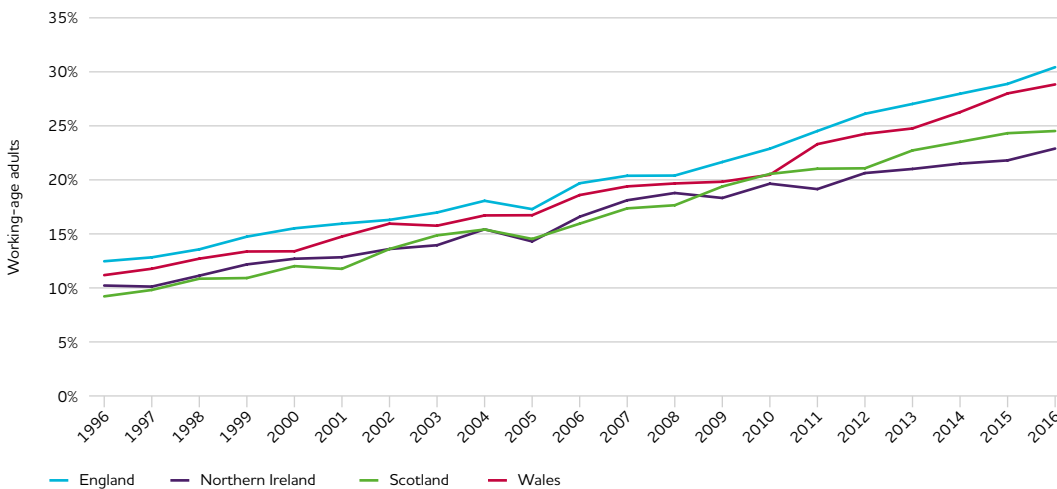
\*Other refers to other foreign/professional/vocational qualifications below degree level but not below GCSE level and others where the level is not known.

Source: Households Below Average Income (JRF analysis)

The proportion of working-age people with no qualifications decreased in the 20 years to 2016, from 20% to 8%, while the percentage with a highest qualification of degree or equivalent increased from 12% to 30%. There are now far fewer people in the population with no or very low qualifications. The percentages with highest qualifications of other higher education, A-level or equivalent, and GCSE A\*-C or equivalent changed little between 1996 and 2016; an increase from 8% to 9%, unchanged at 23%, and a decrease from 22% to 21% respectively. These patterns vary across the UK.

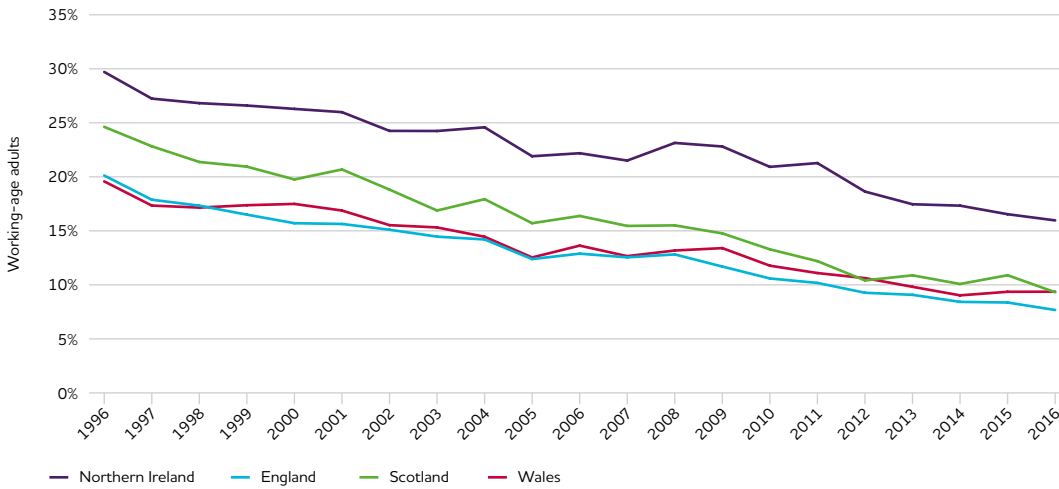
In 2016 about 30% of the working-age people in England had a degree-level qualification compared with 29% in Scotland, 24% in Wales and 23% in Northern Ireland. All proportions had increased greatly since 1996, from 12%, 11%, 9% and 10%, respectively. The percentage of working-age people with no qualifications was much higher in Northern Ireland than elsewhere in 2016, almost 16%, compared with 9% in both Wales and Scotland, and 8% in England. Wales experienced the largest percentage point decrease since 1996.

### Percentage of working-age population with degree-level qualifications in England, Wales, Scotland and Northern Ireland (annual four-quarter averages)



Source: Labour Force Survey (JRF analysis)

### Percentage of working-age population with no qualifications in England, Wales, Scotland and Northern Ireland (annual four-quarter averages)

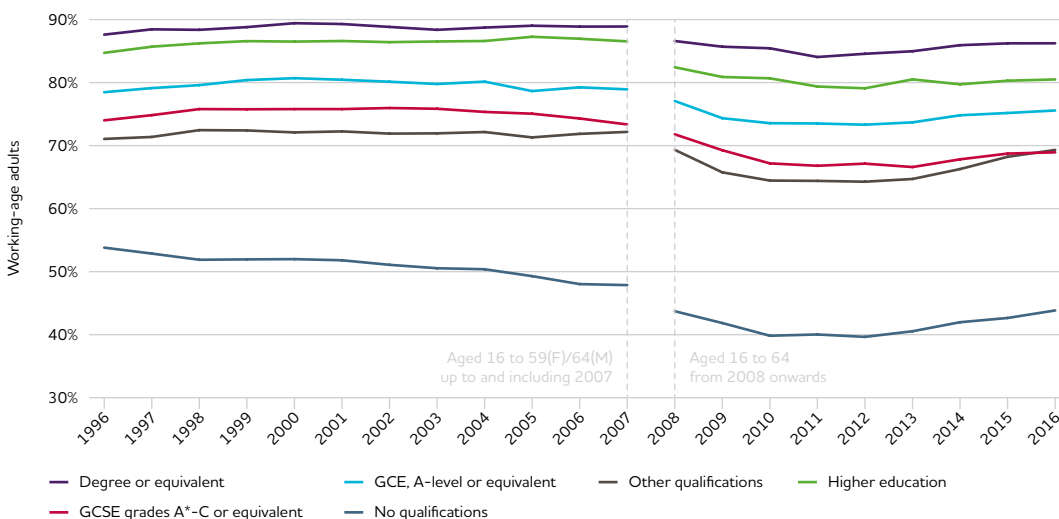


Source: Labour Force Survey (JRF analysis)

Skills and qualifications affect poverty in two main ways; the likelihood of getting a job and how much someone is paid.

In 2016, around 86% of working-age people educated to degree level were in employment, compared with around 44% of those with no qualifications. Both percentages were the same as in 2008 (when qualifications data was first available for all aged 16 to 64) but the latter decreased by 4 percentage points during the years immediately after the 2008–09 recession while the former only decreased by 2 percentage points. The 2016 employment rate for people with the highest level of qualifications at GCSE grades A\*–C or equivalent was 3 percentage points below the 2008 rate, and the rates for those educated to the level of non-degree higher education or A-levels had also not returned to their pre-2008–09 recession level.

### Working-age employment rate by highest qualification (four-quarter averages)



Source: Labour Force Survey

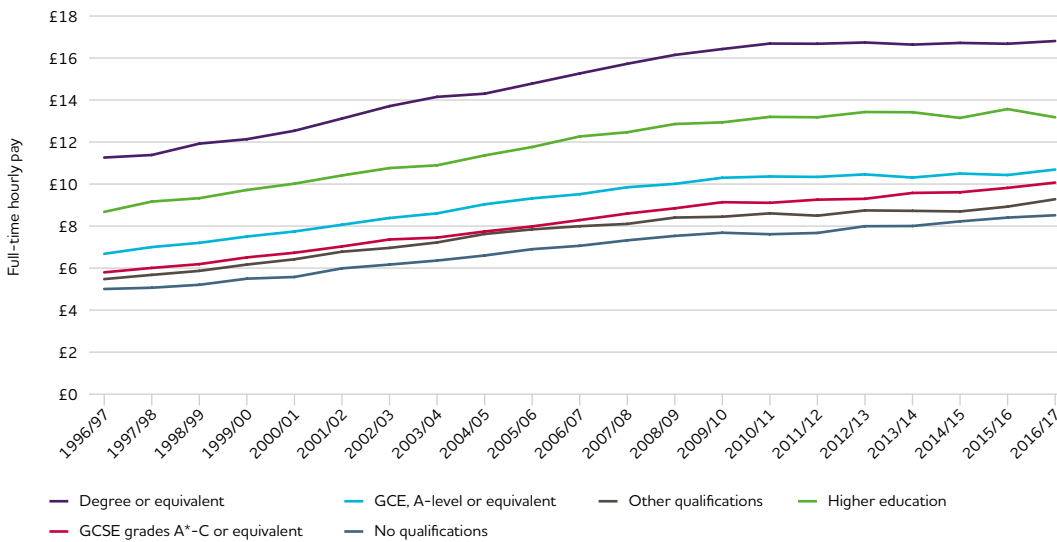
Those people without qualifications are at a greater disadvantage in the labour market than used to be the case. In comparison, the proportion of people with the highest level of qualifications has increased greatly, but the benefit of having a high-level qualification in relation to getting a job has remained.

Qualifications also play a major part in affecting pay levels, although they are also affected by whether an employee is in part-time or full-time work. For full-time workers, pay increases at each level of qualification. In contrast, part-time workers with the equivalent of GCSEs or A-levels are paid almost the same as those with no qualifications at all; it is not until they have higher education qualifications that their pay seems to rise significantly.

The minimum wage has led to increases in wages for the lowest paid. The median full-time hourly pay of people with no qualifications has therefore risen faster in percentage terms than the equivalent for people with degrees, higher education or A-levels. However, because the pay of those without qualifications started from such a low level, the gap with the highest paid has still increased over time.

In 2016, people educated to degree level received median full-time hourly pay that was about £8.30 more than for those employees with no qualifications, an increase from £6.20 in 1996. The equivalent pay gaps in 2016 with those educated to higher education non-degree level and to A-level and equivalent were £4.60 and £2.20, up from £3.70 and £1.70 in 1996.

**Median full-time hourly pay for 16- to 64-year-olds by highest qualification**



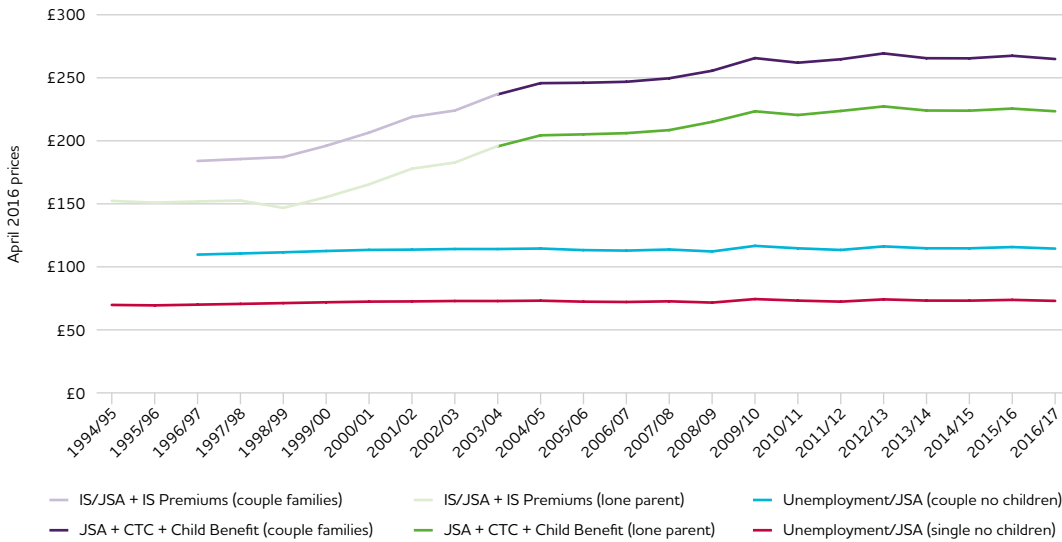
Source: Labour Force Survey (JRF analysis)

**Benefits and tax credits**

The final driver of falls in poverty among some groups of working-age people with children is changes to in-work and out-of-work benefits and tax credits.

The real value of out-of-work benefits for families with children rose sharply between 1998/99 and 2003/04 and continued to rise more slowly until 2013/14 – meaning that the value of these benefits increased by more than inflation. This contributed to the fall in child poverty over that period. Since then, their real value has decreased slightly. From 2013 most working-age benefits and tax credits were restricted to rises of 1% a year, before being frozen in 2016. After a period of zero or very low inflation, it has recently started to rise, reaching 2.9% in 2017 and expected to rise above 3% in the autumn and remain above 2% for an extended period.<sup>7</sup> This means that the real value of benefits is falling compared with prices.

### Out-of-work benefits for families with two children or families without children: real-terms value over time (£/pw)

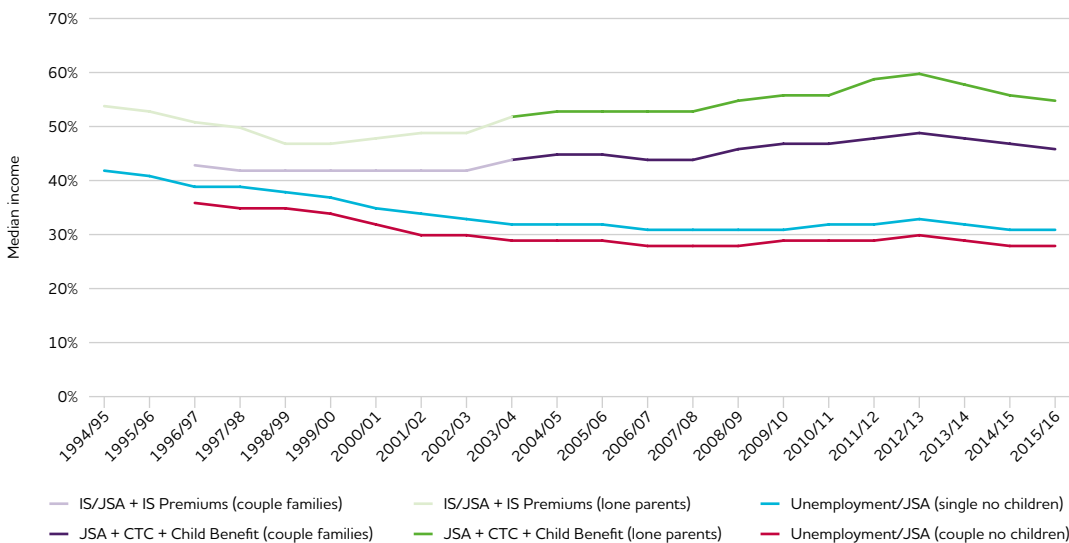


Source: Institute for Fiscal Studies and Office of National Statistics

The value of out-of-work benefits for families with children has not always kept up with changes in average incomes. Between 1994/95 and 1998/99 benefits fell in relation to average incomes. They then rose until 2012/13 before falling back. The rising value of out-of-work benefits for these families contributed to poverty reductions and helped to protect them from the effects of the 2008–09 recession. However, falls in recent years are contributing to rising poverty.

For working-age adults without children, the value of out-of-work benefits has generally kept up with changes in prices, but has steadily declined compared with average incomes, meaning that those dependent on them have faced an increased risk of poverty over time.

### Out-of-work benefits for families with two children or without children: value over time as a percentage of median income (AHC)



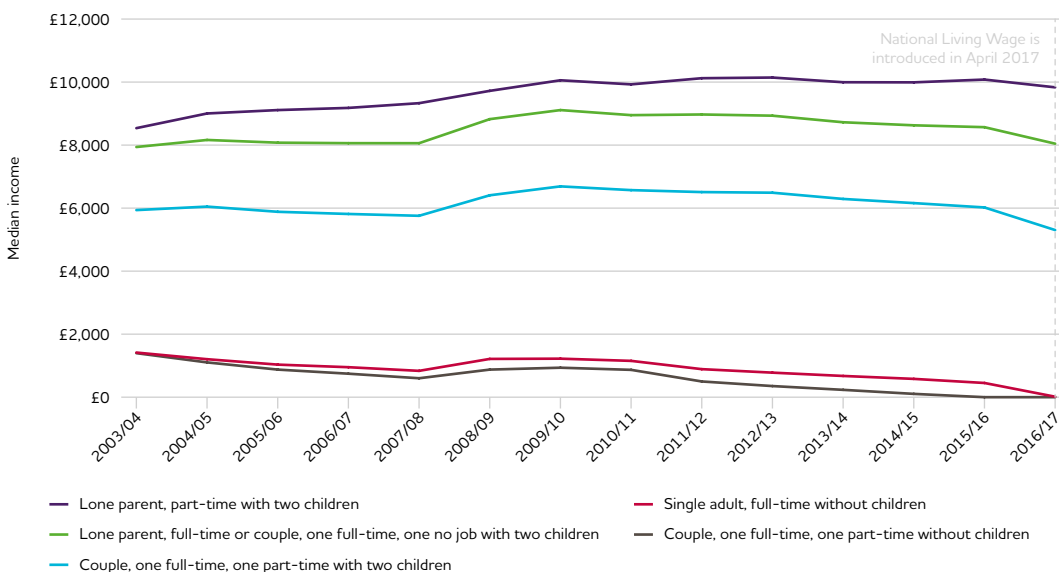
Source: House of Commons Library, Institute for Fiscal Studies and Office of National Statistics



From 2003/04 to 2007/08, the real value of tax credits for working families with two children (taking inflation into account) remained stable or increased slightly. Between 2008/09 and 2009/10 their real value increased. This was due to both increases in the value of the Working Tax Credit and the child element of the Child Tax Credit, and in the annual income threshold at which the Working Tax Credit began to be reduced. From 2010/11 to 2015/16, the real value of tax credits fell for most family types, except for lone-parent families working part-time with two children where it stayed the same. In 2016/17 this trend accelerated, with steeper falls of 5% to 11% in the real value of tax credits for couple families with two children. One factor contributing to this latest decline was the increase in the national adult minimum wage of 9% in April 2016, meaning that those families affected had more of their tax credits withdrawn as their earnings rose.

For working-age adults without children, the value of tax credits fell in real terms during 2003/04 to 2007/08 as they could only claim Working Tax Credit, which was not protected against inflation in the same way as Child Tax Credit. During 2008/09 to 2009/10 the real-term value of tax credits recovered somewhat, although the real-term decline for working-age adults with children resumed from 2010/11. This meant that by 2015/16 some in-work couple families were no longer able to claim tax credits, while single adults working full-time have seen the value of their tax credits fall by 26% in real terms. In 2016/17 there was a fall in in-work support for single adults working full-time due to a steep increase in the national minimum wage.

**In-work benefits for families with two children or no children: real-terms value over time (£/year)**



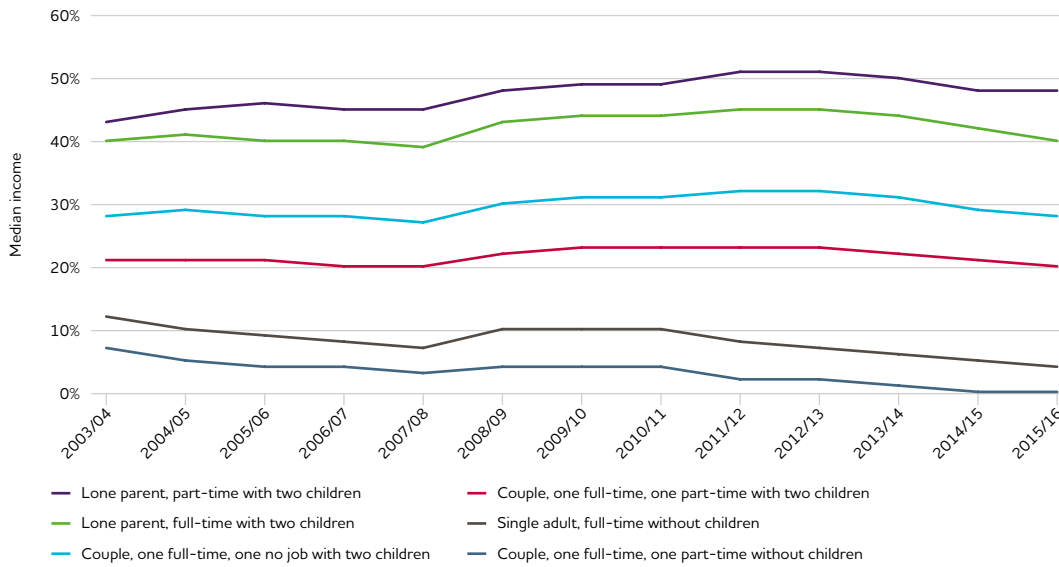
Note: Working Tax Credit and Child Tax Credit; excludes Childcare Tax Credit, Housing Benefit, Council Tax Benefit and the extra support paid in the first year of a child's life within Child Tax Credit. Assumes workers are earning the minimum wage of the oldest age group for that year. During the periods April 2003 to September 2010, October 2010 to March 2016 and April 2016 onwards the oldest age groups are 22 years+, 21 years+ and 25 years+, respectively.

Source: Institute for Fiscal Studies, Office of National Statistics

Over 2003/04 to 2015/16 the value of tax credits remained static compared with average incomes for working families with two children. The exception to this was for a lone parent working part-time with two children where there was an increase in the value of their tax credits compared with average incomes.

The value of tax credits for working-age adults without children fell sharply compared with average incomes between 2003/04 and 2015/16. For single adults without children working full-time the value of their tax credits fell from 12% to 4% of average incomes, while for couples without children (one full-time, one part-time) the value of their tax credits fell from 7% of average incomes to zero in 2015/16.

### In-work benefits for families with two children or without children: value over time as a percentage of median income (AHC)



Note: Working Tax Credit and Child Tax Credit; excludes Childcare Tax Credit, Housing Benefit, Council Tax Benefit and the extra support paid in the first year of a child's life within Child Tax Credit. Assumes workers are earning the minimum wage of the oldest age group for that year. During the periods April 2003 to September 2010, October 2010 to March 2016 and April 2016 onwards, the oldest age groups are 22 years+, 21 years+ and 25 years+, respectively. This chart does not extend to 2016/17 as latest income data available is for 2015/16.

Source: Households Below Average Income, Institute for Fiscal Studies, House of Commons Library and [www.gov.uk/national-minimum-wage-rates](http://www.gov.uk/national-minimum-wage-rates) (JRF analysis)

The net effect of wage increases, tax cuts and reduction in working-age tax credits varies across different types of families. This is illustrated by research analysing the impact of policy changes on incomes in 2022 compared with 2010.<sup>8</sup> For example, focusing on families with two children where adults are earning the national minimum wage:

- families where two parents work full-time benefit more from better pay and tax cuts than they lose from benefit cuts; their net income increases by £8 a week
- families where one parent works part-time and the other full-time lose £2 a week
- single earner couples lose £11 a week
- lone parents working full-time lose £16 a week
- lone parents working part-time lose £26 a week.

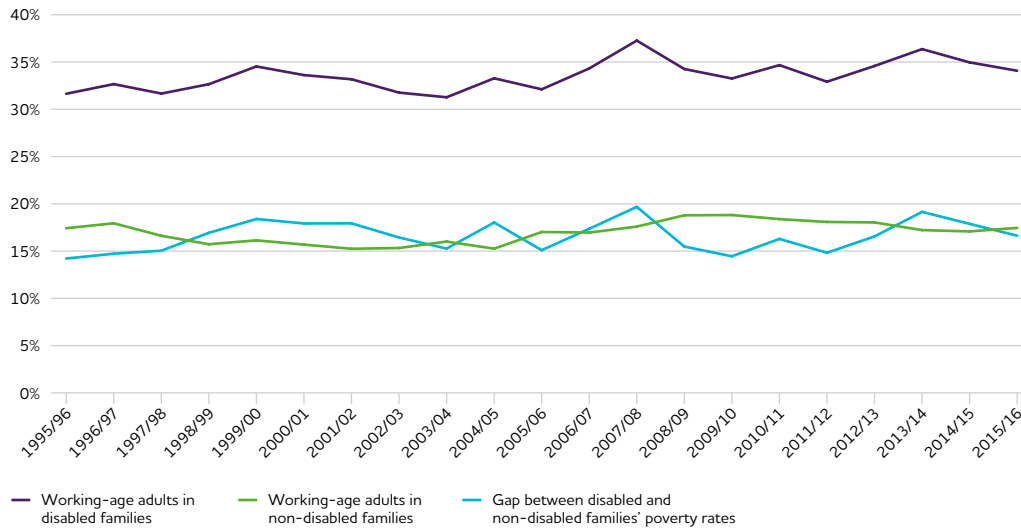
## Disability and ethnicity

Poverty is not distributed randomly across the population. Some groups have far higher poverty rates than others. Two important factors shaping these patterns are disability and ethnicity.

### Disability

Families that include disabled people have always had much higher poverty rates than those who do not.<sup>9</sup> In 1995/96, 32% of working-age adults living in a family with a disabled member lived in poverty, compared with only 17% of those who did not. This poverty gap has increased slightly over the last 20 years. By 2015/16, 34% of working-age adults in families with disabled members lived in poverty, compared with 17% of those who did not.

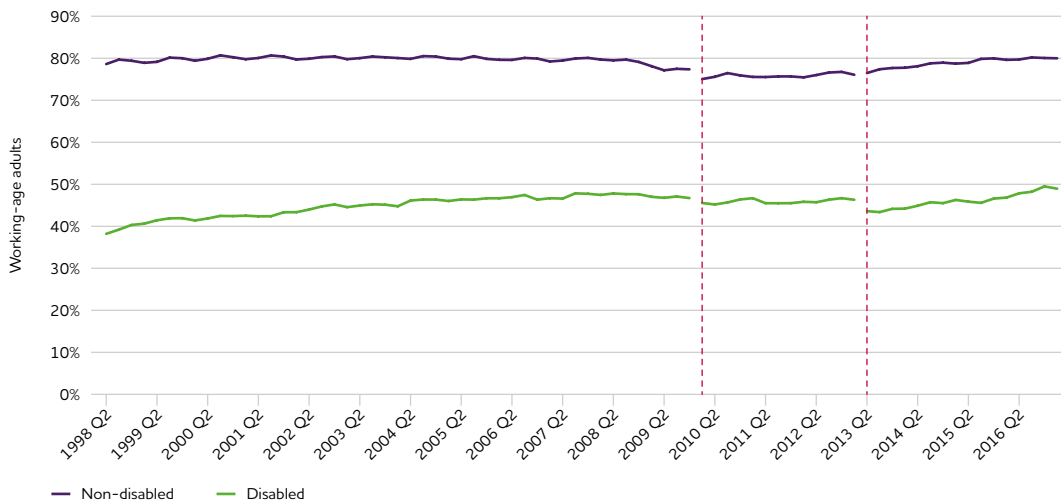
### Poverty rates for working-age adults by disability in family (removing DLA, AA, PIP from income)



Source: Households Below Average Income (JRF analysis)

There has been a slight increase in employment among disabled people, but the gap in the employment rate for disabled and non-disabled people is still very large, at more than 30 percentage points.

### Working-age employment rates for disabled and non-disabled people



Note: The red lines indicate changes of definition: in the first two periods, the data represents people with disabilities that limit day-to-day activities, with the first period including women aged 16 to 59 years only. There were other definitional changes in 2010. In the third period, the data represents people who are disabled according to the Government Statistical Service harmonised standard definition.

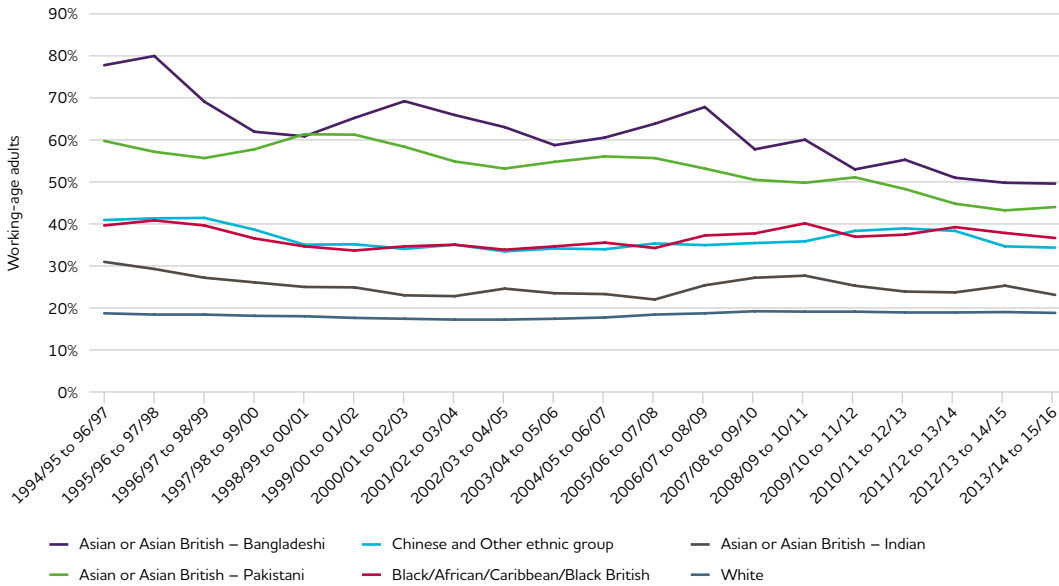
Source: Households Below Average Income (JRF analysis)

## Ethnicity

Poverty also varies across different ethnic groups. In the past 20 years, working-age people in the White ethnic group have always had the lowest risk of poverty, with those from the Indian group having the second lowest. Those in the Bangladeshi and Pakistani groups have continuously had the highest and second highest poverty rates respectively, with the people in the Black, and Chinese and Other ethnic groups having similar rates.<sup>10</sup>

The proportions of working-age adults from Bangladeshi and Pakistani households who were in poverty by 2013/16 were, respectively, 28 and 16 percentage points lower than in 1994/97. The equivalent decreases for the Indian, Chinese and Other, and Black ethnic groups were 8, 7 and 3 percentage points, respectively, while for the White ethnic group there was little change over time. (The ethnicity of the household is defined accordingly to the recorded ethnicity of the head of the household, or the person who responded to the survey on behalf of the head of the household).

**Working-age adults in poverty (AHC) by ethnicity of household (three-year averages)**



Source: Labour Force Survey

Poverty among children is much higher among the Bangladeshi, Pakistani, Black and Chinese ethnic groups than it is among the Indian or White ethnic groups. Poverty rates among children are very similar to working-age adults for most ethnic groups.

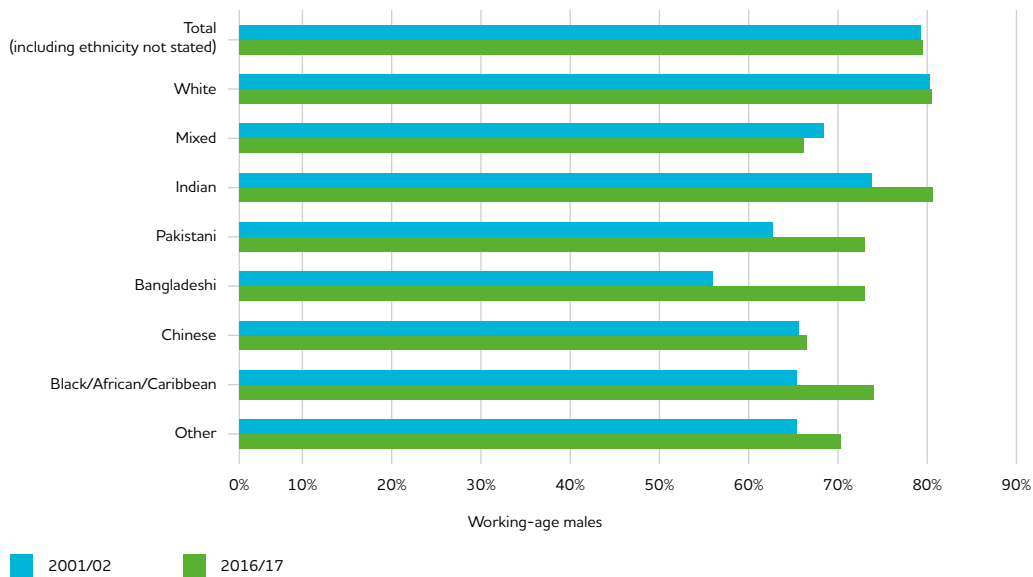
**Children in poverty (AHC) by ethnicity of household (three-year averages)**



Source: Households Below Average Income (JRF analysis)

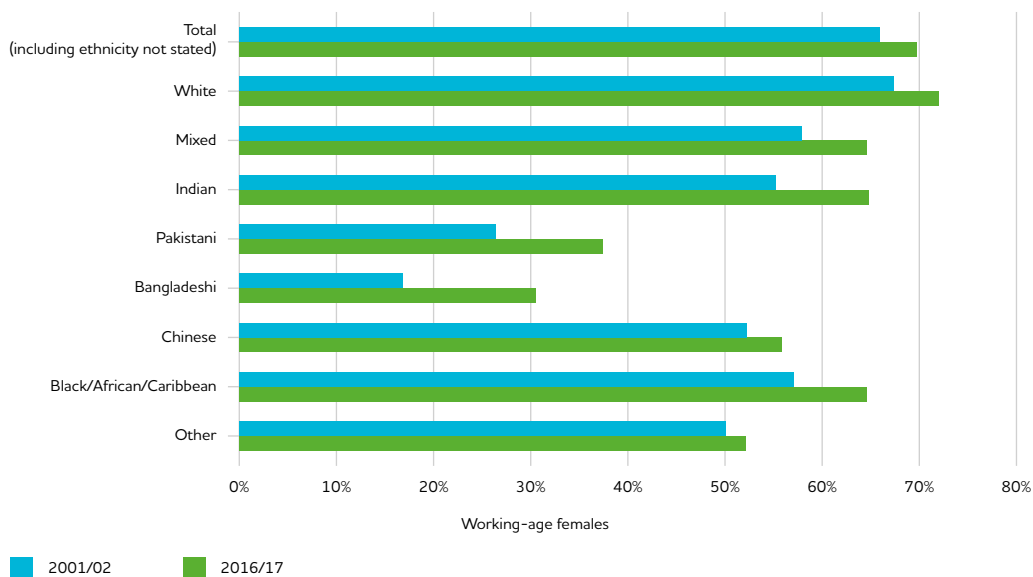
Employment rates have increased since 2001/02 among men and women of all ethnic groups except among men in the ‘mixed’ ethnic group. The biggest percentage point rises are for those groups that started with the lowest rates of employment – particularly women in the Bangladeshi and Pakistani groups. This pattern is similar to the decrease in poverty rates, suggesting that work has enabled many families from these ethnic groups to increase their household income above 60% of the median. Research suggests that immigrants from these ethnic groups who arrived after 2008 (when skill-based immigration laws were introduced) were more likely to have higher educational qualifications than older migrants.<sup>11</sup>

**Male 16- to 64-year-old employment rate by ethnic group 2001/02 and 2016/17 (four-quarter averages)**



Source: Labour Force Survey

**Female 16- to 64-year-old employment rate by ethnic group 2001/02 and 2016/17 (four-quarter averages)**



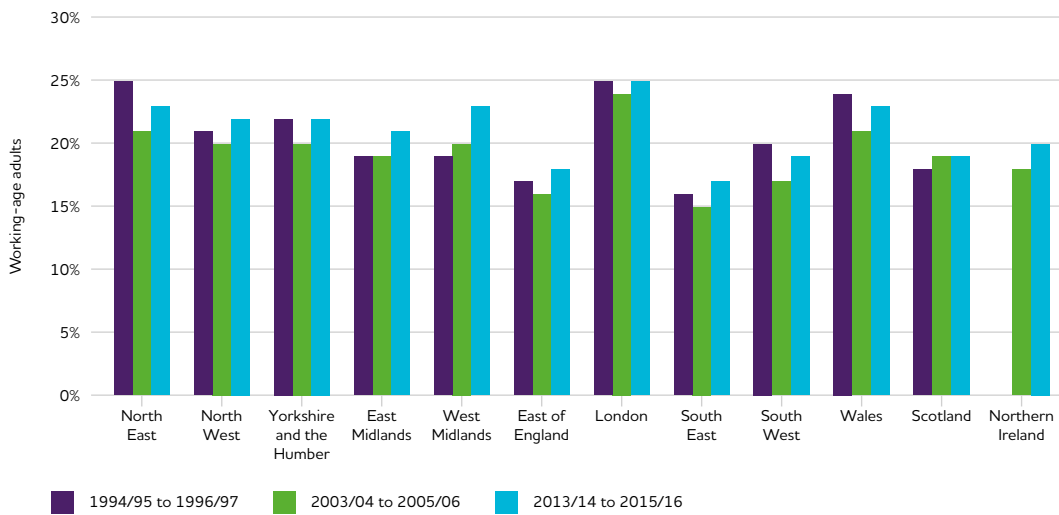
Source: Labour Force Survey

## Poverty across the UK

Rates of poverty have always varied considerably in different parts of the UK.

In England, London and the North East had the highest rates of poverty in 1994/97, and the South East and East the lowest. By 2003/06, all parts of England had seen a fall in poverty, except the East Midlands where it had remained the same. The largest falls were in the North East and South West. By 2013/16, poverty had risen again across all regions. There was a particularly sharp rise in poverty in the West Midlands.

### Percentage of working-age adults in households that are in poverty (AHC): by region or country



Source: Family Resources Survey

Across the four countries of the UK, Wales has consistently had the highest poverty, only slightly lower than London and similar to the North East. Scotland has generally had the lowest poverty but has seen a rather different pattern to the rest of the UK – poverty rose slightly between 1994/97 and then remained constant to 2013/16. Its current poverty rate is the same as the South West of England. Data is only available for Northern Ireland since 2003/4, when Northern Ireland had a slightly lower rate of poverty than Wales, Scotland and many of the English regions. By 2013/16, poverty in Northern Ireland was higher than in Scotland but lower than most of the English regions except the East, South East and South West.

## The challenge ahead

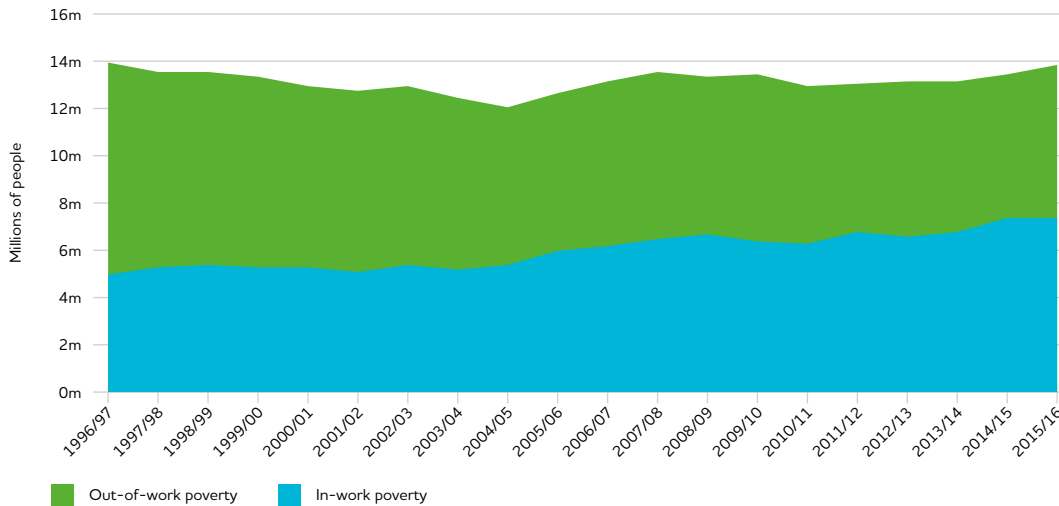
Poverty started to rise for some groups in 2011/12, and has been rising more steeply since 2013/14. This rise is taking place in particular among those groups for whom poverty fell most over the last 20 years – lone parents, families with three or more children and families with young children. The rise in poverty is striking among lone parents in work, particularly in full-time work, and among couples where parents work but where there is not at least one full-time and one part-time worker. Projections suggest that these poverty rates are likely to continue to rise sharply over the next few years.<sup>12</sup>

There are three main drivers that explain these trends in poverty: the labour market; state support (safety-net benefits and in-work support); and the cost of living.

## The role of work

Rising employment, skills and pay contributed greatly to reductions in poverty over the last 20 years. However, they have also led to a shift in the composition of poverty away from being primarily concentrated in workless households and towards greater in-work poverty. Poverty in the UK today is fairly evenly split between workless households and those in work.

### Composition of poverty by in- and out-of-work status



Source: Households Below Average Income (JRF analysis)

The question facing the UK is how to shape a labour market that will deliver even greater reductions in poverty, particularly given that the UK already has historically high employment and a rising minimum wage.

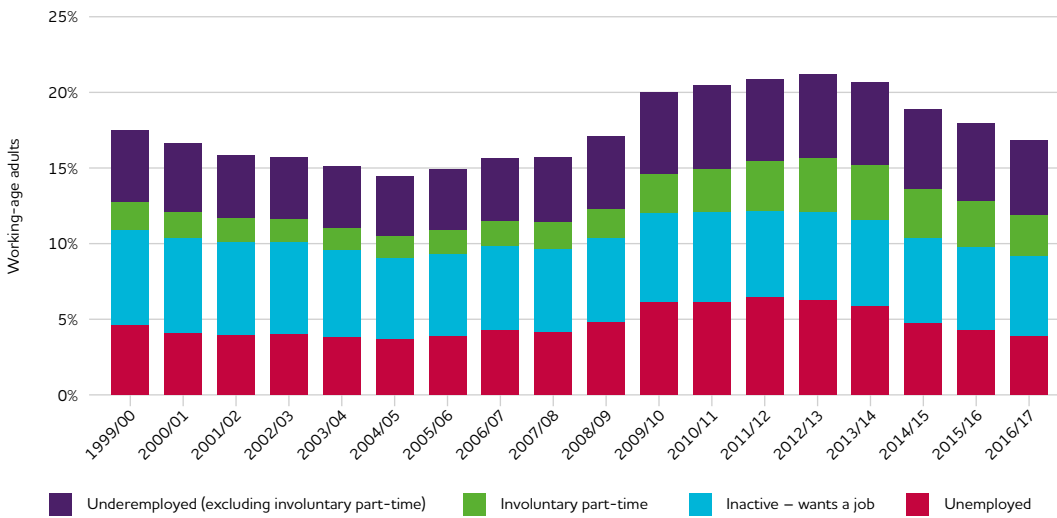
### Closing the ‘jobs gap’

Recent research<sup>13</sup> identifies a ‘jobs gap’ that affects four groups of people who cannot get work, or as much work as they would like:

- unemployed people who are not in work but are available and actively seeking it
- economically inactive people who would like a job, including those who are seeking work but not available, and those not currently seeking work
- involuntary part-time workers, who started to work part-time because no suitable full-time work was available
- underemployed workers, who are working and want more hours but are unable to get them, including those who want more hours in their current job, those who want a different job with longer hours, and those who want an additional job. This category includes some involuntary part-time workers who are classified as such in the following analysis.

In 2016/17, around 17% of working-age people were affected by the jobs gap, about 7.6 million people in total. The percentage has decreased in recent years but was still higher than in the years before the 2008–09 recession, with the proportion of people classified as involuntarily part-time or underemployed about two percentage points higher than 10 years earlier, while the proportion that were either unemployed or inactive but wanted a job was slightly lower (0.6 percentage points).

### Proportion of working-age people affected by the jobs gap (four-quarter averages)

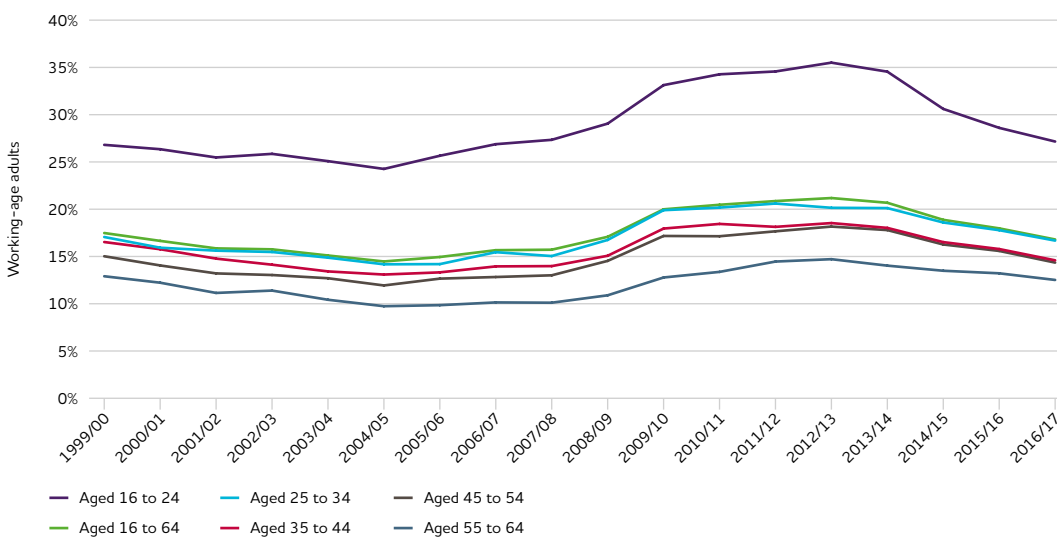


Source: Labour Force Survey (JRF Analysis)

Younger people are at greater risk of being affected by the jobs gap, with this being true for more than a quarter of people aged 16 to 24 in 2016/17 and more than a third of this age group in the years immediately following the 2008–09 recession. For other age groups, the percentage of people affected was similar, ranging from just over 12% of those aged 55 to 64 to almost 17% of people aged 25 to 34, with the proportion decreasing as age increased.

In each age group, the pattern of change over the past 10 years was similar to that for the working-age population as a whole, with the 2016/17 percentages of people being affected being lower than in the years immediately following the 2008–09 recession but higher than in 2006/07. The percentage point increase over 10 years was highest among the oldest two age groups (about 2 percentage points) while in all age groups the change was almost entirely driven by increases in the percentages of people who were involuntarily part-time or underemployed.

### Proportion of people affected by the jobs gap by age (four-quarter averages)



Source: Labour Force Survey (JRF analysis)



## How much work is enough?

The first factor is the number of workers in a household and whether they work full-time or part-time. Work gives strong protection against poverty as long as it is full-time or, for couples, one full-time and one part-time worker. Part-time work does not protect against poverty very effectively, nor does having a single full-time earner in a couple. Poverty rates have risen for single-earner couples and couples with only a part-time worker.

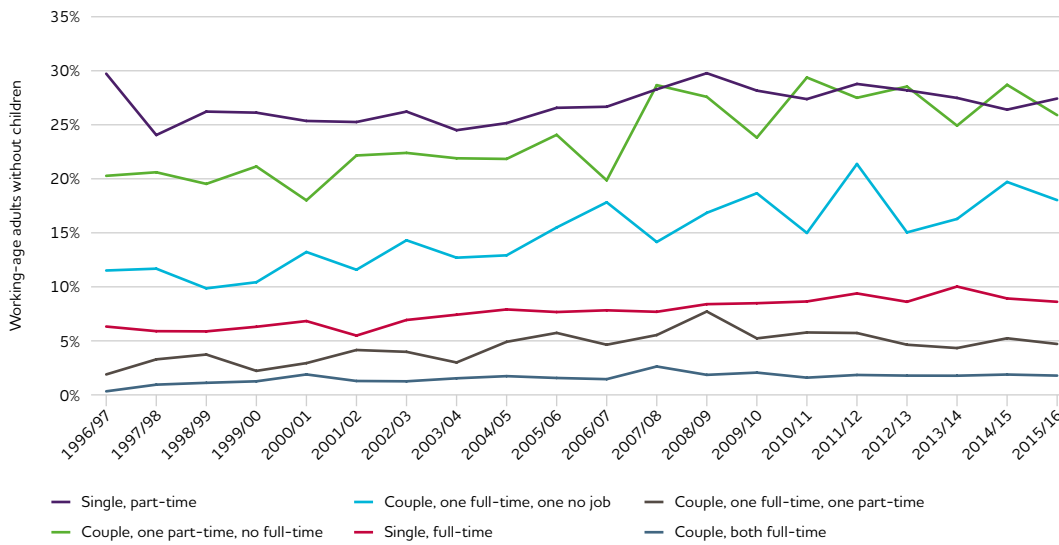
For working-age adults without children, couples with both adults in full-time work have poverty rates close to zero. Single people in full-time work are more likely to live in poverty but rates are still very low – 6% were in poverty in 1996/97, rising gradually to 9% by 2015/16. Couples with one full-time and one part-time worker also have very low poverty rates – 2% in 1996/97 rising to 5% by 2015/16. However, couples without children who have one full-time earner (and one not working) have a much higher rate, and this rose significantly from 12% to 18%. Couples without children who have one part-time earner (one not working) also have a higher rate and rose from 20% to 26%. The highest poverty rates among working households without children are for those with only part-time workers – over a quarter are in poverty.

For working-age couples with children, having both adults in work with at least one in full-time work ensures a very low risk of poverty. Part-time working alone leads to very high poverty rates, and having only one earner also gives fairly weak protection. Many more lone parents now work, but recent changes to benefits and tax credits have meant that this is providing less and less protection from poverty.

Couples with both adults in full-time work had a poverty rate of 3% in 1996/97, rising slowly to 5% in 2015/16. Poverty rates are also very low among couples with one person in full-time and one in part-time work, though they have risen from 6% in 1996/97 to 9% in 2015/16. Single-earner couples with children started with a fairly high poverty rate – 26% – and this rose by just under a third to reach 35% by 2015/16. Couples with children who only have part-time workers in the family have extremely high levels of poverty – nearly two-thirds.

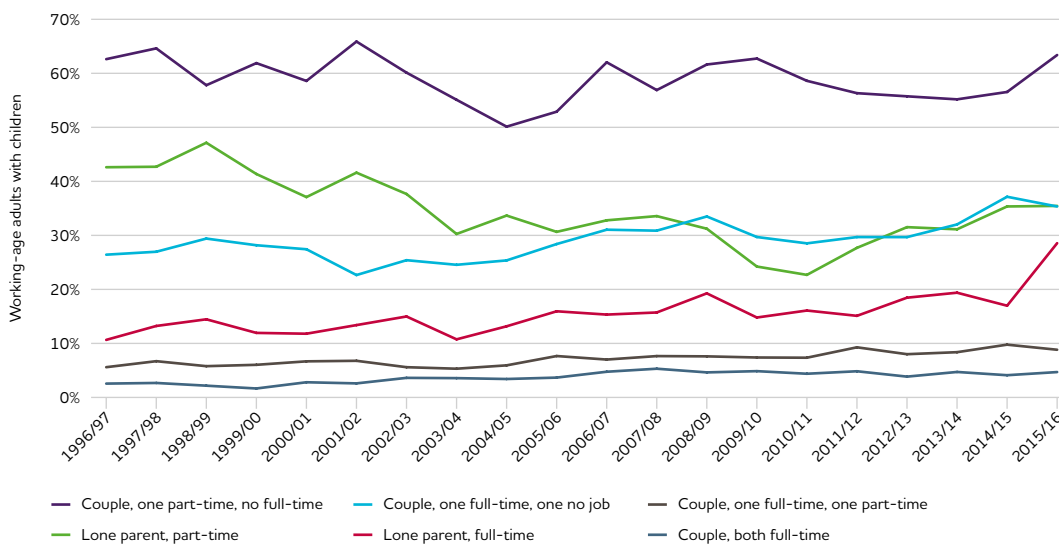
Lone parents in full-time work began with a fairly low poverty rate of 11%. Over 20 years, as more and more of them entered employment, this has increased gradually, reaching 17% by 2014/15. In the last year, however, there has been a very sharp increase; 28% of lone parents in full-time work now live in poverty. This is likely to be mainly driven by changes to benefits and tax credits. Many lone parents work part-time, to enable them to manage caring for children and in some cases because of health conditions. Poverty rates for lone parents working part-time started very high in 1996/97 – 42% were in poverty. However, this rate fell by almost half as tax credits were introduced to increase their incomes to 23% in 2010/11. However, their poverty rate has also climbed steeply in recent years, reaching 35% by 2015/16.

### Working-age adults without children in poverty by family type and work status



Source: Households Below Average Income (JRF analysis)

### Working-age adults with children in poverty by family type and work status



Source: Households Below Average Income (JRF analysis)

It is therefore important to understand the reasons why people are not working, or are not working full-time.

### Reasons for not working or limiting work hours

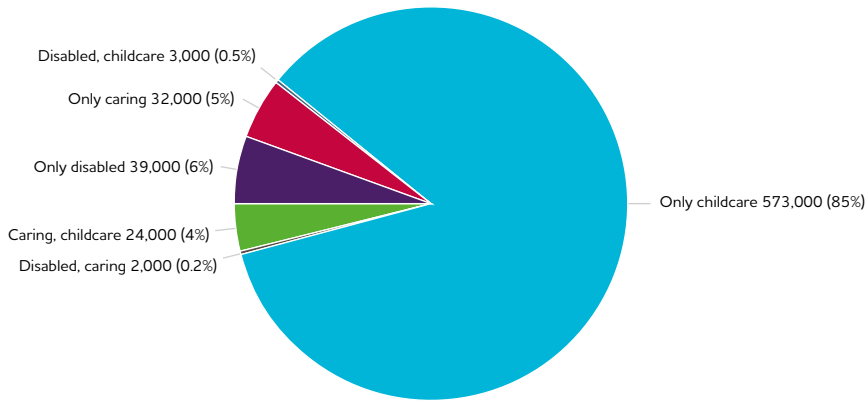
Health and caring for young children or disabled adults play a strong role in shaping how much work the adults in a family do, but the balance of these varies across different family types.

For single-earner couples where the person in work is full-time, the vast majority of the non-working adults say that this is due to childcare responsibilities, with much smaller proportions citing either being disabled or caring for someone who is disabled. However, among those families where the person in work is part-time, disability plays a greater role in restricting the other adult's capacity to work.

Most lone parents who work part-time do not give any specific reason for not working full-time, but sizeable minorities cite either childcare or being disabled as restricting their work hours.

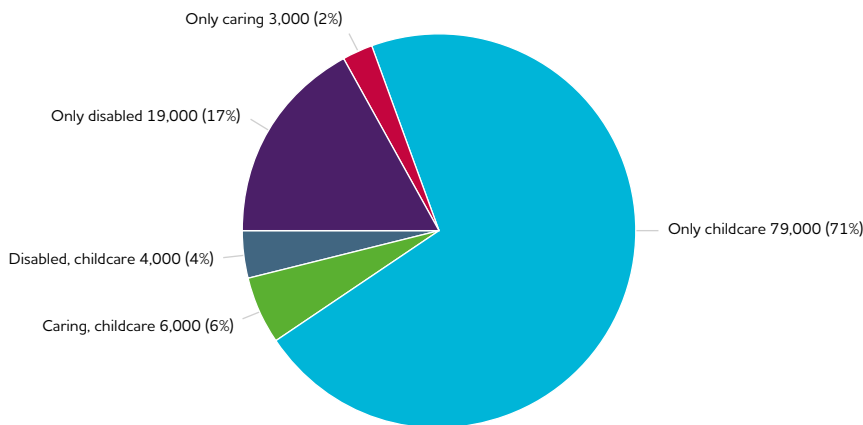
Families where one adult works full-time and one part-time cite childcare as the biggest reason for the part-time earner not increasing their hours, but being disabled or caring for someone who is disabled also affect smaller groups.

**Single-earner couples: one full-time, one non-working – non-worker’s reason for being prevented from working**



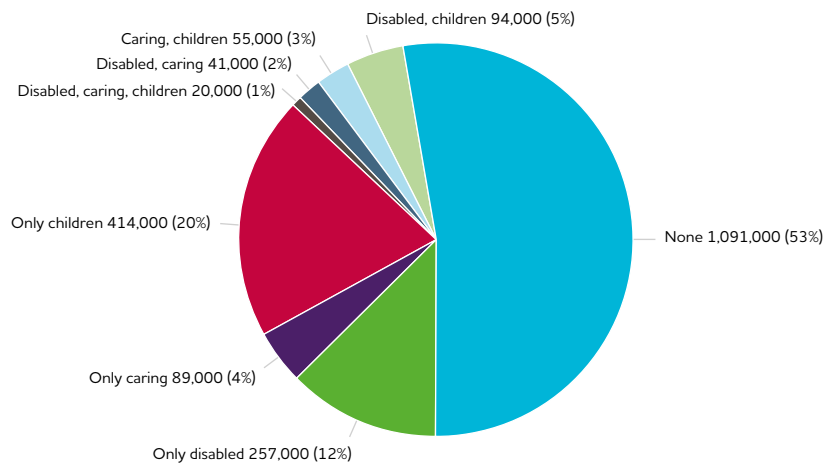
Source: Households Below Average Income (JRF analysis)

**Single-earner couples: one part-time, one non-working – non-worker’s reason for being prevented from working**



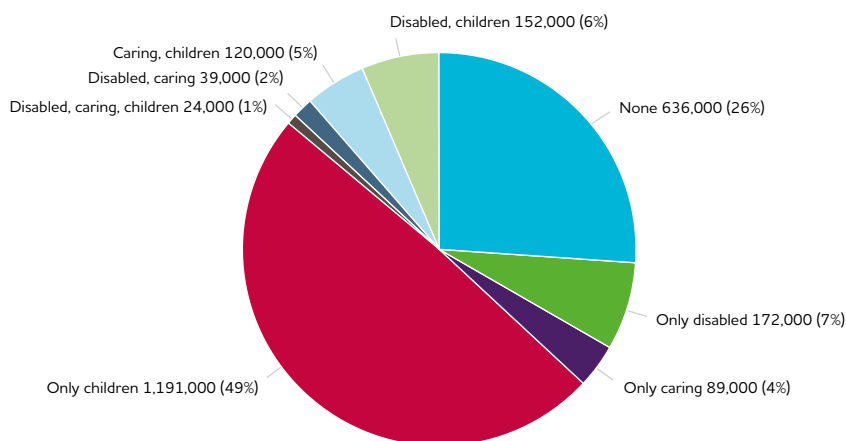
Source: Households Below Average Income (JRF analysis)

### Single part-time earner families: presence of disability and/or caring responsibilities



Source: Households Below Average Income (JRF analysis)

### One full-time, one part-time earner families: presence of disability and/or caring responsibilities



Source: Households Below Average Income (JRF analysis)

### Pay and skills

Despite improvements in pay for those on the lowest wages, low pay remains endemic in the UK’s economy. Once in a low-paid job it is difficult for many workers to move to a better paid one: three out of four low-paid workers are still low-paid after 10 years.<sup>14</sup>

3.7 million workers are in poverty; 2.4 million full-time employees and self-employed workers and 1.3 million part-time employees and self-employed workers. The overall number has risen from 2.3 million in 1996/97.

### Number of workers in poverty by employment type



Source: Family Resources Survey and Households Below Average Income (JRF analysis)

However, poverty and low pay do not always go together – the vast majority of low-paid workers live in households where the income of the people they live with (such as a partner or parents) means that they are not in poverty.

The current National Living Wage is £7.50 an hour for those aged over 25. The government intends to raise the National Living Wage to two-thirds of average pay by 2020. Currently, two-thirds of average pay is £7.87. The pre-November 2017 Living Wage was £8.45 outside London and £9.75 inside London. These earlier Living Wage amounts were used in this analysis as they were the Living Wages during the period of the income data available.

- Only 27% of people earning less than £7.87 are in poverty: 2.4 million compared with 6.4 million low-paid workers not in poverty.
- Only 25% of people earning less than £8.45 (across the country) are in poverty: 2.5 million compared with 7.7 million not in poverty.
- Only 22% of those earning below £9.75 are in poverty: 2.8 million compared with 10.2 million not in poverty.

However, low pay is a very significant driver of poverty.

- 68% of households in in-work poverty include at least one person who is paid less than £7.87.
- 73% of households in in-work poverty include at least one person who is paid less than £8.45.
- 80% of households in in-work poverty include at least one person who is paid less than £9.75.

If the National Living Wage was raised across the whole country to the level of the London Voluntary Living Wage, more than eight in 10 households in working poverty could benefit (if the pay rise was not clawed back through reductions in tax credits). However, more than three-quarters of those who would benefit already have incomes that protect them from poverty.

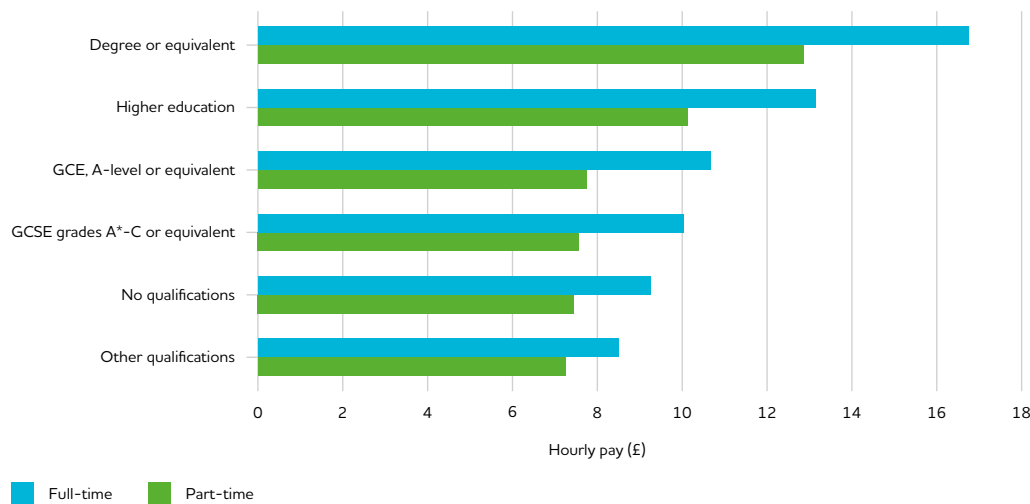
As discussed earlier, the UK has seen rising numbers of working-age people with qualifications. This has contributed to increasing employment rates and supported earnings growth. However, there is still a significant minority of people with no or very low qualifications who are increasingly disadvantaged in getting work. In addition, the

difference in pay between those who are highly qualified and those who are not is increasing despite a rising minimum wage. It is also noticeable that people with mid-level qualifications (GCSEs or A-levels) are seeing their pay fall further behind those with higher qualifications (see the figures above: *Working-age employment rate, by highest qualification (four-quarter averages)* and *Median full-time hourly pay for 16- to 64-year-olds by highest qualification*).

Even low-paid work tends to take couples out of poverty if both adults work full-time, or there is at least one full-time and one part-time worker, or if single people work full-time and do not have children. However, many lone parents struggle to move out of poverty even in full-time work unless it is well paid, as do couples where no one has a full-time job or where only one person works.

Pay, skills and hours of work are linked. Workers with lower levels of qualifications are more likely to be part-time workers: in 2016, 32% of workers with no qualifications worked part-time and this was true for a similar proportion educated to GCSE level. However, fewer than 20% of workers with a degree worked part-time. Part-time workers are more likely to be low-paid at each skill level. It is also striking that part-time workers with the equivalent of GCSE or A-level qualifications are paid very little more than those with no qualifications.

**Median hourly pay (£) by highest qualification 2016/17 (four-quarter averages)**



Source: Labour Force Survey (JRF analysis)

**A fraying safety net**

The benefit and tax credit system has always had a dual role of supporting people who are out of work, and topping up the incomes of those in work who do not earn enough to meet their family’s needs. This follows from the acknowledgment that a wage that is sufficient to support a single adult may not be enough to support children or another adult, but employers cannot be expected to pay workers differently according to their home circumstances. The introduction of tax credits in 1999, and notable increases in 2001, 2004, 2008 and 2011, was a major factor in the reductions in child poverty in the early 2000s.<sup>6</sup>

The value of benefits and tax credits for families with children has begun to decrease compared with median income in recent years, joining a longer trend in the reducing value of benefits for those without children. The freeze on most working-age benefits (in- and out-of-work) took effect in April 2016. Inflation started to increase sharply in November 2016 and is expected to stay high. These trends are having especially strong impacts on groups for whom benefits and tax credits helped to decrease poverty sharply – lone parents, families with young children and families with three or more children.

Further reductions to family benefits and tax credits introduced in 2017 and planned for the next few years are likely to lead to significant rises in poverty among these families. Reductions in income tax, particularly through increasing the personal allowance, have benefited some working families on low incomes. However, many working parents already do not pay tax, and the gains for most other families in poverty are outweighed by cuts to in-work tax credits.<sup>15</sup>

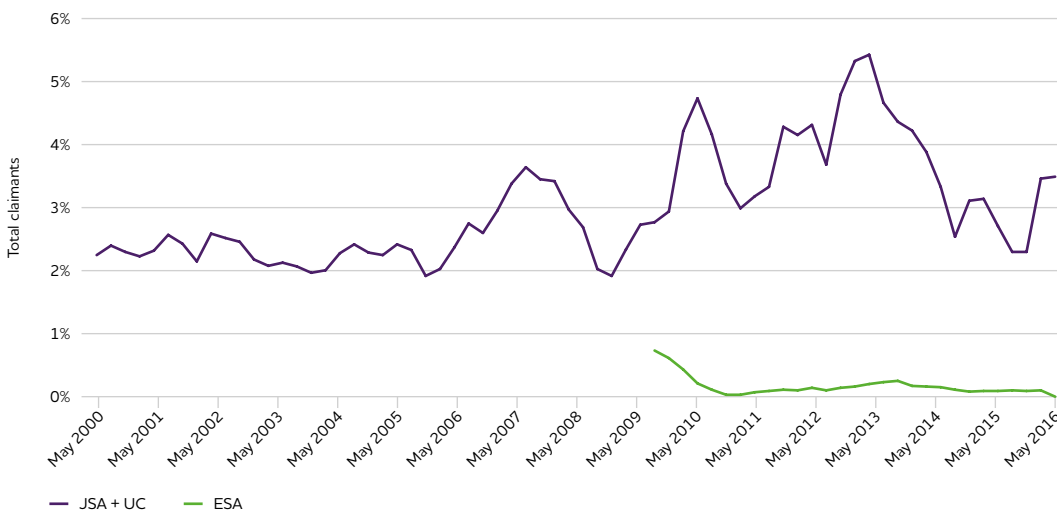
Various other changes to the benefit and tax credit system have reduced the incomes of some groups, permanently or for periods of time. The most significant of these changes are sanctions, the benefit cap and the under-occupancy penalty (or 'bedroom tax').

### Sanctions

More than 3.5 million people receive out-of-work benefits including Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA), Universal Credit (UC) and Income Support (IS). More than one million of these people have to show that they are complying with conditions of benefit receipt. The other 2.5 million are not subject to these conditions due to disability or caring responsibilities. Conditions can include attending the job centre, providing evidence of actively seeking work, accepting a job or attending training or external schemes such as the Work Programme. If claimants are found to have breached these conditions they can be sanctioned, meaning that their benefits are reduced or suspended for a period of between four weeks and three years.<sup>16</sup>

The number of people experiencing sanctions has varied greatly over time. The number experiencing them was fairly stable until 2009 when there was a very large increase, nearly trebling to reach a high point of nearly 80,000 in late 2013. This was not simply because more people claimed the benefit – the percentage of claimants being sanctioned rose from 2% in 2000 to over 3% in 2007, dropped back in 2009 and then rose to over 5% in 2014, before falling back to 3% in 2015. After this the numbers dropped sharply, returning to their 2005 levels. In 2016 there was another sharp increase with numbers reaching just under 30,000 people, over 3% of claimants. Sanctions for claimants of ESA have remained at an extremely low level.<sup>17</sup>

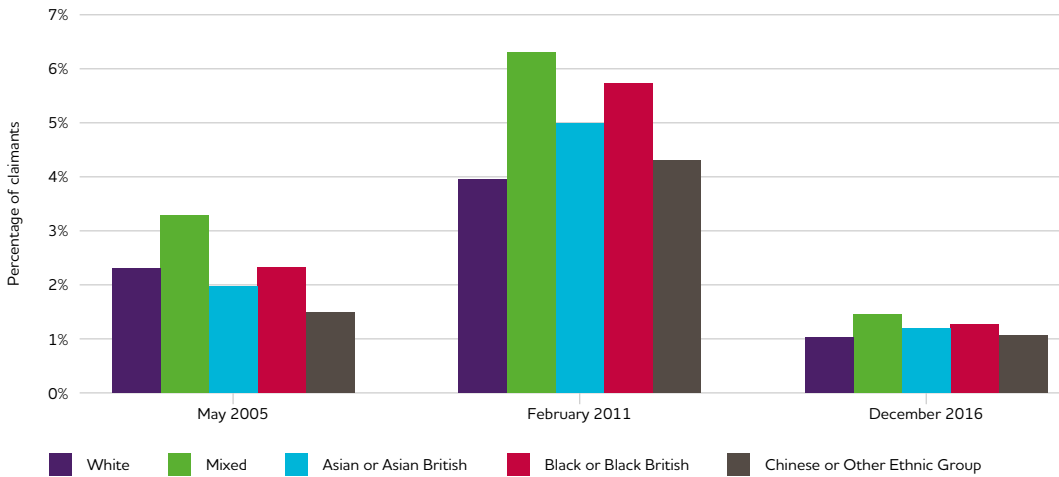
#### JSA + UC, and ESA sanctions on individuals as a percentage of total claimants in Great Britain (by quarter of sanction decision)



Source: Department of Work and Pensions and Office for National Statistics (JRF analysis)

Sanctions have not been applied with equal frequency to different types of claimants. The sanction rate has always been higher for men than for women and younger people, and there have been periods when some ethnic minority groups have been far more likely to be sanctioned than the White group.

### Percentage of people from different ethnic groups subject to JSA sanctions



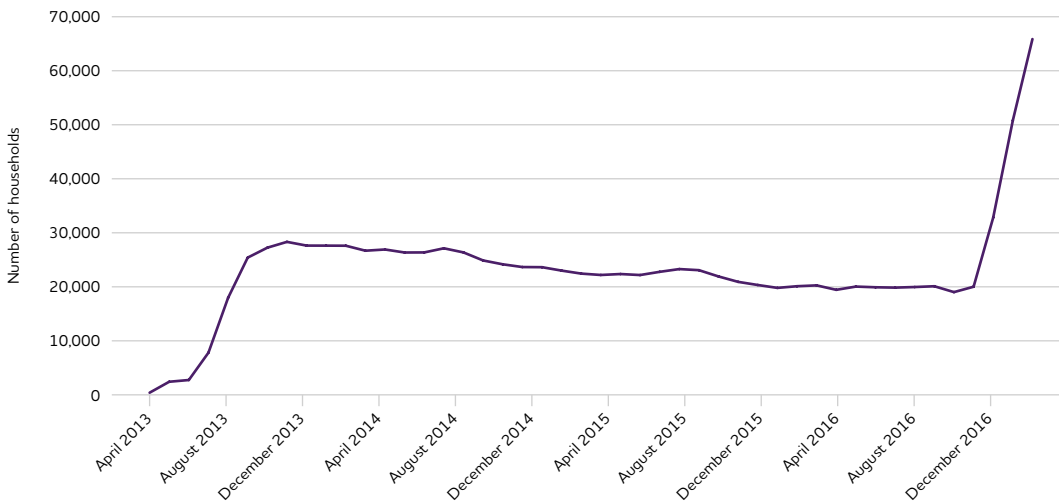
Source: Department for Work and Pensions and Office for National Statistics (JRF analysis)

### Benefit cap

The benefit cap was introduced in April 2013. It applies to working-age households in receipt of out-of-work benefits and who do not work enough to receive Working Tax Credit or earn the equivalent of 16 hours a week on the minimum wage. The benefit cap is the total amount an out-of-work household can receive in benefits. If a household's entitlement to benefits exceeds this amount their benefits are reduced to match it. When it was introduced, the cap was set at £26,000 a year for families and £18,000 for single people with no children. In November 2016 it was lowered to £20,000 for families outside London and £23,000 for families in London, and to £13,400 for single people outside London and £15,410 inside London.

The benefit cap affects relatively small numbers of households, but can have a big impact on their incomes. The vast majority of households affected by the cap include children; 72% are lone-parent families, while 21% are couples with children. Research shows that a very small minority of those affected got work or moved house to reduce the impact of the cap – the vast majority simply got poorer.<sup>18</sup>

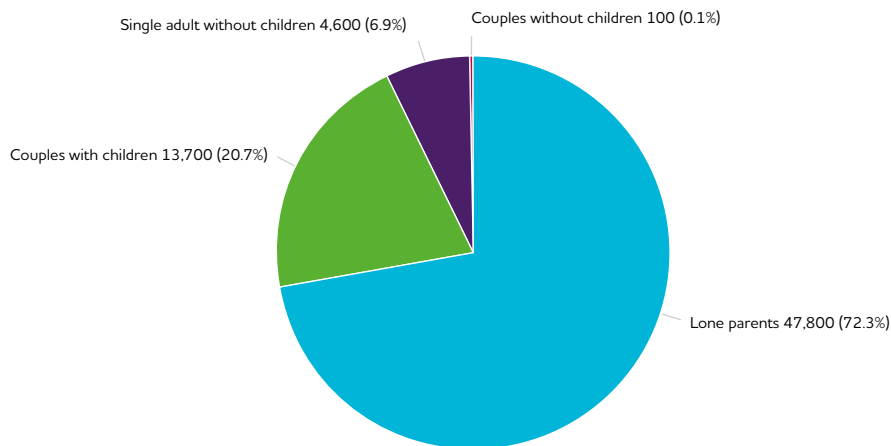
### Number of households subject to the benefit cap in Great Britain



Source: Department for Work and Pensions



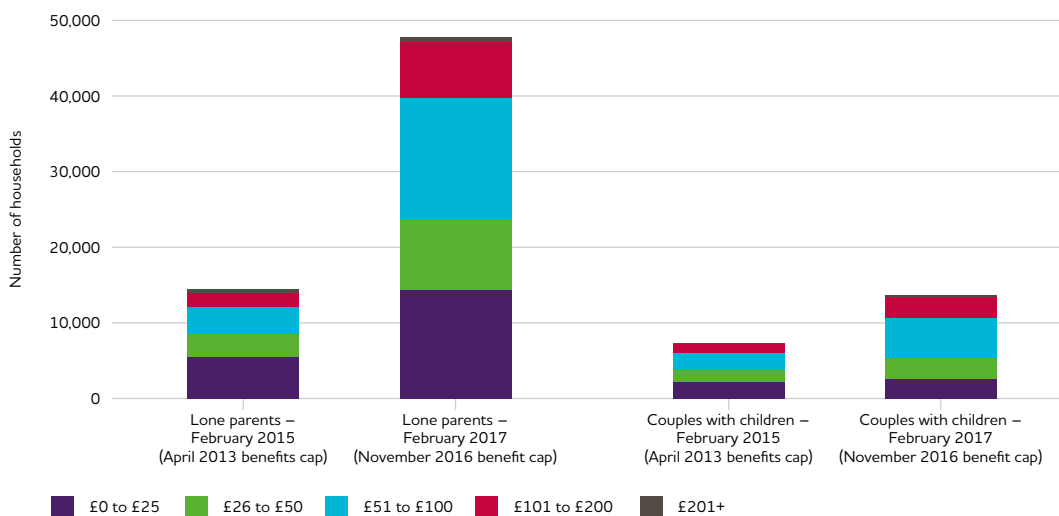
### Households affected by the November 2016 benefit cap by family type in Great Britain



Note: Figures are for February 2017.

Source: Department for Work and Pensions

### Household benefit lost to the benefit cap: by amount for lone parents and couples with children in Great Britain (£/PW)

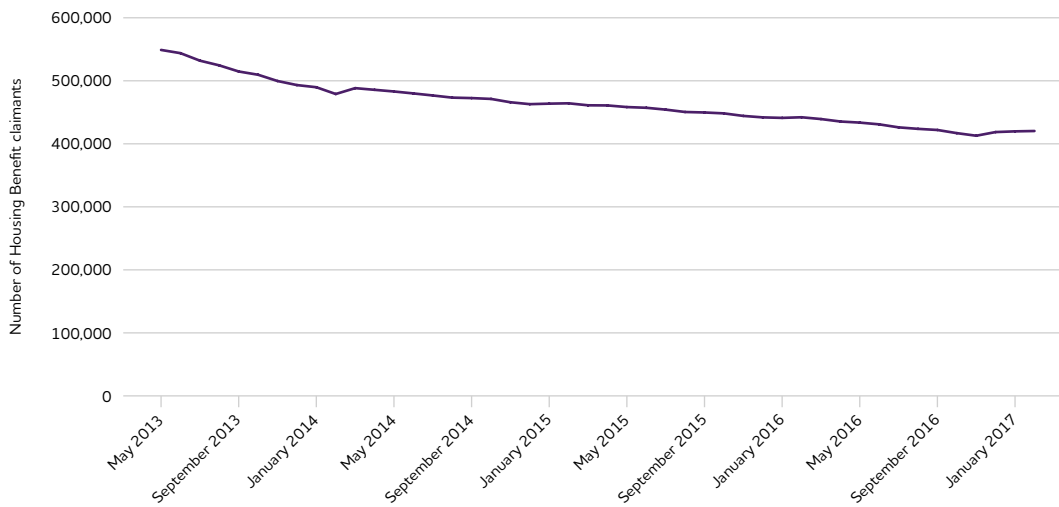


Source: Department for Work and Pensions

### Under-occupancy penalty (or ‘bedroom tax’)

The under-occupancy penalty (also known as the ‘bedroom tax’) was introduced under the British Welfare Reform Act 2012. Tenants in social housing who are deemed to have a spare room have their Housing Benefit reduced, meaning that they must top up their rent from other income if they remain in the property.

### Number of Housing Benefit claimants affected by the under-occupancy penalty bedroom tax in Great Britain



Source: Department for Work and Pensions

The number affected has declined steadily, although these are net figures and mask considerable turnover, with some households becoming eligible while others cease to be. One reason for the downward trend is people moving house in response to the policy, but this only accounts for part of the trend – in 2013/14 the numbers affected fell by 78,000 but there were only 20,000 transfers.<sup>19</sup> The rest of the decline may be due to changes in eligibility for the penalty: people are unlikely to be allocated homes that would make them eligible for the penalty, and people reaching pension age cease to be affected by it.

There have been large variations in the patterns across different parts of the UK. The highest number of claimants affected have been in the North West and Scotland, followed by London and the West Midlands. The lowest number of claimants affected was in the South West. The largest falls have been in the North West and London. The smallest falls have been in Scotland. Scotland has low proportions of one-bedroom dwellings, and the Scottish Government has provided substantial funding to supplement discretionary housing payments to mitigate the impact of the policy.<sup>19</sup>

### Rising costs

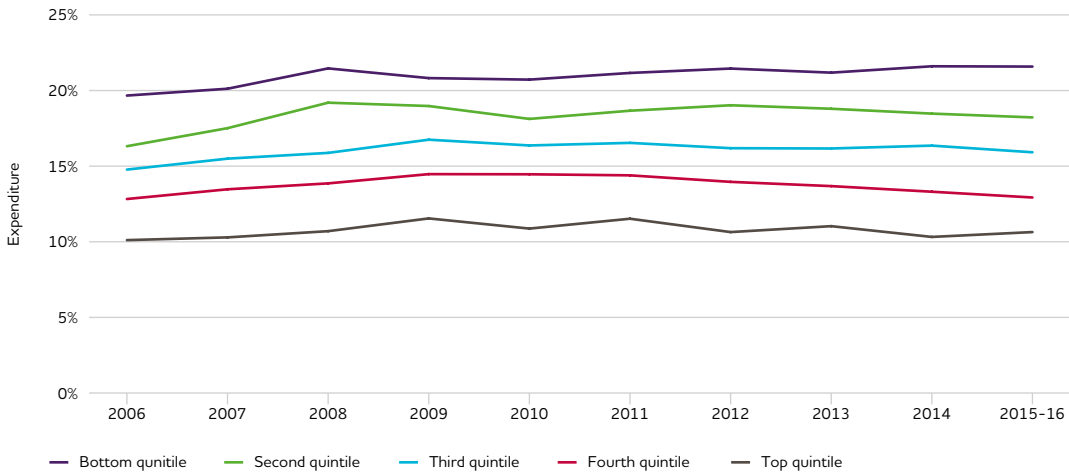
The third major challenge facing the UK is rises in the cost of living, which particularly affect people on low incomes. This is evident in looking at the cost of everyday essentials (particularly food and fuel), housing costs and childcare. In addition to these, those on low incomes are also affected by the poverty premium – having to pay more for some goods and services because of issues linked to having a low income.

## Overall cost of living

Inflation affects everyone in the UK. But changing prices may have different effects on people on higher and lower incomes because of differences in the goods and services they buy.

People living in poverty spend a much higher proportion of their incomes on food and energy (as well as on housing, as discussed above).

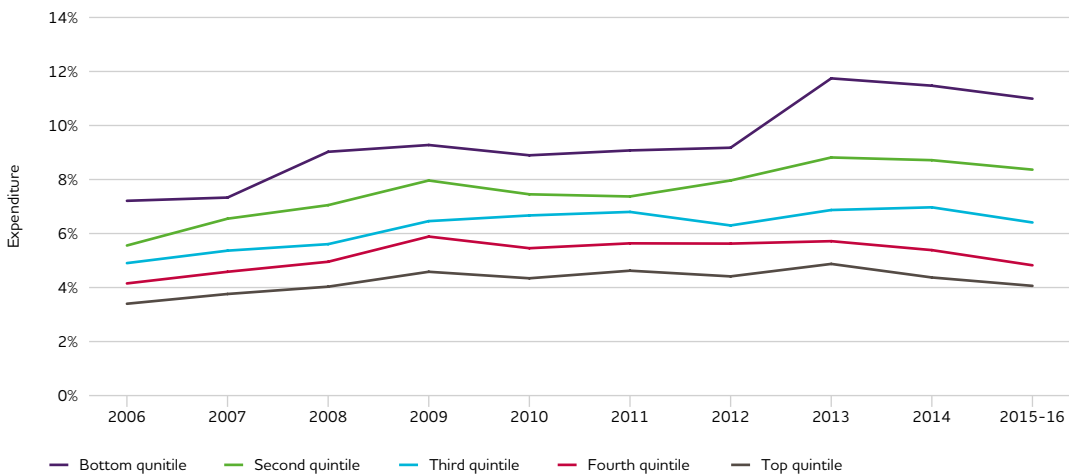
### Percentage of expenditure on food and non-alcoholic drink by income quintile



Source: Living Costs and Food Survey (JRF analysis)

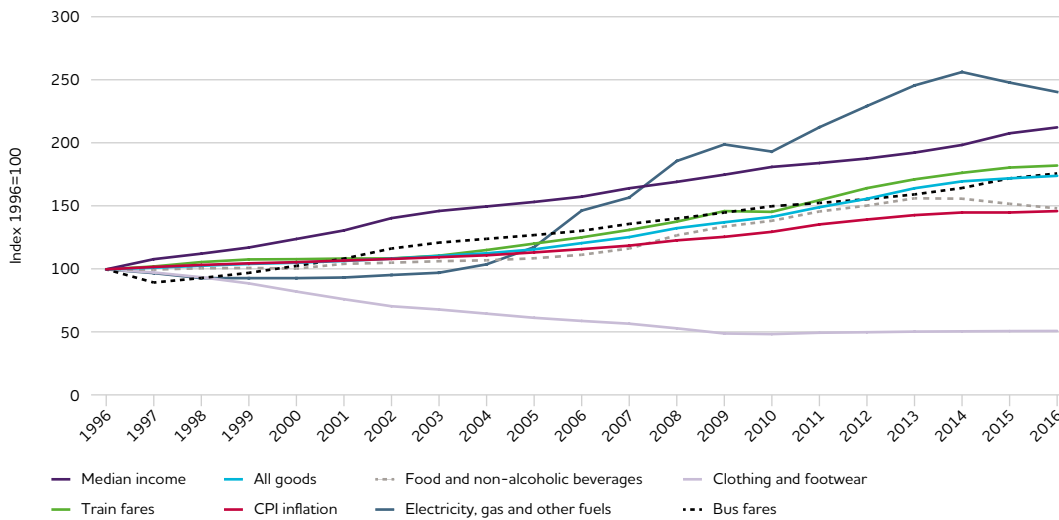
The cost of different types of goods and services have changed in different ways, particularly since 2003. In particular, the cost of electricity, gas and fuels has risen much faster than overall inflation.

### Percentage of expenditure on electricity, fuel and gas by income quintile



Source: Living Costs and Food Survey (JRF analysis)

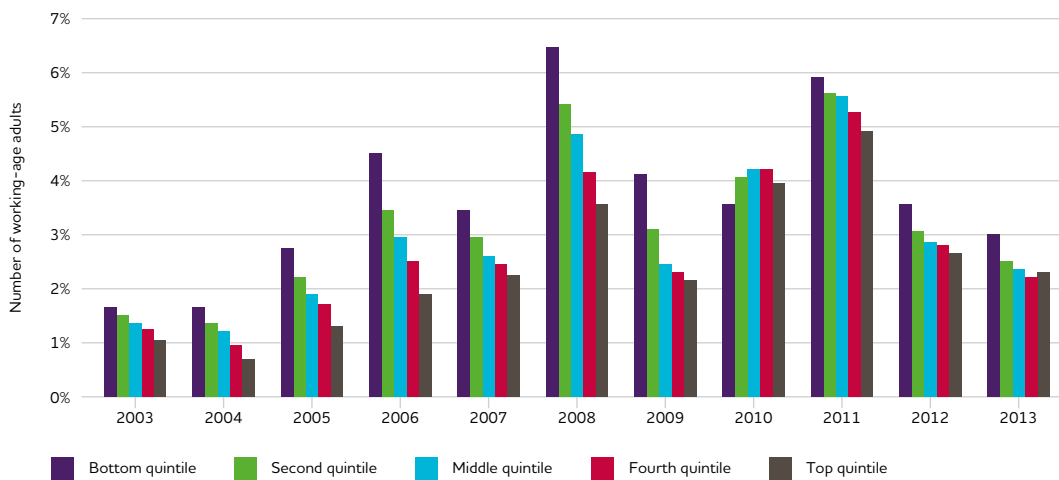
### Price levels of various goods relative to 1996



Source: Office for National Statistics

Those in different income groups can therefore experience different rates of inflation. Since 2003, people in the poorest fifth of the population have experienced a higher rate of inflation than the rest of the country in every year except 2010. However, over the longer term, the evidence suggests that there is not a systematic tendency for lower-income households to experience higher inflation.<sup>20</sup>

### Inflation by income quintile



Source: Variation in the experience of UK Households: 2003 to 2014 (JRF analysis)

People on low incomes may also find it more difficult to adapt to price rises, as they spend much more of their income on essentials and have much less flexibility to reduce consumption of other items.

## Poverty premium

In addition to variations in how people on different incomes spend their money, there is also evidence that the cost of some goods and services is higher for those on low incomes than it is for the better off. This is called the poverty premium.

The evidence suggests that the poverty premium costs low-income households on average around £490 a year.<sup>21</sup> This average cost can be broken down into the additional costs to access a range of goods and services including energy, credit and insurance. These different costs do not all affect the same households, or impose the same level of penalty. The table below sets out the different types of additional costs, the size of additional costs and the number of families affected by them.

### Premiums experienced by low-income households (income is less than 70% of median income)

Premium type	Examples of premiums (£ per year)	Number of low-income households incurring this type of premium (as a percentage of all low-income households)
Use of prepayment meters (PPM)	PPM for electric (£35) or gas (£35)	2.6 million (33%)
Non-standard billing methods	Paying energy bill on receipt (£38) Paying contents insurance monthly (£9) Paying car insurance monthly (£81)	3.9 million (50%)
Not switched	Not switched energy provider (£317)	5.8 million (73%)
Paper billing	Paper bill for electric or gas (£5) Paper bill for landline/broadband/mobile (£23)	3.9 million (49%)
Area-based premiums	Car insurance in a deprived area (£74) Difficulty accessing good value shops (£266)	5.8 million (73%)
Insurance for specific items	Insurance for individual appliances (£132) Mobile phone insurance (£60)	1.8 million (23%)
Access to money	Fee-charging ATMs (£25) Cheque-cashing services (£30)	2.3 million (29%)
Higher-cost credit	Payday loan (£120) Doorstep/home-collected credit (£540) Rent-to-own (£315)	1.3 million (16%)

Source: University of Bristol and Households Below Average Income 2014/15

## The Minimum Income Standard basket

The cumulative effect on the cost of living for those on low incomes can be seen in changes to the cost of the basket of goods (and therefore the income a family needs per week) that is the socially agreed minimum required to have a basic standard of living. As can be seen in the table below, for many families this minimum has increased over the last decade. This increase has been driven not only by the addition of items society agrees are required to have a basic standard of living to the basket, but also the rising costs of many goods.<sup>15</sup>

### Minimum requirements not including rent, Council Tax or childcare, (£ p/w, inflated to 2017 prices\*)

	2008	2017
Working-age single	£176.51	£191.37
Working-age couple	£277.05	£323.76
Lone parent with one child, aged 0–1	£237.43	£290.46
Lone parent with two children, aged 2–4 and in primary school	£325.66	£367.55
Couple with one child, aged 0–1	£324.16	£373.36
Couple with two children, aged 2–4 and in primary school	£425.84	£450.06

Note: \*2017 inflation rate calculated by averaging CPI inflation rates from January to August 2017.

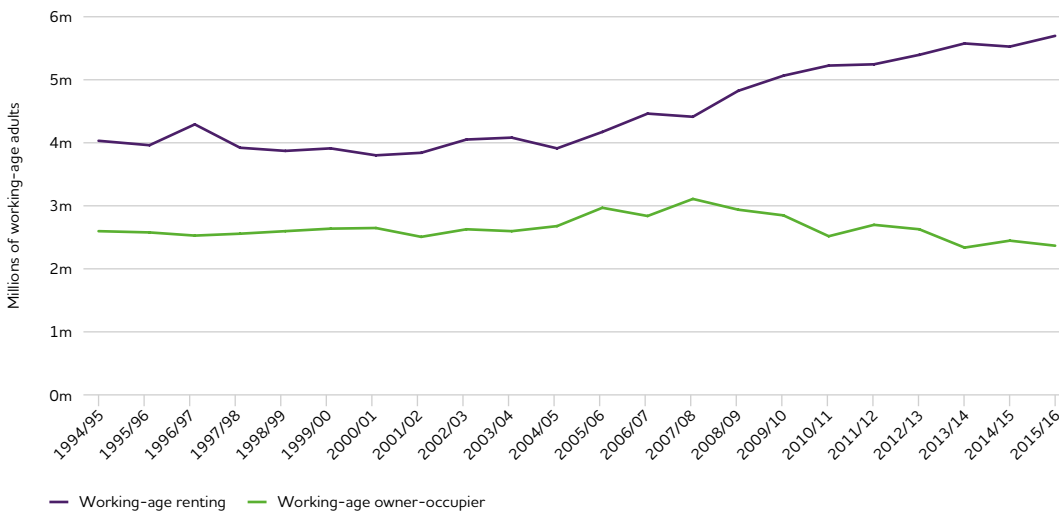
Source: Joseph Rowntree Foundation

## Housing costs

Paying for housing, whether rent or mortgage payments, is the single biggest cost for many households. Being able to afford a decent, secure home is a fundamental requirement, underpinning mental and physical health, relationships, and access to education and work. The cost of housing therefore has a major impact on whether people can meet this basic need, and what resources they have left to meet all their other needs. Here we focus on how the type and cost of housing affect poverty rates. Below, in the *Housing, health and relationships* chapter, we examine the quality of housing that people in poverty can afford.

There have always been more people in poverty who rent their homes than who own them (with or without a mortgage). However, since 2006 the number of people in poverty who rent has increased sharply, while the number of owner-occupiers in poverty has fallen.

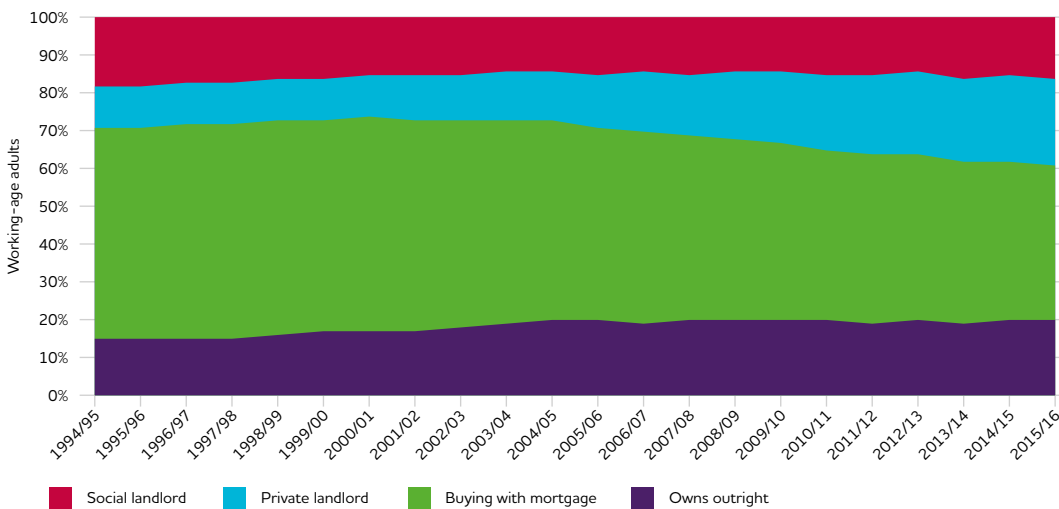
### Number of working-age adults in poverty by tenure (AHC)



Source: Households Below Average Income (JRF analysis)

This reflects an increase in the number of working-age people who are private renters. The biggest driver of this is the fall in home-ownership, but there has also been a reduction in the availability of social rented accommodation, particularly local authority housing.

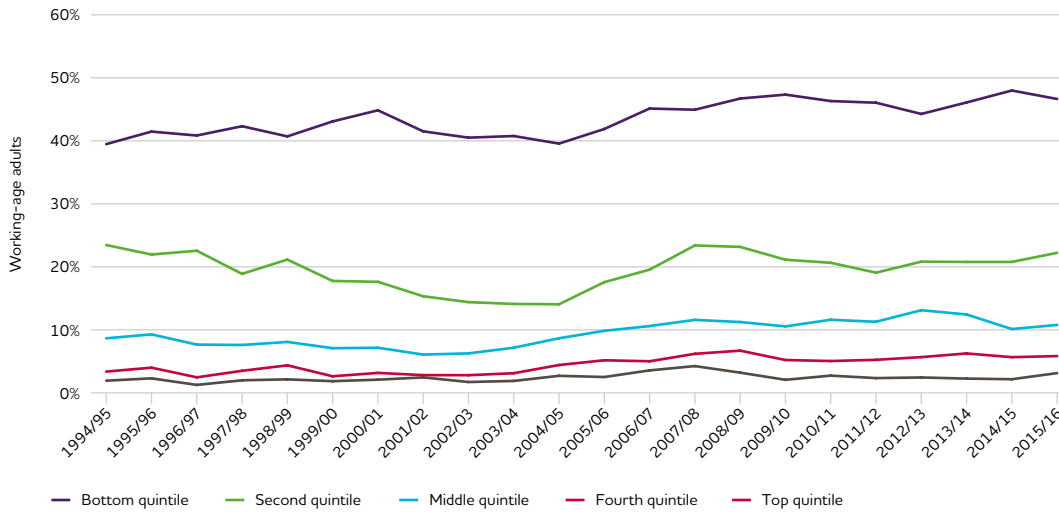
### Composition of working-age population by tenure



Source: Households Below Average Income (JRF analysis)

The proportion of people in the poorest fifth of the working-age population who spend more than a third of their income (including Housing Benefit) on housing costs has risen from 39% in 1994/95 to 47% in 2015/16.

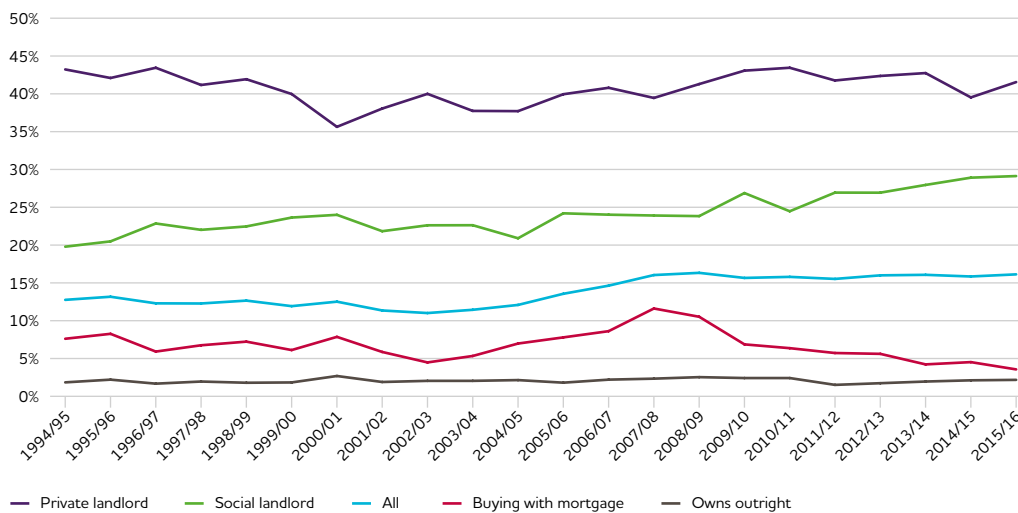
### Percentage of BHC income quintile spending more than one-third on housing costs (working-age adults)



Source: Households Below Average Income (JRF analysis)

People in the private rented sector are more likely to spend more than a third of their income on housing than those in any other sector. However, since 2010/11 there has been a rise in the proportion of those in the social rented sector spending this proportion of their income. This is due to the introduction in 2010/11 of affordable rent in England which allowed social landlords to charge up to 80% of market rent for new tenancies; far more than was previously the case for most social rents. There has also been a fall in the (already low) proportion of people with a mortgage spending more than a third of their income on housing.

### Proportion of working-age adults spending more than a third of their net income on housing by tenure



Source: Households Below Average Income (JRF analysis)

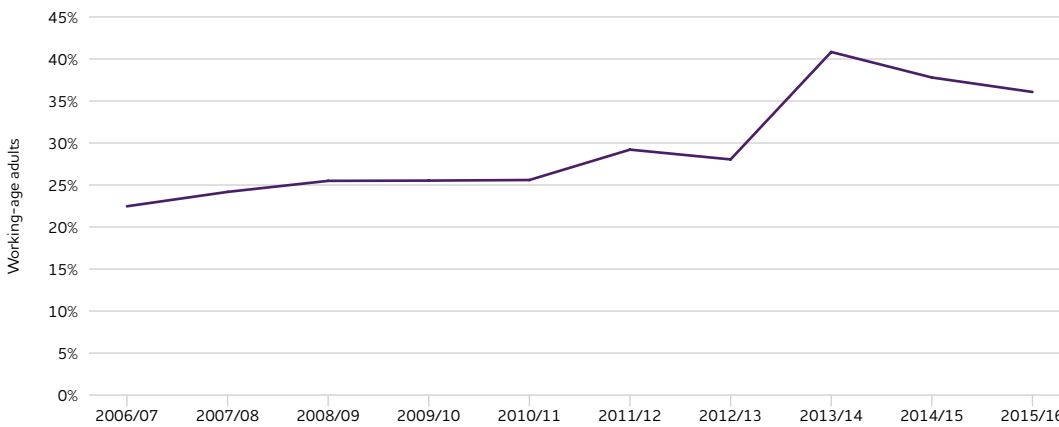
Many low-income households, both workless and in work, receive Housing Benefit to help them meet the cost of their housing. However, this does not always cover all their housing costs. In 2006/07, 23% of working-age adults had to top up their Housing Benefit with other income because it did not cover their rent. This rose to 28% by 2012/13 and then rose very sharply reaching a peak of 41% in 2013/14 before falling to 36% in 2015/16.



The rise was driven by a combination of more families moving into the private rented sector (where rents tend to be higher), rising rents in the social rented sector and restrictions to benefits. Rents in the social sector were rising until 2015/16, but the government has since introduced a 1% annual rent cut. Changes to benefits have also been significant factors, including the freeze on uprating Local Housing Allowance, the introduction of the benefit cap for workless households and the under-occupancy penalty ('bedroom tax').

The freeze on rates of support for housing costs at a time when rents have been rising had led to a growing gap between the cash amount available and real rents. Most of those topping up Housing Benefit use less than 20% of their other income, but just under one in six use between 20% and 40% of their income. The shortfall between the rent for a two-bedroom property in the bottom third of outer London and the amount of Housing Benefit available is now an average of £192 a month.<sup>22</sup>

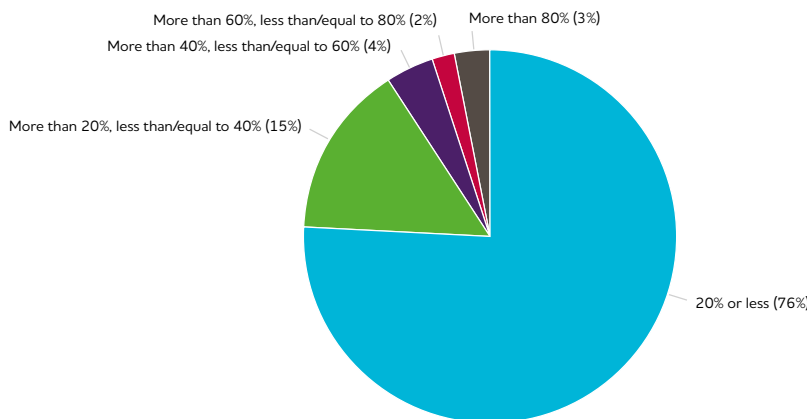
**Percentage of working-age adults topping up their Housing Benefit with other income**



Note: This chart only includes working-age adults in receipt of Income Support, income related Employment and Support Allowance, income based Jobseeker's Allowance or, the guaranteed part of Pension Credit.

Source: Households Below Average Income (JRF Analysis)

**The percentage of other income working-age adults are using to top up their Housing Benefit: 2015/16**



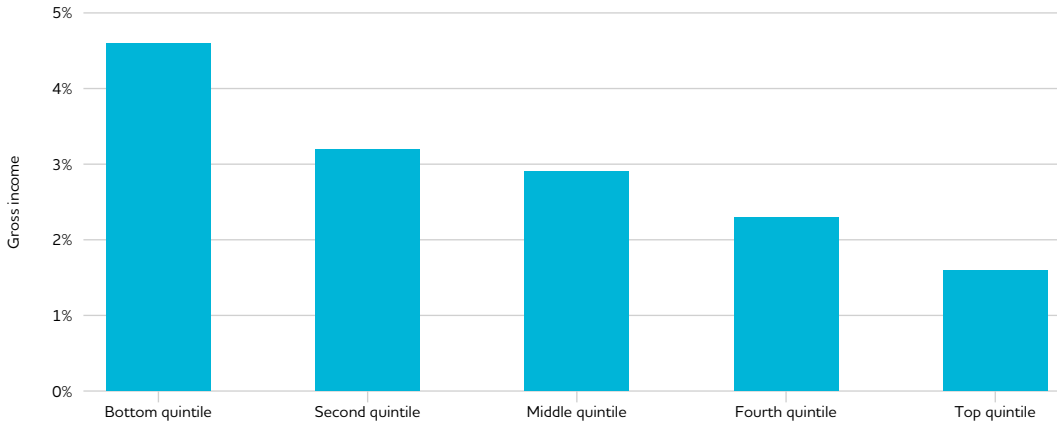
Note: This chart only includes working-age adults in receipt of Income Support, income-related Employment and Support Allowance, income-based Jobseeker's Allowance or the guaranteed part of Pension Credit.

Source: Households Below Average Income (JRF analysis)

## Council Tax

In 2016 in the UK, those in the poorest fifth of the income distribution were spending a larger proportion of their income on Council Tax than the rest of the population. In 2016, those in the poorest fifth spent 4.6% of their gross income on Council Tax. Those in the middle fifth spent 2.9% of their income on Council Tax and the richest fifth spent 1.6%. This means Council Tax is taking nearly three times as big a share of the incomes from the poorest fifth than the richest fifth.

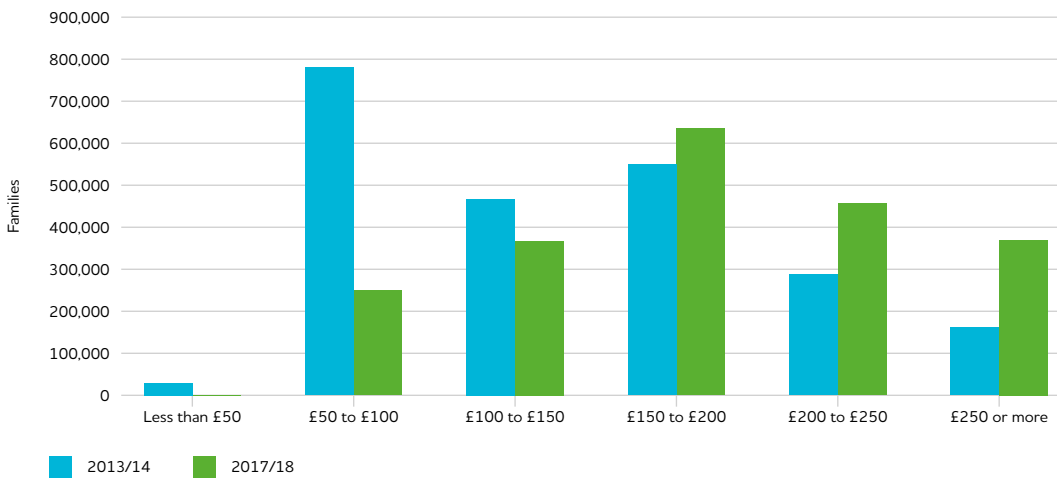
### Council Tax as a percentage of gross income for non-retired households by disposable income quintile: 2015/16



Source: Office for National Statistics

Since the change from a national system of Council Tax Benefit to a system of Council Tax Support devolved to local authorities in England, many families have had to pay much more in Council Tax. In 2017/18, 2 million families will pay more after the replacement of Council Tax Benefit with Council Tax Support. This is a similar number to those who were affected in 2013/14 (2.2 million). However, there has been a decrease in families who pay less than £100 extra (810,000 in 2013/14 compared with 250,000 in 2017/18), and an increase in the number of families who will pay £100 or more extra in Council Tax (1.5 million in 2013/14 compared with 1.8 million in 2017/18).<sup>23</sup>

### Families paying at least £200 more in Council Tax due to the abolition of Council Tax Benefit



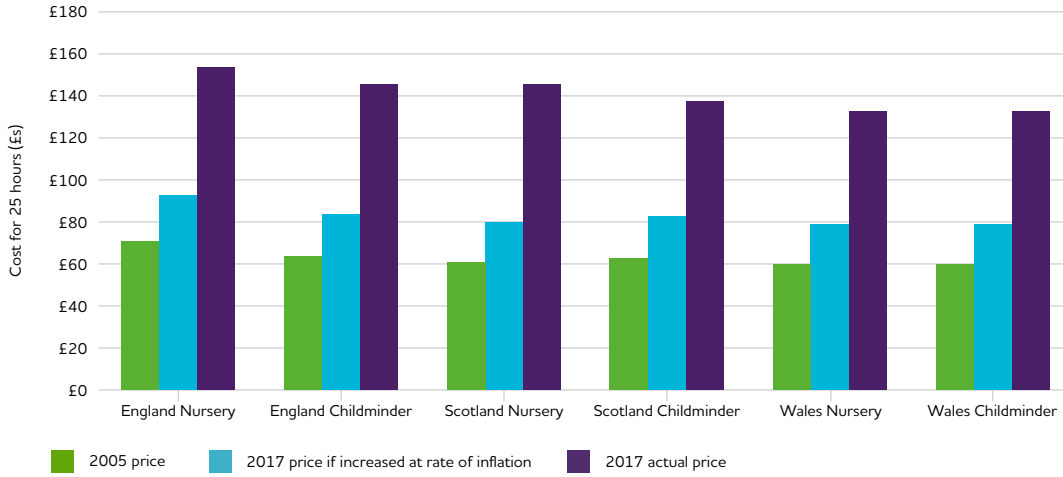
Note: Council Tax and Northern Ireland rates.

Source: Key changes to Council Tax Support in 2017/18, NPI

## Childcare

The biggest cost for many working households with children, after housing, is childcare. The cost of all types of childcare has risen much faster than overall inflation.

### Cost of 25 hours of childcare for under two-year-olds



Source: Family and Childcare Trust

# Pensioner poverty

This chapter examines changes in poverty among pensioners over the last 20 years. It examines the ways in which poverty has changed among different groups of pensioners, and sets out the factors that have driven falls, and more recently rises, in poverty.

Summary	<b>52</b>
Poverty rates and income growth	<b>53</b>
Gender and partnership status	<b>58</b>
Housing	<b>60</b>
Disability	<b>63</b>
Ethnicity	<b>63</b>
Pensioner poverty across the UK	<b>64</b>
Age	<b>65</b>
Costs	<b>66</b>

# Pensioner poverty

## Summary

The reduction in pensioner poverty in the last two decades is one of the great successes of recent times: poverty among pensioners fell from 29% in 1996/97 to 13% in 2012/13. However, a small part of this success has been reversed in the last few years, with pensioner poverty rising to 16% by 2015/16.

The largest falls in the pensioner poverty rate happened in the period from 1998/99 to 2004/05. This was a sustained period in which the incomes of the poorest pensioners grew faster than anyone else's.

This increase in income was driven mainly by increased state benefit income. There was also some effect from successive cohorts retiring with larger amounts of private pension income. In addition, average housing costs remained steady, despite rising rents, as more pensioners retired owning their own home.

However, in the past seven years for the poorest, both benefit income and private pension increases have tailed off, while housing costs have risen.

In the 1990s, the highest poverty rates were seen among single and older pensioners, and those who rent their home, and it was these groups who benefited the most from the falling pensioner poverty rate at the end of the 1990s and early 2000s.

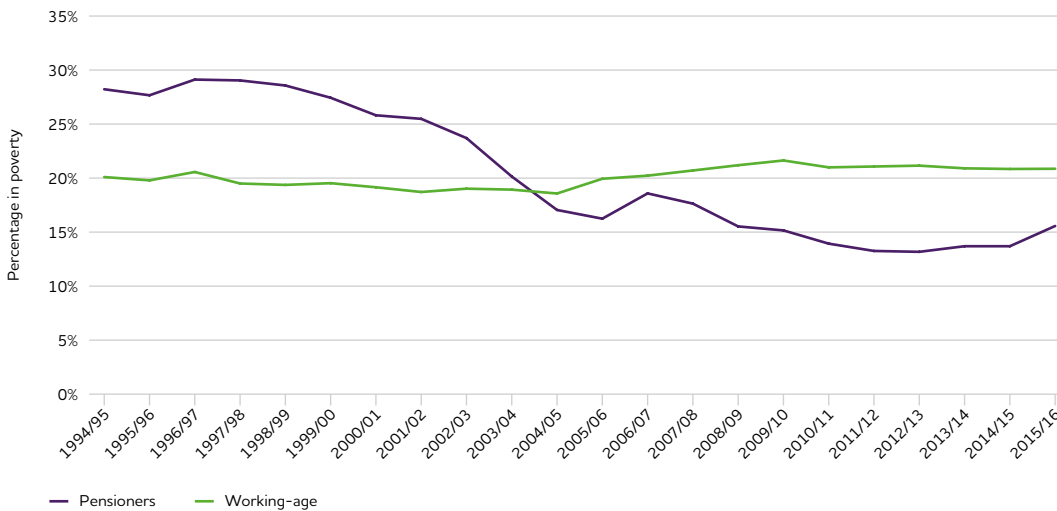
## Poverty rates and income growth

### Poverty rates

Between 1996/97 and 2012/13, the proportion of pensioners in poverty fell from 29% to 13%. However, in the three years to 2015/16, there has been an increase, back up to 16%.

After large falls in the pensioner poverty rate in the early 2000s, there was a rise just before the 2008-09 recession, and then gradual reductions from 2007/08. However, we have again seen a rise in pensioner poverty rates in the last couple of years.

### Proportion of working-age adults and pensioners in poverty (after housing costs)



Source: Family Resources Survey and Households Below Average Income (JRF analysis)

### Income growth

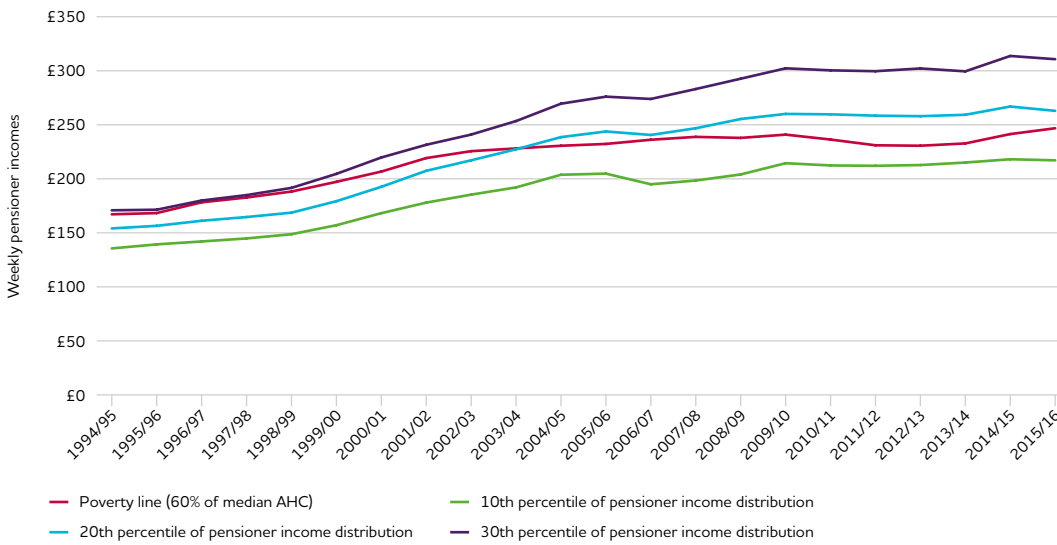
In the late 1990s, median equivalised household income, and thus the poverty line<sup>24</sup>, rose rapidly in real terms, with incomes at the bottom of the pensioner income distribution failing to keep up.

The introduction of the Minimum Income Guarantee in 1999 resulted in much faster income growth at the bottom of the pensioner income distribution until 2005/06. The incomes of poorer pensioners grew faster than the median, leaving fewer pensioners below the poverty line and leading to rapid falls in pensioner poverty.

Just before the 2008–09 recession, there was a sudden and brief drop in income growth at the bottom of the distribution, causing the rise in pensioner poverty seen in 2006/07.

During and after the 2008–09 recession median incomes (and therefore the poverty line) stagnated and fell, but incomes for lower- and middle-income pensioners held steady. So, although their incomes were not rising, fewer pensioners found themselves below the poverty line. However, since 2013/14, overall median incomes have grown faster than pensioner incomes at the bottom, leading to three years of increases in pensioner poverty for the first time in two decades.

### Pensioner incomes compared with the poverty line (real 2015/16 prices)



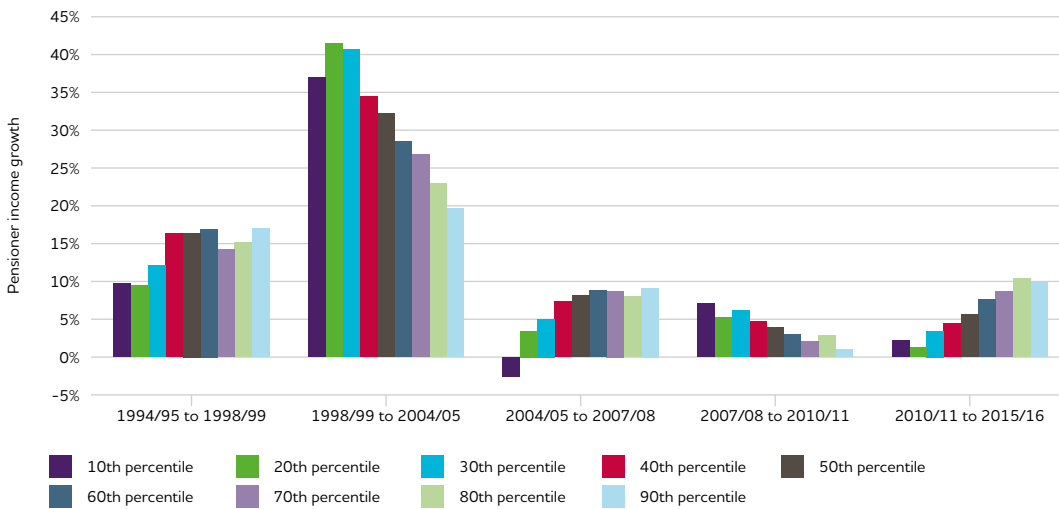
Looking at year-on-year growth in pensioner incomes, the years between 1998/99 and 2004/05 were the only sustained period in which incomes in the lower part of the pensioner income distribution grew significantly faster than at the middle and top.

### Year-on-year growth in pensioner incomes (real 2015/16 prices)



To illustrate this point further, it is possible to divide the years from 1994/95 to 2015/16 into five discrete periods based on the distribution of income growth among pensioners. From 1994/95 to 1998/99, income growth was highest in the middle and at the top of the distribution. Between 1998/99 and 2004/05, the gradient was steeply in favour of the lowest-income pensioners. For three years up to 2007/08, growth was fairly even in the top half of the distribution but lower at the bottom. The three years from 2007/08 saw a period of slightly higher growth in the bottom half of the distribution, while the last five years of the period saw this reverse in favour of the best-off pensioners.

### Distribution of growth in pensioner incomes



Source: Family Resources Survey and Households Below Average Income (JRF analysis)

### Income sources

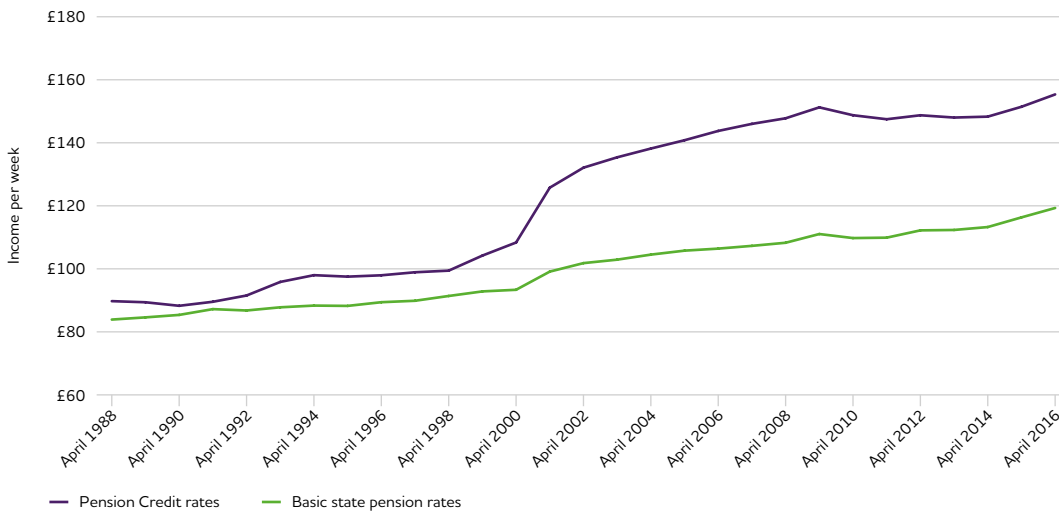
The basic state pension provides a base level of income to pensioners with sufficient National Insurance contributions or credits. However, a full basic state pension is insufficient to keep a single pensioner, or a couple relying on one person’s contribution history, out of poverty. So low-income pensioners rely on a top-up to their income through the Pension Credit Guarantee. This means that the level of the basic state pension makes no difference to the net income of low-income pensioners: their income depends wholly on the level of the Pension Credit Guarantee.<sup>25</sup>

The main reason for the rapid increase in pensioner incomes at the bottom of the distribution was the introduction in 1999 of earnings-related increases in this support, and a large one-off increase in April 2001. The result was that the incomes of the poorest pensioners rose faster than prices for a number of years.

Unusually, since the 2008–09 recession, we have seen many years in which earnings have grown more slowly than prices. Although the annual increase in the Pension Credit Guarantee has exceeded average earnings growth, it has not kept pace with prices. The Pension Credit Guarantee was lower in real terms in the years 2010/11 to 2014/15 than it had been in 2009/10. This is in contrast to the basic state pension, whose value continued to rise in real terms due to the ‘triple lock’.



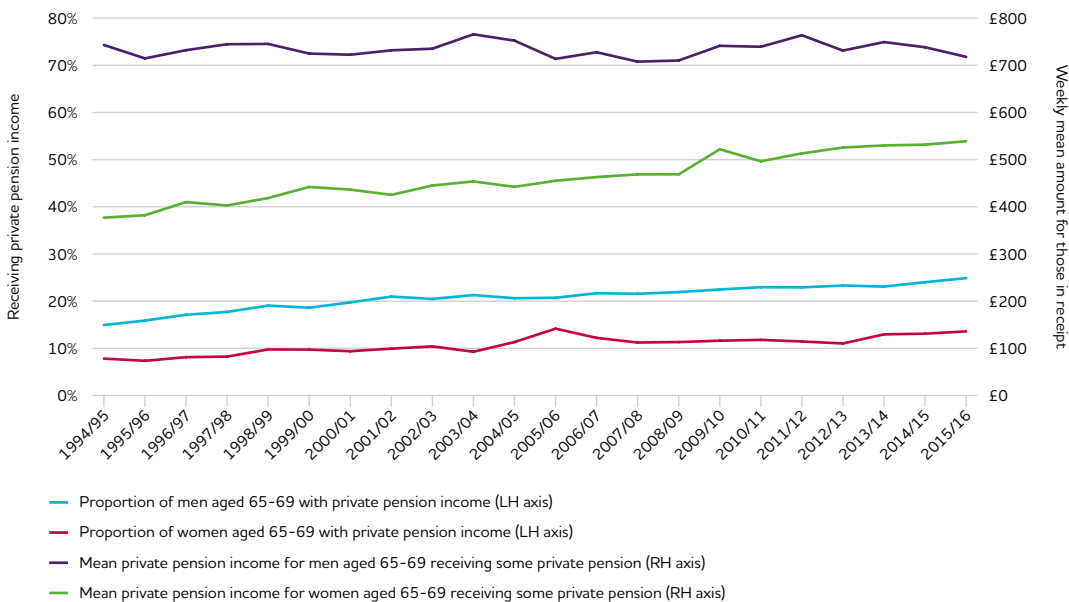
### Basic state pension and Pension Credit rates (real April 2016 prices)



Source: Annual Abstract of Statistics 2016, Department for Work and Pensions

Over the last two decades we have seen successive cohorts of pensioners retiring with ever higher occupational pension incomes. For example, the average occupational pension income of pensioners in a 65- to 69-year-old family<sup>26</sup> nearly doubled in real terms between 1994/95 and 2015/16, from £104 to £204 a week in 2015/16 prices. This was driven by increases in the proportion of women retiring with occupational pension income, and by increases in average amounts.

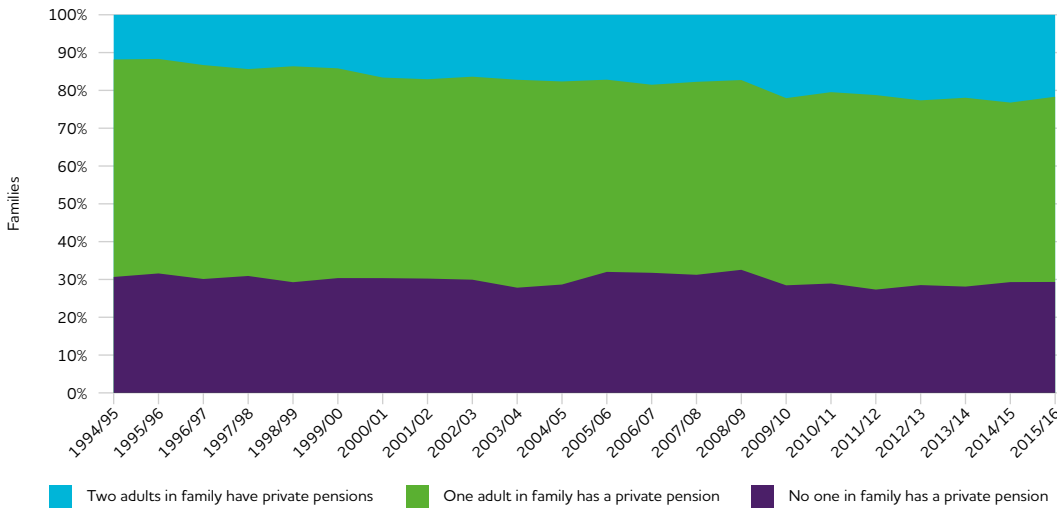
### Private pension coverage and average amounts for those in receipt for 65- to 69-year-old men and women



Source: Family Resources Survey (JRF analysis)

However most of the benefit from these increases went to better-off pensioner families. The proportion of 65- to 69-year-old families with no private pension income has not changed significantly over the 21 years. Over the same period the proportion of 65- to 69-year-old families with two adults receiving private pension income has risen from 12% to 22%. Thus the increase in private pension coverage among 65- to 69-year-old women (38% in 1994/95 to 54% in 2015/16) has largely benefited families that already had another adult receiving income from a private pension.

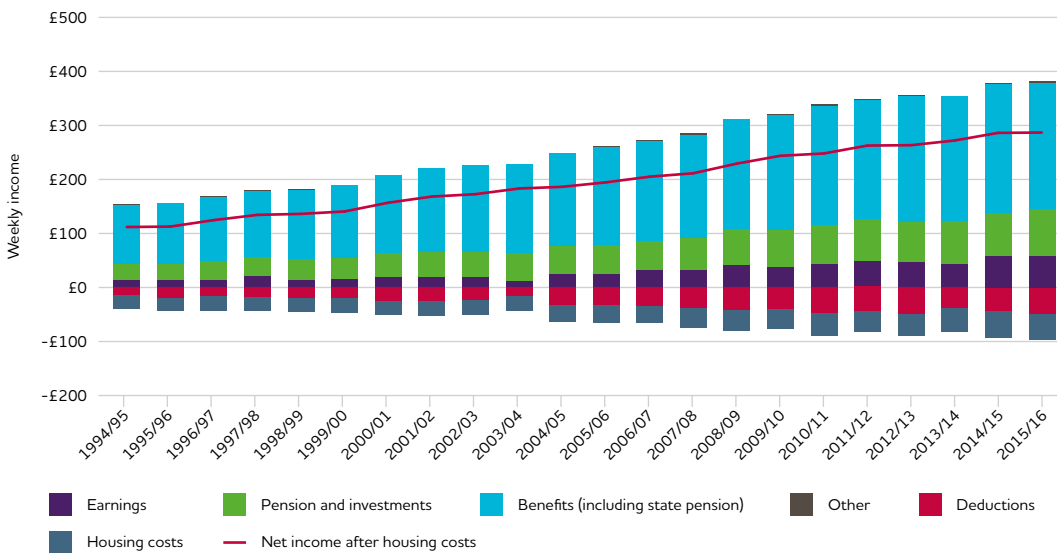
### Families with oldest adult aged 65 to 69, by number of adults receiving income from a private pension



Source: Family Resources Survey and Households Below Average Income (JRF analysis)

For the poorest half of pensioners in 65- to 69-year-old families, between 1994/95 and 2015/16, the increase in average occupational pension income was only £40 in real terms (2015/16 prices), going up from £21 to £62 a week. In contrast, their state benefit income went up in real terms over this period, from £110 to £233 a week. The substantial increase in state means-tested support therefore enabled lower-income pensioners to keep pace with their better-off contemporaries.

### Income of the poorest half of pensioners in a 65- to 69-year-old family (real 2015/16 prices)



Source: Family Resources Survey and Households Below Average Income (JRF analysis)

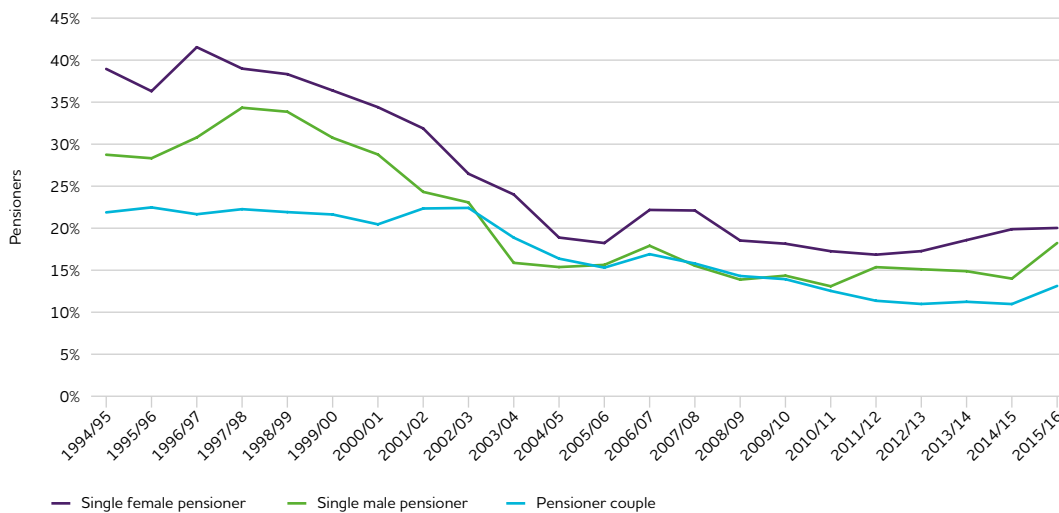
## Gender and partnership status

38% of pensioners are single and 70% of single pensioners are women. In the 1990s, pensioner poverty was much higher for single pensioners compared with pensioners in a couple, and the problem was worse for women. In 1996/97, 42% of single female pensioners were in poverty; the high point for single male pensioner poverty was 34% in 1997/98.

The majority of the fall in the overall pensioner poverty rate over the following five years came from improvements among single pensioners. By 2002/03 the single male poverty rate roughly matched that of pensioners in couples and the single female rate settled at about four or five percentage points higher.

However, since 2010/11, the gap between single and couple pensioners has started widening once again, with increases in poverty among single pensioners accounting for most of the growth in pensioner poverty seen in the three years to 2015/16.

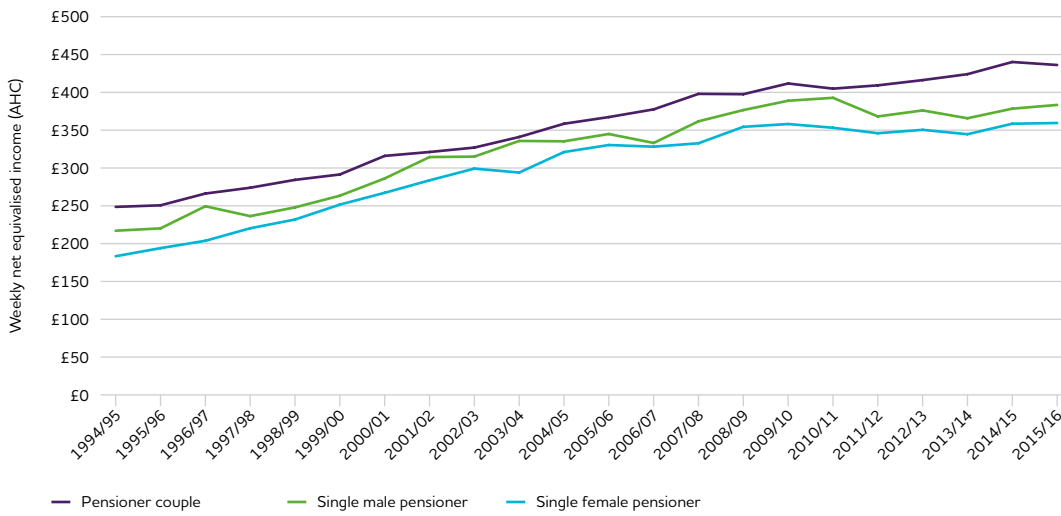
### Pensioner poverty rates, by partnership status and gender



Source: Family Resources Survey, Households Below Average Income (JRF analysis)

The main driver of the recent widening of the gap between single and couple pensioners has been stagnating incomes for single pensioners. Incomes for pensioner couples have continued to rise for most of this period, although at a lower rate than the previous decade. However, incomes for single male and female pensioners have not risen in real terms, or have fallen slightly.

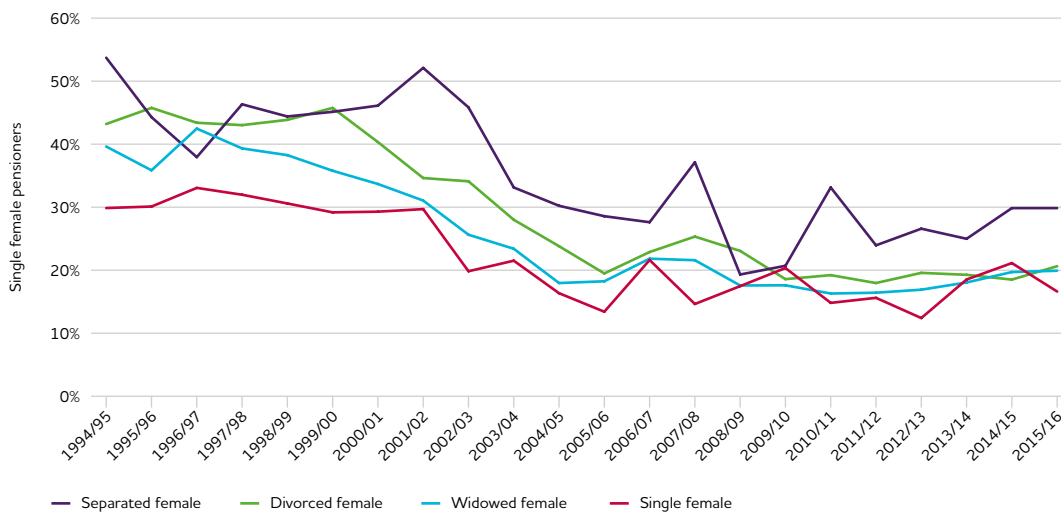
### Median income by family type (2015/16 prices)



Source: Households Below Average Income (JRF analysis)

Looking in more detail at single female pensioners, at the end of the 1990s poverty rates were relatively similar for separated, divorced and widowed pensioners. However, in recent years, a consistent gap of about 10 percentage points has opened up. 30% of separated single female pensioners are in poverty compared with 20% and 21% for those who are widowed and divorced.

### Poverty rates for single female pensioners by marital status

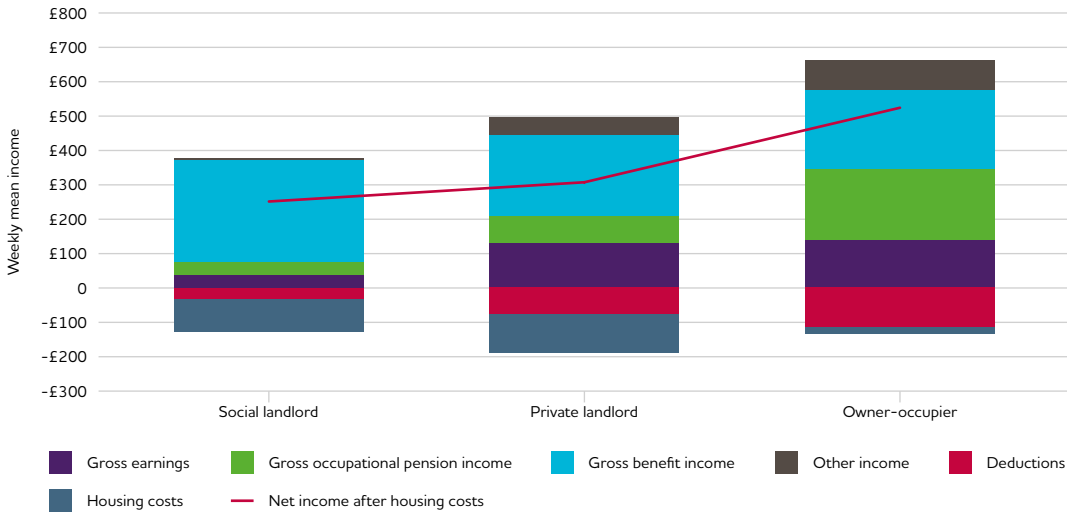


Source: Households Below Average Income (JRF analysis)

## Housing

Pensioners who rent their homes are much more likely to be in poverty than owner-occupiers. This is due to pensioners who retire as owner-occupiers having higher levels of private income – occupational pensions and investment income – and having lower housing costs.

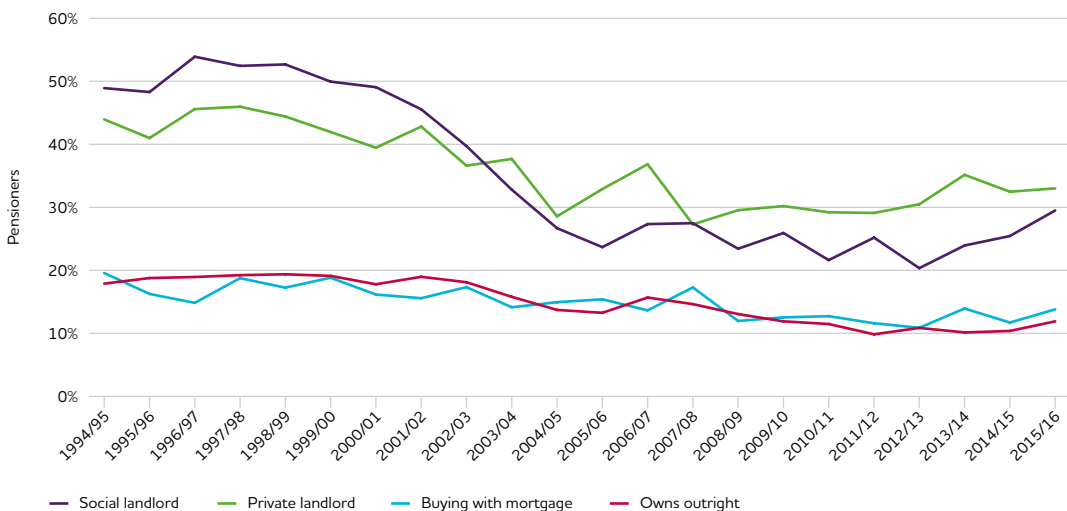
### Mean income by tenure (2015/16)



Source: Family Resources Survey and Housing Below Average Income (JRF analysis)

Poverty rates for pensioners who rent their home were very high in the 1990s. For those in social housing, the poverty rate peaked at 54% in 1996/97, fell to 20% in 2012/13, and has risen back to 29% in 2015/16. For those renting from private landlords, the peak was 46% in 1997/98, and the low point was 27% in 2007/08, rising back up to 33% in 2015/16.

### Poverty rates by tenure

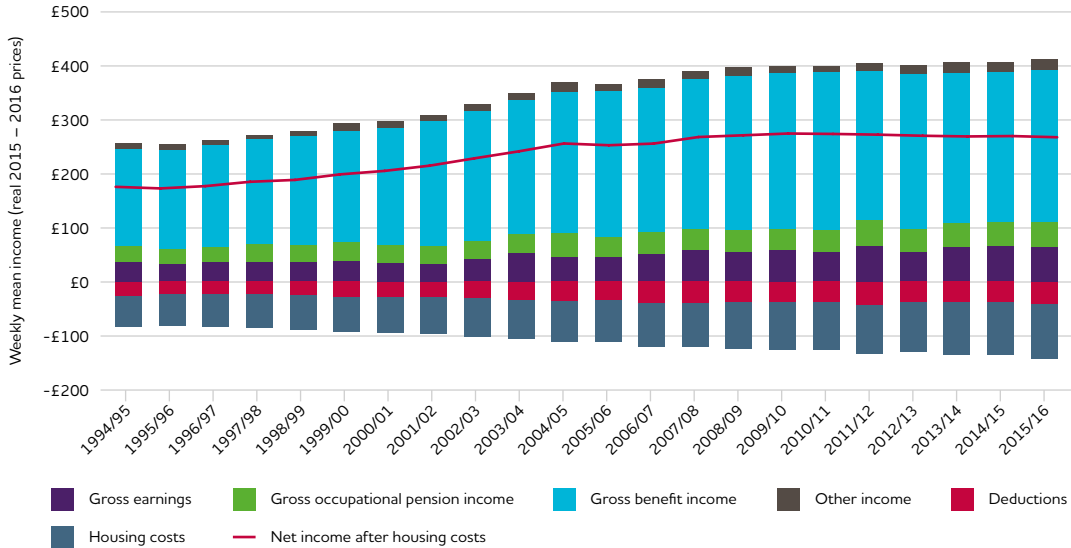


Source: Family Resources Survey and Households Below Average Income (JRF analysis)

## Renters

The substantial reductions in the poverty rate for pensioners who rent their home arose largely from increases in benefit income. These increases have tailed off since 2009/10 while housing costs have continued to increase.

### Mean income for pensioners who rent their home (real 2015/16 prices)

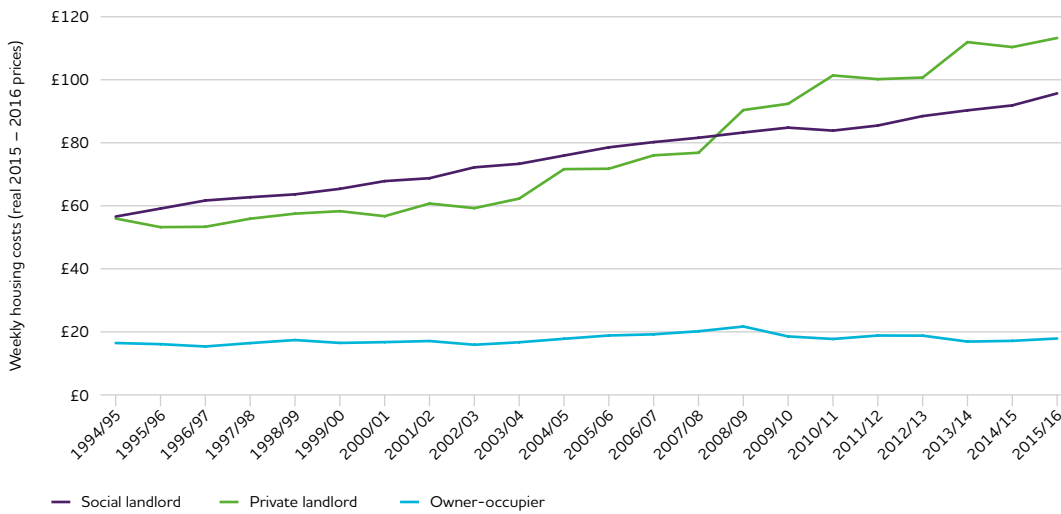


Source: Family Resources Survey and Housing Below Average Income (JRF analysis)

With housing costs, the picture has differed between social and private landlords. In the case of pensioners renting from social landlords, housing costs have risen steadily throughout the past two decades. Until around 2009/10, these increases were more than compensated for by increases in benefit income. Since then, that has no longer been the case, leading to reductions in net income after housing costs and increases in the poverty rate in the last few years.

For pensioners who rent from private landlords, housing costs started rising significantly more steeply from 2004/05. For this group, benefit income has been falling since 2010/11, although occupational pension and earnings have risen slightly. The effect has been net incomes after housing costs staying the same in real terms and a small increase in the poverty rate.

### Housing costs by tenure (real 2015/16 prices)



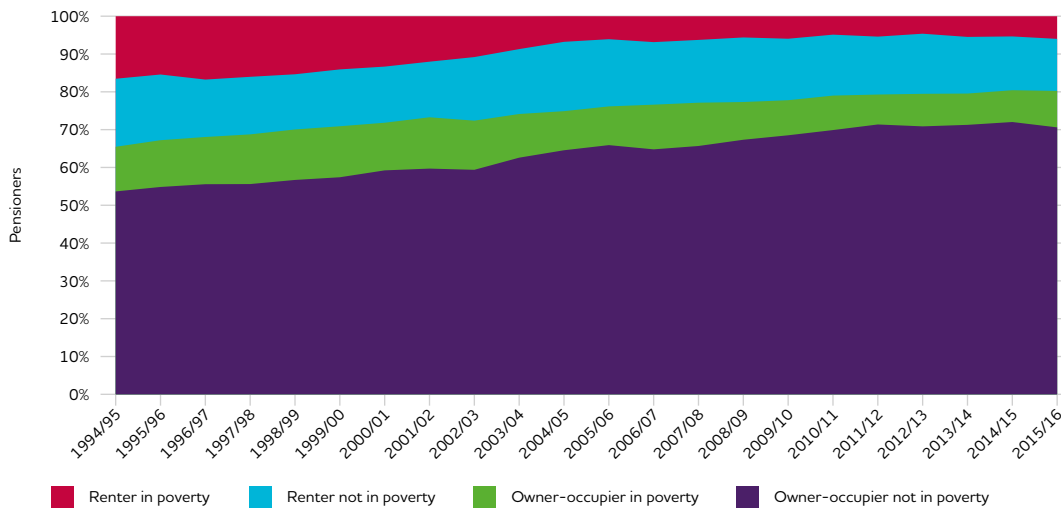
Source: Family resources Survey and Households Below Average Income (JRF analysis)

### Owner-occupiers

There are many more pensioners who are owner-occupiers than who rent their home. In 1994/95, roughly two-thirds of pensioners owned their home. By 2015/16, this had risen to four out of five.

Although the poverty rate for owner-occupiers, at 12% in 2015/16, is far lower than that for renters, owner-occupiers make up the vast majority of the overall pensioner population, so there are now more owner-occupier pensioners in poverty than renters.

### Pensioners by tenure and whether in poverty



Source: Family resources Survey and Households Below Average Income (JRF analysis)

## Disability

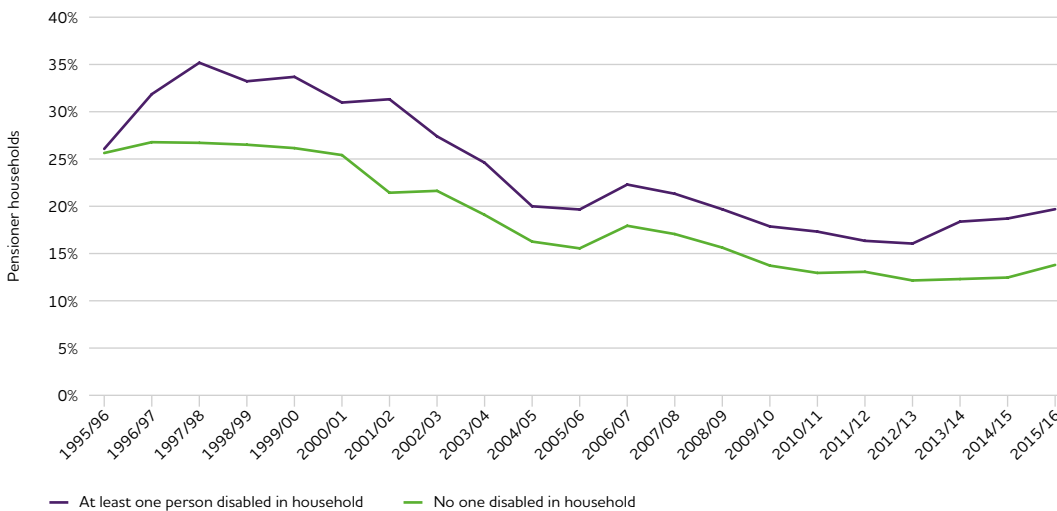
Many disabled pensioners get extra-cost disability benefits<sup>27</sup> to meet the additional costs of having a disability. Standard poverty rates reflect the income from these benefits but not the costs of being disabled, and can therefore underestimate the extent of financial poverty among disabled people.

The chart below presents poverty rates where income from extra-cost disability benefits has been removed from the calculation. If the financial costs of having a disability are exactly equal to the value of the relevant benefit income, this will give a more accurate picture of poverty among disabled people. If, on the other hand, these disability benefits do not fully compensate for the financial costs of disability, this calculation will continue to underestimate the extent of financial poverty among disabled people.

This analysis shows that, when the poverty calculation is adjusted for extra-cost disability benefits, poverty rates for pensioners in households containing at least one disabled person have been consistently higher than for other pensioners over the past 20 years.

The extent of the additional poverty increased at the end of the 1990s, started coming down in the early 2000s, and settled at 4 percentage points for many years. However, in the last three years, the gap has increased to 6 percentage points.

### Pensioner poverty rates excluding extra-cost disability benefits income, by whether there is a disabled person in the household



Source: Family Resources Survey and Households Below Average Income (JRF analysis)

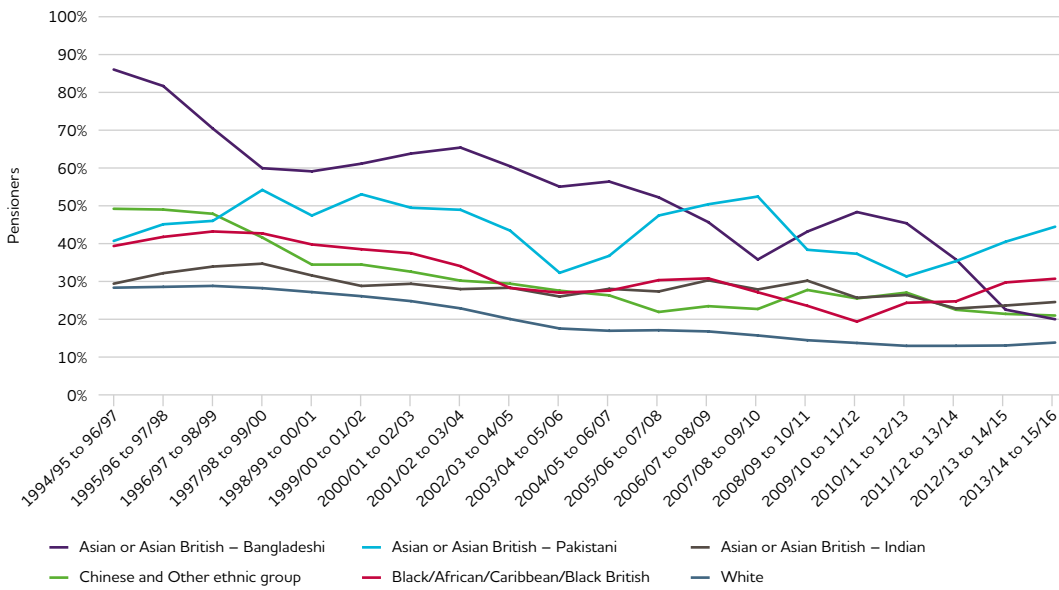
## Ethnicity

The poverty rate for pensioners in White households has been lower than that for other ethnic groups throughout the last 20 years.

Pensioners in Bangladeshi households have seen the largest fall in poverty rates over this period, although most groups have also seen reductions. However, for Pakistani households, after falling in the years to 2005/06, the pensioner poverty rate in 2015/16 was higher than it was in 1994/95.



### Pensioners in poverty (AHC), by ethnicity of household (three-year average)



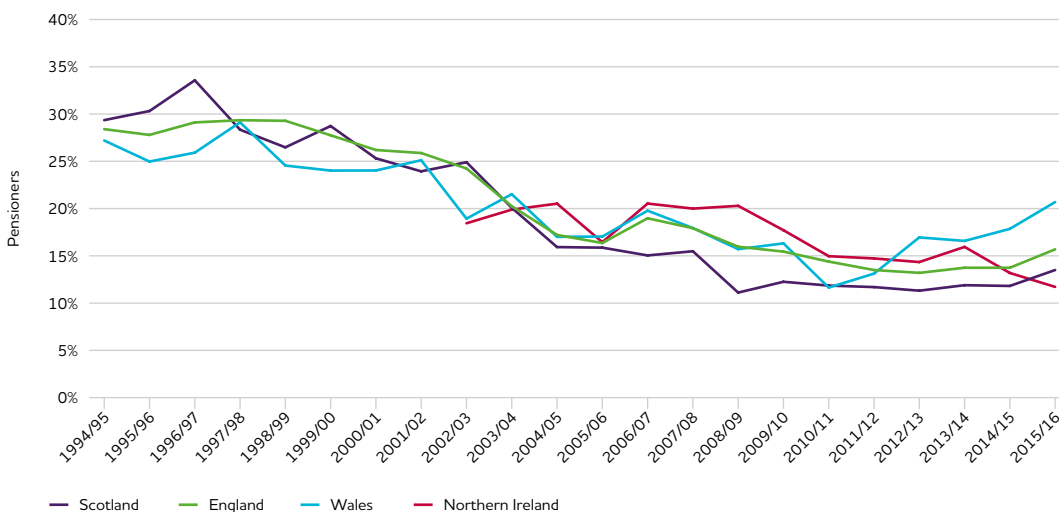
Source: Family Resources Survey and Households Below Average Income (JRF analysis)

### Pensioner poverty across the UK

In the 1990s through to 2005/06, there was a similar trajectory for poverty rates across the four nations of the UK. The poverty rate in the 1990s was highest in Scotland and lowest in Wales<sup>28</sup>, but England, Scotland and Wales saw large falls in the poverty rate at the end of the 1990s and early 2000s.

However, in the latter part of the 2000s, the picture began to diverge. Scottish pensioners began to experience slightly lower poverty rates than the other nations and, from 2010/11, Welsh pensioners began to see significant increases in poverty rates. In Wales, the pensioner poverty rate stood at 12% in 2010/11; by 2015/16, it had risen to 21%.

### Poverty rates by nation

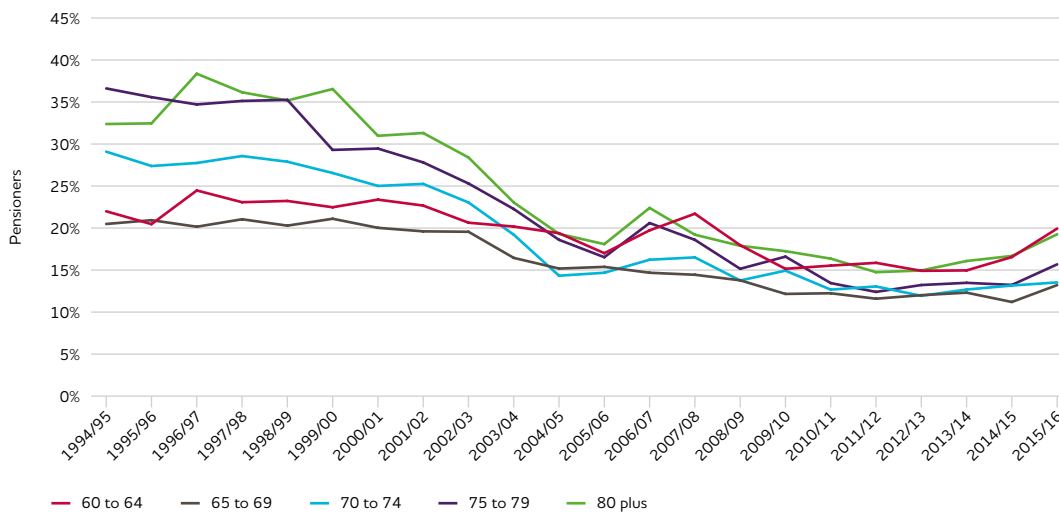


Source: Family Resources Survey and Households Below Average Income (JRF analysis)

## Age

In the 1990s, poverty rates for older pensioners were much higher than those for younger pensioners.<sup>29</sup> The increases in state benefit income that reduced the pensioner poverty rate in the late 1990s and early 2000s made the most difference to older pensioners. By 2005/06, the differences in poverty rates between the oldest and youngest had narrowed considerably.

### Poverty rate among pensioners by oldest person in the family



Source: Family Resources Survey and Households Below Average Income (JRF analysis)

### Older pensioners

In the last few years there are signs that a slightly wider gap may be emerging between the oldest pensioners and others. The incomes of lower-income older pensioners have been rising at a slower rate than their younger counterparts and were slightly lower in real terms in 2015/16 than they were in 2009/10.

### Younger female pensioners

In addition to the oldest pensioners, poverty rates are higher for 60- to 64-year-old pensioners than for other age groups. Pensioners in this group are either single women, or couples where the only pensioners in the family are women aged 60 to 64.<sup>30</sup> Because the state pension age for women is rising to 65 in 2018, this group is reducing in size each year. However, as with the oldest pensioners, in the last few years poverty rates have risen faster than for other age groups and are significantly higher than three years before.<sup>31</sup>

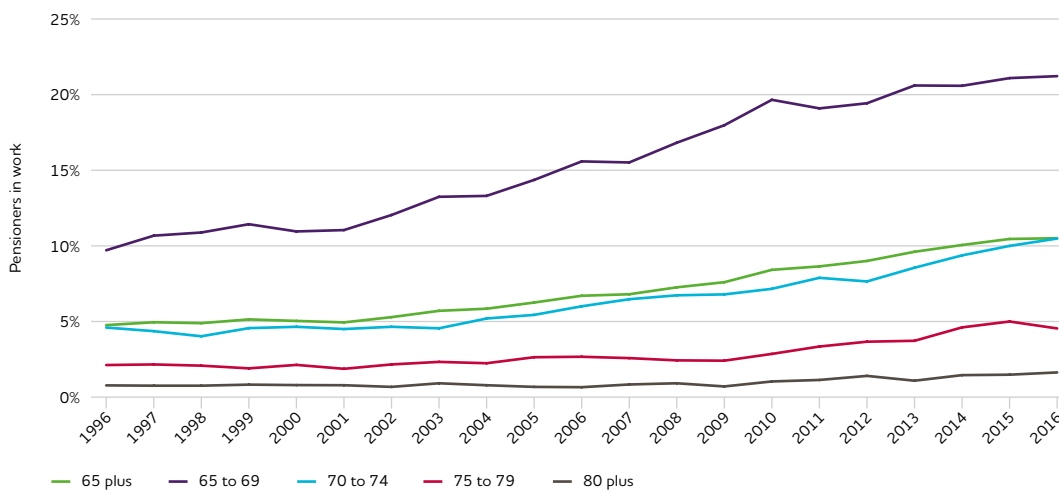
The group of female pensioners born between 1950 and 1955 have been affected more than any other group by changes to the state pension age. They were subject to the provisions of the 1995 Pensions Act, which was due to increase the state pension age for this group from 60 to 65. However, the Pensions Act 2011 accelerated this change, bringing forward the date at which the state pension age for women reached 65 from 2020 to 2018.

## Employment

The employment rate for people aged 65 and over has doubled over the past 20 years, from less than 5% in 1996 to almost 11% in 2016. The highest employment rates are seen among younger pensioners; the employment rate for 65- to 69-year-olds was more than 21% in 2016.

This is reflected in increased employment income for pensioners. Between 1994/95 and 2015/16, average earnings<sup>32</sup> for pensioners in families whose oldest person is 65 to 69 years old increased in real terms from £93 to £207 a week (2015/16 prices). However, these increases have not been seen across all pensioners. The earnings of the poorest half of pensioners in this age group only rose from £14 to £59 a week.

### Employment rates for people 65 and over, by age group (annual four-quarter averages)



Source: Labour Force Survey (JRF analysis)

## Costs

### Inflation

Pensioners tend to consume a slightly different range of goods to other households, which means that price rises faced by pensioners over the past two decades have been slightly different to those faced by other households. The chart below compares income growth at the 25th percentile of the pensioner income distribution with inflation faced specifically by pensioner households.<sup>33</sup>

This shows that, in the latter half of the 1990s and for the first half of the 2000s, pensioner incomes at the bottom of the income distribution rose substantially faster than the prices of goods that they tend to purchase. However, since around 2006, lower quartile pensioner incomes have not risen any faster than the price of goods purchased by pensioners.

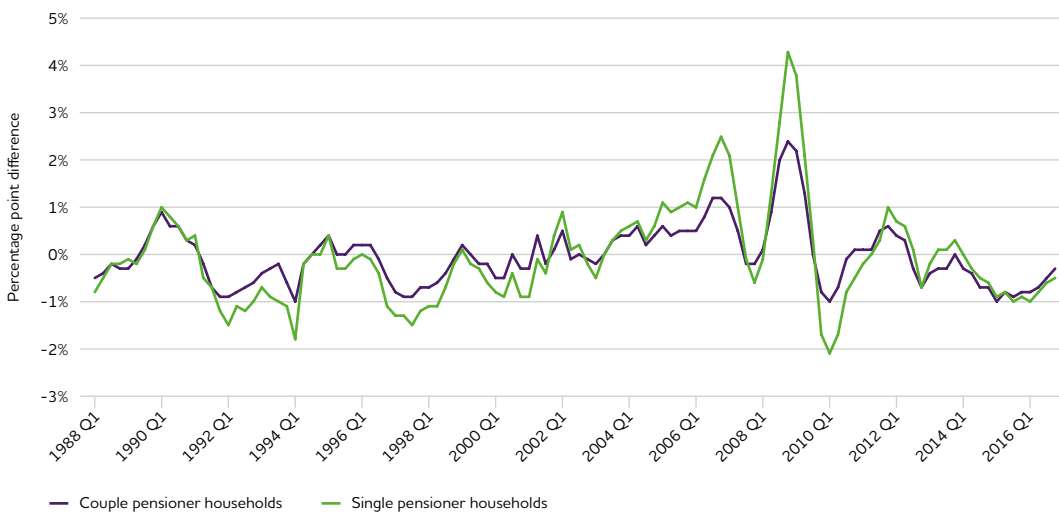
### Pensioner inflation and nominal income growth at the 25th percentile of the pensioner income distribution



Source: Family Resources Survey and Households Below Average Income (JRF analysis)

Three factors explain this fall in purchasing power. First, lower quartile pensioner incomes grew at a lower rate than the previous decade. Second, inflation in general was higher than previously until about 2014. And third, pensioner inflation was higher during most of the 2000s than for other households.

### Difference between the Retail Prices Index for pensioners and for all households



Source: Family Resources Survey and Households Below Average Income (JRF analysis)

# Housing, health and relationships

This chapter focuses on three aspects of people’s lives that are strongly affected by poverty. First, the quality and security of the housing that those on low incomes live in, and the way this varies depending on the type of housing. Next, the links between poverty and physical and mental health, including variations in healthy life expectancy. Finally, the chapter sets out information about the ways in which relationships within families and wider social networks vary among people with different income levels.

Summary

**69**

Housing quality and security

**70**

Health

**76**

Relationships

**80**

# Housing, health and relationships

## Summary

Poverty affects many aspects of people's lives. Living on a low income reduces the options available for housing, leaving some people more vulnerable to living in poor quality or insecure homes. The social housing systems across the UK play an important part in reducing the link between poor-quality housing and low incomes, and the proportion of those living in poor-quality housing has fallen across the UK. However, those in the poorest fifth of the population are still more likely to live in poor-quality, overcrowded and insecure housing than better-off families.

Poverty is also closely linked to health. The stress of struggling to make ends meet affects both physical and mental health. Poor health also increases the risk of poverty by limiting people's opportunities to work and increasing costs. The evidence shows that adults in the poorest 20% of the population experience worse physical health than those who are better off. Physical health has declined somewhat for all income groups except the richest 20%. Adults in the poorest fifth of the population are also much more likely to experience depression and anxiety than the rest of the population. The proportion of those in the poorest 20% in England experiencing these mental health difficulties has increased, particularly since 2008. Young people from low-income backgrounds are also somewhat more likely to experience mental health difficulties than those who are better off, especially those in the richest fifth of families.

Finally, there is an emerging body of evidence about the links between poverty and relationships – both within families and with wider support networks. Measurement of these issues and of the ways that they interact with poverty and other factors is at an early stage. This chapter presents initial analysis of indicators around relationships as a starting point to improve future understanding. Social isolation (defined as having no more than one close friend) is more common among those with lower incomes than those who are better off, but appears to have declined for all groups since 2011/12. It is also striking that pensioners overall are more likely to be socially isolated, particularly those on lower incomes.

Within families, poverty can also place a strain on relationships. Children in lower-income families are more likely to report that they quarrel with their parents and do not discuss important issues with them. The proportion of couples experiencing 'relationship distress' is much higher in the poorest fifth of the population and decreases as incomes rise. Separation is well known to greatly increase the risk of poverty, but the evidence also shows that couples who are on low incomes are more likely to separate than those who are better off. Domestic abuse is more commonly experienced by women in more deprived neighbourhoods than those in less deprived areas. Men are also slightly more likely to experience domestic abuse in more deprived areas, but this association is much weaker than for women.

## Housing quality and security

The cost of housing is an important driver of poverty – high housing costs leave families with less money to pay for the rest of their needs. The quality of housing that an individual or family can afford is also, of course, closely linked to their income, but also to their tenure. The housing system, with social housing, Housing Benefit and support for homeless people, has played an important role in protecting people from some of the impact of poverty. It also broke the link between poverty and poor housing conditions, at least to some extent.<sup>34</sup>

In recent years, however, the protection offered by the housing system to those in poverty has been weakened. As discussed above, the rising cost of housing and reductions in Housing Benefit have left more and more families having to cover part of the cost of their housing from income other than Housing Benefit. The increasing proportion of people in poverty living in the private rented sector has also exposed many more to the lower standards and greater insecurity of that sector, particularly families with children.

Home-ownership provides some protection against poverty, particularly for pensioners who have paid off their mortgage and thus have very low housing costs. However, owning a home is not a guarantee of escaping poverty – a third of those in poverty are home-owners.

### Housing quality

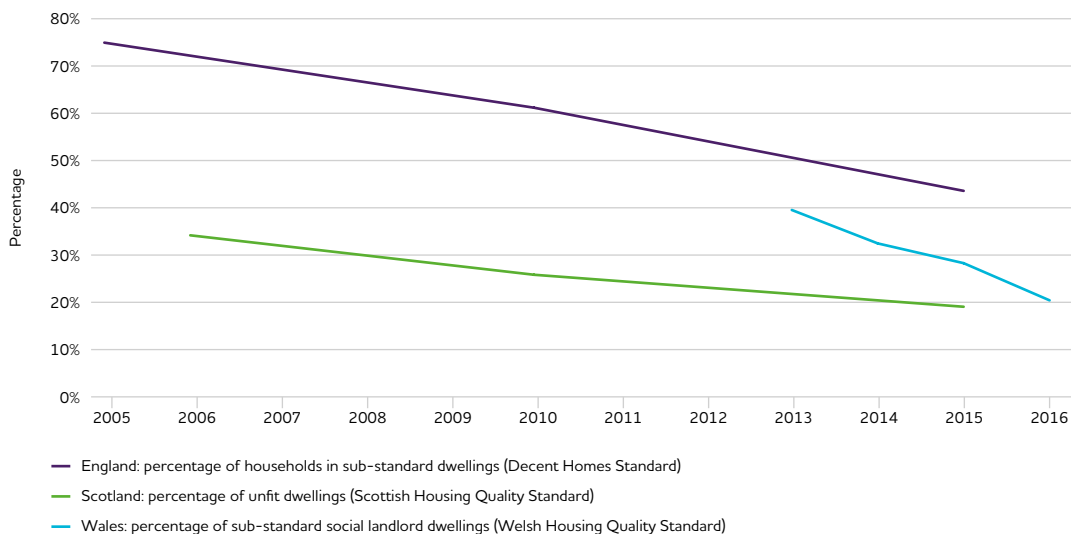
Living in housing that is damp, in disrepair, overcrowded or insecure can have negative effects on people’s mental and physical health, and on children’s education and prospects.<sup>35</sup>

Various measures of housing quality are defined in different ways across the UK, and are measured using different data sources in England, Scotland, Wales and Northern Ireland, so the figures provided for different parts of the UK are not directly comparable.

#### ‘Decent’ housing

Each part of the UK assesses whether some or all of its housing meets a standard of decency in relation to repair, damp and other conditions.

#### Measures of non-decent housing: UK nations

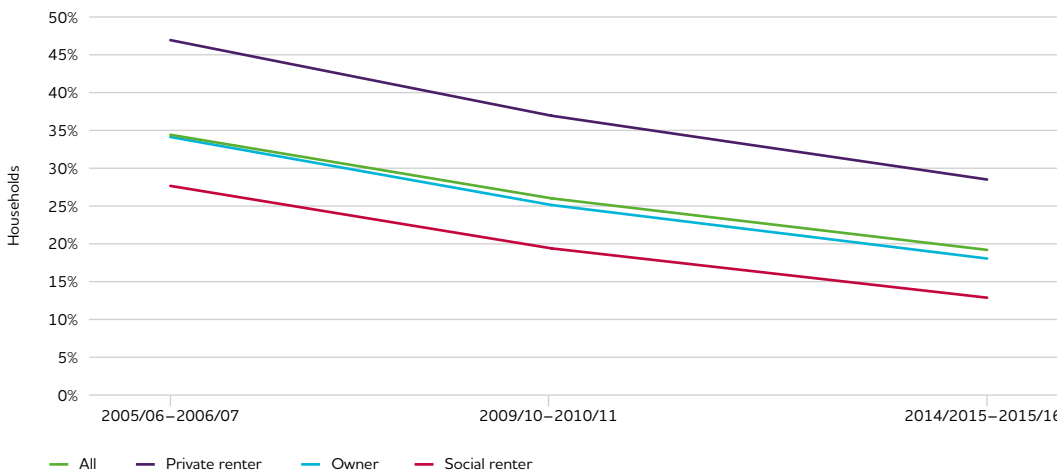


Source: English Housing Survey, Scottish Housing Survey, Welsh Housing Quality Standard

In England, housing is assessed as being ‘decent’ or ‘non-decent’ depending on whether it meets a range of statutory minimum standards covering safety, state of repair, facilities and thermal comfort. 19% of households live in housing defined as non-decent. This is highest among private renters (28%), followed by owner-occupiers (18%), and is lowest among social renters (13%). The overall proportion of households living in non-decent housing has fallen, from just over a third in 2005/06–2006/07 to just under a fifth in 2014/15–2015/16. Since 2012 however, the number of non-decent homes has been decreasing more slowly.

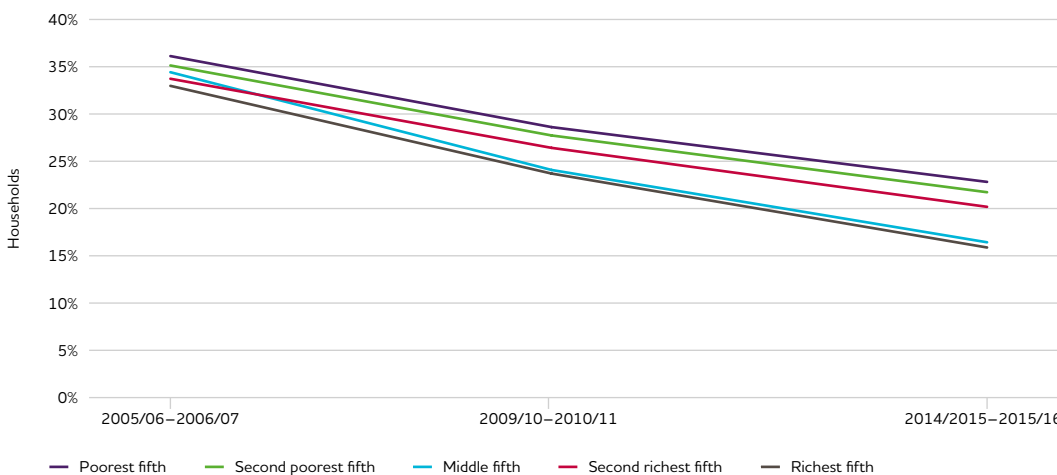
Those in the poorest 20% of the population have a higher risk of living in non-decent housing (23%) than the rest of the population. The risk of living in non-decent housing has fallen across all income groups, but most sharply for those in the richest two-fifths, widening inequality. Private renters have the highest risk of non-decent housing, but have also seen the largest decrease in non-decent housing.

**Percentage of households in England living in non-decent dwellings by tenure**



Source: English Housing Survey

**Percentage of households in England living in non-decent dwellings by equivalised household income**



Source: English Housing Survey

In Scotland, 44% of dwellings failed to meet the Scottish Housing Quality Standard in 2015. The highest proportion are in the private rented sector (50%). The total proportion that did not meet the standard fell from 75% in 2005 to 61% in 2010, and 44% in 2015.



In Wales, figures are based on social housing only. Overall, in 2016, 21% of social housing failed to meet the Welsh Housing Quality Standard, falling from 40% in 2013. Quality varies between housing owned by local authorities and that owned by registered social landlords. In 2013, 61% of local authority dwellings failed to meet the standard, falling to 46% by 2016. By contrast, in 2013, 26% of registered social landlords' properties failed to meet the standard, falling to 4% by 2016.

In Northern Ireland, a Decent Homes Standard was introduced in 2004, but the most recent data is for 2011, when 11% of homes failed to meet the standard.<sup>36</sup> New data on decent homes in Northern Ireland is due to be released in 2018.

## Overcrowding

Overcrowding is defined according to the bedroom standard.<sup>37</sup> The number of bedrooms required by a household depends on the number of people living in it, and their age, gender and relationship to each other. A household is deemed overcrowded if it has fewer bedrooms than the number required.<sup>38</sup>

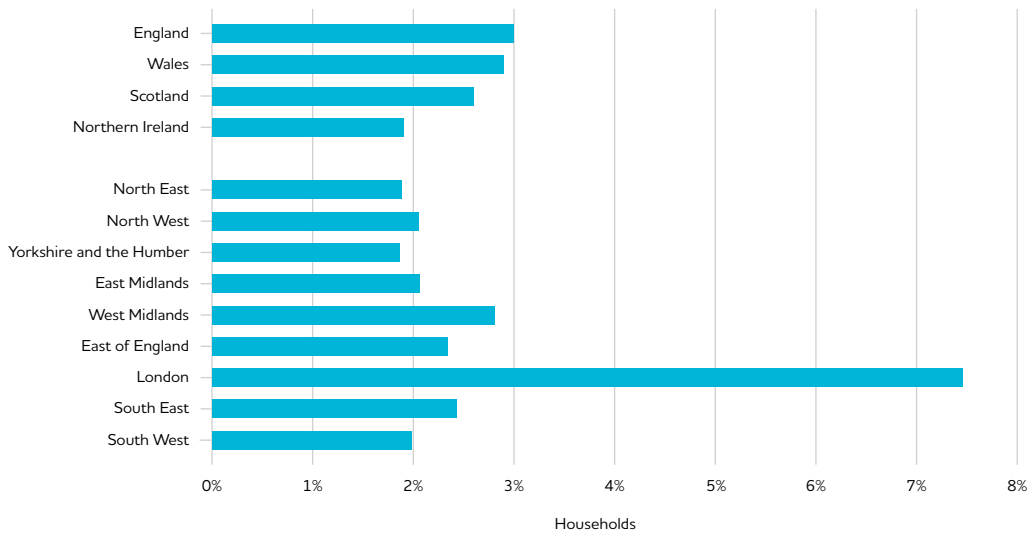
In England, 3% of households live in overcrowded accommodation. This is higher among social renters (7%) and private renters (5%) than among owner-occupiers (1%). Overcrowding is more prevalent among lower-income households: 7% of those in the lowest income quintile, falling to less than 1% of those in the highest income quintile. As expected, findings vary by household size. Households with four or more children are particularly likely to live in overcrowded housing (41%). It is also more prevalent among lone-parent households (10%). The overall incidence and patterns of overcrowding have remained fairly steady, particularly in the last decade. Since the early 1990s, there have been small increases in the proportion of overcrowded households in the private and social rented sectors, and a slight decrease among owner-occupiers. The only group that has seen a big increase in overcrowding is households with four or more children (up 10 percentage points since 2002/03–2004/05).

In Scotland, 3% of households live in overcrowded accommodation, and this has remained consistent over time. Overcrowding is more prevalent in rented housing – either social rented or private rented (4% in each case), compared with owner-occupied housing (1%).

In Wales, the most recent data is from the 2011 Census which showed that 3% of households in Wales were overcrowded.

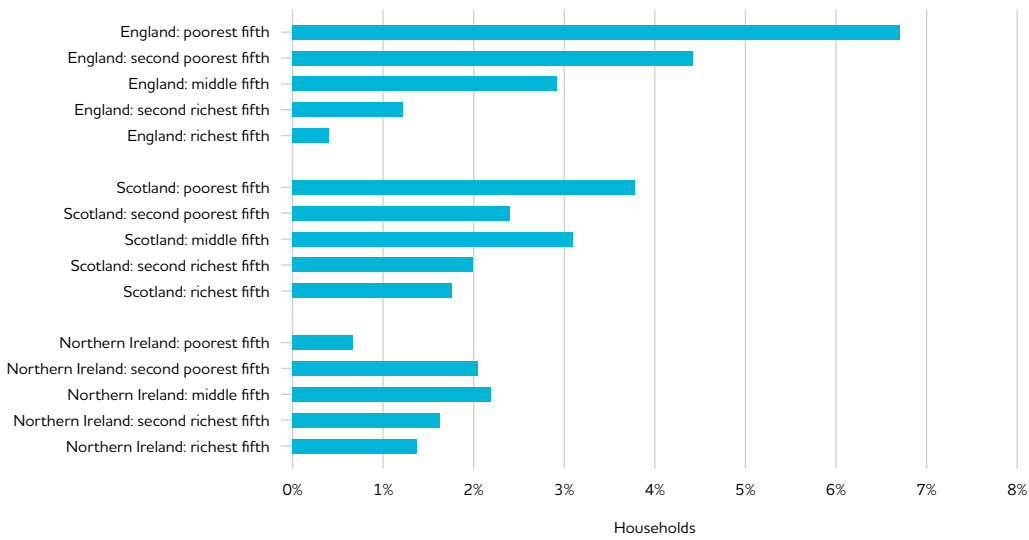
In Northern Ireland, 2% of households live in overcrowded housing. This proportion is higher among households that rent their home – either from the Housing Executive or another landlord (both 3%), compared with owner-occupiers (1%). The incidence of overcrowding is greater in larger households, especially those with four or more children (17%). Those in the poorest fifth of the population are less likely to live in overcrowded housing than those who are better off. Overcrowding has fallen, from 5% in 1993/94–1995/96 and 3% in 2001/02–2003/04 to the current level of 2%. In particular, larger households are likely to have seen a fall in the incidence of overcrowding (with a 17 percentage point drop among those with four or more children since 1993/94–1995/96). In relation to tenure, the largest decrease has been among households that rent from the Housing Executive, where rates have dropped 3 percentage points since 1993/94–1995/96.

### Percentage of households living in overcrowded housing (based on the bedroom standard)



Sources: English Housing Survey, Census (Wales), Scottish Households Survey and Northern Ireland Continuous Household Survey

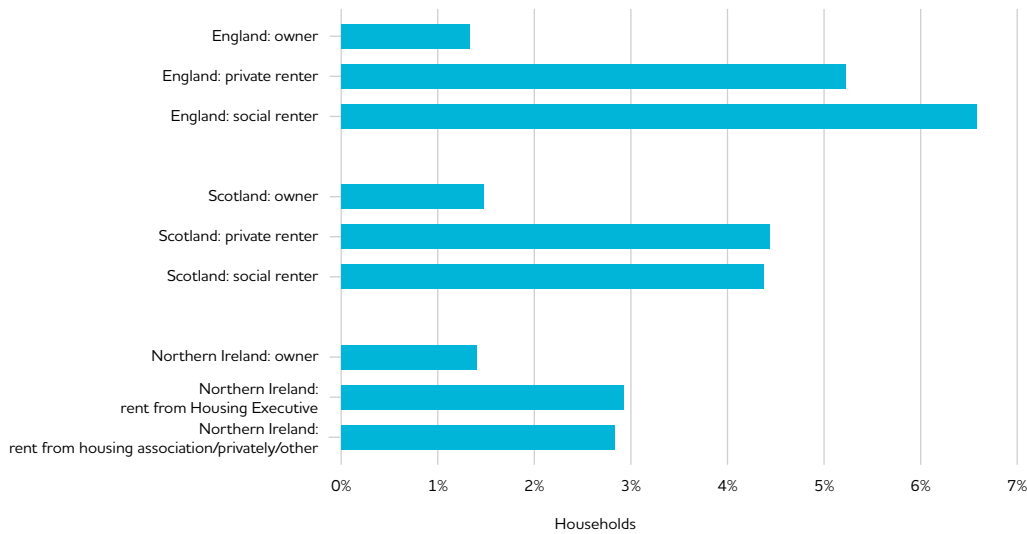
### Percentage of households in overcrowded housing by household income and UK nation (based on the bedroom standard – data for Wales unavailable)



Data: 2013/14 to 2015/16 England; 2015 Scotland; 2012/13 to 2014/15 Northern Ireland. Household income measure: equivalised England; net Scotland, total gross Northern Ireland.

Source: English Housing Survey, Scottish Household Survey, Northern Ireland Continuous Household Survey

**Percentage of households in overcrowded housing by household tenure and UK nation (based on the bedroom standard – data for Wales unavailable)**



Data: 2013/14 to 2015/16 England; 2015 Scotland; 2012/13 to 2014/15 Northern Ireland.

Source: English Housing Survey, Scottish Household Survey, Northern Ireland Continuous Household Survey

**A secure home**

Having a stable and secure home is a bedrock of family life. The likelihood of losing a home depends on many factors including the level and stability of someone’s income, the type of housing they live in and the impact of housing regulations and policies. This section focuses on trends in homelessness across the UK, shown in statutory homelessness, rough sleeping and homeless placements in temporary accommodation. Measurements of homelessness and policies in relation to it vary considerably across the UK. This means that direct comparisons cannot be made between statistics for England,<sup>39</sup> Scotland, Wales and Northern Ireland.

**England**

Between 2009/10 and 2016/17 the number of ‘homelessness acceptances’ by local authorities in England increased from 40,000 to 59,000; a rise of 48%.<sup>40</sup> These figures understate the increase in ‘homelessness expressed demand’ however; the number of local authority homelessness prevention and relief cases rose from 165,000 in 2009/10, to 221,000 in 2014/15 before falling slightly to 214,000 in 2016/17.

Rough sleeping in England increased from almost 1,800 in 2010 to just over 4,100 – a rise of 134%.<sup>41</sup>

The number of households in temporary accommodation rose from 54,000 in 1998 to just over 100,000 in 2004. It then fell back to 49,000 in 2011 before rising to 77,000 in the first quarter of 2017.<sup>42</sup>

Research suggests that the increase in homelessness in recent years is partly driven by the increase in the number of people made homeless from the private rented sector, which increased fourfold from fewer than 5,000 in 2009/10 to 19,000 in 2016/17.<sup>43</sup>

## Scotland

In Scotland, the statutory duty in relation to homelessness is wider than in other parts of the UK. In 2016/17, about 28,000 households were assessed as homeless or threatened homeless<sup>44</sup>, a very slight decrease from the previous year. The number had risen from just under 40,000 in 2002/03 (the earliest year for which statistics are available) to just under 44,000 in 2009/10 and then fell over the next few years.

The Scottish Government does not carry out a regular rough sleeper count. However the scale of rough sleeping can be estimated through local authorities' records of homelessness which show that around 1,500 people applying as homeless in Scotland in 2016/17 had slept rough on the night preceding their application.

The number of households in temporary accommodation in Scotland rose from just over 3,000 in 1991 to just under 11,000 in 2010. It then fell to just over 10,000 and remained at that number up to and including 2016, rising to almost 11,000 again in 2017.<sup>44</sup>

## Wales

The number of local authority statutory homelessness acceptances in Wales was just over 2,000 in 2016/17, up from 1,600 in 2015/16.<sup>45</sup> Despite this recent increase, this is dramatically lower than pre-2015, when homelessness acceptances stood at over 5,000. This fall is the direct and anticipated result of major changes in homelessness legislation that came into force in early 2015, and introduced 'prevention and relief duties' on local authorities to help prevent the need for the main rehousing duty. There is good evidence that the introduction of this new statutory homelessness framework has led to improvements in local authorities' prevention activities and falls in homelessness.<sup>46</sup>

Until very recently, rough sleeping was only monitored in Wales occasionally. The Welsh Government started carrying out more formal surveys in 2015, counting 313 rough sleepers across Wales in 2016, compared with 240 in 2015. Distinct methods were used in these surveys, meaning that the figures are not directly comparable. There has, however, been an undisputed recent rise in rough sleeping, with the scale of this increase estimated to be between 16% and 30%.

The number of homeless households in temporary accommodation in Wales rose from almost 700 in 1997, to a high of 3,500 in 2005 before falling to 2,000 in 2016.<sup>47</sup>

## Northern Ireland

In 2004, almost 8,500 people were accepted as 'full duty applicants' (FDA) in Northern Ireland, the equivalent of acceptance as unintentionally homeless and in priority need in England. This rose to 11,200 in 2015/16.<sup>48</sup>

Rough sleeping is not monitored regularly or comprehensively in Northern Ireland. A 'street needs audit' carried out in Belfast in 2015 suggested that the numbers sleeping rough on any one night were low, averaging six.

Since 2009/10, between 2,700 and 3,000 placements into temporary accommodation have been made each year in Northern Ireland.

## Health

Physical and mental health have close links to poverty. People on lower incomes are more likely to experience poor physical and mental health. The stress of living on a low income can have a negative impact on health. Being disabled or in poor health can also contribute to having a low income, as people may find it harder to work, have lower earnings and face additional costs.<sup>35</sup> This is shown in the strong relationship between poverty and disability in the figure *Poverty rates for working-age adults by disability in family (removing DLA, AA, PIP from income)* in the *Poverty among children and working-age adults* chapter. It is also clear when examining patterns of both physical and mental health more widely.

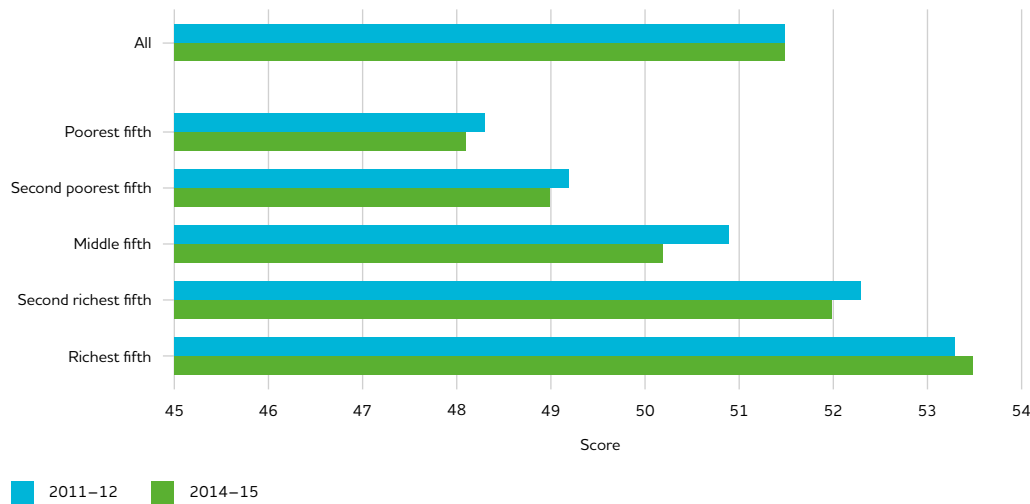
### Physical health

Physical health is measured based on a series of questions that are combined to give an individual a score between 0 and 100; a higher score indicates better physical health. People living on low incomes have a lower average score than those on higher incomes.

The difference between those on the highest incomes and others is larger among pensioners than working-age people. Among pensioners those in the poorest fifth have a slightly higher score than the second poorest fifth, suggesting that some other factor is affecting these results, such as the average age of those in each group.

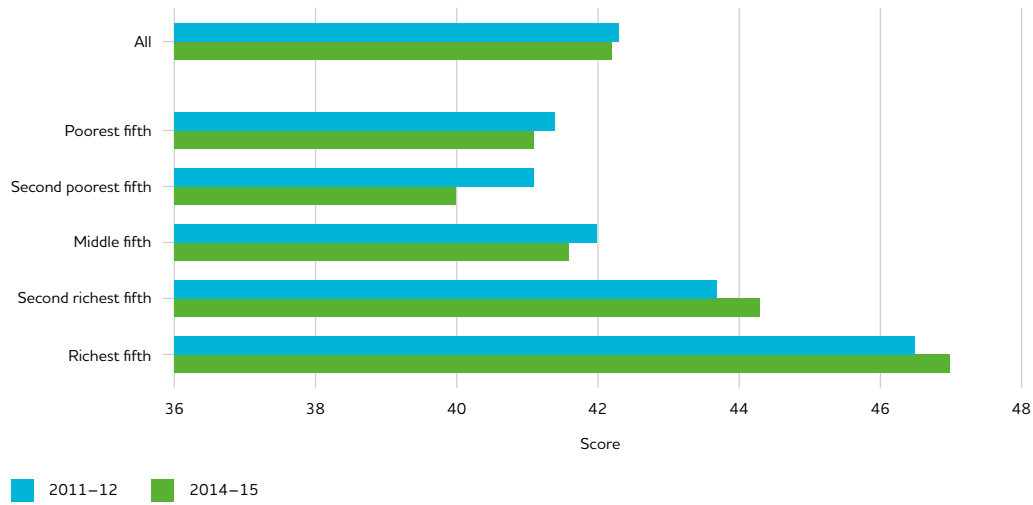
Over time, the average score for working-age adults in the UK has remained very steady, while it has improved slightly for pensioners. Among both working-age adults and pensioners, inequality in physical health has increased since 2011–12.

#### UK mean physical health function score by net household income: working-age adults (16–64)



Source: Understanding Society

### UK mean physical health function score by net household income: pensioners (65+)

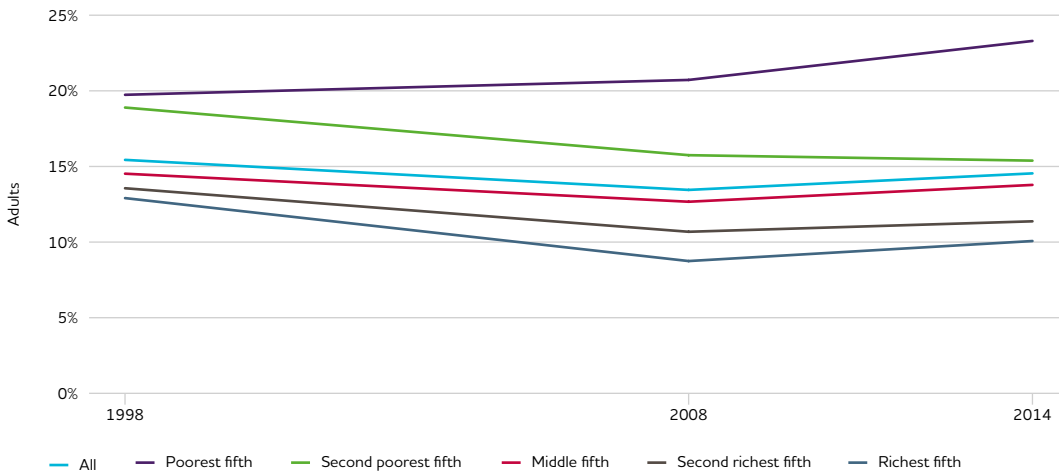


Source: Understanding Society

### Mental health

According to the Health Survey for England, 15% of adults showed some evidence of anxiety or depression in 2014 (the latest year for which these figures are available). Over the 16-year period since 1998, much higher proportions of those in the poorest fifth of the population experienced anxiety and depression than those with higher incomes. Between 1998 and 2014, the proportion of those in the poorest 20% experiencing anxiety or depression rose by 3.5 percentage points. Over the same period, the proportions among the rest of the population fell, leading to wider inequality.

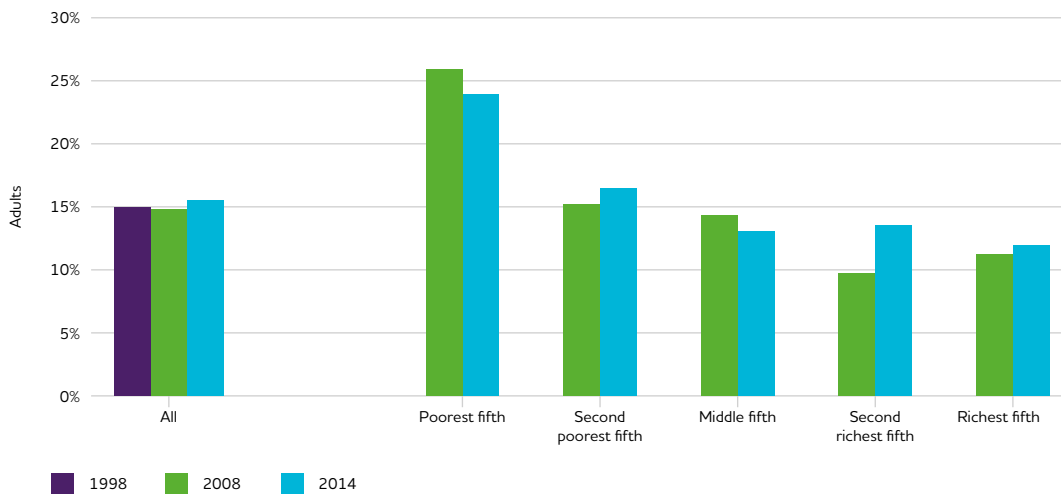
#### Percentage of adults in England indicating some evidence of anxiety or depression by equivalised household income



Source: Health Survey for England

In Scotland, the proportion of the total population showing some evidence of anxiety or depression in 2014 was 16%, with much higher figures for the poorest fifth (24%) than for the rest of the population.

### Adults in Scotland indicating some evidence of anxiety or depression by equivalised household income



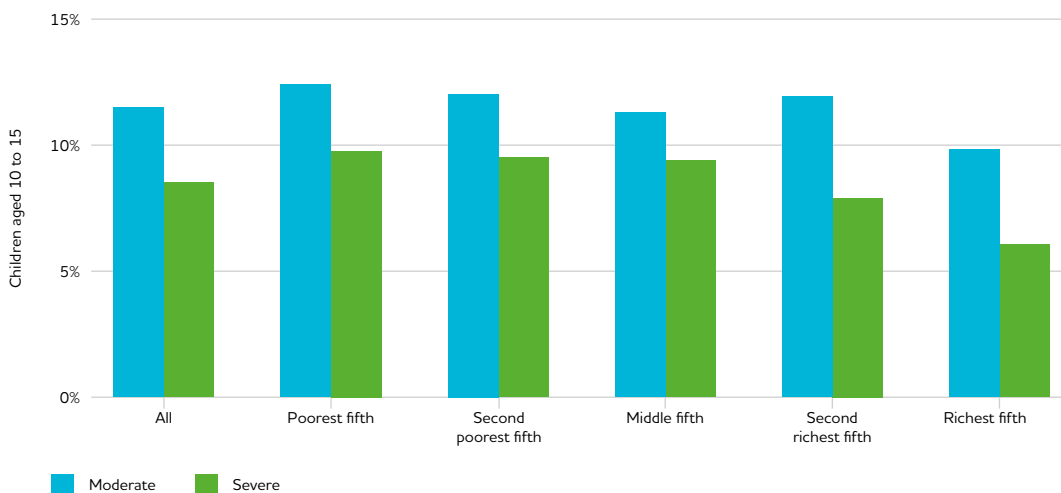
Note: There is no available breakdown by household income for 1998.

Source: Scottish Health Survey

Further analysis of the UK-wide Understanding Society survey is needed to assess the proportion of people in different income groups experiencing anxiety or depression in Northern Ireland or Wales.

According to the data for children, in 2013–14, 9% of 10- to 15-year-olds in the UK had severe mental health problems, and 12% had moderate problems. There was a slight association with income – children in the richest fifth are less likely to have severe mental health problems than the rest of the population.

### UK children aged 10 to 15 indicating moderate or severe mental health problems by household income 2013–14



Source: Understanding Society

For 10- to 15-year-olds as a whole, this has not changed over recent years. However, there have been some changes in the prevalence of severe mental health problems among some groups, particularly:

- an increase among young people in workless households; up from 13% in 2009–10 and 2011–12 to 17% in 2013–14
- a reduction among young people in Northern Ireland from 10% in 2009–10 to 5% in 2013–14.

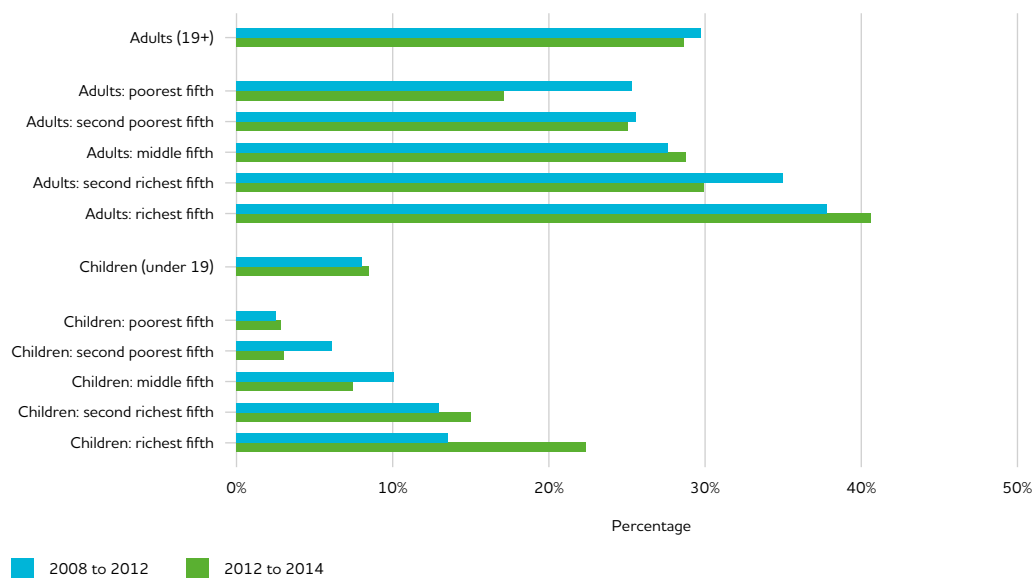
There is also a striking difference between the prevalence of both adult and children’s mental health difficulties for those living in workless households compared with households that include someone in paid work. Nearly twice as many adults in workless households have mental health difficulties as those in working households – 31% compared with 17%. Similarly, 29% of children in workless households have a severe or moderate mental health problem, compared with 19%. This is likely to be linked to a range of factors associated with worklessness, including lower incomes. It is also the case that adults with mental health difficulties, and those caring for children with such conditions are likely to find it much harder to find and sustain paid work.

## Nutrition

There are a range of recommended targets for the types and amount of different foods that adults and children should eat to have a healthy diet. One of the best known is the suggestion that people should eat five portions of fruit and vegetables a day. There is a very complex mix of factors that may influence individuals’ and families’ diet. These can include the cost of different foods, habits and expectations, cooking facilities and time available to prepare food.

The proportion of people eating the recommended amount of fruit and vegetables each day varies across income groups. Over a third (39%) of people in the richest fifth of the population eat the recommended amount, falling to only 15% of those in the poorest fifth. There are no significant differences between England, Wales, Scotland and Northern Ireland.

### Adults and children meeting recommendations for fruit and vegetables (five a day) by equivalised household income



Source: National Diet and Nutrition Survey

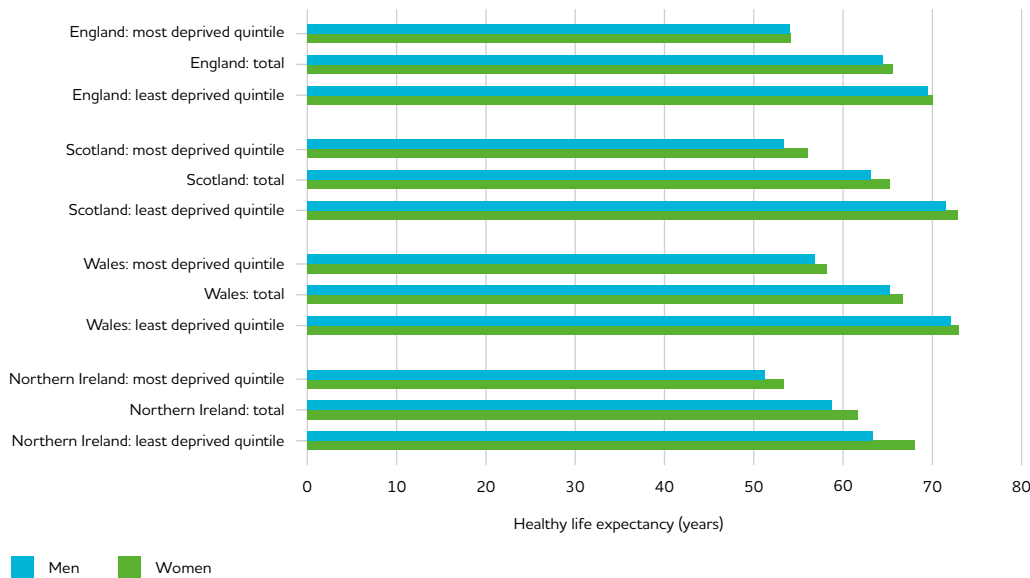


## Healthy life expectancy

The lifelong association between health and poverty culminates in large differences in the healthy life expectancy of those with different incomes. Data limitations mean that these are measured according to the level of deprivation of the area people live in, rather than their household income. Comparisons between the countries of the UK should be treated with caution since each has its own Index of Multiple Deprivation, which is based on relative deprivation within that country rather than across the UK.

Overall, people living in more deprived areas have a lower healthy life expectancy than those in less deprived areas. The difference between the most recent healthy life expectancies in the least and most deprived fifth of areas was highest for men in Scotland, at 18 years, but in all parts of the UK it was more than 12 years for both men and women.

### Healthy life expectancy at birth by quintile of area deprivation (England 2013–15, Northern Ireland 2012–14, Wales 2010–14, Scotland 2009–13)



Source: Healthy life expectancies by Index of Multiple Deprivation (IMD): England, 2013 to 2015, ONS; Scottish Public Health Observatory; Public Health Wales Observatory; Health Inequalities, Department of Health, Northern Ireland

## Relationships

The relationships people have with family, friends and wider social networks are crucially important to most people’s lives. Support drawn from these sources plays an important role for many people, enabling them to cope with adversity, get by when in poverty or other difficulties and, for some, improving their circumstances and prospects.<sup>35</sup> Relationships with family and wider social networks are closely linked to factors including income, geography and ethnicity.<sup>49</sup>

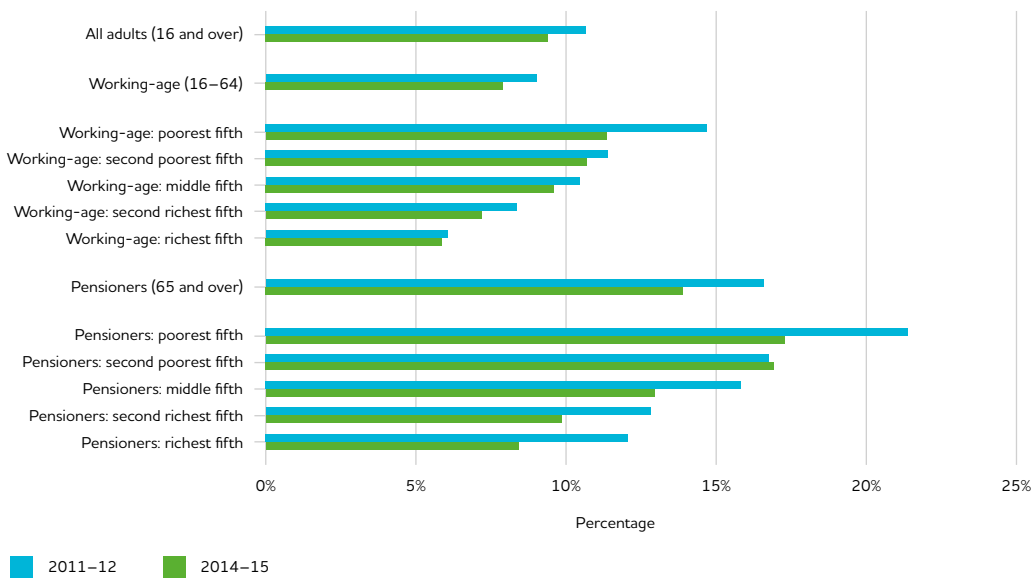
Relationships between parents (whether living together or not) and between parents and children have a major impact on children’s wellbeing and development, as well as on the family’s income and the wellbeing of the adults involved.<sup>35</sup> Relationships marked by conflict can also have negative impacts on both children and adults. The stress of living on a low income can be linked to relationship breakdown in couples, and between parents and children. At the extremes, those who experience domestic abuse are at high risk of poverty (in addition to the serious risk to their physical and mental health), both during and after these traumatic experiences. There is some data available on the prevalence of domestic abuse between partners in different income groups, discussed below. Research suggests that there are also links between child abuse and neglect and poverty,<sup>50</sup> but there is little data available to monitor those links.

Many people draw on their social networks for material support, information and advice, and opportunities to find work or training. However, living in poverty can also affect the family and wider social networks that people can draw on and sustain. Wider social networks can also be harder to develop and maintain for people on low incomes.<sup>49</sup>

## Social isolation

Social isolation can be measured in many ways. Here the analysis is based on a question asking how many close friends people have, and focuses on the proportion of people who say they have no more than one. The proportion of people who say they have no or only one close friend is higher for those in lower-income groups than for better-off groups. It is also higher among those living in workless households (14%) than households where at least one person is in work (7%). The overall proportion of people who have no more than one close friend has decreased slightly since 2011–12, from 11% to 9%.

### Adults with no more than one close friend by net household income and age group



Source: Understanding Society

## Support networks

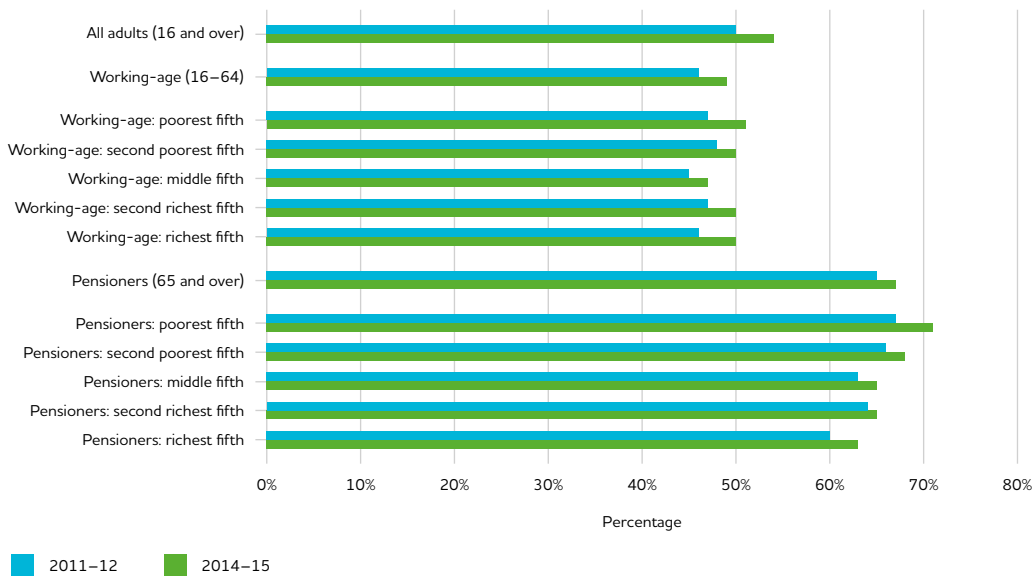
The analysis in this section is based on a question in the Understanding Society survey that asks whether respondents agree or disagree that ‘if I needed advice about something I could go to someone in my neighbourhood’.

The analysis examines respondents who agree or strongly agree with the statement. In 2014–15, 54% of adults said there was someone in the neighbourhood they could go to for advice. The proportion was higher among those in the poorest two-fifths of the population. The pattern that people in poorer households were more likely to agree that they could get advice was more pronounced among pensioners. This age group was also more likely as a whole to agree: 67% of pensioners compared with 49% of 16- to 64-year-olds in 2014–15.

Further work is needed to interpret this pattern and explore the range of sources of social support drawn on by people in different groups, and how far they feel that these meet their needs, including how far these are concentrated in a local area rather than being geographically spread.

The overall proportion of people who say there is someone they can go to for advice increased between 2011–12 and 2014–15 (from 50% to 54%), although this reverses a decrease between 2009–10 and 2011–12 (from 54% to 50%).

### Adults who agree that they could go to someone in their neighbourhood for advice



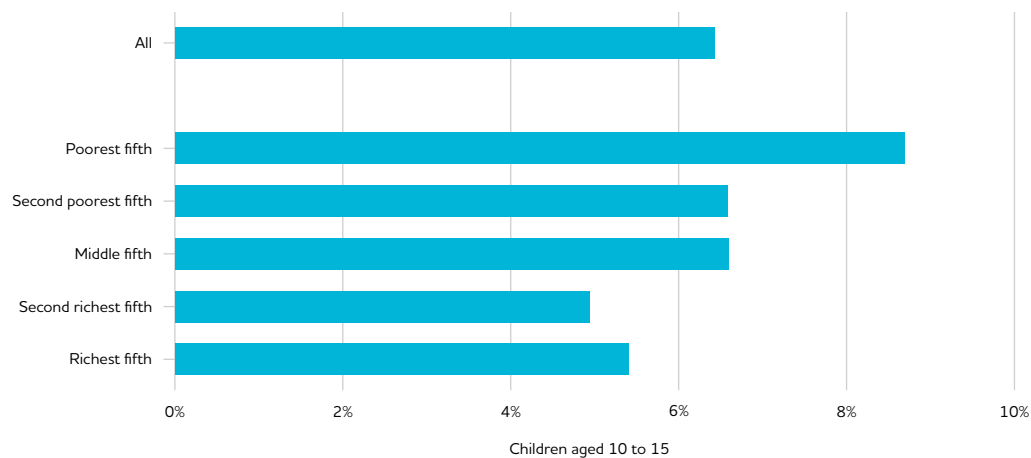
Source: Understanding Society

### Relationships between children and parents

Measuring the nature and quality of relationships between children and parents is complex. Here, the analysis focuses on situations where children aged between 10 and 15 report that they quarrel with at least one parent more than once a week, and hardly ever discuss important issues with either parent. This is defined as a poor relationship between the child and parent.

There is some association between these issues and income. The proportion of children reporting that they have a poor relationship with their parents is somewhat higher for those in the poorest fifth of the population (9%), compared with those in the richest two-fifths (5%). This has remained steady for the last few years.

### UK children aged 10 to 15 with a poor relationship with parents, by net household income 2013-14



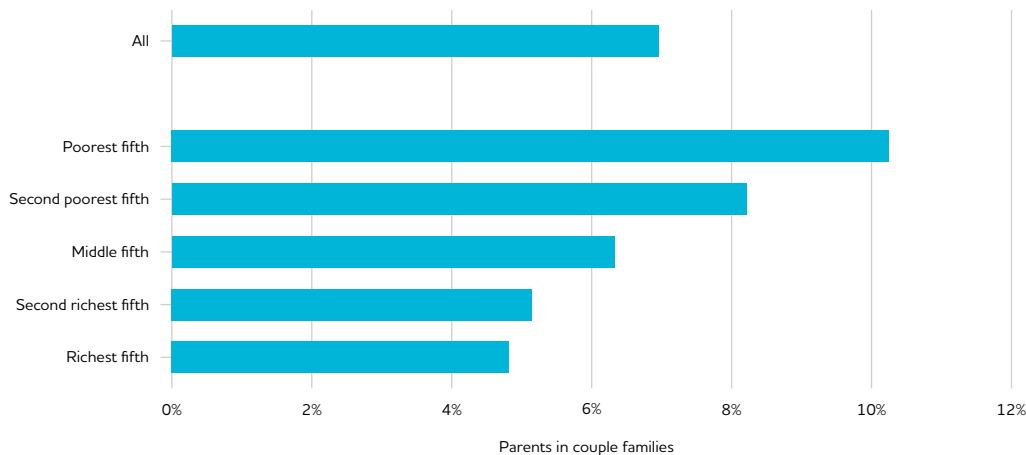
Source: Youth Panel, Understanding Society

## Relationship distress

Relationship distress is a concept developed by the charity Relate and used by the Department for Work and Pensions in the Improving Lives report.<sup>51</sup> A couple family is defined as experiencing relationship distress if they say that most or all of the time they consider divorce, regret living together, quarrel or get on each other’s nerves when asked about their relationship with their partner.

Overall, 7% of parents living in a couple report relationship distress. This varies slightly by income, being higher among parents in the poorest two-fifths of the population.

### Parents in couple families who report that their relationship is distressed, by net household income 2013–14



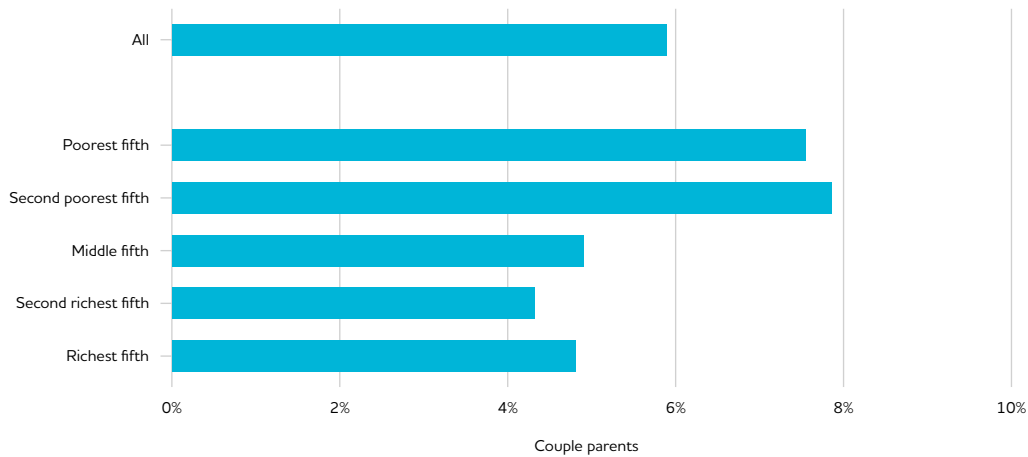
Source: Understanding Society

## Relationship separation

When couples with children separate there is often an impact on their financial circumstances. Separation can lead to poverty for both parents but the risk of persistent poverty is greater for the parent who continues to live with the children.<sup>52</sup> 38% of children in poverty live in a lone parent family.<sup>53</sup>

Analysis of family circumstances before couples separate can give a greater understanding of the links between separation and income. Of those families who were living as a couple in 2009–10 and who separated at some point in the subsequent five years, those on lower incomes (in the poorer two-fifths) were more likely to separate.

**Couple parents who separated over a five-year period, by net household income, 2009–10 to 2014–15**

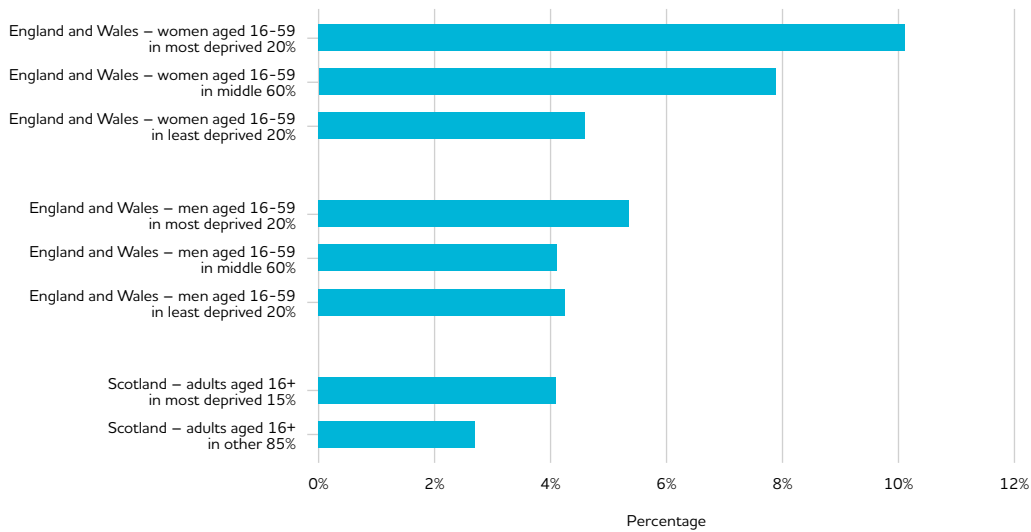


Source: Understanding Society

**Domestic abuse**

Women on low incomes are at greater risk of domestic violence and abuse than those with higher incomes.<sup>35</sup> This link is complex. Financial stress can have negative effects on couple and family relationships, while economic dependency can trap people in abusive relationships. Domestic abuse can also increase the risk of poverty where someone is prevented from working by ill-health or by their partner.

**Adults who were victims of domestic abuse in the previous year, by area deprivation summary (England and Wales 2015/16; Scotland 2014/15)**



Source: Crime Survey for England and Wales, Scottish Crime and Justice Survey

# Drivers of future poverty

This chapter examines some of the factors that can contribute to the future risk of poverty, or protect against it. First, children’s educational attainment, which is the strongest predictor of poverty in adulthood, then changes in the qualifications held by working-age adults across the UK. The chapter then sets out the extent to which people in different groups have savings, which can help them to meet unexpected costs or weather income shocks. Likewise, the proportion of people who have problem debts can be both an indicator of financial strain, and lower living standards, even when incomes rise. Finally, the chapter sets out the proportion of people who are building up a pension, which can protect against poverty in later life.

Summary

**86**

Education

**87**

Financial resilience: savings,  
debt and pensions

**96**

# Drivers of future poverty

## Summary

There are several factors that affect the future of children who experience poverty, and the chances of working-age adults experiencing poverty later in their lives. Many of these factors not only contribute to the risk of future poverty, they are also, at least to some extent, a consequence of current poverty. Living in poverty as a child increases the risk of having low attainment at school. Adults in poverty, and those in low-paid jobs, are less likely to receive training and to progress into better jobs than those who are better paid. People in low-income households are less likely to have access to the internet and to use it regularly. Adults on low incomes are less likely to save money or pay into a pension. The analysis below focuses on two areas where there is good evidence of a link with future prospects: education and financial resilience.

Research shows that the biggest driver of future poverty is the educational attainment of children when they leave full-time education.<sup>35</sup> This has a major impact on their chances of being employed and of earning enough to avoid poverty as adults. There is also strong evidence that children growing up in poverty tend to have lower attainment than those who do not – known as the ‘attainment gap’. Similarly, among adults, both employment and earnings are linked to qualifications. Basic skills, including literacy, numeracy, and digital skills, can play an important part in enabling people to access work, public services and deals that enable them to afford essential goods and services. The analysis below uses available data to examine trends in educational attainment among children and adults, and internet use and access across the population. There is an unfortunate lack of recent data about adult literacy and numeracy, meaning that it is not possible to present up-to-date trends in these areas.

The level of financial resilience among those on low incomes can be seen in the data on the level of savings, debt and pension accumulation in this group. Having some savings can be an important buffer to cover unexpected fluctuations in income and avoid having to take on high-cost credit to meet day-to-day expenses. Likewise, getting into debt by falling behind with bills can make it much harder for someone to reach a reasonable living standard even if their income increases. Building up a pension is an important factor affecting someone’s risk of poverty in later life.

The proportion of families who have no savings has risen in the last 10 years, and is very high among those in the poorest fifth of the population. The proportion of households who are behind with bills or credit payments has decreased over time, but remains much higher among those on low incomes. The overall proportion of people paying into a pension has increased since 2012, but this increase has been concentrated among full-time employees – part-time employees and self-employed people remain unlikely to have a pension. It has also been weaker among those on lower incomes – more than two-thirds of people in the poorest fifth of the population still do not have a pension.

## Education

Changes to education systems, assessment and curriculums make it difficult to be certain about changes in attainment over time. However, among children and young people, overall attainment seems to have increased across the whole of the UK. The gap between the attainment of students from richer and poorer backgrounds in each part of the country has, however, remained stubbornly large. The analysis below examines trends in attainment and in the attainment gap between children from richer and poorer backgrounds. In England and Scotland, it is possible to examine this gap among children aged five, 11 and 16. In Wales, information is available for children aged 11 and 16. In Northern Ireland, data is only published for children aged 16. Understanding changes over time is difficult due to changes in educational systems and attainment measures. Variations in the education systems of England, Wales, Scotland and Northern Ireland also mean that it is difficult to make direct comparisons.

The educational profile of the adult population has improved considerably over the last 20 years. Far fewer adults have no qualifications and far more have a degree or higher qualification. The proportions of those with GCSE or equivalent and with A-levels or equivalent qualifications has changed far less. However, there is still a significant minority of the adult population with no or very low qualifications. In addition, the link between qualifications and pay appears much weaker for part-time than for full-time workers – part-time workers with the equivalent of GCSEs or A-levels do not have higher pay than those with no qualifications.

Internet use and access has increased across the whole population, but those in the poorest two-fifths are still much less likely to have internet access or to use it regularly than those in the rest of the population.

### Children's education

The data suggests that attainment overall has risen in all four parts of the UK but that the gap in attainment between children from richer and poorer backgrounds remains stubbornly large.

In England, the proportion of children reaching a good level of development at age five has increased, but the attainment gap has remained fairly constant at 20 percentage points. The attainment gap remains fairly constant through primary school, meaning that the difference in attainment between those from richer and poorer backgrounds remains around 20 percentage points at age 11. This gap widens through secondary school, to around 28 percentage points by age 16 and 25 percentage points at age 19.

In Wales, the attainment gap at age 11 between children from richer and poorer backgrounds has fallen in recent years, from 26 percentage points to 14. At age 16, however, the attainment gap is 31 percentage points, with only a slight fall since 2010.

In Scotland, children aged five living in the most deprived areas were 16 percentage points less likely to reach the expected standard in reading, and 14 percentage points less likely in numeracy, than those living in the least deprived areas. By age 11, these gaps increased to more than 20 percentage points. They remained at this level in the results of school leavers (age 16), having fallen from 33 percentage points in 2009/10.

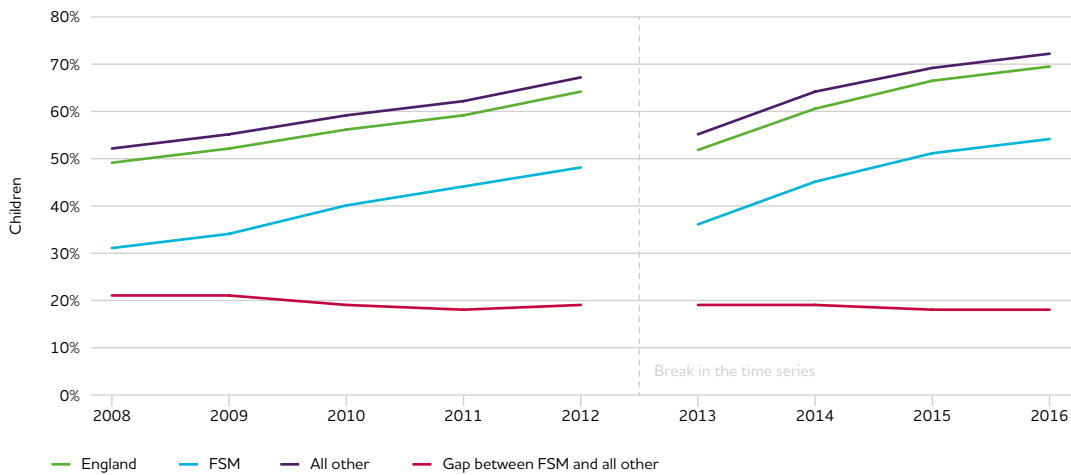
In Northern Ireland, the attainment of children aged 16 from poorer backgrounds is about 20 percentage points lower than those from better-off families.



## England

At the Early Years Foundation Stage in England, the percentage of children reaching a good level of development increased each year from 2008 to 2016 but the percentage point gap between those receiving free school meals and others has remained fairly constant at around 19 percentage points.

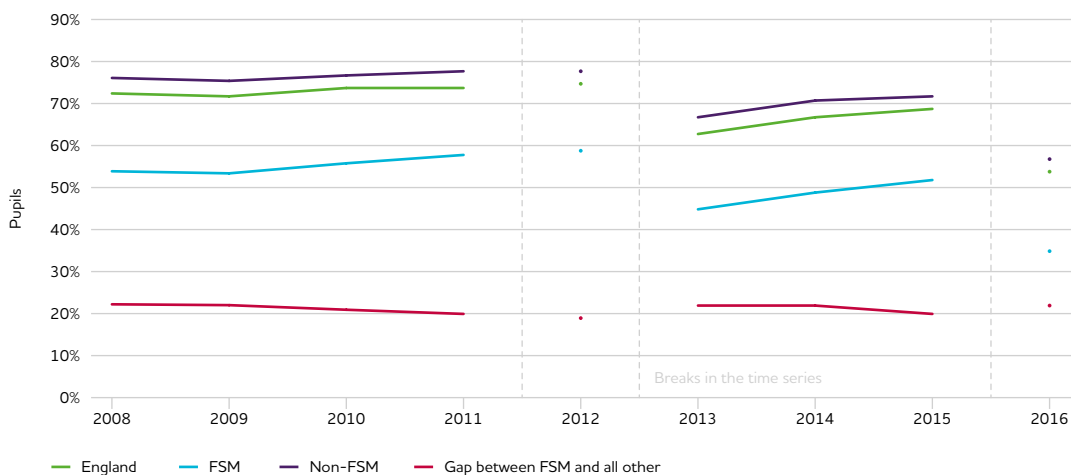
### Percentage of children in England reaching a good level of development at the end of the Early Years Foundation Stage by whether receiving free school meals (FSM), 2008–2016



Source: Department for Education

At age 11 (the end of Key Stage 2 in England), changes in what is measured mean that a consistent time series is not available. However, in the most recent years the achievement gap between disadvantaged and other pupils has consistently been around 20 percentage points, and the same is true of the gap between pupils eligible for free school meals and other pupils.

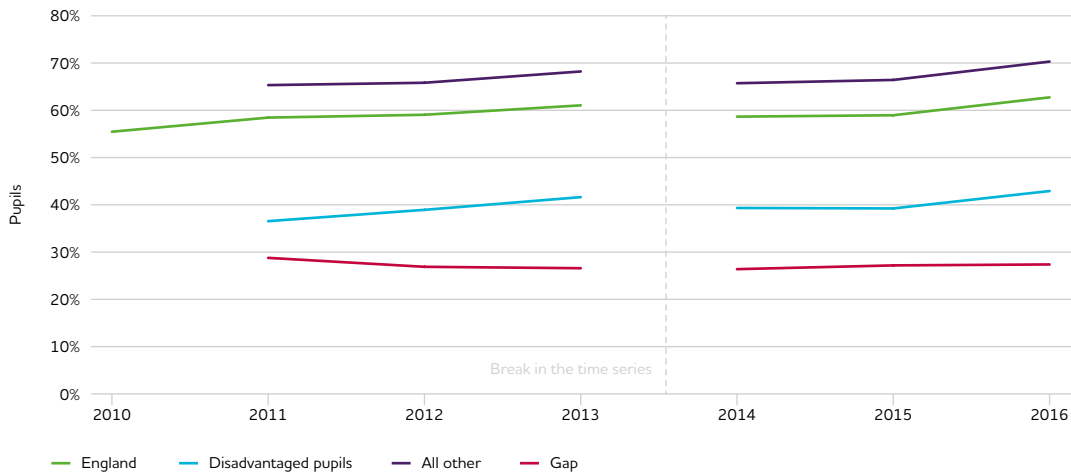
### Percentage of pupils in England reaching the expected level at Key Stage 2 by whether receiving free school meals (FSM), 2008–2016



Source: Department for Education

The percentage point gap between disadvantaged and non-disadvantaged pupils was consistently wider at Key Stage 4 (28 percentage points) than at Key Stage 2 (20 percentage points) between 2012 and 2016.

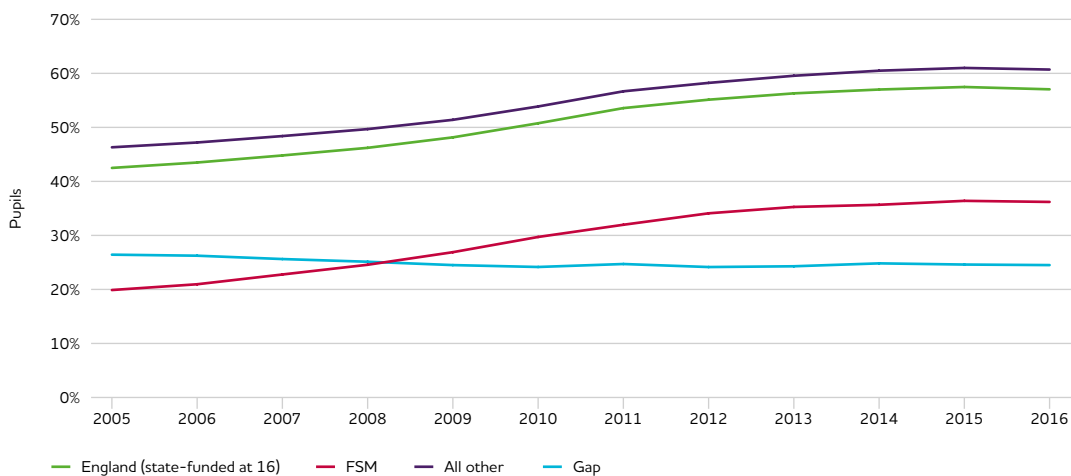
### Percentage of pupils in England achieving five or more A\*–C grades at GCSE and equivalent, including English and maths, at the end of Key Stage 4, by whether disadvantaged, 2010–2016



Source: Department for Education

Among 19-year-olds in England, the gap between pupils receiving free school meals and other pupils has remained fairly constant at 24 to 25 percentage points in each year from 2008 to 2016, having been slightly higher in the years immediately before this.

### Percentage of pupils in England achieving National Qualifications Framework Level 3 by the age of 19 by whether receiving free school meals (FSM), 2005–2016



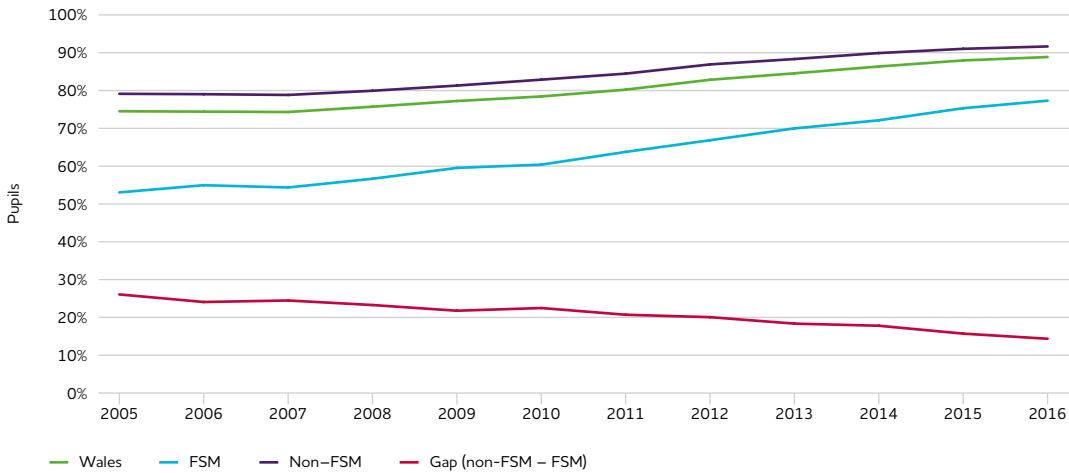
Note: The measure of whether a pupil is receiving free school meals is based on their status at the end of Key Stage 4.

Source: Department for Education

## Wales

In Wales in 2016, the attainment of disadvantaged pupils at Key Stage 2 (age 11) is around 14 percentage points lower than those who are less disadvantaged. However, this is a much smaller gap than was observed in 2005, when disadvantaged students were 26 points behind. This suggests that the attainment gap at age 11 in Wales has narrowed considerably over the last decade.

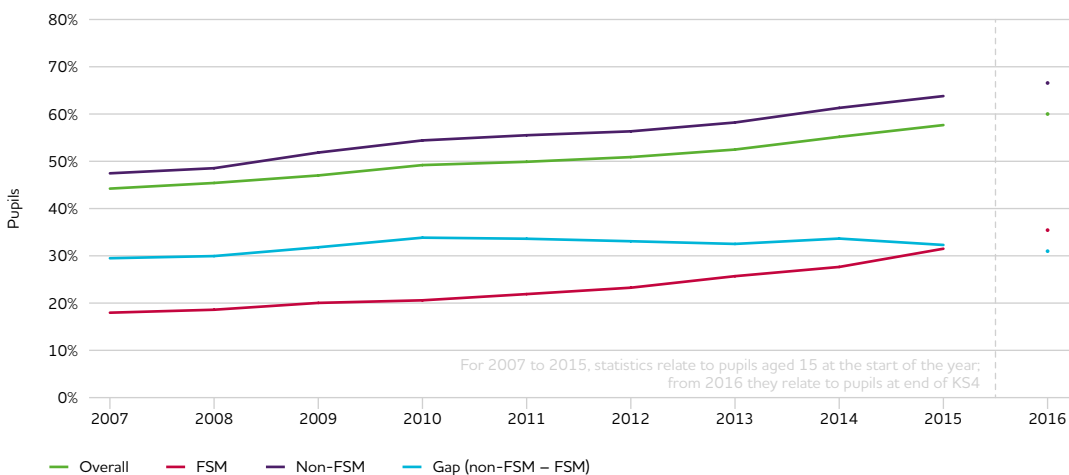
### Percentage of pupils in Wales reaching the expected level at Key Stage 2, by whether receiving free school meals (FSM), 2005–2016



Source: Welsh Government

At GCSE level in Wales in 2016 (Key Stage 4) the attainment gap was wider than at Key Stage 2, though it has remained broadly the same since 2007. The gap was greatest at around 34 percentage points in 2010 but has narrowed slightly to 31 percentage points in 2016.

### Percentage of pupils in Wales achieving five or more A\*–C grades at GCSE and equivalent including English and maths, by whether receiving free school meals (FSM), 2007–2016

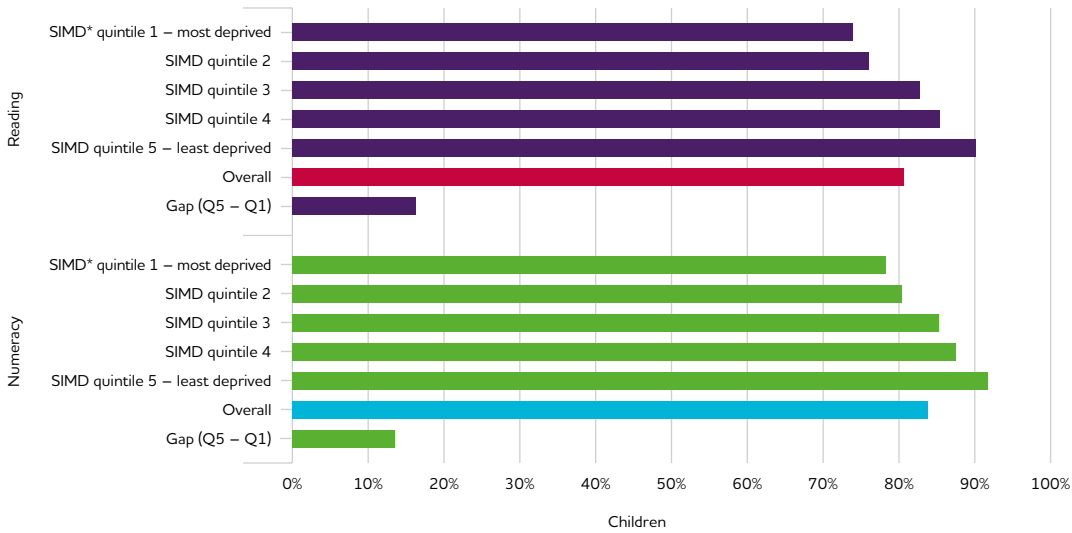


Source: Welsh Government

## Scotland

Data for Scottish children at age five is only available for 2015, so trend analysis is not possible. Increasing deprivation was strongly associated with lower attainment, with gaps of 16 percentage points and 14 percentage points between children from the least, and the most, deprived areas for reading and numeracy respectively.

### Percentage of children in Scotland at age five reaching the required Primary 1 standard in numeracy and reading by level of deprivation of area, 2015

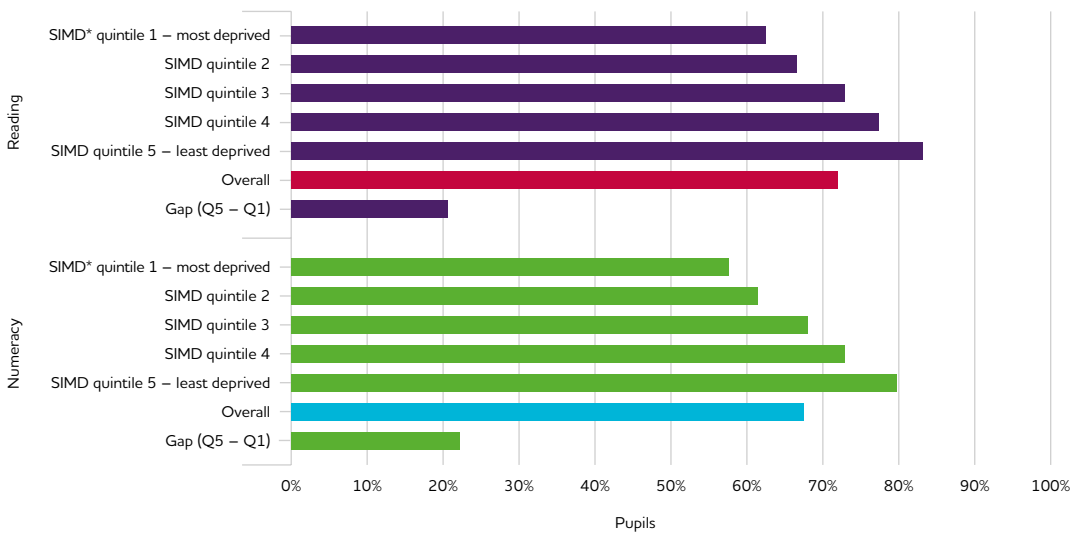


\* Scottish Index of Multiple Deprivation

Source: Scottish Government

At age 11 in Scotland, there continued to be marked differences in performance based on the deprivation of the area a child lives in. In 2016, the attainment gap between the most and least deprived areas was 21 percentage points for reading and 22 points for numeracy.

### Percentage of children in Scotland at age 11 reaching the required Primary 7 standard in numeracy and reading, by level of deprivation of area, 2016

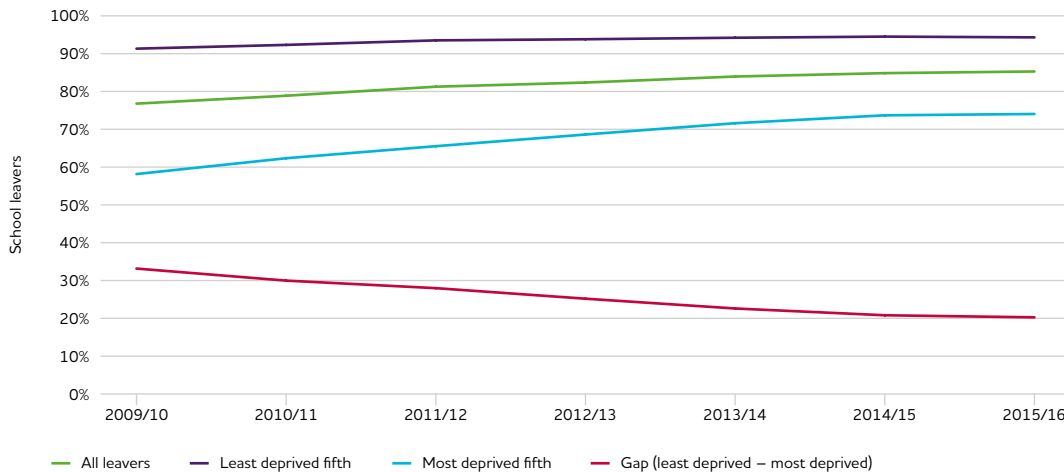


\* Scottish Index of Multiple Deprivation

Source: Scottish Government

The percentage of school leavers in Scotland achieving one or more Level 5 qualifications increased from 77% in 2009/10 to 86% in 2015/16. The gap between the least and most deprived areas has decreased from 33 to 20 percentage points in this period due to the improving performance of the most deprived groups.

**Percentage of school leavers in Scotland who achieved one or more qualification at Scottish Credit and Qualifications Framework Level 5 or better, by level of deprivation of area**

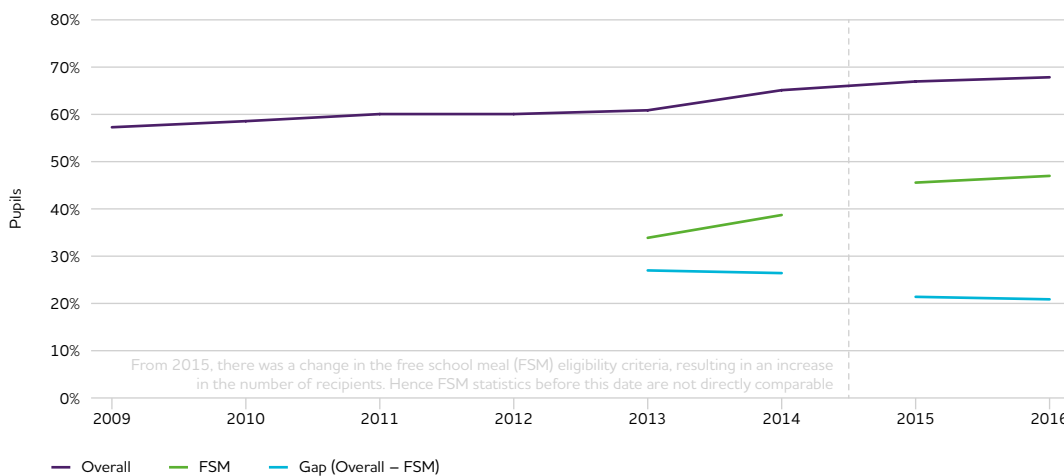


Source: Scottish Government

**Northern Ireland**

Northern Ireland results for pupils aged 16 who are eligible for free school meals were only available for four years, from 2013 to 2016, and only two of these years are comparable with the previous year due to a change in eligibility criteria. There was a considerable decline in the attainment gap between 2014 and 2015, but this is likely to be due to a change in the eligibility for free school meals. Looking more broadly between comparable periods (2013 to 2014 and 2015 to 2016), there was evidence for a slight narrowing in the attainment gap, by about half a percentage point across each period.

**Percentage of pupils in Northern Ireland achieving five or more A\*-C grades at GCSE and equivalent including English and maths 2009-16, and by whether receiving free school meals, 2013-16**



From 2015, there was a change in the free school meal (FSM) eligibility criteria, resulting in an increase in the number of recipients. Hence FSM statistics before this date are not directly comparable

Source: Department of Education, Northern Ireland

## Adult skills

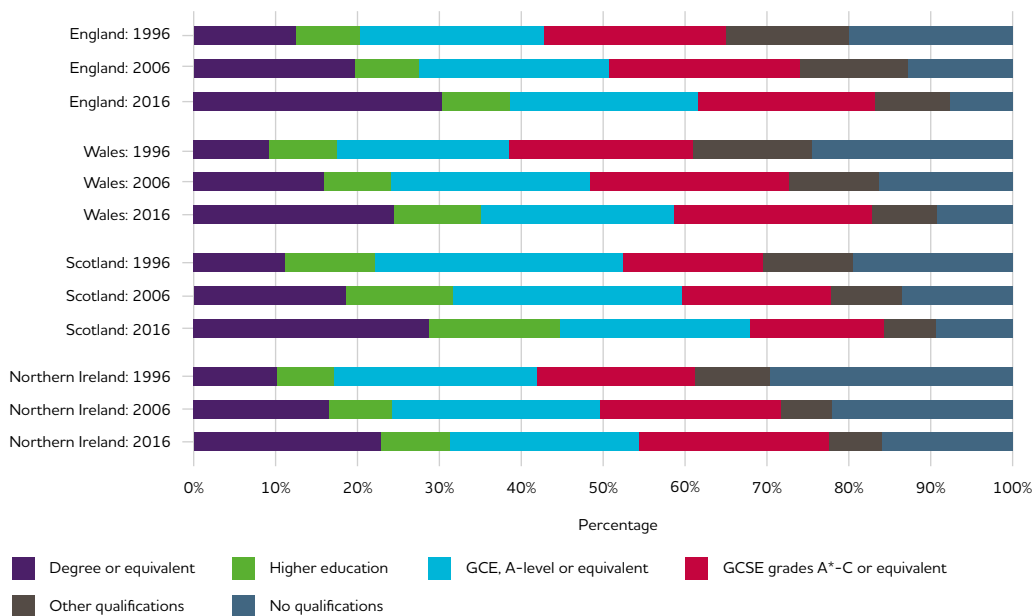
Since 1996, there has been a large decrease in the proportion of working-age people with no qualifications and an increase in the proportion with higher education qualifications across the whole country.

Northern Ireland stands out as having started the period with the highest proportion of adults with no qualification (30%), and still having a much higher proportion in 2016 (16%) despite a reduction of nearly half.

By 2016, fewer than one in 10 working-age adults in England, Scotland and Wales had no qualifications, a reduction of more than half. Wales had caught up with England and Scotland by this time, having had a higher proportion of adults with no qualifications in 1996.

The proportion of adults with higher education had also nearly doubled in England, Wales and Scotland, resulting in 45% of adults in Scotland, 38% in England and 35% in Wales having this qualification level. Northern Ireland had the lowest proportion with higher education qualifications in 1996 (at 17%) and the lowest in 2016 (at 31%).

### Working-age population by highest level of qualification 1996, 2006 and 2016



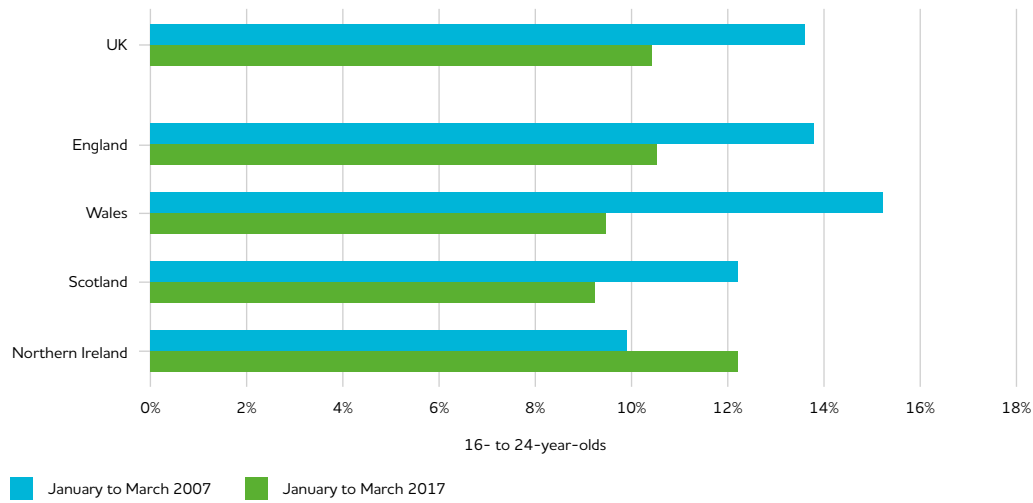
Source: Labour Force Survey (JRF Analysis)

## Young people not in education, employment or training

Young people who spend time not in education, employment or training (NEET) are at high risk of future unemployment, low earnings and poverty.<sup>54</sup>

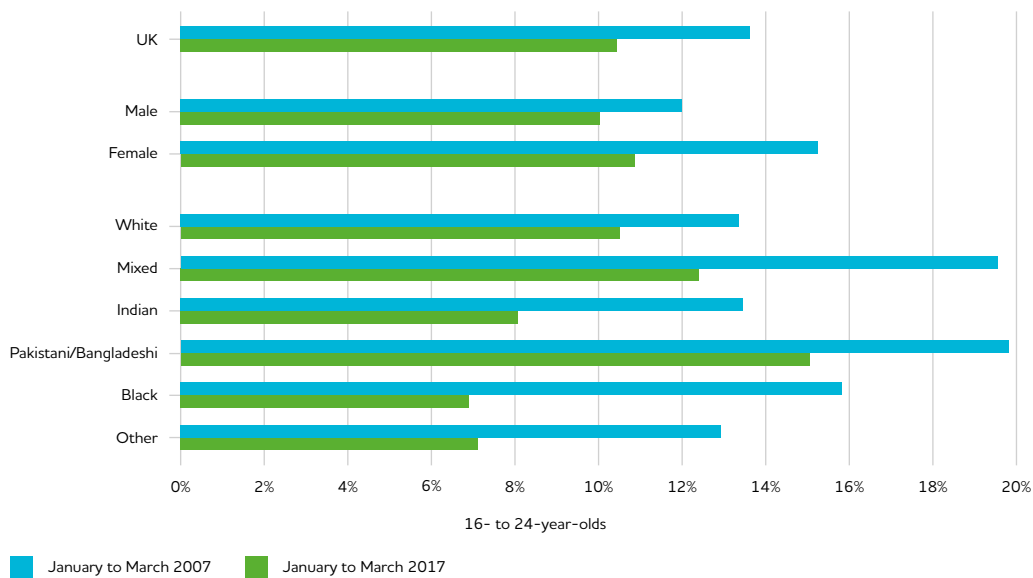
In 2017, 10% of people aged 16 to 24 in the UK were not in education, employment or training, falling from 14% in 2007. Young women and people from the Pakistani, Bangladeshi, mixed ethnicity and White groups were the most likely to be classified as NEET.

**Percentage of UK 16- to 24-year-olds not in education, employment or training by nation, first quarter 2007 and first quarter 2017**



Source: Labour Force Survey

**Percentage of UK 16- to 24-year-olds not in education, employment or training by gender and by ethnicity, first quarter 2007 and first quarter 2017**



Source: Labour Force Survey

In England, Wales and Scotland, the proportion of young people classified as NEET fell between 2007 and 2017. In England, this is probably a result of all young people in England being required to continue in education or training to at least their 18th birthday since 2014. In Northern Ireland, the proportion of young people recorded as being NEET has risen since 2007.

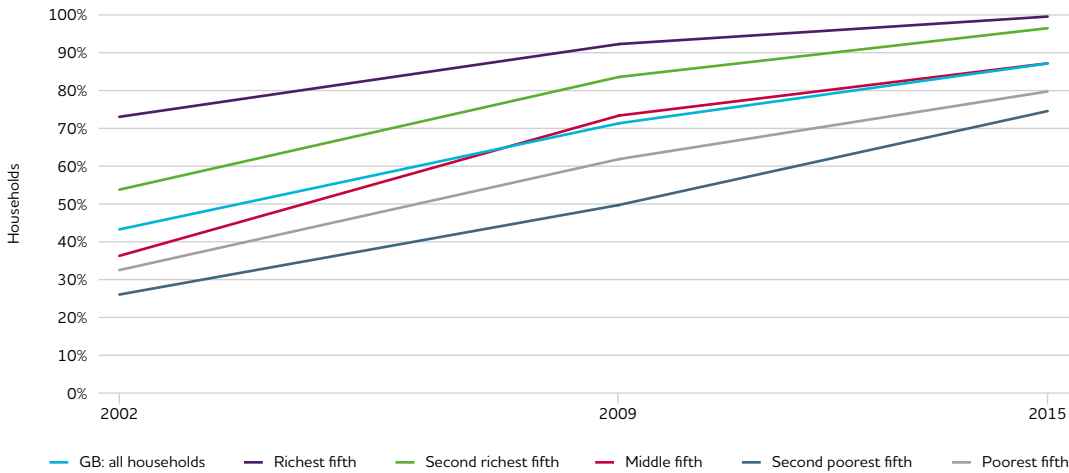
**Internet access and use**

Having access to the internet, and the skills and confidence to use it, has become an important way of accessing work, training and services. Those who do not have access or do not use the internet are at higher risk of missing out on opportunities to improve their income or reduce costs.<sup>35</sup>

A significant majority of people in Great Britain (87%) and in Northern Ireland (79%) have access to the internet. These proportions have increased markedly since 2002, up from 43% in Great Britain and 32% in Northern Ireland. However, access is still linked to income with the poorest 20% being significantly less likely to have access.

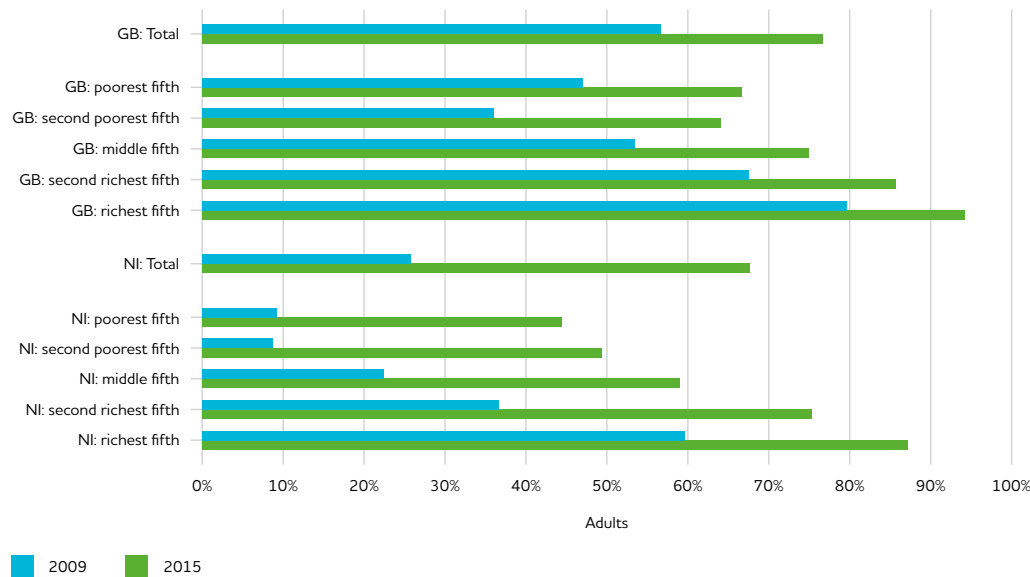
The proportion accessing the internet on a daily basis has risen considerably from just over half the population of Great Britain (57%) in 2009 to more than three-quarters in 2015 (77%). Similarly, growth in daily access in Northern Ireland went up from around a quarter (26%) in 2008/09 to more than two-thirds (68%) in 2014/15. Daily use varies greatly by age, but is also associated with income; the richest 20% were roughly twice as likely to report daily use than the poorest 20% in Northern Ireland and 50% more likely in Great Britain.

**Percentage of Great Britain households with internet access, by gross individual income**



Source: Opinions and Lifestyle Survey and Continuous Household Survey, Northern Ireland

**Percentage of adults who use the internet daily (NI) and daily or almost daily (GB), by gross household income (NI) and gross individual income (GB), 2009 and 2015**



Note: Northern Ireland data is for financial years 2008/09 and 2014/15. The questions for Great Britain and Northern Ireland are not identical (as the chart title indicates).

Source: Opinions and Lifestyle Survey and Continuous Household Survey, Northern Ireland



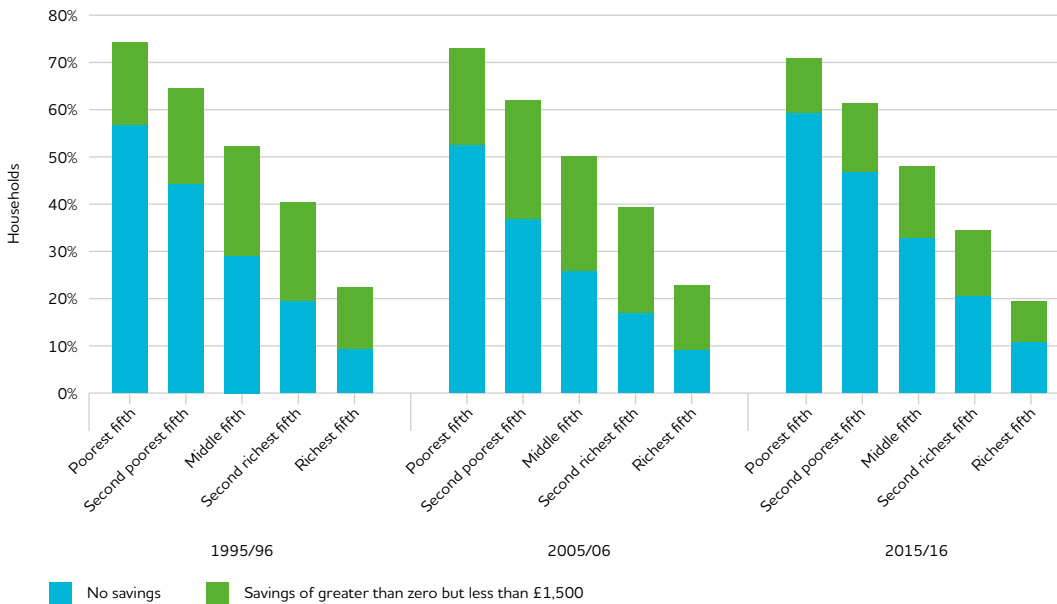
## Financial resilience: savings, debt and pensions

In 2015/16, six in 10 of those in the poorest fifth of households had no savings at all, while a further one in nine had savings less than £1,500. This is in stark contrast to those in the better-off parts of the population: most households in the richest three-fifths of the population have savings of more than £1,500.

Between 1995/96 and 2005/06, the proportion of those with no savings at all fell in all income levels. However, in the most recent decade these proportions rose again to a higher level than was the case 20 years ago.

The proportion of households with some savings but not more than £1,500 rose between 1995/96 and 2005/06 before falling back to an even lower level in 2015/16. In 1995/96, 18% of those in the poorest fifth had some savings, but less than £1,500. By 2005/06, this rose to 21%, but fell to only 12% by 2015/16.

### Percentage of households with total savings and investments of less than £1,500



Note: 1995/96 data for GB only. GB percentages similar to UK in later years. Other sources of information about household savings are available, but this analysis uses the Family Resources Survey because of the availability of a 20-year time series.

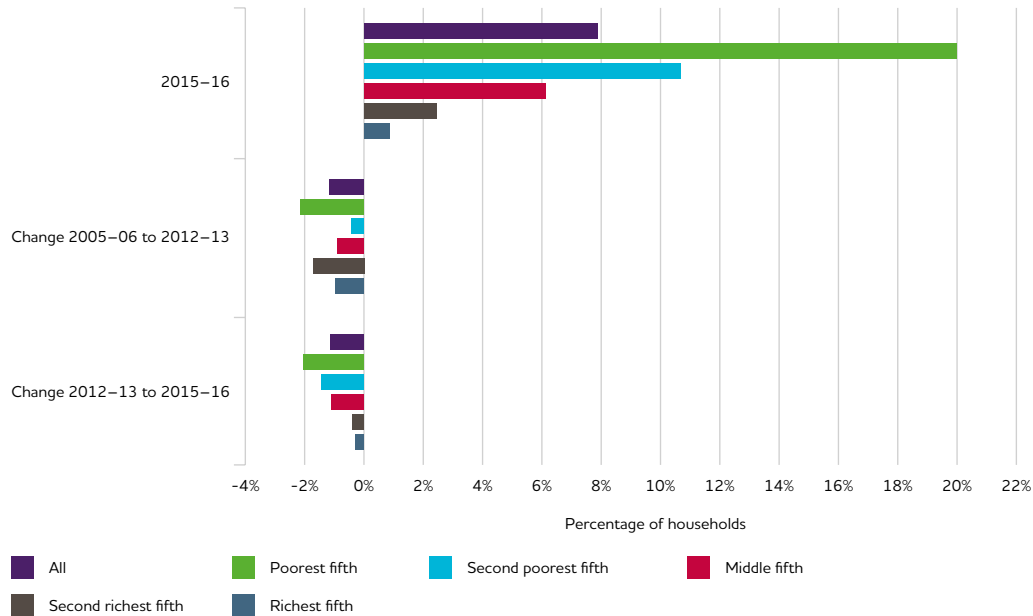
Source: Family Resources Survey

Just under one in 10 households report having had problem debt, defined by the Family Resources Survey as being behind with any household bill or credit commitment. This is much higher among those in the poorest fifth compared with the rest of the population; 20% of those in the poorest fifth report problem debt, 11% of the second poorest fifth and 1% of the richest fifth.

However, it is important to note that this measure of problem debt does not include debt incurred on store cards, mail order payments and informal loans from friends or family. It does include electricity, gas and other household fuel bills, Council Tax, phone bills, hire purchase, water rates, and rent or mortgage payments. From 2012/13, the survey also included rent, mortgage and loan payments, and from 2015/16 credit card or other loan repayments.

Changes in problem debt between 2005/06 and 2012/13 do not appear to be closely associated with income, however these percentage point changes are very small so should be interpreted with caution. Between 2012/13 and 2015/15, changes to problem debts are highly correlated with income.

**Proportion of UK households behind with any household bill or credit commitment by quintile of household income 2015/16, showing percentage point changes for two periods before this date**



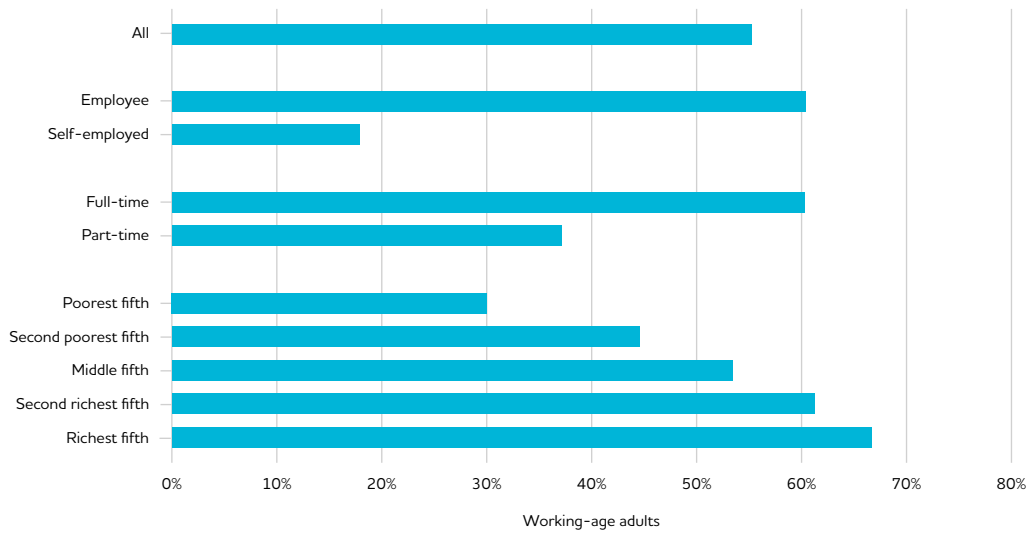
Note: Different items were included for each time period and cannot be directly compared. In 2012/13 rent, mortgage and loan payments were added (these were excluded from change data for 2005/06 to 2012/13); in 2015/16 credit card payments repayments was added.

Source: Family Resources Survey

The proportion of the population contributing to a pension scheme, as an employee or self-employed, increased from 45% to 55% following the introduction of a new pension scheme and auto-enrolment for employees in 2012.<sup>55</sup> However, there are large variations in the proportions contributing to a pension scheme in different groups:

- only 30% of people in work in the poorest fifth of the population have a pension, compared with 67% of those in the richest fifth
- employees are far more likely to have a pension (60%) than the self-employed (18%); the increase after 2012 was concentrated among employees, while the rate actually fell for self-employed people
- people working full-time hours are more likely to have a pension (60%) than those working part-time (37%).

Percentage of working-age people in employment in a pension scheme, by employment status, hours worked and equivalised household income, 2015/16



Source: Family Resources Survey

# Conclusion

Over the last 20 years the UK has succeeded in reducing poverty significantly among those groups traditionally most risk – pensioners and families with children.

These reductions were achieved in three main ways:

- the choices of successive governments to increase the support given to these groups through benefits, tax credits and pensions
- rising employment
- increasing home-ownership.

However, very little progress has been made in reducing poverty among working-age households without children. Poverty rates among the groups where the UK was successful in reducing poverty – pensioners and some types of families with children – have started to increase again. Poverty rates have risen for pensioners and for families with children whether they are in work or not. The continuing rise in employment is no longer leading to lower poverty. Support for low-income pensioners through the Pension Credit Guarantee has failed to keep up with prices and growth in occupational pensions has tended to benefit better-off pensioners more than those on lower incomes.

The prospects for solving UK poverty currently look worrying. Changes to benefits and tax credits for working-age families are reducing the incomes of many of those on low incomes. High housing costs continue to reduce the amount those in poverty have to meet other needs. Inflation is rising and is higher for those on lower incomes than for better-off groups. This squeeze on living standards is also storing up problems for the future. The majority of those on low incomes have no savings and are not building up a pension. In addition, the decreasing proportion of the working-age population buying their own home means that in the future more older people are likely to still be renting than is currently the case.

The UK's success in increasing employment rates means that many of those who are now out of work are disabled or have health conditions, have young children or are caring for disabled adults; some experience several of these circumstances. This makes it far harder for them to find and sustain work, and more likely that when they do get work it is low-paid and part-time. Improving the opportunities for disabled people, carers and those working part-time to not only find work but earn more could greatly reduce the pressure on the benefit and tax credit system. Reducing housing costs and increasing the availability of truly affordably housing would also contribute to this.

Education and skills are the strongest predictors of future poverty. Equipping young people and adults with the qualifications they need to get a secure, decently paid job are essential building blocks for raising living standards. However, while overall attainment is increasing, the gap in attainment between students from richer and poorer backgrounds remains stubbornly large.

The skills profile of the adult population has improved considerably over the last 20 years, enabling more people to get work and improve their earnings. But there is still a group with no or low qualifications who are at an increasing disadvantage in the labour market. Qualifications are also far less effective in improving pay prospects for people working part-time. Part-time workers are paid less than their full-time counterparts, regardless of how high their qualifications are. Part-time workers also see no pay gains from qualifications until they reach degree-level – having the equivalent of GCSEs or A-levels does not lead to higher pay than for those with no qualifications at all for those in part-time work.

The impact of poverty on physical and mental health and on relationships within families adds to the disadvantages facing those growing up or living on low incomes, and makes it harder for them to move out of poverty. Enabling those in poverty to improve their incomes and reduce their costs, as well as addressing the negative impacts of low incomes, would help to prevent future poverty.

Solving poverty in the UK will require urgent action in five areas:

1. Reform of Universal Credit so people keep more of what they earn and a lifting of the working-age benefits freeze so incomes keep up with prices.
2. Reduce the cost of living, particularly housing, for those on low incomes.
3. Improve education and skills, especially among children from low-income backgrounds and adults in low-paid work.
4. Work with employers and business to create more and better jobs where they are needed, and to offer more opportunities and better pay to people who currently struggle to enter and gain from work – particularly disabled people, those caring for adults or children, and part-time workers.
5. Work with communities and service providers to improve health, family relationships and social support to reduce the damage done by poverty and improve prospects.

## Notes

- 1 Average incomes refer to median household income.
- 2 Fitzpatrick, S, Bramley, G, Sosenko, F, Blenkinsopp, J, Johnsen, S, Littlewood, M, Netto, G and Watts, B (2016) *Destitution in the UK*. York: Joseph Rowntree Foundation. Available at: [www.jrf.org.uk/report/destitution-uk](http://www.jrf.org.uk/report/destitution-uk).
- 3 This is different to the definition of persistent poverty used by the Department for Work and Pensions which defines someone as being in poverty if they have been in poverty for three of the last four years, regardless of whether they are currently in poverty.
- 4 Office of National Statistics (2017) *Persistent poverty in the UK and EU: 2015*. Available at: [www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2015](http://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2015).
- 5 Items included in a basket used to define material deprivation: to not have arrears on your mortgage or rent payments, hire purchase instalments or other loan payments; afford a one-week annual holiday away from home; afford a meal with meat, chicken, fish or a vegetarian equivalent every other day; be able to face unexpected financial expenses; afford a telephone or mobile phone; afford a colour television; afford a washing machine; afford a car; afford to keep the home adequately warm.
- 6 Brewer, M, Browne, J, Joyce, R and Sibieta, L (2010) *Child poverty in the UK since 1998–99: Lessons from the past decade*. London: Institute for Fiscal Studies. Available at: [www.ifs.org.uk/wps/wp1023.pdf](http://www.ifs.org.uk/wps/wp1023.pdf).
- 7 Bank of England Inflation Report, August 2017.
- 8 Hirsch, D (2017) *How is public policy affecting households' ability to reach minimum income requirements?* Loughborough: Centre for Research in Social Policy, Loughborough University.
- 9 These rates of disability poverty have been calculated without including disability costs benefits in disabled individuals' incomes, to provide a more realistic understanding of their standard of living. In standard poverty analysis, disabled individuals' benefits are included in their income, but the costs these benefits are designed to meet are not, resulting in inflated living standards for disabled people. While there are some uncertainties with this method, it is regarded as appropriate for analysis of disability poverty, as evidenced by its use by the DWP for part of its *Households Below Average Income* publication. (For more, see *Disability and poverty*, [www.npi.org.uk/files/3414/7087/2429/Disability\\_and\\_poverty\\_MAIN\\_REPORT\\_FINAL.pdf](http://www.npi.org.uk/files/3414/7087/2429/Disability_and_poverty_MAIN_REPORT_FINAL.pdf)).
- 10 Analysis of poverty by ethnicity has been carried out using broad categories that can be tracked over time and are large enough to provide robust statistics.
- 11 Fisher, P and Nandi, A (2015) *Poverty across ethnic groups through recession and austerity* York: Joseph Rowntree Foundation. Available at: [www.jrf.org.uk/report/poverty-across-ethnic-groups-through-recession-and-austerity](http://www.jrf.org.uk/report/poverty-across-ethnic-groups-through-recession-and-austerity).
- 12 Hood, A and Waters, T (2017) *Living standards, poverty and inequality in the UK: 2016–17 to 2021–22*. London: Institute for Fiscal Studies.
- 13 Pike, A, Lee, N, MacKinnon, D, Kempton, L and Iddawela, Y (2017) *Job creation for inclusive growth in cities*. York: Joseph Rowntree Foundation. Available at: [www.jrf.org.uk/report/job-creation-inclusive-growth-cities](http://www.jrf.org.uk/report/job-creation-inclusive-growth-cities).
- 14 Hurrell, A (2013) *Starting out or getting stuck? An analysis of who gets stuck in low paid work – and who escapes*. London: Resolution Foundation. Available at: [www.resolutionfoundation.org/app/uploads/2014/08/Starting-out-or-getting-stuck-FINAL.pdf](http://www.resolutionfoundation.org/app/uploads/2014/08/Starting-out-or-getting-stuck-FINAL.pdf).

- 15 Padley, M and Hirsch, D (2017) A Minimum Income Standard for the UK. York: Joseph Rowntree Foundation. Available at: [www.jrf.org.uk/report/minimum-income-standard-uk-2017](http://www.jrf.org.uk/report/minimum-income-standard-uk-2017).
- 16 Benefit sanctions (2016) London: National Audit Office. Available at: [www.nao.org.uk/wp-content/uploads/2016/11/Benefit-sanctions.pdf](http://www.nao.org.uk/wp-content/uploads/2016/11/Benefit-sanctions.pdf).
- 17 Statistics show adverse sanction decisions. Source: DWP.
- 18 Hood, A and Joyce, R (2016) A tighter benefit cap. London: Institute for Fiscal Studies.
- 19 UK Housing Review 2017, Chartered Institute of Housing.
- 20 Adams, A and Levell, P (2014) Measuring poverty when inflation varies across households. York: Joseph Rowntree Foundation. Available at: [www.jrf.org.uk/sites/default/files/jrf/migrated/files/poverty-inflation-households-full.pdf](http://www.jrf.org.uk/sites/default/files/jrf/migrated/files/poverty-inflation-households-full.pdf).
- 21 Davies, S, Finney, A and Hartfree, H (2016) The poverty premium - when low-income households pay more for essential goods and services. Bristol: University of Bristol. Available at: [www.bristol.ac.uk/geography/research/pfrc/themes/finexc/poverty-premium](http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/poverty-premium).
- 22 Clarke, A, Hamilton, C, Jones, M and Muir, K (2017) Poverty, evictions and forced moves. York: Joseph Rowntree Foundation. Available at: [www.jrf.org.uk/report/poverty-evictions-and-forced-moves](http://www.jrf.org.uk/report/poverty-evictions-and-forced-moves).
- 23 Long, O and Ayrton, C (2017) Key changes to council tax support in 2017/18. London: New Policy Institute. Available at: [www.npi.org.uk/publications/council-tax/key-changes-council-tax-support-201718](http://www.npi.org.uk/publications/council-tax/key-changes-council-tax-support-201718).
- 24 The poverty line is calculated as 60% of median income, and so rises and falls in line with the median.
- 25 A new basic state pension was introduced from April 2016. Over the course of several decades, it will gradually reduce the number of people reliant on the Pension Credit Guarantee. So, for many years, the net income of low-income pensioners will still be determined by the level of the Pension Credit Guarantee.
- 26 In this analysis, the age of the pensioner couple is determined by the age of the oldest person in the couple.
- 27 For example Attendance Allowance, Disability Living Allowance, Personal Independence Payment.
- 28 Family Resources Survey data for Northern Ireland was not available until 2002/03.
- 29 Pensioners in couples are classified by the age of the oldest person in the couple.
- 30 Throughout this analysis, family age is defined by the age of the oldest person.
- 31 Significance tested at the 95% confidence level.
- 32 Employee earnings + self-employed income.
- 33 These calculations use the Office for National Statistics' Retail Prices Index for pensioner households as the ONS does not publish a version of the Consumer Prices Index for pensioners.
- 34 Tunstall, R, Bevan, M, Bradshaw, J, Croucher, K, Duffy, S, Hunter, C, Jones, A, Rugg, J, Wallace, A and Wilcox, S (2013) The links between housing and poverty: an evidence review. London: Joseph Rowntree Foundation. Available at: [www.jrf.org.uk/report/links-between-housing-and-poverty](http://www.jrf.org.uk/report/links-between-housing-and-poverty).
- 35 Joseph Rowntree Foundation (2016) UK poverty: causes, costs and solutions (2016). London: Joseph Rowntree Foundation. Available at: [www.jrf.org.uk/report/uk-poverty-causes-costs-and-solutions](http://www.jrf.org.uk/report/uk-poverty-causes-costs-and-solutions).
- 36 Frey, J (2011) Northern Ireland House Condition Survey, main report. Belfast: Housing Executive.

- 37 A standard number of bedrooms is calculated for each household in accordance with its age/gender/marital status composition and the relationship of the members to one another. A separate bedroom is allowed for each married or cohabiting couple, any other person aged 21 or over, each pair of adolescents aged 10 to 20 of the same sex, and each pair of children under 10. Any unpaired person aged 10 to 20 is notionally paired, if possible, with a child under 10 of the same gender, or, if that is not possible, he or she is counted as requiring a separate bedroom, as is any unpaired child under 10. This notional standard number of bedrooms is then compared with the actual number of bedrooms (including bedsitters) available for the sole use of the household, and differences are tabulated. Bedrooms converted to other uses are not counted as available unless they have been denoted as bedrooms by the respondents; bedrooms not actually in use are counted unless uninhabitable. Households are said to be overcrowded if they have fewer bedrooms available than the notional number needed. Households are said to be under-occupying if they have two or more bedrooms more than the notional number needed.
- 38 The statutory standard is set out in the Housing Act 1985. See: Overcrowded housing (England) briefing paper Number 1013, 14 November 2016, House of Commons Library.
- 39 Unless otherwise stated, figures drawn from Fitzpatrick, S, Pawson, H, Bramley, G, Wilcox, S and Watts, B (2017) *The homelessness monitor: England 2017*. London: Crisis.
- 40 Department for Communities and Local Government, homelessness statistics 2017. Available at: [www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness](http://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness).
- 41 Department for Communities and Local Government, homelessness statistics 2017. Available at: [www.gov.uk/government/statistics/rough-sleeping-in-england-autumn-2016](http://www.gov.uk/government/statistics/rough-sleeping-in-england-autumn-2016).
- 42 Analysis of households in temporary accommodation data from the Department for Communities and Local Government.
- 43 Fitzpatrick, S, Pawson, H, Bramley, G, Wilcox, S and Watts, B (2017) *The homelessness monitor: England 2017*. London: Crisis.
- 44 Homelessness statistics in Scotland 2016–17, Scottish Government. Available at: <http://www.gov.scot/Publications/2017/06/8907/downloads>.
- 45 Unless otherwise stated, figures drawn from Fitzpatrick, S, Pawson, H, Bramley, G, Wilcox, S and Watts, B (2017) *The homelessness monitor: Wales 2017*. London: Crisis.
- 46 Evaluation of homelessness legislation (Part 2 of the Housing Act (Wales) 2014) (2017), Welsh Government. Available at: <http://gov.wales/statistics-and-research/evaluation-homelessness-legislation/?lang=en>.
- 47 Welsh housing statistics, Table 91b, homeless households in temporary accommodation in Wales. Available at: <https://statswales.gov.wales/Catalogue/Housing/Homelessness/Temporary-Accommodation>.
- 48 Unless otherwise stated, figures drawn from Fitzpatrick, S, Pawson, H, Bramley, G, Wilcox, S and Watts, B (2016) *The homelessness monitor: Northern Ireland 2016*. London: Crisis.
- 49 Finney, N, Kapadia D and Peters S (2015) *How are poverty, ethnicity and social networks linked?* York: Joseph Rowntree Foundation. Available at: [www.jrf.org.uk/report/how-are-poverty-ethnicity-and-social-networks-related](http://www.jrf.org.uk/report/how-are-poverty-ethnicity-and-social-networks-related).
- 50 Bywaters, P, Bunting, L, Davidson, G, Hanratty, J, Mason, W, McCartan, C and Steils, N. *The relationship between poverty, child abuse and neglect: an evidence review* (2016). York: Joseph Rowntree Foundation. Available at: [www.jrf.org.uk/report/relationship-between-poverty-child-abuse-and-neglect-evidence-review](http://www.jrf.org.uk/report/relationship-between-poverty-child-abuse-and-neglect-evidence-review).



- 51 Department for Work and Pensions (2017) Improving lives, helping workless families. Available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/621364/improving-lives-helping-workless-families-web-version.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/621364/improving-lives-helping-workless-families-web-version.pdf).
- 52 Stock, L, Corlyon, J, Serrano CC and Gieve, M (2014) Personal relationships and poverty: an evidence and policy review. London: The Tavistock Institute.
- 53 Households Below Average Income.
- 54 Scottish Government (2015) Consequences, risk factors, and geography of young people not in education, employment or training (NEET) (2015) Edinburgh: Scottish Government. Available at: [www.gov.scot/Publications/2015/10/6731/downloads](http://www.gov.scot/Publications/2015/10/6731/downloads).
- 55 Pension participation information from the Family Resources Survey before 2011/12 is not directly comparable to later data, as the latter has additional checks to ensure that only active pensions are included.

# Appendix: UK Poverty 2017: methodology

UK poverty 2017 ('the report') provides information about long-term trends in poverty rates and underlying drivers of poverty. This methodology section includes the background to each of the key topics covered in the report, with details of data sources and explanations of the main concepts. It also describes the individual and family characteristics that have been used to break down statistics relating to these topics.

## Poverty rates

The main source of statistical information about people living in low-income households is Households Below Average Income (HBAI) from the Department for Work and Pensions (DWP). There is an annual HBAI statistical release<sup>1</sup>, the latest of which is for the 2015/16 financial year, accompanied by a detailed set of supporting data tables with a consistent time series dating back more than 20 years. The underlying, unpublished HBAI data can be accessed via the UK Data Service<sup>2</sup> and is the source for much of the report's analysis.

The poverty measure used in the report is, unless otherwise stated, the percentage of people in households with an income after housing costs (AHC) that is below 60% of the median household income. The household income is equivalised to ensure that income and, therefore, poverty rates, take account of different sizes and compositions of households.

## Income

HBAI uses data from the Family Resources Survey (FRS) to derive household income measures. The FRS provides additional information about the incomes and living circumstances of households and families in the UK, and is the source data for an annual publication.<sup>3</sup> Further analysis of the FRS can be undertaken through the UK Data Service<sup>4</sup> and some income analysis is included in the report.

Household income in the report includes earnings from employment; profit or loss from self-employment; state support (including state pensions); income from occupational and private pensions; investment income; and receipt of maintenance payments, educational grants and certain forms of income in kind. Household income is net of income tax, National Insurance and Council Tax payments, as well as of contributions to occupational pension schemes, maintenance payments, student loan repayments and parental contributions to non-resident students.

Income can be measured before or after housing costs (BHC or AHC). The income AHC measure used to derive the poverty rate subtracts costs such as rent (including the contribution of Housing Benefit income); water rates and charges; mortgage interest payments; structural insurance premiums; and ground rent and service charges. It is possible for a household to have a negative AHC income. The BHC measure includes Housing Benefit income and housing costs.

The report focuses on the AHC measure because it provides a clearer picture of the disposable income available to households to meet their needs once housing costs have been met. This enables greater understanding of the impact of changes in housing costs on living standards. It also avoids the problem that arises when using the BHC measure, that when rents increase and Housing Benefit rises to offset them, this is counted as an income rise even though the household is not increasing its disposable income.

The report includes information about employee earnings from two additional sources. The Annual Survey of Hours and Earnings (ASHE)<sup>5</sup> is thought to be the most accurate source of information about the distribution of earnings in the UK because the information is provided by employers rather than being self-reported. The Labour Force Survey (LFS) is the key source of employment data (see below), but also allows the report to include analysis of pay by personal characteristics.

The report includes estimates of how incomes (and benefits) have changed in real terms by adjusting for inflation. For example, an annual percentage increase in income that is less than the annual inflation rate is a decrease in real terms. The inflation measure used is based on Office for National Statistics (ONS) consumer price inflation data.<sup>6</sup>

## Employment and worklessness

The Labour Force Survey (LFS) provides much of the content in the comprehensive monthly Labour Market Statistical Bulletins<sup>7</sup> from the ONS and the report includes additional analysis of the LFS via the UK Data Service.<sup>8</sup>

Among the outputs of the LFS are the official estimates of the numbers and percentages of people in employment, unemployed or economically inactive and, because the survey has a lot of respondents and an extensive questionnaire, these measures can be analysed alongside many personal, household and geographic characteristics.

People in employment are those who are aged 16 and over and either:

- did paid work (as an employee or self-employed)
- had a job that they were temporarily away from
- were on government-supported training and employment programmes
- were doing unpaid work in a family business.

The LFS provides information about the industry and occupation of employment, whether it is full-time or part-time, and whether it is permanent or temporary. Respondents also answer further questions about their employment, such as whether they wish to change jobs or increase or decrease hours, and what their reasons for part-time or temporary working are.

The UK definition of unemployment matches that specified by the International Labour Organisation (ILO). This defines unemployed people as either:

- being without a job, having been actively seeking work in the past four weeks and available to start work in the next two weeks; or
- being out of work, having found a job and waiting to start it in the next two weeks.

Economically active people are defined as being either in employment or unemployed, with economically inactive people making up the remainder of the adult population. These include retired people; students; people looking after family and home; people who are sick and disabled (either long-term or temporarily); and discouraged workers, who state that their main reason for not seeking work is because they believe that there are no jobs available. Some economically inactive people have been seeking work but are not available to start immediately due to, for example, caring or study commitments, or sickness. Others want a job but have not recently sought work and this can be, again, due to their current commitments or circumstances.

The LFS allows for analyses of households as well as providing information about the economic status of individuals with the ONS publication *Working and workless households in the UK*<sup>9</sup> being a key output. This provides information about the number of adults and children in households with at least one working-age person where no one is in employment. The HBAI dataset also includes information about people in and out of employment and features questions that allow analysis of reasons for not working.

## Benefits

The report includes information about the value and take-up of out-of-work and in-work benefits. The Institute for Fiscal Studies (IFS) provides a detailed set of spreadsheets<sup>10</sup> for each type of benefit, and these are used in conjunction with data from the DWP Stat-Xplore tool<sup>11</sup> and the Nomis official labour market statistics website<sup>12</sup>. The Stat-Xplore tool also provides information about benefit sanctions, benefit caps and the under-occupancy penalty.

As with incomes, the values of specific benefits are expressed within the report in real terms, adjusted to take account of inflation. The report also compares how the values of different benefits have changed over time compared with the HBAI measure of median household income after housing costs. In addition, it looks at the extent to which Housing Benefit meets the costs of housing, again using HBAI data.

## Expenditure

The report uses data from the Living Costs and Food Survey (LCF), which collects information on spending patterns and the cost of living that reflect household budgets. Key facts from the LCF are reported in the annual ONS publication *Family spending in the UK*<sup>13</sup> and detailed analysis of the source data is available via the UK Data Service.<sup>14</sup>

The LCF includes an income quintile variable that enables analysis of the different percentages of spending on specific goods by different income groups, and an estimate of annual inflation for each group. The report also includes an analysis of housing costs by income quintile and tenure using HBAI data, also expressed as percentages of total spend. In addition, the report has a comparison of childcare costs with Consumer Prices Index (CPI) inflation using data sourced from the Family and Childcare Trust<sup>15</sup> and income requirement data from the JRF Minimum Income Standards basket<sup>16</sup>, inflated to 2015 values.

## Savings, pensions and debt

These topics are covered in the report's *Drivers of future poverty* chapter and include analysis of underlying data from the Family Resources Survey. This source has been used because of the relatively long time-series of statistics. However, information about the proportion of households behind with any household bill or credit commitment is available for two non-comparable periods as different items were included in each. Methodological changes mean that the same is true for data about participation in pension schemes.

## Education and skills

Responsibility for children’s education is a devolved responsibility so the statistics used for this topic are from a different source for England<sup>17</sup>, Scotland<sup>18</sup>, Wales<sup>19</sup> and Northern Ireland<sup>20</sup> and are inconsistent in scope and availability. In addition, changes to curriculums and definitions of pupils from poorer households mean that the availability of time-series data varies. Changes to measures, curriculum and other aspects of education systems also means that attainment over time within those jurisdictions is not always comparable over time. This is noted in the text and charts where relevant.

The report includes information about the highest qualification level of working-age people with data extracted from the Labour Force Survey and aggregated to consistent summary levels. The same source provides statistics about young people not in education, employment or training (NEET).

Statistics about internet use in Great Britain are from analysis of the ONS Opinions and Lifestyle survey<sup>21</sup>, while the Northern Ireland equivalent source is the Continuous Household survey<sup>22</sup>.

## Housing

As well as information about the cost of housing, the report gives information about housing quality, overcrowding, evictions, repossessions and homelessness from published data. Because responsibility for many of these topics is devolved, there are different data sources for England<sup>23</sup>, Scotland<sup>24</sup>, Wales<sup>25</sup> and Northern Ireland<sup>26</sup>. In addition, definitions are not always consistent between each nation, meaning that some statistics are not directly comparable across jurisdictions.

## Health and relationships

The report includes analysis of data from the Understanding Society<sup>27</sup> study (also known as the UK Household Longitudinal Study) to provide information about physical health, children’s mental health, adult experience of social isolation and support networks, and aspects of relationships.

Statistics about adult mental health in the report are based on analysis via English<sup>28</sup> and Scottish<sup>29</sup> health surveys. Similar surveys are not available for Wales or Northern Ireland.

The report also includes separate healthy life expectancy (HLE) data by area deprivation classification for England<sup>30</sup>, Scotland<sup>31</sup>, Wales<sup>32</sup> and Northern Ireland<sup>33</sup>. HLE is the expected number of years in good health people would have if they experienced the same health status rates as observed in the period that the data relates to. The report also includes analysis of healthy eating using data from the National Diet and Nutrition Survey (NDNS).<sup>34</sup>

As well as analysis of relationship difficulties and separation using Understanding Society, the report includes domestic abuse data for England and Wales<sup>35</sup> and for Scotland<sup>36</sup> from the relevant national crime surveys.

## Equivalisation of income

The report includes information about how factors vary across income groups in the population, mainly examining differences between quintiles, for example comparing the poorest fifth of the population with those who are better off.

In most cases, the analysis uses a measure of income that has been equivalised to take account of the number and type of people in households. This enables a better understanding of the experiences of households with different levels of spending power and living standards.

In a few cases, the analysis uses unequivalised net income, which is not adjusted to take account of household size and composition. We aim to improve future analysis to use equivalised income wherever possible. This should improve our understanding of the ways in which these factors vary across households at different points in the income distribution.

## Families and households

Most of the report's analysis is of individuals rather than families but this is broken down by family or household type in some cases.

Families in HBAI, the main source for poverty rate data, are also known as 'benefit units', and each consists of a single adult or a couple living as married and any dependent children. A dependent child in HBAI is a person aged under 16 or aged 16 to 19 who is: not married, in a civil partnership or living with a partner and who is living with parents or a responsible adult and who is in full-time, non-advanced education or in unwaged government training.

Households in HBAI each consist of one or more families (benefit units). It should be noted that a family as defined in HBAI may not fit with everyday definitions of a family as, for example, a household containing parents, dependent children and a working adult child would be considered as two families (benefit units) with the working adult child being a single-person family (benefit unit). It should also be noted that a benefit unit does not always receive a benefit.

The definition of a 'family unit' in the Labour Force Survey is broader than that of a benefit unit or family in HBAI. In the former, a family unit can include non-dependent 'children' (who may be adults by their age), provided they have never married and have no children of their own living with them. People who live with their parents and are married or have children of their own living with them are treated (with their spouse/children) as being a separate family unit from their parents in the LFS, and this is consistent with HBAI.

## Age groups

Where analysis of HBAI refers to a pensioner family or a pensioner household, there is at least one person above state pension age (SPA) within the specific family or household.

In the analysis of employment and worklessness in the report, the group of people aged 16 to 64 are used as the equivalent of the working-age population, except where stated otherwise. This gives a consistent age group across the period for which analysis is presented, but includes some women above the female SPA, which has been rising since 2010 when it was 60, and will be the same as the male SPA (65) by the end of 2018.

## Appendix notes

- 1 Households Below Average Income, DWP release:  
[www.gov.uk/government/collections/households-below-average-income-hbai--2](http://www.gov.uk/government/collections/households-below-average-income-hbai--2)
- 2 Department for Work and Pensions. (2017). Households Below Average Income, 1994/95–2015/16. [data collection]. 10th Edition. UK Data Service. SN: 5828, <http://doi.org/10.5255/UKDA-SN-5828-8>
- 3 Family Resources Survey, DWP Annual Report:  
[www.gov.uk/government/collections/family-resources-survey--2](http://www.gov.uk/government/collections/family-resources-survey--2)
- 4 Department for Work and Pensions, National Centre for Social Research, Office for National Statistics. Social and Vital Statistics Division. (2017). Family Resources Survey, 2015–2016. [data collection]. UK Data Service. SN: 8171, <http://doi.org/10.5255/UKDA-SN-8171-1>
- 5 Annual Survey of Hours and Earnings (ASHE) statistical bulletins:  
[www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/previousReleases](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/previousReleases)
- 6 ONS UK consumer price inflation statistical bulletins:  
[www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/previousReleases](http://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/previousReleases)
- 7 ONS UK labour market statistical bulletins:  
[www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/previousReleases](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/previousReleases)
- 8 Office for National Statistics. Social Survey Division, Northern Ireland Statistics and Research Agency. Central Survey Unit. (2017). Quarterly Labour Force Survey, April – June, 2017. [data collection]. UK Data Service. SN: 8235, <http://doi.org/10.5255/UKDA-SN-8235-1>
- 9 Working and workless households in the UK statistical bulletins (ONS):  
[www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/workingandworklesshouseholds/previousReleases](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/workingandworklesshouseholds/previousReleases)
- 10 Institute for Fiscal Studies, Fiscal facts tax and benefits:  
[www.ifs.org.uk/tools\\_and\\_resources/fiscal\\_facts/](http://www.ifs.org.uk/tools_and_resources/fiscal_facts/)
- 11 DWP Stat-Xplore tool:  
<https://stat-xplore.dwp.gov.uk>
- 12 Nomis official labour market statistics website:  
[www.nomisweb.co.uk](http://www.nomisweb.co.uk)
- 13 Family spending in the UK statistical bulletins:  
[www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/previousReleases](http://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/previousReleases)
- 14 Office for National Statistics, Department for Environment, Food and Rural Affairs. (2017). Living Costs and Food Survey, 2015–2016. [data collection]. 2nd Edition. UK Data Service. SN: 8210, <http://doi.org/10.5255/UKDA-SN-8210-4>
- 15 Childcare Survey and Holiday Childcare Survey (Family and Childcare Trust):  
[www.familyandchildcaretrust.org/childcare-survey-and-holiday-childcare-survey](http://www.familyandchildcaretrust.org/childcare-survey-and-holiday-childcare-survey)
- 16 A Minimum Income Standard for the UK in 2017 (JRF):  
[www.jrf.org.uk/report/minimum-income-standard-uk-2017](http://www.jrf.org.uk/report/minimum-income-standard-uk-2017)
- 17 Department for Education, education statistics (England):  
[www.gov.uk/government/organisations/department-for-education/about/statistics](http://www.gov.uk/government/organisations/department-for-education/about/statistics)
- 18 Scottish Government school education statistics:  
[www.gov.scot/Topics/Statistics/Browse/School-Education/Datasets](http://www.gov.scot/Topics/Statistics/Browse/School-Education/Datasets)

- 19 StatsWales schools and teacher statistics:  
<https://statswales.gov.wales/Catalogue/Education-and-Skills/Schools-and-Teachers>
- 20 Department of Education Northern Ireland statistics and research:  
[www.education-ni.gov.uk/topics/statistics-and-research-1](http://www.education-ni.gov.uk/topics/statistics-and-research-1)
- 21 Office for National Statistics. Social Survey Division. (2016). Opinions and Lifestyle Survey, Internet Access Module, January, February and April, 2015. [data collection]. UK Data Service. SN: 8079, <http://doi.org/10.5255/UKDA-SN-8079-1>
- 22 Northern Ireland Statistics and Research Agency. Central Survey Unit. (2016). Continuous Household Survey, 2014-2015. [data collection]. UK Data Service. SN: 8083, <http://doi.org/10.5255/UKDA-SN-8083-1>
- 23 DCLG statistics (including housing) (England):  
[www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics](http://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics)
- 24 Housing statistics for Scotland:  
[www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS](http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS)
- 25 StatsWales, housing:  
<https://statswales.gov.wales/Catalogue/Housing>
- 26 Department for Communities housing statistics (Northern Ireland):  
[www.communities-ni.gov.uk/topics/housing-statistics](http://www.communities-ni.gov.uk/topics/housing-statistics)
- 27 University of Essex. Institute for Social and Economic Research, NatCen Social Research, Kantar Public. (2016). Understanding Society: Waves 1–6, 2009–2015. [data collection]. 8th Edition. UK Data Service. SN: 6614, <http://doi.org/10.5255/UKDA-SN-6614-9>
- 28 NatCen Social Research, University College London. Department of Epidemiology and Public Health. (2017). Health Survey for England, 2015. [data collection]. UK Data Service. SN: 8280, <http://doi.org/10.5255/UKDA-SN-8280-1>
- 29 ScotCen Social Research. (2016). Scottish Health Survey, 2015. [data collection]. UK Data Service. SN: 8100, <http://doi.org/10.5255/UKDA-SN-8100-1>
- 30 Health state life expectancies by Index of Multiple Deprivation (IMD): England 2013 to 2015: [www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthinequalities/bulletins/healthstatelifeexpectanciesbyindexofmultipledeprivationimd/england2013to2015](http://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthinequalities/bulletins/healthstatelifeexpectanciesbyindexofmultipledeprivationimd/england2013to2015)
- 31 Healthy life expectancy: Scotland:  
[www.scotpho.org.uk/population-dynamics/healthy-life-expectancy/data/scotland](http://www.scotpho.org.uk/population-dynamics/healthy-life-expectancy/data/scotland)
- 32 Measuring inequalities 2016 (Wales):  
[www.publichealthwalesobservatory.wales.nhs.uk/measuring-inequalities-2016-overview](http://www.publichealthwalesobservatory.wales.nhs.uk/measuring-inequalities-2016-overview)
- 33 Health inequalities regional report 2016 (Northern Ireland):  
[www.health-ni.gov.uk/publications/health-inequalities-regional-report-2016](http://www.health-ni.gov.uk/publications/health-inequalities-regional-report-2016)
- 34 NatCen Social Research, MRC Elsie Widdowson Laboratory, University College London. Medical School. (2017). National Diet and Nutrition Survey Years 1–6, 2008/09–2013/14. [data collection]. 8th Edition. UK Data Service. SN: 6533, <http://doi.org/10.5255/UKDA-SN-6533-7>
- 35 Office for National Statistics. (2017). Crime Survey for England and Wales, 2015–2016. [data collection]. UK Data Service. SN: 8140, <http://doi.org/10.5255/UKDA-SN-8140-1>
- 36 TNS BMRB Scotland. (2017). Scottish Crime and Justice Survey, 2014–2015. [data collection]. UK Data Service. SN: 8141, <http://doi.org/10.5255/UKDA-SN-8141-1>



The Joseph Rowntree Foundation has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy-makers, practitioners and service users.

A pdf version of this publication is available from the JRF website ([www.jrf.org.uk](http://www.jrf.org.uk)). Further copies of this report, or any other JRF publication, can be obtained from the JRF website ([www.jrf.org.uk/publications](http://www.jrf.org.uk/publications)) or by emailing [info@jrf.org.uk](mailto:info@jrf.org.uk)

A CIP catalogue record for this report is available from the British Library.

All rights reserved. Reproduction of this report by photocopying or electronic means for non-commercial purposes is permitted. Otherwise, no part of this report may be reproduced, adapted, stored in a retrieval system or transmitted by any means, electronic, mechanical, photocopying, or otherwise without the prior written permission of the Joseph Rowntree Foundation.

© Joseph Rowntree Foundation 2017

First published December 2017 by the Joseph Rowntree Foundation

ISBN 978-1-911581-16-1

Produced by: Pinnacle Graphic Design Ltd

Joseph Rowntree Foundation  
The Homestead  
40 Water End  
York YO30 6WP  
[www.jrf.org.uk](http://www.jrf.org.uk)

Ref 3271