

# UK POVERTY 2019/20

The leading independent report



# Contents

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Acknowledgements	<b>2</b>
Executive summary	<b>3</b>
Overview of poverty trends	<b>11</b>
Work	<b>29</b>
Social security	<b>47</b>
Housing	<b>67</b>
Conclusion	<b>85</b>
Appendix: How is poverty defined and measured?	<b>89</b>
Notes	<b>92</b>
References	<b>95</b>

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# Executive summary

## UK Poverty 2019/20

For a decent standard of living, we all need security and stability in our lives – secure housing, a reliable income, and support when things get difficult. For too many of us, there is no such security. Millions of people in the UK are struggling to get by, leading insecure and precarious lives, held back from improving their living standards. It's time to take action on poverty and put this right. In this report we set out what we need to do to turn the tide on poverty.

## The research

This is the 2019/20 edition of JRF's annual report on the nature and scale of poverty across the UK and how it affects people who are caught in its grip. It highlights how poverty has changed in our society recently, as well as over the longer term. It examines overall changes to poverty, with chapters looking at the impact of work, the social security system and housing, and shows how carers and people with disabilities are affected by poverty.

## Key findings

As concern about poverty in our society rises, there's an opportunity to right this wrong and take action to reduce our high poverty levels.

At times during the last 20 years, the UK has dramatically reduced poverty among people who had traditionally been most at risk – pensioners and children – showing that real progress is possible. But this progress has begun to unravel.

In particular, you are much more likely to be in poverty if you live in certain regions, live in a family where there's a disabled person or a carer, if you work in certain sectors such as accommodation and catering or retail, or if you live in privately rented housing.

As part of this project, we have spoken to lone parents on low incomes, whose experiences chime with our research findings. They spoke of insecurity across many aspects of their lives: 'dehumanising' work, feeling trapped 'in a never-ending circle' by the benefits system, and feeling 'stuck' in unaffordable or insecure housing with 'no alternative'.

## Solutions

Much of the world of work, social security and the housing market was designed based on decisions about our society's priorities and resources. We can choose to redesign them so they loosen poverty's grip and work better for everyone.

These policy solutions would help:

- **We need as many people as possible to be in good jobs.** While the proportion of people in employment has risen consistently for six years, weak local economies in some parts of the country have led to higher unemployment, underemployment and more low pay than in the UK as a whole. This needs to change, with prospects for people in struggling places needing to be prioritised, or progress will stall. In addition, employment among disabled people and carers is still low, and they should be supported to work when they can.
- **We need to improve earnings for low-income working families,** helping people in the lowest-paid jobs or working part-time. Too many people are stuck in low-paid, insecure jobs, with little chance of progression and too few hours of work to reach a decent living standard. Workers need more security, better training and opportunities to progress, particularly in part-time jobs. In-work poverty must be seen as a critical issue for our economy and given high priority by economic policy-makers.
- **We need to strengthen the benefits system** so that it provides the anchor that people need in tough times. The current system needs to be improved to ensure it gives adequate support. We also need the system to offer a better service for people using it, and to shift public thinking so that a poverty-fighting social security system is seen as an essential public service and receives sustainable investment.
- **We need to increase the amount of low-cost housing** available for families on low incomes, and increase support for people with high housing costs. We also need to address the sense of insecurity felt by many people living in the private rented sector.

# Background

## Progress on solving poverty

In our strategy *We can solve poverty in the UK* (JRF, 2016), we used three measures to indicate progress towards ending poverty by 2030:

- A poverty rate of less than 10% – it's currently stuck at 22%, with little change in recent years.
- No one should experience destitution – more than 1.5 million people were destitute at some point during 2017, including more than a third of a million children.
- No one should be in poverty for more than two years – currently 7% of individuals have been in poverty for more than two years.

There has been little change in overall poverty levels for more than 15 years, rising between 2013/14 and 2016/17, before reducing slightly in the latest year's data, but remaining higher than in 2014/15. Around 14 million people are in poverty in the UK (more than one in five of the population) made up of 8 million working-age adults, 4 million children and 2 million pensioners.

In this report we describe how:

- Over the last five years, poverty rates have risen for children and pensioners. Poverty rates are highest in London, the North of England, Midlands and Wales, and lowest in the South (excluding London), Scotland and Northern Ireland.
- Although growing employment and earnings have protected many working-age adults from rising poverty, in-work poverty has risen, because often people's pay, hours, or both, are not enough. Around 56% of people in poverty are in a working family, compared with 39% 20 years ago.
- Reductions in interest rates have led to cheaper mortgages, reducing poverty rates for people buying with a mortgage. This contrasts with rising housing costs for renters.
- Once extra-cost disability benefits are discounted, nearly half of all individuals in poverty live in a household where someone is disabled.
- Poverty (measured after housing costs) fell slightly in 2017/18 compared with 2016/17 because of three housing-related factors: social sector rents in England were reduced by 1%; the proportion of homes being bought with a mortgage (which often have lower housing costs than renting) increased slightly, while the proportion being privately rented fell; and actual private rents fell in some areas.

Trends in poverty levels are driven by changes in four main factors: the employment rate; earnings; benefits and other income like pensions; and housing costs. Since 2004/05, there has not been a sustained period where all four of these drivers have gone in the right direction.

A successful strategy on poverty would therefore be rooted in high employment, rising earnings, benefits rising by at least inflation for those who need them, and falling rents compared with earnings and benefits.

## **The importance of work**

Although paid employment reduces the risk of poverty, in-work poverty has risen, from 9.9% of workers in 1997/98 to 12.7% now – an unacceptable situation. Around 56% of people in poverty are in a working family, compared with 39% 20 years ago. This change has been particularly dramatic for children: seven in ten children in poverty are now in a working family.

Falling benefit incomes and rising housing costs have pulled working families into poverty despite a growth in earnings. This growth has only just brought earnings back to their level pre-recession for low-income working families, who faced the biggest hit to their earnings during the recession.

The risk of poverty is higher for workers with disabilities, Black and minority ethnic workers, part-time workers, those in families with children and those in single-adult families, especially lone parents.

However, rising in-work poverty has not affected all types of worker equally over the last five years:

- The risk of poverty has risen for workers in families with children, but there has been little change for workers in families without children.
- Working single parents have seen the fastest rise; now three in ten are in poverty. It was two in ten in 2010/11.
- The risk of poverty has increased for both full-time and part-time workers, and for workers with and without disabilities. Differences in employment rates, how much work is full- or part-time and the prevalence of low pay all contribute to differences between regions.

## **Barriers to working enough to avoid poverty**

Experiencing poverty in the here and now means you are much more likely to be locked in poverty in the future. Your chance of moving out of poverty also depends on your work status. Full-time workers and workers who can increase their working hours or earn a promotion are more likely to progress out of poverty; people working part-time are least likely to move out of poverty.

In-work poverty differs by sector – the highest levels are in accommodation (for example, working in hotels) and catering, followed by retail and residential care.

Low-income workers are limited to working fewer hours on average than they used to, as they cannot find more hours to work. Around 18% of workers in the bottom fifth of hourly pay rates say they would like to work more hours but those are not available, compared with 8% for all other workers. Lack of affordable, flexible childcare and the cost and availability of transport often restrict the hours they can work. The inflexibility and cost of childcare means they rely on informal care to bridge the gap between their hours and formal childcare options.

Low-paid workers are more likely to work non-standard hours, such as evenings, weekends or irregular shift patterns than other workers. Finding formal childcare to fit in with these work patterns is much more difficult. For example, more than four in five women working in service sectors such as retail, social care and hospitality work at least some weekends, with more than half working most weekends.

Low-income workers commute much smaller distances to work than higher-income workers, and often have to drive to work so they can pick up their child on time from childcare.

This means that solutions to in-work poverty may not only be found within the workplace. Looking at local availability of childcare and transport would help with both accessing jobs and increasing hours of work.

## **The importance of social security**

Sometimes our income might be too low to cover our core living costs because of, for instance, unemployment, low pay or insecure work, or reduced because of unexpected life events (like relationship breakdown or sudden illness) or higher costs. If this happens, it is only right that we should be able to depend on social security to prevent us from getting locked in poverty. Caring for someone, or barriers to work for disabled people, can also reduce the amount of income that people can earn through paid work.

Some people have higher core living costs than others. Living with a disability, for example, costs more, whether that's due to spending extra on transport, needing adaptations to your home, or requiring paid-for care. Having children is more expensive than not because there are extra people in the house who need supporting but don't contribute to the household's collective income.

Spending on non-pensioner benefits has been falling since 2012/13, adding to the factors that tighten poverty's grip and restrict people's options and opportunities. The largest single driver of this is the benefits freeze: since 2016, benefits have not been increased, while prices have risen in the shops. Other changes to benefits and tax credits have further reduced the support available.



## Higher rates of poverty for disabled people

In a society that believes in compassion and justice, it's simply wrong that being disabled puts you at a higher risk of poverty. In 2017/18, 31% of the 13 million people with disabilities in the UK lived in poverty – around 4 million people. By contrast, the poverty rate among the non-disabled population was 20% in 2017/18. This gap in poverty rates has persisted over time.

An additional 3 million non-disabled people in poverty live in a household where someone is disabled, meaning that, overall, nearly half of the 14 million people in poverty are affected by disability.

Poverty is especially high among families where there is an adult who is disabled, at nearly 33%. If there is also a disabled child, the poverty rate is 40% – more than twice the rate where there is no disability.

Disabled people are more likely than non-disabled people to face barriers to paid work. In 2017/18, 50% of working-age disabled people were not working compared with 18% of non-disabled people. They also work fewer hours on average and are more likely to be low paid. However, the poverty rate is still higher for disabled people with a given level of qualifications – they tend to be paid less than non-disabled people with the same qualification level, including a degree. We need a continuing commitment to improve the numbers of disabled people in work, but much more action is needed by governments and employers if the disability employment gap is to be closed.

## Carers are more likely to be in poverty too

There were nearly 4.5 million informal adult carers in the UK in 2017/18 – around 7% of the population – and nearly a quarter (more than a million people) were living in poverty. More than half of carers are women and three-quarters are of working age.

Working-age carers have a higher rate of poverty than those with no caring responsibilities, with over a quarter of the group being in poverty compared with around one in five non-carers. Women of working age who are carers have the greatest risk of all. Younger carers (aged under 35) have higher rates of poverty than older carers. There is also a marked gap between men and women, with nearly four in ten younger female carers living in poverty, but only just over one in four young male carers. That gap closes for older carers.

In 2017/18, 36% of working-age carers were not in work, compared with 23% of non-carers. This gap persists for men and women, and all ages from 25 to 64. It has grown over the last six years.

Those who care for more hours have a higher poverty rate; particularly people of working age. If you care for 20 hours or more a week, you have a notably higher risk of being in poverty than if you care for fewer than 20 hours. This might be because your caring responsibilities compromise your ability to work or the hours you can work. Despite this, only people who care for 35+ hours a week can claim Carer's Allowance; people caring for between 20 and 34 hours are not eligible.

## **The importance of housing**

Housing costs have risen since 2000/01 for households on low incomes who rent in the private and social rented sectors, while average housing costs have remained at similar levels for people paying a mortgage and outright owners.

Home-ownership across the UK peaked around the year 2000, but steadily decreased to 2016/17, partly because lower-income households had worse access to mortgage finance following the recession. The UK private rented sector doubled in size between 2001/02 and 2017/18. Meanwhile, the social housing sector has continued to shrink.

Different regions have been affected by these changes to different extents:

- Housing is least affordable for households in poverty in London, the South East and the East of England, and is most affordable in Northern Ireland.
- Private renters have the highest poverty rates in Wales and the North East while social renters have the highest poverty rates in Wales, East Midlands, West Midlands and London. These high rates of poverty are caused by a mix of high rents, low income, and how many families receive Housing Benefit and how much of the rent it covers, which will vary region by region.

The growing number of households in the expensive private rented sector is part of the picture of rising poverty levels. The number of families with children in poverty living in the private rented sector grew rapidly from 2005/06 to 2015/16.

A raft of changes to social security policy have been under way since around 2010, which have made housing (especially privately rented housing) less affordable.

There has been a sustained rise in housing costs for all family types in the social rented sector over the last two decades after accounting for inflation. Following the 2015 Budget, the government changed tack, requiring local authorities in England to reduce rents by 1% a year from 2016 to 2019. But social sector rents have still become less affordable over the longer term – rising faster than inflation, taking up an increasingly high proportion of income.

## **The rise of young people living in ‘concealed households’**

One facet of an increasingly unaffordable housing market in the UK is the barrier it creates to young people leaving home. Concealed households are those where one or more grown-up children live with one or more parents or grandparents. Here we look specifically at people who are aged from 20 to 34 years, living in concealed households.

The proportion of concealed households is increasing – 20 years ago, a quarter (2.4 million) of those aged 20 to 34 years of age lived with a parent or guardian, compared to more than a third (3.8 million people) in 2017/18.

For the last 20 years, the worst-off fifth of young adults have been more likely to live in a concealed household than independently renting or buying a home, rising in that time from 39% to 53%.

## **The need for action**

It is simply not right that we live in a society where so many people are locked in poverty. The whole of society, including central, devolved and local government, employers and civil society must all work together for a prosperous UK where all areas are free from poverty.

This report shows the importance of place – from being able to access a job with a reliable and sufficient number of hours; knowing you can rely on the social security system to help you when circumstances threaten to pull you into poverty; and being able to afford to pay your housing costs.

But knowing this is not enough; we also need to build the public will for action. Building on our strategy to solve UK poverty, we are working with our partners in all areas of the country to tackle the three drivers of poverty, so that more people find a route out of poverty through work, more people find a route out of poverty through a better social security system and more people live in a decent affordable home.

# Overview of poverty trends

Introduction	<b>12</b>
Why is tackling poverty important?	<b>12</b>
How have living standards across the whole of society changed over time?	<b>13</b>
What are the poverty lines for different households?	<b>14</b>
What are the main headline trends in poverty over time?	<b>15</b>
What has happened to the different poverty measures in 2017/18?	<b>16</b>
Longer-term trends in relative AHC poverty	<b>17</b>
Family type	<b>19</b>
Poverty rates by country and region	<b>21</b>
Ethnicity	<b>24</b>
Family size	<b>25</b>



## Introduction

It's just not right that 14 million people are locked into poverty in the UK – that's more than one in five of the population (22%).<sup>1</sup> Those 14 million are made up of eight million working-age adults, four million children and two million pensioners. At times during the last 20 years, the UK dramatically reduced poverty among people who had traditionally been most at risk – pensioners and children – but this progress has begun to unravel. Although overall poverty has fallen slightly in the latest year (driven by reductions for children and working-age adults, in the face of increases for pensioners), we should remain extremely concerned about the very high poverty rates for many of our fellow citizens.

### Key stat

14 million people are in poverty in the UK

- 8 million working-age adults
- 4 million children
- 2 million pensioners.

This report highlights and explains the nature and scale of UK poverty, the effects of poverty on people held in its grip and the circumstances that make some groups more likely to experience poverty. Unless otherwise stated, all analysis has been undertaken by JRF.

## Why is tackling poverty important?

### The negative consequences of poverty

Poverty restricts the options and opportunities available to people and limits their access to things that are mostly taken for granted by society (Ferragina et al, 2013). Poverty at any stage of life can lead to later negative consequences. The low incomes of people in poverty mean they are more likely to live in the rental sector, which has higher weekly housing costs than other housing tenures (see the chapter on housing). Their ability to afford to buy what they need and participate in the activities routinely undertaken by others in society is severely constrained. Low incomes also reduce financial resilience to unexpected expenses, such as car repairs or a faulty washing machine, and lead to households falling behind with bills for utilities, Council Tax or other essentials. Money worries in turn contribute to low-income adults being much more likely than wealthier adults to suffer from depression or anxiety (Barnard et al, 2018). Poverty can also affect the prospects of children, who may fail to reach the same level of educational attainment as those from wealthier families (Barnard et al, 2017). This in turn can make escape from poverty even harder when they become adults.

## Public perceptions of poverty

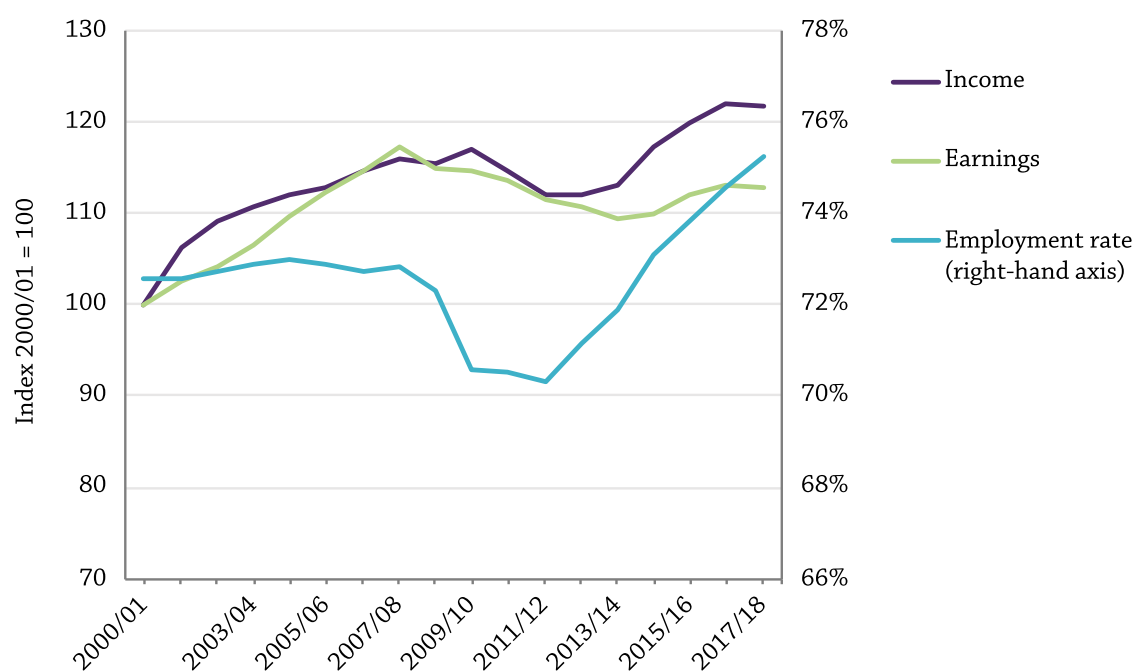
The British Social Attitudes Survey suggests people think poverty is increasing and more unacceptable than in the past. About two-thirds of the public think there is 'quite a lot' of poverty in Britain and a similar proportion believe that poverty has increased over the past decade, with three in five anticipating a further increase over the next decade. The view that there is 'quite a lot' of poverty has increased by 13 percentage points since 2006, while perceptions that poverty has increased over the past decade (and will increase over the next) have risen by 30 and 18 percentage points respectively (Curtice et al, 2019). One of the reasons why poverty persists in the UK is that the public will to solve poverty has often been lacking. As concern about poverty increases, the opportunity to act to reduce these high rates should be taken.

## How have living standards across the whole of society changed over time?

Median household weekly income after housing costs (AHC) has increased over the last two decades from £291 in 1994/95 to £438 in 2017/18<sup>2</sup> even after adjusting for inflation. However, within this time there are five distinct periods.

- In the first period, from 1994/95 to 2007/08, median household weekly income (AHC) increased strongly, driven by rising earnings and a flat employment rate.
- Between 2007/08 and 2009/10, incomes grew while employment and earnings fell as a result of the Great Recession (December 2007 to June 2009). The income growth was in part due to increases in rates of benefits over this period (see the social security chapter).
- This was followed by a period of falling incomes from 2009/10 to 2011/12, caused by the Great Recession when employment remained flat but earnings continued to fall.
- The fourth period, 2012/13 to 2016/17, saw a recovery in median income, driven primarily by rising employment.
- However, in the latest year (2017/18), median income stopped growing. This is because the increase seen in the employment rate from 74.6% in 2016/17 to 75.2% in 2017/18 (which should increase incomes, all else being equal) was balanced out by a fall in the real value of earnings. This fall in the real value of earnings was in turn caused by high inflation in 2017/18. Earnings grew by 2.4% in 2017/18, which was similar to the two previous years, but inflation was 2.8% in 2017/18, much higher than those previous years. Given that benefits continued to be frozen in 2017/18, this meant that both earnings and benefit income rose by less than inflation, placing further constraints on low-income household budgets.

## In recent years, incomes have increased faster than earnings



Source: Households Below Average Income, Labour Force Survey and Office for National Statistics

## What are the poverty lines for different households?

For this report, we continue to measure poverty as an income below 60% of the median, after housing costs (AHC). We remain strongly supportive of the measure agreed by the Social Metrics Commission, which is underpinned by years of research and collaboration. It commands the support of experts across the political spectrum because it better accounts for the reality facing people on low incomes. This measure is still being refined with an experimental publication based on this to be published by Department for Work and Pensions (DWP) in 2020. We look forward to continuing to play a leading role in its development with a view to moving to use this measure in future reports.

Other poverty measures include relative low income before housing costs (BHC), which looks at those in a household with an income below 60% of the median (BHC) and absolute poverty before and after housing costs (AHC) which uses a poverty line of 60% of the median income in 2010/11 adjusted with inflation. See Appendix for full details of different poverty measures.

Simply put, if a household has an income below the poverty line they are counted as being in poverty. However, the actual poverty line a household faces is dependent on the size and composition of the household. This is because it takes more money to reach the same living standard for a larger family than it does for a smaller family. In 2017/18, for example, a household with two adults and two children (under 14 years old) with an income of less than £366 a week would be in poverty, while a household with a single adult and no children would only need

an income of £152 a week or more to not be in poverty. Table 1 shows the poverty lines for households with different family types. Children aged 14 years and over are counted as adults in the calculation.

**Table 1: Poverty line for households, equivalised, net disposable income after housing costs (2017/18)**

Household type	£ per week
Single with no children	152
Single with one child (under 14 years old)	204
Couple with no children	262
Couple with two children (under 14 years old)	366
Couple with three children (two under 14 years old, one aged 14 or over)	476
Couple, four children (two under 14 years old, two aged 14 or over)	586

Source: Households Below Average Income

## What are the main headline trends in poverty over time?

Changes in poverty are most commonly caused by the effect of four drivers:

1. The employment rate – increasing employment can reduce poverty because more people have additional earnings from work.
2. How earnings for low-income families change compared with middle-income families – high earnings growth can reduce poverty if those with low incomes see their earnings grow at least as fast as earners around the median.
3. How benefits and other income sources change compared with average earnings – benefits increasing faster than earnings can reduce poverty.
4. How housing costs for poorer households change compared with income – a decrease in housing costs for poorer households, for example through access to cheaper housing, or a rise in incomes that outpaces the rise in rents, mortgages or other housing costs can reduce poverty.

In the middle of the 1990s, around a quarter of the UK's population lived in poverty. By the middle of the 2000s, this had fallen to just over one in five thanks to all four drivers moving in the right direction for poverty reduction. However, this improvement did not continue, with the poverty rate stagnating between 21% and 22% to the present day, although the fortunes of different groups have varied. Since 2004/05, there has not been a sustained period where all four drivers have gone in the right direction. First, housing costs started rising, eating up an increasing proportion of incomes, then during the Great Recession employment and earnings fell. Since the Great Recession benefit increases have lagged behind both inflation and average incomes.



In JRF's solving poverty strategy (JRF, 2016), we used three measures to indicate progress towards ending poverty in the UK by 2030. The first was a reduction of poverty overall to less than 10%. At present, it's stuck at 22%. The second target was that no one should experience destitution<sup>3</sup> – more than one-and-a-half million people were destitute at some point during 2017, including more than a third of a million children (Fitzpatrick et al, 2018). The third target was no one being in poverty for more than two years: currently 7% of individuals have been in poverty for more than two years.<sup>4</sup> We know that these targets are extremely stretching but we believe they can be met with concerted efforts across all areas, including improving the labour market, a more effective social security system and a more affordable housing market.

## **What has happened to the different poverty measures in 2017/18?**

Between 2016/17 and 2017/18, AHC poverty fell from 22.1% to 21.5%. However, at the same time BHC poverty rose from 16.2% to 17.1%. These diverging trends can be explained by looking at the components of income and housing costs for people living in the poorest fifth of households.<sup>5</sup> Looking at the chart below, we can see that after taking account of inflation, benefits fell by an average of £6 a week due in part to benefits not being uprated and other welfare reforms, and income from pensions and investments fell by £2 a week. This contributed to a £9 a week fall in BHC household income for people in the poorest fifth of households. Given the real value of the BHC poverty line remained unchanged in 2017/18, this meant more people fell below this threshold.

However, lower real housing costs provided a £9 a week boost to the household income of people living in the poorest fifth of households, partly due to reductions in rent in the social housing sector in England. This balanced out the fall in benefits and income from pensions and investments to leave AHC household income marginally higher for people living in the poorest fifth of households. This rise in AHC income, when combined with a slight fall in the real value of the AHC poverty line, meant fewer people were below the AHC poverty line in 2017/18.

## For people in the lowest income quintile, reduced housing costs are the main driver in different trends between AHC and BHC poverty rates



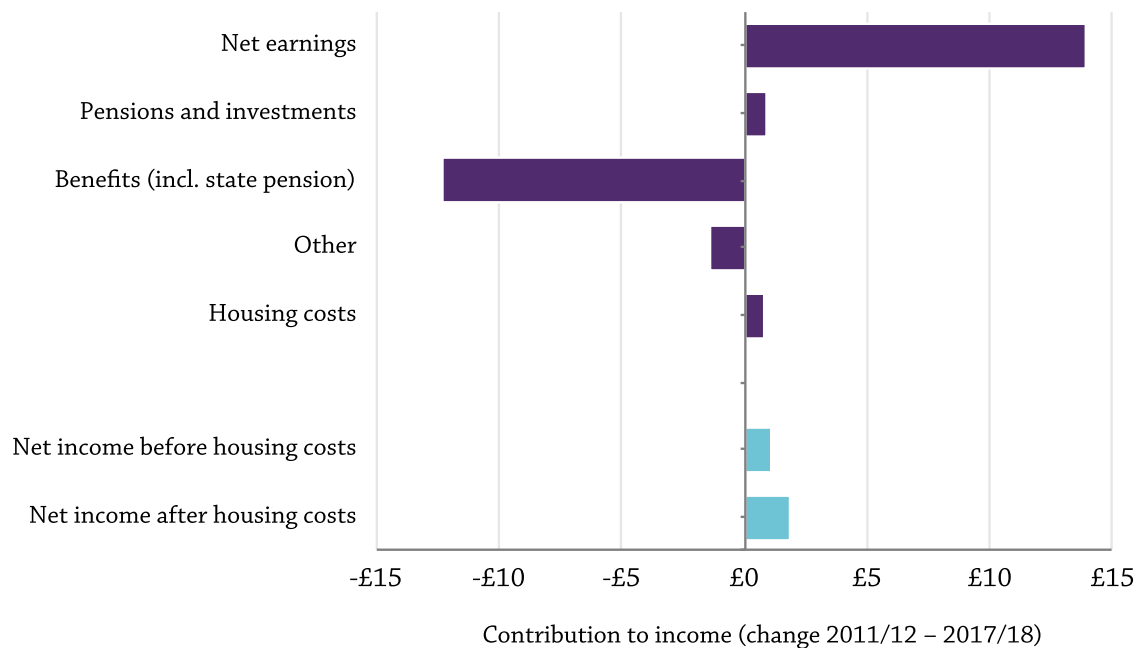
Source: Households Below Average Income

The absolute poverty lines AHC and BHC are below the respective relative poverty lines. This means those households in absolute poverty are slightly more reliant on benefits and less likely to work than the population in relative poverty. In addition, inflation was higher in 2017/18 than in the previous years, meaning the relative and absolute poverty lines grew by the same rate. The overall effect of this is that absolute poverty AHC was flat in 2017/18 compared with 2016/17, while absolute BHC poverty rose.

## Longer-term trends in relative AHC poverty

While AHC poverty fell in 2017/18, the previous period saw small year-on-year increases in AHC poverty since the low point of 21% in 2011/12. This trend is also explained by looking at the components of income and housing costs for people living in the poorest fifth of households.<sup>6</sup> For them, between 2011/12 and 2017/18, net real earnings (that is after taking account of inflation) rose £14 a week. This was more than offset by the combination of a £12 a week fall in the real value of benefits and a rise of £21 a week in the real value of the AHC poverty line. The failure of the income of those living in the poorest fifth of households to keep up with this poverty line has pushed some people into poverty, despite increasing employment over the period. Looking over time, we can, however, see that progress is possible when each of the drivers set out above works in the favour of poorer households.

## For people in the lowest income quintile, between 2011/12 and 2017/18 increases in earnings were balanced out by decreases in benefits



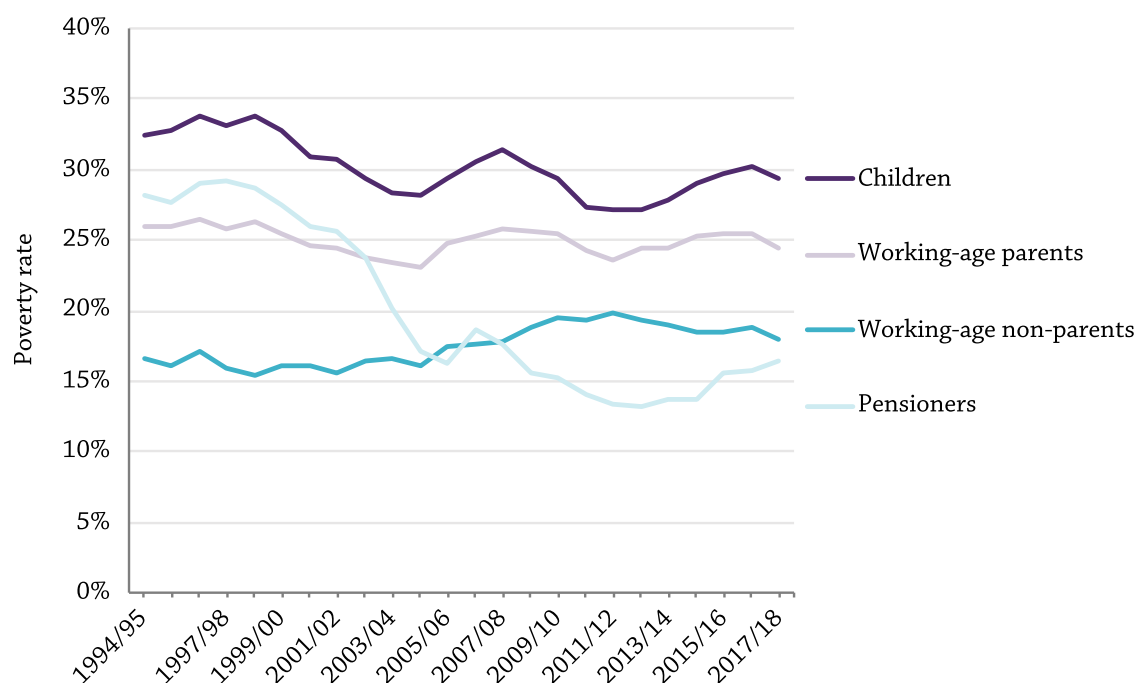
Source: Households Below Average Income

There are variations in poverty rates when we look at different groups. The rest of this chapter looks at this variation by age and family type, for the four nations in the UK and for different ethnic groups.

## Family type

This section starts by looking at poverty rates for children, working-age adults with and without children and people over state pension age.

### Children have had the highest poverty rates over the last 20 years



Source: Households Below Average Income

The chart shows a dramatic reduction in poverty for pensioners over the period 1997/98 to around 2012/13 (driven by increasing income from private pensions and increases in benefits) with gradual increases since (driven by reductions in pensions income as well as them not benefitting from employment growth to the same extent as other groups). Pensioners remain the group with the lowest poverty rate of those considered here.

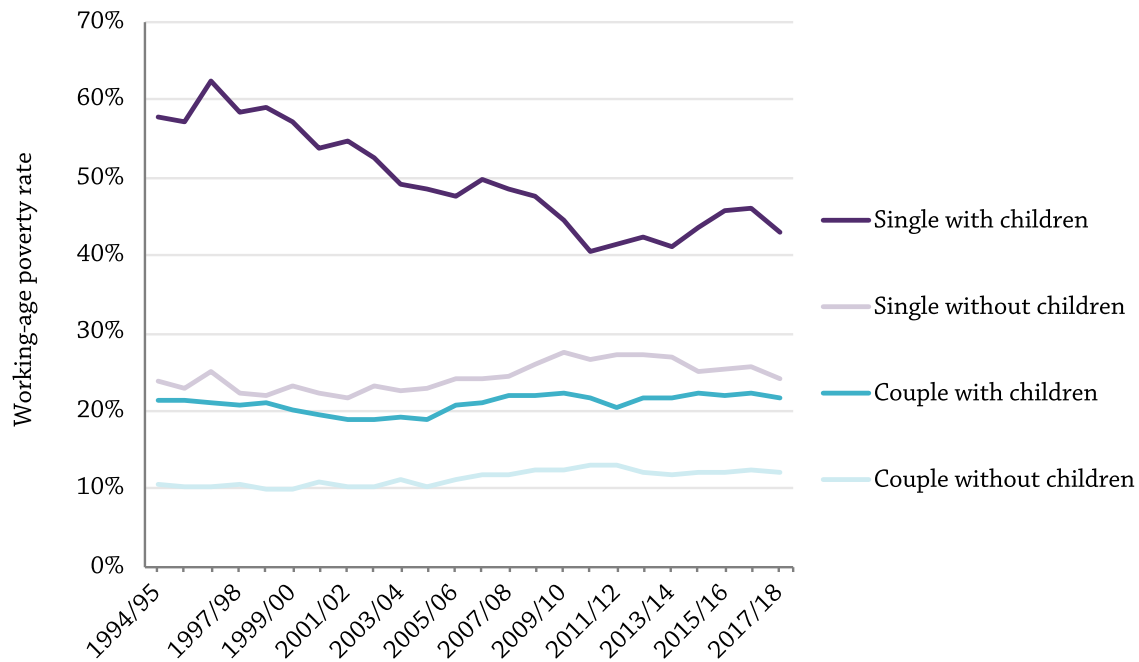
Working-age non-parents have the next lowest rates, with their poverty levels rising between 2001/02 and 2011/12 before falling slightly since then. They were not the focus of policies over the period, but benefitted from increased employment in the later years.

The final two groups, children (with the highest poverty rate) and working-age parents (unsurprisingly) see similar trends over time: a reduction between 1998/99 and 2004/05, a rise and then a fall between 2004/05 and 2011/12, with rises between 2012/13 and 2016/17 before a reduction in the latest period. The patterns here reflect the movements in benefits and earnings/employment – reductions are generally only seen when benefits go up faster than earnings; this was a deliberate policy in the first period of falling poverty and was caused by falling earnings in the Great Recession in the second.<sup>7</sup> The reduction in the latest year is the exception, due partly to falling rents in the social housing sector in England.



Next, we look at four working-age family types – singles and couples, with and without children. Lone parents are still most at risk (despite a fall in the latest year), with a poverty rate of 43% in 2017/18. While this is nearly twice as high as any other family type, they are the only group with a lower poverty rate than in 2004/05.

**Lone parents have the highest poverty rate among working-age adults**



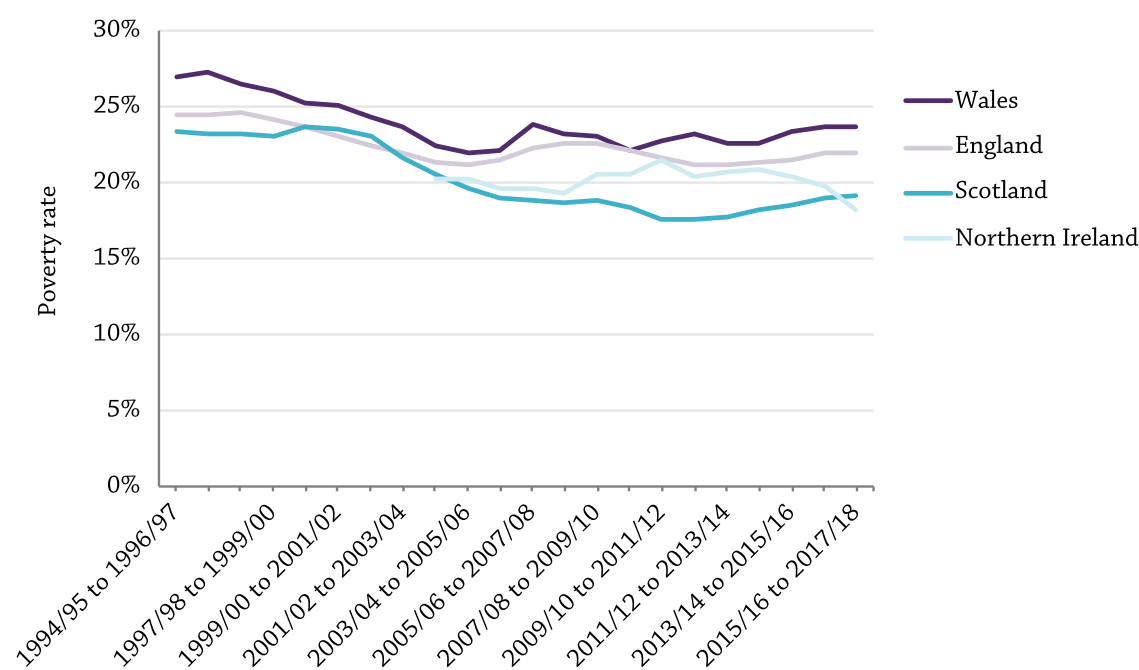
Source: Households Below Average Income

## Poverty rates by country and region

This analysis has to be carried out as a three-year average due to survey volatility. Statistics here are for the period 2015/16–2017/18 unless otherwise noted.

Poverty rates in England, Wales and Scotland were broadly unchanged in the period 2015/16 to 2017/18 compared with the previous period.<sup>8</sup> In Northern Ireland, the poverty rate fell in the same period and is now the lowest poverty rate of the four nations of the UK. New analysis in the *JRF Poverty in Scotland 2019* report (Congreve, 2019) shows that the difference in rates between Scotland and the rest of the UK is mainly due to lower rents in the social housing sector as well as Scotland having a higher proportion of social rented properties.

### Poverty rates are lower in Scotland and Northern Ireland

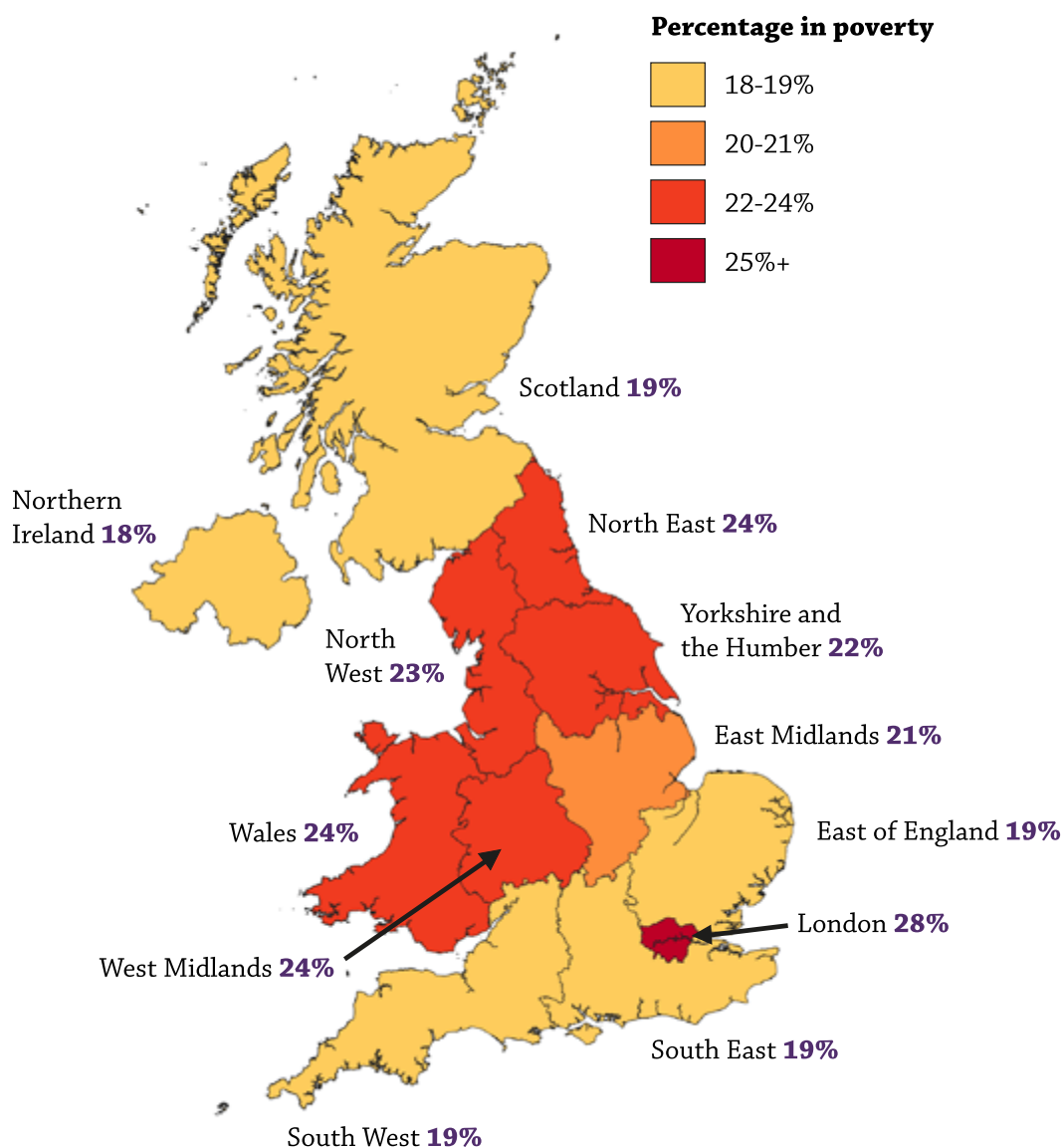


Source: Households Below Average Income

Note: Northern Ireland was included in the survey from 2002/03.

During 2015/16–2017/18, London has a higher poverty rate than any other UK area. Areas in the North of England, Midlands and Wales also experienced higher rates of poverty than the South of England, Scotland and Northern Ireland. These areas of higher poverty have also tended to see a larger increase in poverty since 2011/12–2013/14 than other UK areas, with the largest increase being in the North East (2.2 percentage point increase).

### London and areas of the North of England, Midlands and Wales experience higher rates of poverty than the South of England, Scotland and Northern Ireland



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For working-age families, poverty rates are higher in every area of the UK for people in lone parent families compared with people in couple families with children, and for single adults compared with people in couple families without children. Focusing specifically on families with children, London is the area of the UK with the highest poverty rates for people in lone parent families at 53% and people in couple parent families at 30%. Throughout the last two decades London has usually had the highest poverty rates for people in these two family types.

Around 31% of working-age adults in the North East were not in paid work, the highest in the UK followed by the North West (27%). The East of England and South West had the lowest rates of working-age adults not in paid work (22%). Rates of employment have been steadily rising across all areas over the past five years. However, this has not always translated into reductions in poverty and has contributed to the growth in in-work poverty.

Part-time workers in London have significantly higher rates of poverty than other areas. In 2011/12 to 2013/14, 29% of part-time workers in London were in poverty. This has risen to 34% – 11 percentage points higher than the level in the next two highest areas of the UK, Wales and the North East (23%). London also has the highest poverty rate for full-time workers (13%) alongside Wales (13%), which has seen the fastest rise in poverty for full-time workers over the past five years. The lowest poverty rates for full-time workers were in Northern Ireland and Scotland (8%), while the lowest poverty rates for part-time workers were in the East of England (16%) and Northern Ireland (17%).

There are many factors that contribute to in-work poverty but being in low-paid work makes it increasingly difficult to escape poverty (see the work chapter). This is especially true for areas like Wales, where 26% of employees earned less than the Real Living Wage in 2017/18. However, many areas with high rates of low pay, like the East Midlands (27%) and Northern Ireland (28%), tend to have lower rates of in-work poverty than other UK areas. Northern Ireland's in-work poverty rates are among the lowest in the UK while in the East Midlands, 16% of part-time workers and 10% of full-time workers are in poverty – much less than areas like London and Wales. In contrast, while in-work poverty rates in London are among the highest, rates of low pay are comparatively low, with only 20% of employees in London earning less than the Real Living Wage in 2017/18, the second lowest of all UK areas behind the South East (19%).

People in pensioner families have the lowest UK poverty rate of all family types but this masks differences between areas of the UK. For instance, poverty rates for people in pensioner families are highest in London at 23% compared with other areas of the UK. London has had the highest poverty rate for people in pensioner families from 2002/03–2004/05 onwards, and the poverty gap with other areas of the UK (except Wales) has widened since. Wales has the second highest poverty rate for people in pensioner families at 20%, although two decades ago Wales held the second lowest poverty rate for people in pensioner families.



For people living in those families claiming an income-related benefit, London emerges as having the highest poverty rate of all areas of the UK at 58%, which is well above the next highest poverty rate of 50% in the West Midlands. London has had the highest poverty rate since 1994/95–1996/97. Northern Ireland has a substantially lower poverty rate of 33% compared with other areas of the UK for people living in families claiming an income-related benefit. Since 2013/14–2015/16, Northern Ireland has witnessed the greatest fall in this poverty rate relative to other areas of the UK.

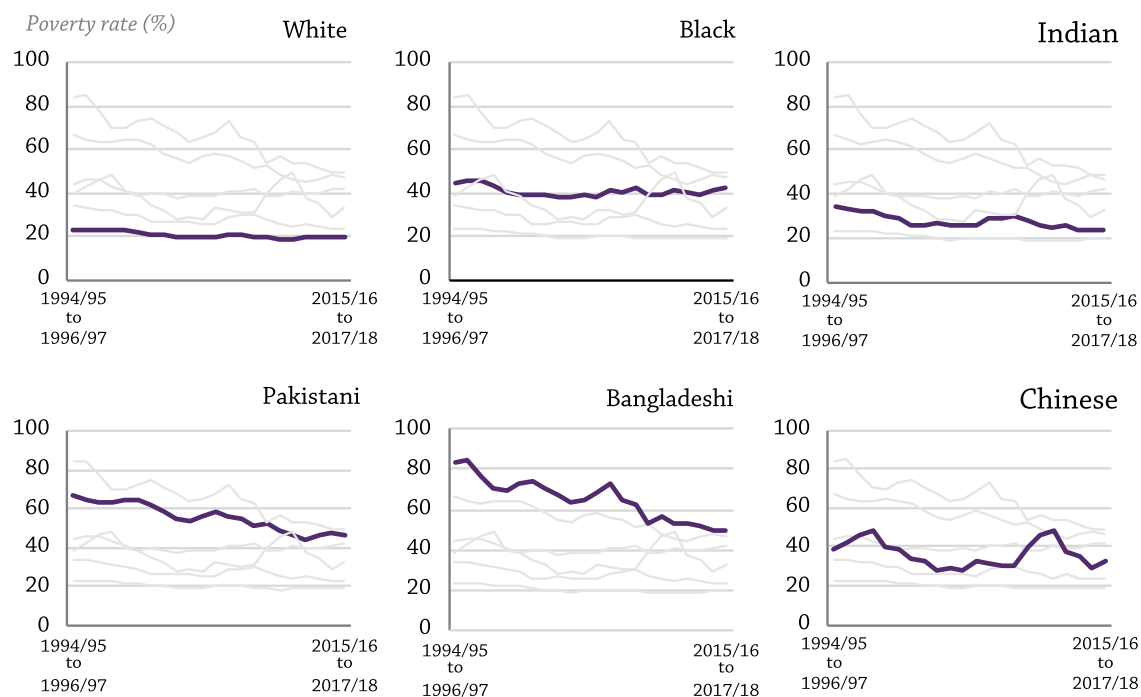
Our social security chapter shows how poverty is higher for disabled people. Looking at every area of the UK, poverty rates (excluding disability benefits) are higher for those people living in households containing at least one disabled person compared with people living in households with no disabled person. For people living in households containing at least one disabled person, London has had the highest poverty rate since 2000/01–2002/03, currently at 36%. The lowest poverty rate for people living in households containing a disabled person is found in South East England at 25%, with this area experiencing the lowest poverty rate of all areas in the UK in most years since 1994/95–1996/97.

Housing is least affordable for households in poverty in London, the South East and the East of England, and is most affordable in Northern Ireland. Tenants in social housing and the private rental sector tend to have higher rates of poverty than those who own their own homes (see the housing chapter). Private renters have the highest poverty rates in Wales (43%) and the North East (45%) while social renters have the highest poverty rates in Wales (51%), West Midlands (49%) and London (49%). These high rates of poverty are caused by a mix of high rents, low income, and how many families receive Housing Benefit and how much of the rent it covers, which will vary by area of the UK.

## **Ethnicity**

Poverty among Bangladeshi or Pakistani households<sup>9</sup> has fallen sharply over the last 20 years. This helped reduce the gap with other ethnic groups, but they still face very high rates of poverty of nearly 50%. Poverty has also consistently fallen over time for people living in households of Indian descent, and it now stands at 23%. The gap between people living in Indian households and those in White households has shrunk to the smallest on record at just under 4 percentage points compared with 11 percentage points in 1994/95 to 1996/97. White households continue to have the lowest poverty rate (19%) of all ethnic groups. There is considerable variation within the White group however – 28% of people in non-British White households are in poverty compared with 19% of people in White British households and these proportions have remained relatively unchanged since 2001.

## Poverty rates vary across ethnicities. All BAME groups are more likely to live in poverty than the White population



Source: Households Below Average Income

There is a wide range of factors contributing to these variations, from large differences in employment and earnings<sup>10</sup> to differences in the proportions of lone parents and number of children by ethnic group.

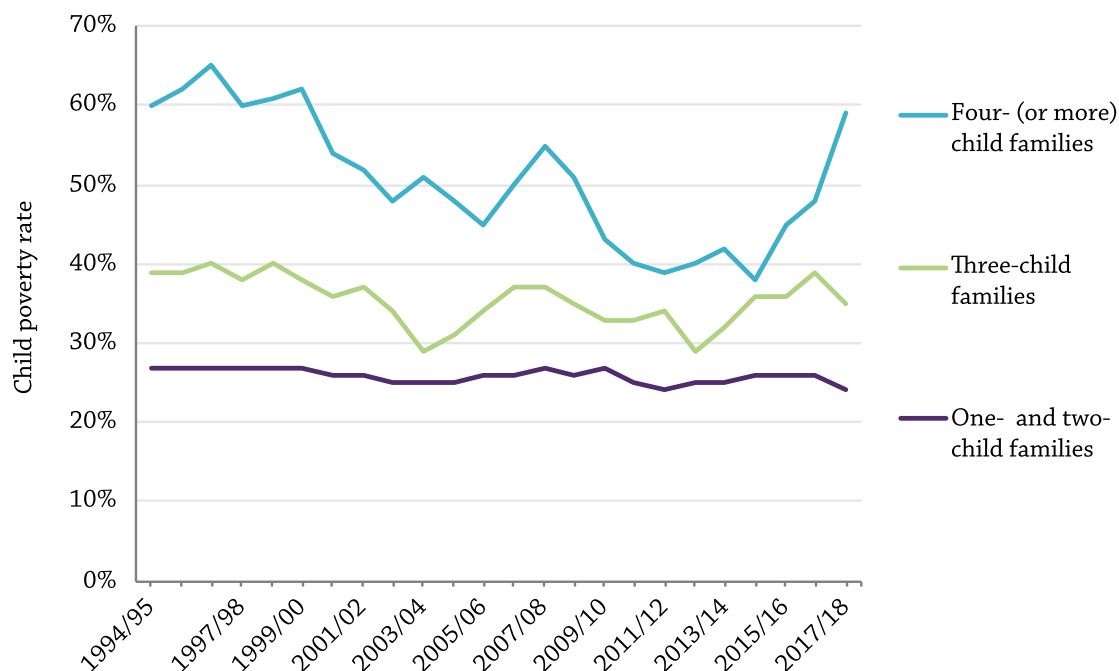
## Family size

There are 7.9 million families with children in the UK: 3.7 million (46%) families have one child, 3.0 million (39%) have two children, 900,000 (11%) have three children and 300,000 (4%) have four or more children in them. Almost 60% of these larger families with four or more children are in poverty and almost one in five children in poverty live in such households. Over the past four years, a third of a million more children are in poverty because of a consistent decline in living standards for families with four or more children. It will be important to see whether the reduction in the poverty rate for children in three-child families in the latest year, after four years of rises, is sustained.

While it is well known that poverty is higher for families with three or more children, after breaking this group down further we see that families with four or more children have the highest poverty rate by far. Compared with the 60% mentioned above, 35% of families with three children and 24% of families with only one or two children are in poverty. Family size matters for poverty, as the more children there are, the bigger the cost of food, housing, clothing and so on – although some benefits will go up, family earnings are unlikely to rise.

In this section, we explore who these families are, and why so many of them are finding that their routes out of poverty are restricted.

### The increase in poverty for large families in the last three years has undone improvements seen in the previous decades



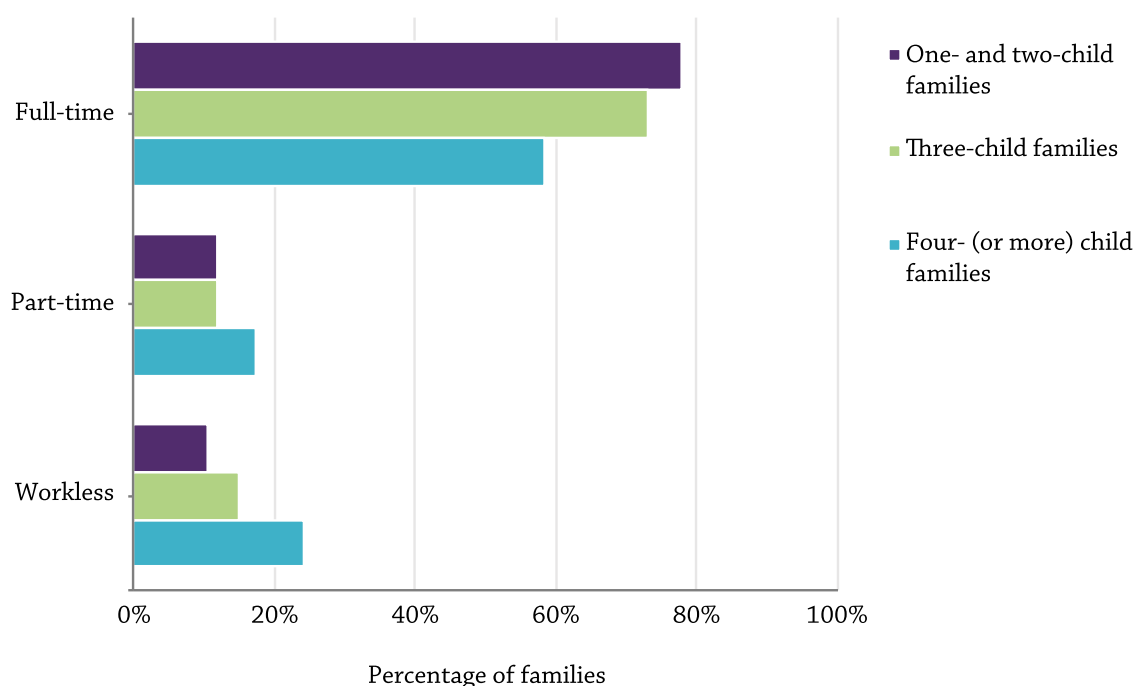
Source: Households Below Average Income

While employment rates for large families have been steadily rising over the past five years (around 76% of all families with four or more children are currently in employment compared with 64% in 2013/14 when the rise began) this hasn't reduced their risk of poverty. The percentage of working families with four or more children who are in poverty rose from 35% in 2013/14 to 51% in 2017/18. The combined effect of balancing work and childcare constraints, alongside a changing social security system, seems to explain much of this trend.

Families with four or more children are much less likely to be in full-time employment than those with fewer children, which may in part be due to the cost of childcare.<sup>11</sup> Without using informal childcare arrangements, it is often not feasible for both parents to be in work (see the chapter on work). Average employment income for these families is much less than for those with fewer children as parents of large families have greater restrictions on their ability to work full-time. Looking at families with positive earnings from work, in 2017/18 the median earnings for working one/two-child families was £718 a week while for four or more child families it was only £415 a week.

Pakistani and Bangladeshi households are most likely to have larger families, but the increase in child poverty for large families is not limited to these households – in fact over the last five years although the larger family poverty rate has increased for Pakistani households, it has decreased for Bangladeshi households. At the same time, 45% of White households with four or more children were in poverty in 2017/18 compared with 32% in 2013/14 and the proportion of Black households with larger families in poverty has also risen over the last five years from 57% to 62%.<sup>12</sup> As we would expect, large families also tend to have more young children in the household. Approximately 67% have a child under the age of five, compared with 39% of families with one or two children. Not only does having young children put additional work constraints on a family, but also the impact of prolonged poverty on these or indeed any children in our society can be extremely detrimental.<sup>13</sup>

### Large families are less likely to be in full-time work than smaller families



Source: Households Below Average Income

For large families, costs such as childcare, food, transportation and clothing are higher than in smaller families and the weekly AHC income needed by these families to live above the relative poverty line reflects this. Some illustrative examples of poverty lines for different households based on family size and child age were given above in the section on ‘What are the poverty lines for different households?’. In order to avoid poverty, larger families must have a greater net income than other families.

Due to restrictions in employment and increased costs, these families often need some support through the social security system to supplement their income (in 2017/18, 22% of families with four or more children were getting working tax credits compared with 15% of three-child families and 12% of one- and two-child families). As a result, they tend to be highly vulnerable to changes in benefits regardless of whether they are in or out of work. Over the past five years, several changes to social security have hit the incomes of both in-work and out-of-work large families hard. Key factors include the freeze in most working-age benefits since 2016, as well as the developing impact of the 'two-child limit' which meant the child element of benefits was limited to the first two children for any family that has a third (or subsequent) child after 1 April 2017.

It is important that we make work pay for all families and ensure that benefits are there to act as an anchor for those who need additional support. Hundreds of thousands of children are being pushed into poverty and this is likely to increase over the coming years as more and more families see reduced benefits income from policies such as the two-child limit.



lost 1/3 of my salary  
having to go part time when  
I became a single parent.

**SKILLS GOING TO WASTE**

**MADE TO FEEL WORTHLESS**

**DEHUMANISING**

**NO STABILITY**

**WORK**

**CAN'T PLAN FOR ANYTHING**

**NOT BETTER OFF**

**HURDLES AT EVERY STEP**

Don't get why the  
summer holidays have  
to be so long. what are  
we supposed to do?



# Work

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The rise of in-work poverty **31**

---

How is in-work poverty changing? **31**

---

Which workers are most at risk of poverty? **33**

---

Why is in-work poverty rising? **35**

---

What stops families from working more hours? **39**

---

What holds people back from moving into a better job? **44**

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## The rise of in-work poverty

The rising tide of poverty among workers has coincided with another important change for society: even though employment rates have risen to their highest ever levels, more than half (56%) of people in poverty are now in a working family. This change has been particularly dramatic for children, with seven in ten children in poverty now in a family where at least one person is working. This chapter looks at poverty for working families.

- Not all workers have been equally affected by poverty. The risk is greater for disabled and Black, Asian and minority ethnic (BAME) workers than non-disabled and White workers. Workers in families with children have a higher poverty rate than workers without children and working single parents have seen the fastest rise in the risk of being in poverty; three in ten working single parents are now in poverty.
- Where people live and the sector they work in have a big impact on whether they are likely to be living in poverty. The accommodation<sup>14</sup> and catering sector, retail and residential care have the highest levels of in-work poverty. Some areas of the country – including cities and towns in the Midlands and north of England, Wales, Northern Ireland and Scotland – have employment rates and pay far below the national average. It is much harder to find work that releases your family from poverty's grip if you live in a place where good jobs that pay well are not available or accessible.
- Despite the introduction of the National Living Wage, rising housing costs and reduced benefit incomes and tax credits have made it harder for low-income working families to escape poverty. Households are also working fewer hours on average than they used to as they cannot find more hours to work and because of childcare and transport barriers.

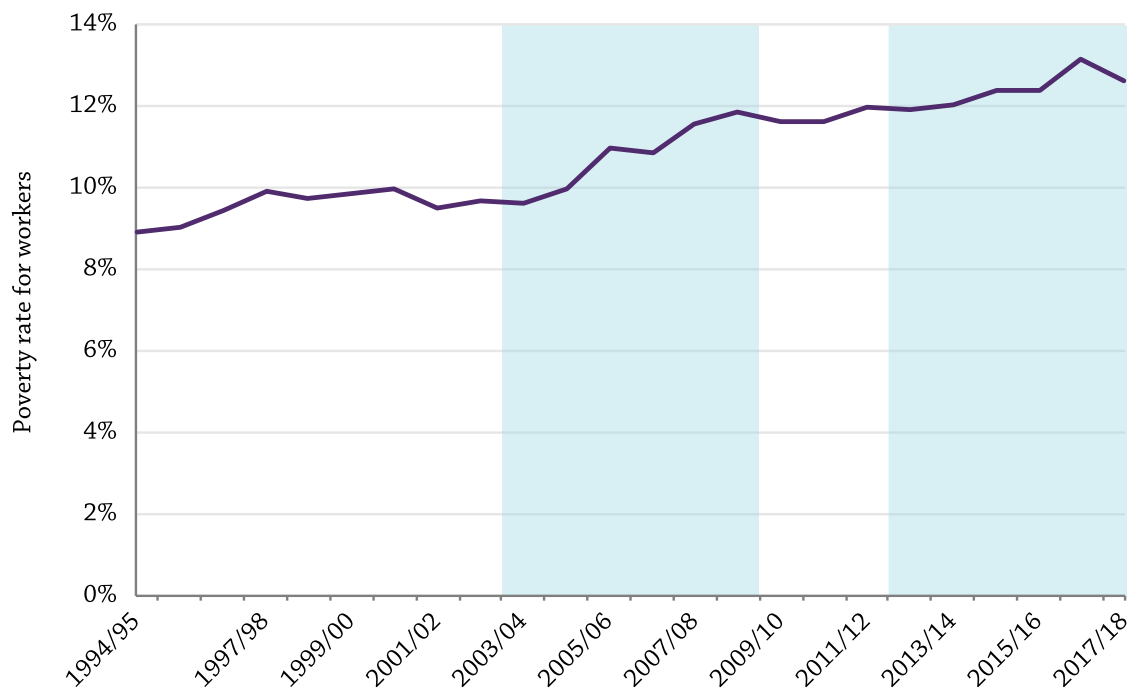
### Key stat

Around 56% of people in poverty are in a working family. In-work poverty has risen from 10% of workers 20 years ago to 13%.

## How is in-work poverty changing?

Paid employment reduces the risk of poverty compared with not being employed. However, the rise of in-work poverty – poverty among people in families with at least one worker – has been one of the most striking socio-economic changes of the last 20 years. In 1997/98, 10% of workers were in poverty; now 13% of workers are. Despite a slight fall in the last year, the rate is still higher than in 2012/13, when it was 12%. The rise since then, though, is smaller than the rise in the five years before the Great Recession, when the chance of workers being in poverty rose by 2 percentage points. More working people are finding themselves trapped in poverty.

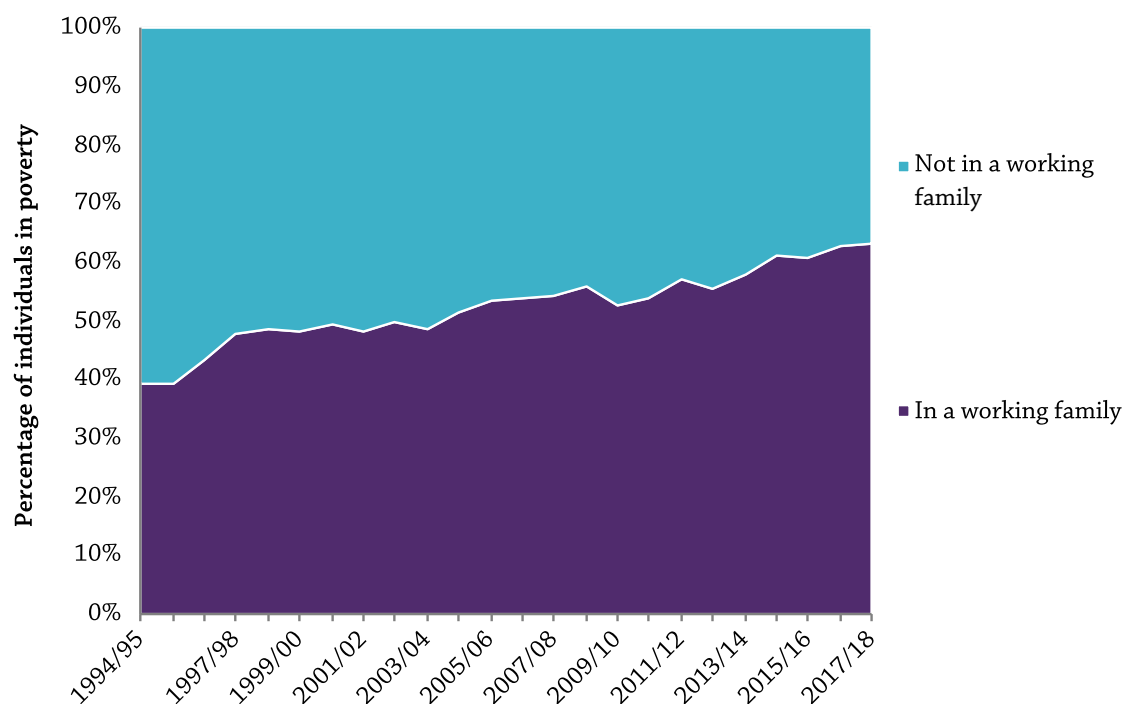
## The two periods of rising in-work poverty



Source: Households Below Average Income and Family Resources Survey

The rising tide of poverty among workers has coincided with another important change in society: as employment rates have risen to their highest ever levels, more people living in poverty now live in a working family, with fewer in a family with no one in work. Together, these changes mean that more than half (56%) of people in poverty are now in a working family, a significant change from 20 years ago when 39% were. This change has been particularly dramatic for children: seven in ten children in poverty are now in a working family. Poverty is becoming increasingly concentrated in working families.

## Most people in poverty now live in a working household – a big change from 20 years ago



Source: Households Below Average Income

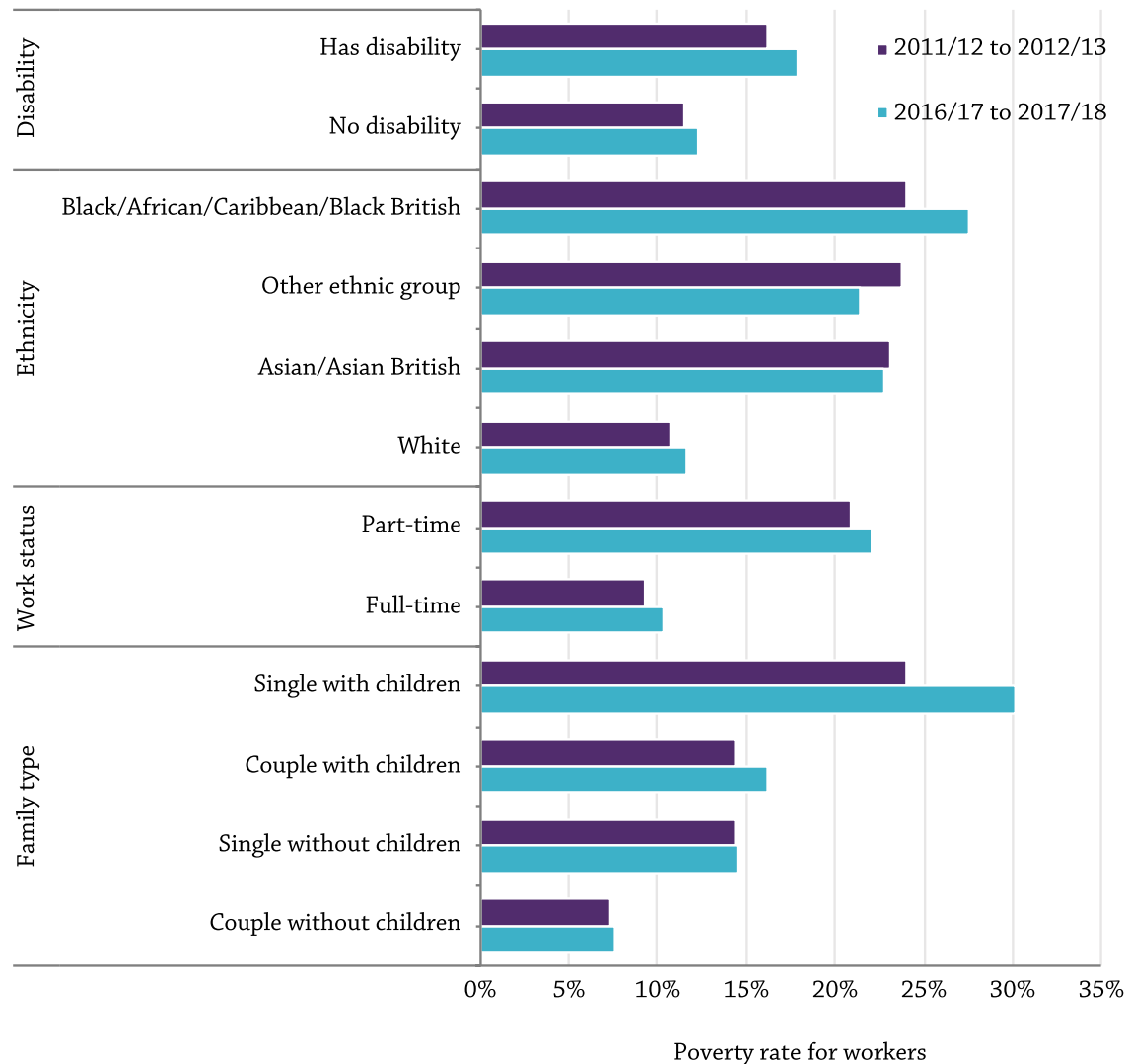
## Which workers are most at risk of poverty?

### Individual characteristics

Poverty varies considerably across different types of worker, matching many of the patterns of difference in overall poverty rates discussed in the opening chapter. The risk is higher for disabled workers than for those who are not and is higher for BAME workers than for White workers. It is also affected by how many hours someone works: part-time workers face a much higher risk of poverty than full-time workers. Workers in families with children have a higher poverty rate than workers in families without children, and workers in single-adult families have a higher risk than workers in couples.

The rising tide of in-work poverty has not affected all types of worker equally over the last five years. Workers in families with children are more at risk, whereas there has been little change for workers in families without children. Working single parents have seen the fastest rise, with three in ten working single parents now in poverty. Both full-time and part-time workers have seen poverty increase, as have both those with and without disabilities.

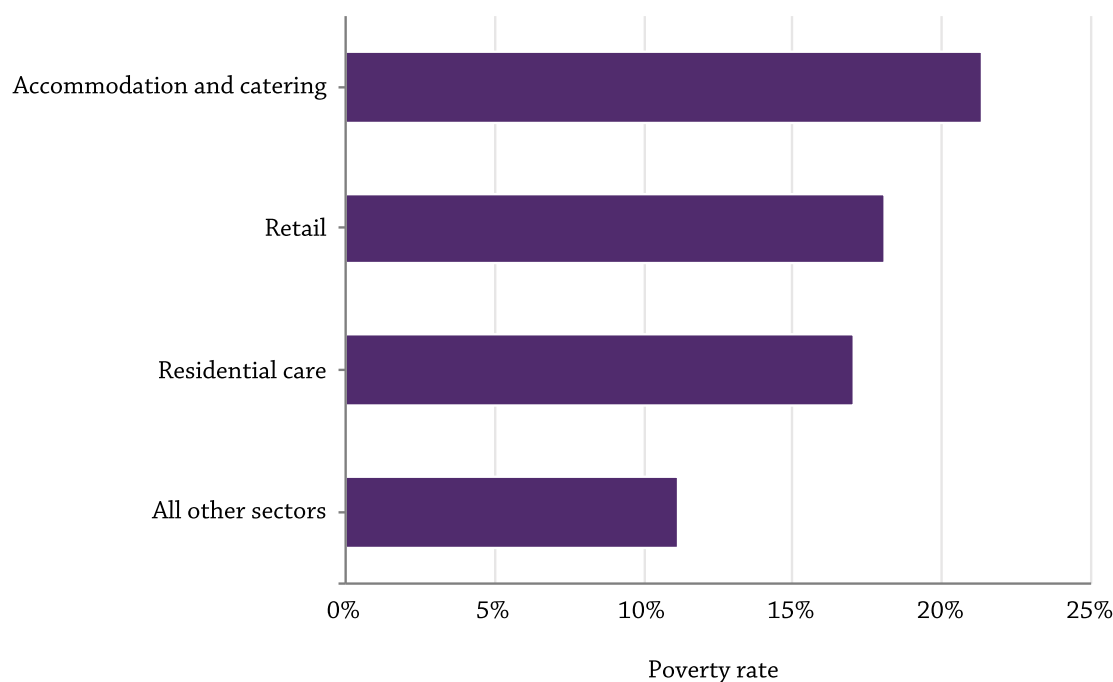
### Poverty varies substantially across types of worker, and some have seen faster rises



Source: Households Below Average Income and Family Resources Survey

In-work poverty differs by sector as well. Accommodation and catering have the highest levels of in-work poverty than any other sector. Although retail and residential care have a lower poverty rate than accommodation and catering, a greater number of workers in poverty work for these sectors. These sectors employ millions of workers, and therefore, as around one in six of these workers are in poverty, this affects hundreds of thousands of people.

## Accommodation and catering, retail and residential care have the highest rates of poverty by sector, 2017/18



Source: Households Below Average Income and Family Resources Survey

## Place

We know that someone's chances of finding a route out of poverty through work varies according to where they live. Unfortunately, it's not possible to get a reliable measure of poverty at a local level due to the sample sizes in the Households Below Average Income dataset being too small. As an alternative, JRF has previously highlighted the differences in employment rates and earnings across local authorities in Britain (Tinker, 2018). Some areas of the country – including cities and towns in the Midlands and north of England, Wales, Northern Ireland and Scotland – have employment rates and pay far below the national average. It is much harder to find work that releases your family from poverty's grip if you live in a place where good jobs that pay well are not available or accessible.

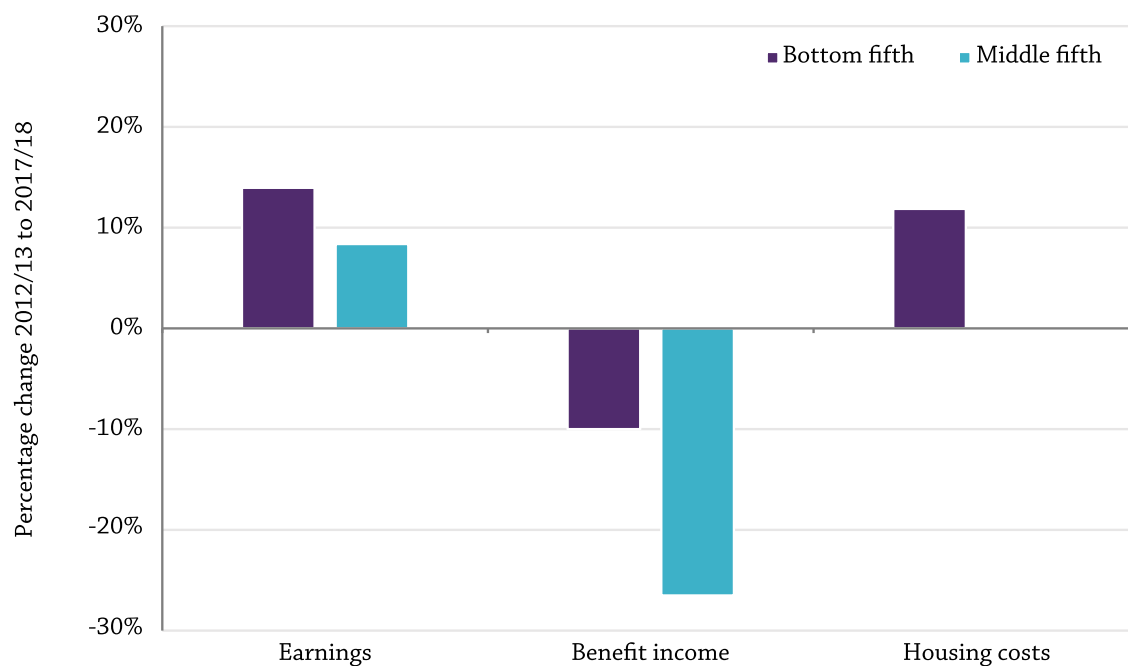
## Why is in-work poverty rising?

We measure poverty based on a family's total earnings in work (after taxes), plus any income from benefits and other sources, after they have paid their housing costs. This means the risk of poverty in working families could rise because low-income families' earnings are growing slowly, because changes to the tax and benefits system leave them worse off with any given level of earnings, or because of a rise in housing costs.



Over the last five years, low-income working families have seen earnings grow by 14% – driven in part by the introduction of the National Living Wage – much higher than the rate of earnings growth for the average working family. In percentage terms, the benefit cuts seen by low-income families have been smaller than those seen by middle-income working families, but this is partly because middle-income families had lower initial benefit incomes, so a £10 reduction in their benefit income would represent a larger percentage change for middle-income families than low-income families. Low-income families have also been hit by faster rises in housing costs than middle-income families.

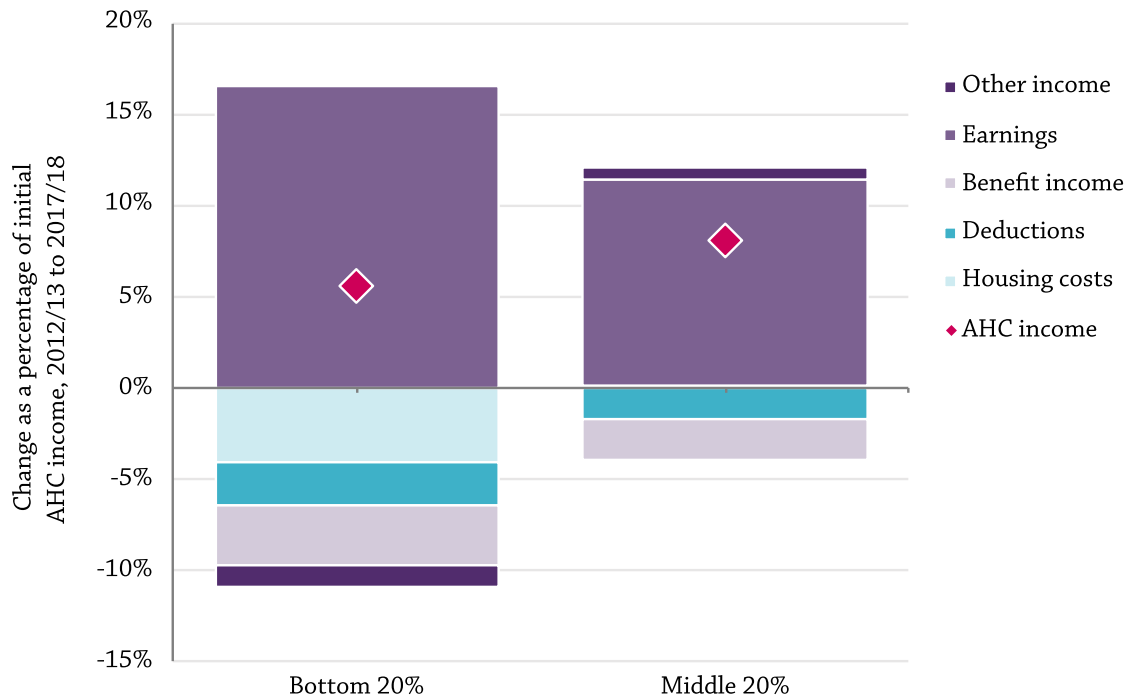
### **Low-income working families have seen faster earnings growth than middle-income families, but have been hit by benefit cuts and growing housing costs**



Source: Households Below Average Income

However, low-income families get a smaller share of their income from earnings, so their faster earnings growth contributes a smaller amount to increasing their overall income than for the average family. For low-income families' income growth to keep up with the average family, benefit income would have to rise but falling benefit incomes and rising housing costs meant low-income families saw slower AHC income growth of 6% compared with 8% for the average working family.

**Falling benefit incomes and rising housing costs have swept working families into poverty despite greater earnings**



Source: Households Below Average Income

Despite faster earnings growth than the average family, all is not well in the labour market for low-income working families. The growth they have seen has only just brought their earnings back to their level just pre-recession – they faced the biggest hit to their earnings during the recession. They are also working fewer hours on average than they used to as they cannot find more hours to work (see below).

### **Why hasn't the rising minimum wage reduced in-work poverty?**

In July 2015, George Osborne announced the introduction of the National Living Wage, bringing about fast rises in the minimum wage for those aged 25 and over. The National Living Wage has successfully pushed up the hourly wage of the lowest-paid, eligible employees. It seems almost paradoxical that raising the wage floor has coincided with rising in-work poverty.

There are two important reasons that the rising minimum wage hasn't reduced in-work poverty. The first is that low-income families don't keep that much of any extra income they get from work, because they see their social security payments reduced sharply as they earn more. Most Universal Credit claimants only get to keep 37p in every extra pound they earn; some keep even less.

An even more important reason is that poverty is about whether a family's income is enough to meet their necessary costs. That means hourly pay is just one element; how many hours members of the family are working, their family composition and their costs all matter too. Despite the introduction of the National Living Wage, rising housing costs and reduced benefit incomes and tax credits have made it harder for low-income working families to escape poverty (Innes, 2020).

For work to be a more reliable route out of poverty, we need to do more than just raise hourly pay. There is more that can be done through the labour market to make work a more effective route out of poverty. Part of the solution is that people need to be able to work sufficient hours – and have enough certainty over their hours – to earn enough to cover their essential costs. And people need to have the opportunity to progress into better quality jobs.

The rest of this chapter will focus on understanding the barriers families face to working more hours to escape the trap of poverty, and what holds people back from progressing into better quality jobs.

## What stops families from working more hours?

The above analysis highlights the importance of the hours that people work in determining whether they are in poverty. But what stops families from taking on more hours to find a route out of poverty? This section focuses on three key reasons that low-income families' working hours are constrained: wanting more hours but being unable to find work with more hours; a lack of affordable, flexible childcare; and transport barriers.

### Underemployment

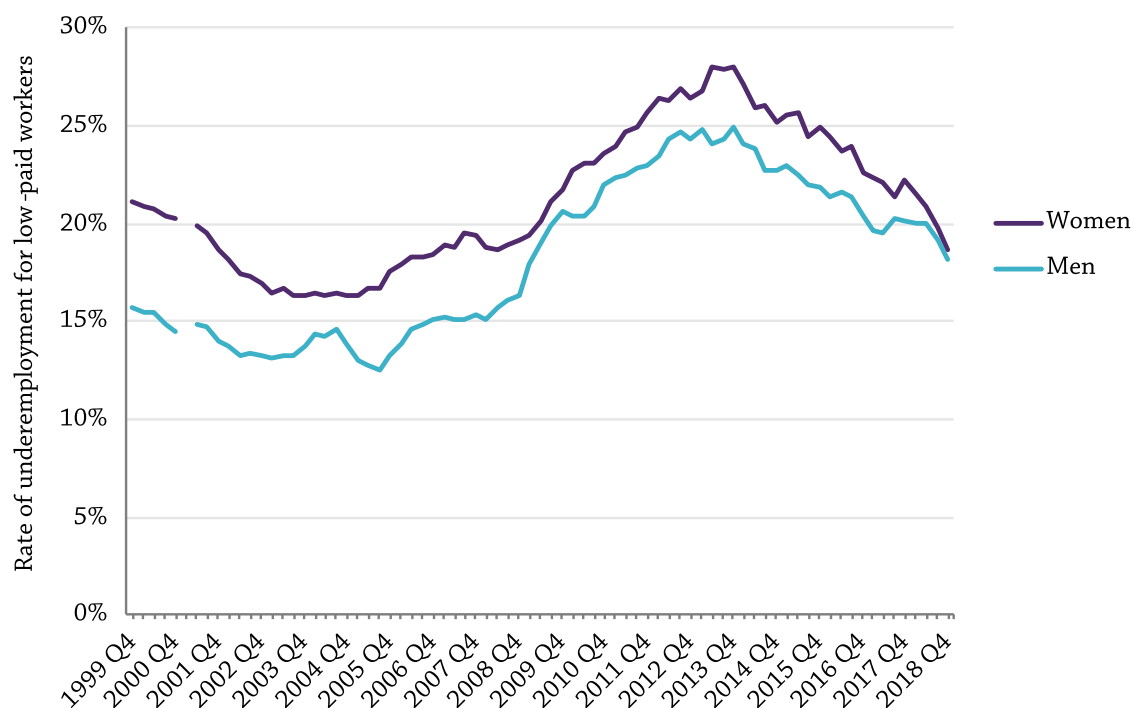
Even when people want and are available to work more hours, it is not always easy to find them. People are said to be underemployed if they would like to work more hours than they do in their current job, including those working part-time despite wanting a full-time job. People in poverty are much more likely to be underemployed, especially if they work part-time. Around 18% of low-paid workers say they would like to work more hours but can't find them, compared with 8% for all workers who are not low paid.

Although, historically, underemployment has been higher for women than for men it is now equally likely for both low-paid men and women and just under a fifth of both low-paid men and women are underemployed. At the peak of the recession more than a quarter of low-paid women reported that they wanted to work more hours than they were able to find to work. Since the recession, the underemployment rate has fallen to a similar level for both low-paid men and women, but for low-paid men this remains considerably above its pre-recession level. This is despite the employment rate being historically high.

#### Key stat

Around 18% of low-paid workers say they would like to work more hours.

## Around a fifth of low-paid men and women would like to work more hours than they can find in the labour market



Source: Labour Force Survey

## Childcare

As discussed above, in-work poverty rates for households with children are higher than for those without children, and among families with children they are higher for single-earner than dual-earner families. Low-income households with children say that the issue of childcare is one of the reasons they are unable to work more hours. As highlighted above, working more hours is an important part of finding a route out of poverty.

Low-paid workers are also more likely to work non-standard hours such as evenings and weekends or have irregular shift patterns than other workers. Finding formal childcare to fit in with these work patterns is much more difficult. For example, more than four-fifths of women working in service sectors such as retail, social care and hospitality work at least some weekends with almost half working most weekends. Research found that low-paid workers use more informal childcare, with the inflexibility of their work patterns and the cost of childcare a large factor in why they don't work more hours (Buenning and Pollmann-Schult, 2016). Due to the inflexibility of their hours and cost of childcare, they rely on informal settings to bridge the gap between their hours and formal childcare options.

Help with childcare has been introduced in different ways at different times within the UK. This has included tax-free childcare and help with childcare through tax credits. In 2010, families of three- to four-year-olds became eligible for 15 free hours of childcare. In 2013, this was expanded to include two-year-olds from families receiving certain benefits. In 2017, the government expanded the free childcare hours to 30 free hours for families of three- to four-year-olds. The scheme allows the childcare to be taken at playgroups, pre-schools, nursery schools, nurseries in primary schools, children's centres or childminders. Since then, there has been a slight increase in the use of formal childcare among households below the poverty line, but it has been no faster than the increase for other households.

For families with young children, working more hours usually means using more childcare. Families on lower incomes use fewer hours of childcare than those on higher incomes. According to a 2018 survey by the Department for Education, children in families earning more than £45,000 a year received, on average, 26.6 government-funded hours a week, while households earning less than £20,000 a year received, on average, 16.9 government-funded hours a week.<sup>15</sup> Finally, most (74%) families earning less than £20,000 a year were using the 15 hours offer only, and the remaining 26% of families were receiving the 30 hours. Families earning more than £45,000 a year were more likely to be using the 30 hours offer. This had not changed from when these families were previously surveyed (2017). Furthermore, once their children reach school age, they rely heavily on informal childcare settings for before and after school care as targeted funding ends.

Help with childcare costs is more generous under Universal Credit than under the previous system. Low-income parents can claim 85% of childcare costs. This still leaves working parents with 15% of the costs to pay, reducing the benefits of working or increasing their hours. The provision of support for 85% of costs is undermined by the requirement for parents to pay childcare fees first and then claim the cost back. Many low-income families cannot afford to make these large payments up front. The system increases barriers to work and the risk of debt (Work and Pensions Select Committee, 2018). The government has extended the length of time parents have to claim back childcare payments to two months, however this does nothing to remove the barriers for families who struggle to afford up-front payments out of extremely stretched budgets. In addition, the amount of support available is capped at £175 a week, a level which has not changed since April 2016. However, childcare costs have risen steeply in recent years; the average nursery fee for under twos in full-time nursery childcare (50 hours) in Great Britain is now £242 a week a child (Coleman and Cottell, 2019).



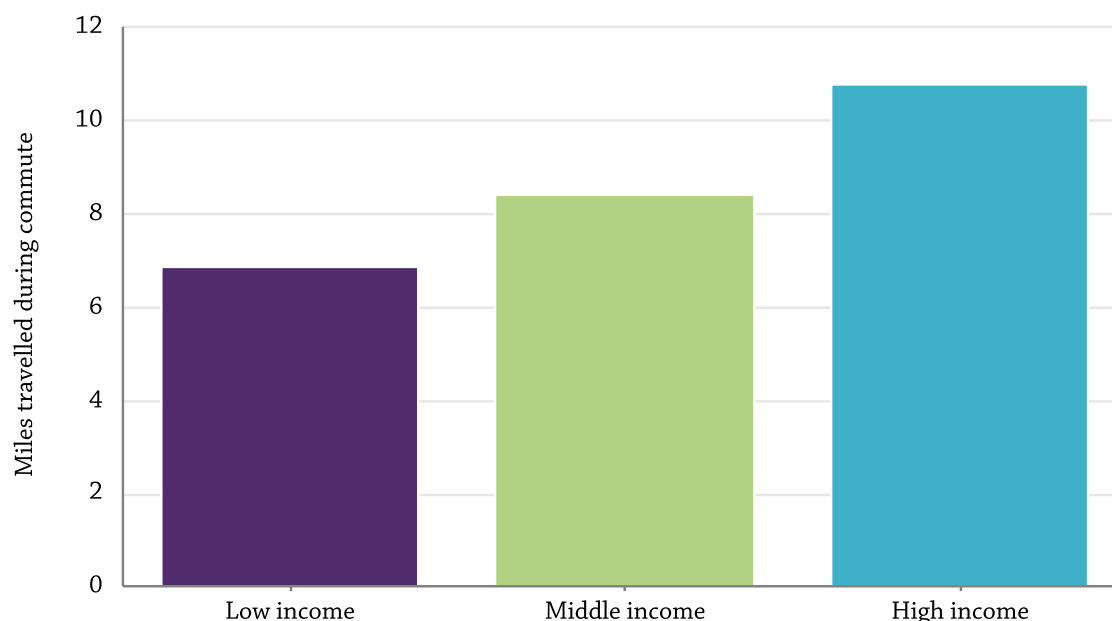
The inflexibility and cost of childcare is a large factor in why low-paid workers don't work more hours. Due to the inflexibility and cost, they rely on informal care to bridge the gap between their hours and formal childcare options. Another aspect of this is transport, which can hold low-paid workers back. If they are unable to travel to better childcare and work options, it can be another barrier for workers in poverty.

## Transport

For low-income families with children, balancing work with childcare often means choosing a short commute. Longer commutes mean higher travel costs and the need to find more childcare, formal or informal. But the need for a shorter commute can restrict the jobs available to workers in low-income families to those near their home. These are often jobs in low-paid service sectors such as retail and hospitality, which also require more work in the evenings and weekends when it is more difficult to find childcare.

Low-income workers (households earning less than £25,000 a year) commute much smaller distances to work than other families. The average commute for a high-income worker (households earning more than £50,000 a year) is one-and-a-half times the average commute for a low-income worker. For low-income lone mothers, the pool of available jobs is even smaller. On average, lone mothers work less than four miles from their home. Compared with mid-income and high-income workers, they have a more constrained supply of available work than any other income group. Most of the trips are five miles or less, with very few travelling more than seven miles. Lone mothers usually travel within a two-mile radius (70% of low-income workers travel within a two-mile radius for work).

## High-income workers commute further to work than low-income workers

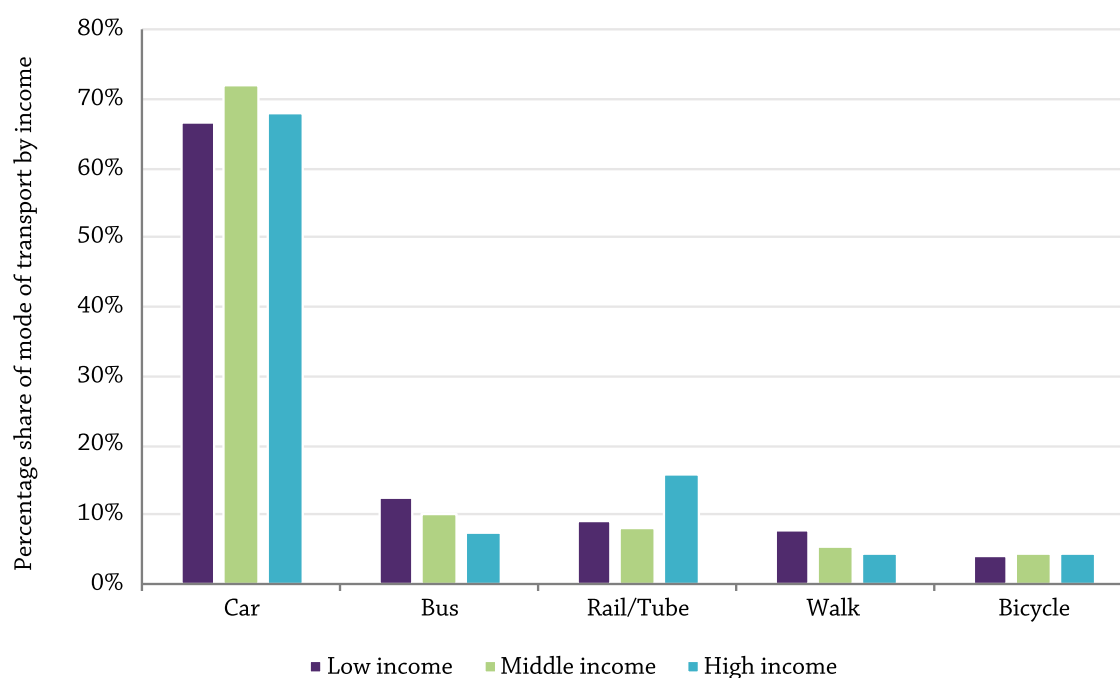


Source: National Travel Survey

Note: In the National Travel Survey, lower household income is defined as earning less than £25,000 a year, middle income is £25,000 – £50,000 a year, and upper income is more than £50,000 a year.

Low-income workers also rely on different forms of transport to other workers. Although low-income workers are slightly less likely to travel to work by car than higher-income earners, it is by far the most common way for low-income workers to commute and two-thirds of low-income workers commute in this way. Reasons for driving short distances are mostly related to unreliability of public transport, or public transport not connecting them to their workplaces from home. The intersection of workplace and childcare/school is also an important factor: lone parents often drive to work so they can pick up their child on time from childcare.<sup>16</sup> Low-income workers are more likely than higher-income workers to take the bus or walk to work, and less likely to commute by train or Tube. Previous work by JRF highlighted the importance of low-cost public transport for returning to work (Crisp et al, 2018). One of our findings in this report, however, is that public transport is all too often seen as something that constrains rather than enables a return to work, because of a lack of affordable and reliable transport that gets people to locations where there is suitable work.

## Low-income workers are less likely to use rail/Tube and more likely to travel to work by bus than high-income workers



Source: National Travel Survey

## What holds people back from moving into a better job?

Being in a low-paid job can often leave someone without the resources they need to support their family. It can also make it harder for that family to move out of poverty. Analysis by the Resolution Foundation has shown that only one in six low-paid workers successfully escaped low pay 10 years later, and working mothers were the least likely to escape low pay.<sup>17</sup>

To understand how people can progress out of poverty and low-paid jobs, JRF conducted analysis to determine the probability of being in poverty. We looked at how the chance of escaping poverty depends on the type of work people do, the sector they work in, their individual characteristics, family type and where they live and work. Here, we report only the factors found to have a statistically significant effect on someone's chances of escaping poverty.

Being in poverty now means someone is much more likely to be in poverty in the future. The chances of someone moving out of poverty also depends on their work status. Full-time workers and workers who increase their working hours are more likely to progress out of poverty, as are those earning a promotion. Those working part-time are least likely to move out of poverty.

It's harder to move out of poverty in some sectors, in particular low-wage service sectors such as retail and hospitality, whereas workers in the civil service or professional services are more likely to move out of poverty. The type of family someone lives in matters too – families with children are more likely to get stuck in or cycle in and out of poverty, and single parents are the most likely to be stuck in poverty.<sup>18</sup>

Our analysis also highlights regional differences in progressing out of poverty through work. For someone with the same life circumstances such as qualifications, wage, and family type, progress out of poverty is more likely if they live in Scotland or Northern Ireland than the rest of the UK, and least likely if they live in London or the North East. Our analysis cannot identify the exact reasons for these regional differences, but part of the explanation is likely to lie in two key differences across regions: the availability of good-quality jobs, and housing costs. For example, it may be that it's harder to progress out of poverty in the North East as it has a higher unemployment rate and lower average earnings than other regions<sup>19</sup>, but it's also more difficult to progress out of poverty in London because higher housing costs mean families struggle to meet their costs even when moving onto higher earnings; housing costs are lower in Scotland and Northern Ireland on average.

**Table 2: Progressing out of poverty is easier for certain groups of workers than others, but increasingly difficult the longer they are in poverty\***

<b>Characteristics making someone more likely to:</b>	<b>Progress out of poverty</b>	<b>Get stuck in or cycle in and out of poverty</b>
Family type	Being a single person, without any children in the household	Being a single mother
Individual characteristics	Not previously being in poverty Having a qualification	Previously being in poverty in the last eight years
Sector	Working in the civil service or other professional services	Working in the accommodation and retail sectors, currently or in the previous eight years
Where people work and live	Scotland or Northern Ireland	London or the North East
Work status	Working full-time, or increasing work hours Earning a promotion	Working part-time

\*All statistically significant

This chapter gives us indications about what is effective or not in stemming the rising tide of in-work poverty. The National Living Wage has increased earnings for the lowest-paid workers, but this isn't enough by itself to loosen poverty's grip. The analysis shows that relaxing the constraints – through ensuring the availability of good, flexible and affordable childcare, and affordable and well-connected transport – that prevent low-income families working more hours would be a good starting point. Opportunities to progress into better-paid jobs wherever people live, action to reduce housing costs and ensuring social security effectively protects working families against the uncertainties of the labour market would also help.



**IN A NEVER-ENDING CIRCLE**

**LOW SELF-ESTEEM**

**ISOLATION**

**A CONSTANT STRUGGLE**

**SOCIAL  
SECURITY**

**ENTRAPPING**

**STIGMATISING**

**NO FINANCIAL CONTROL**



# Social security

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What is social security, what should it be doing and why do we need it? **49**

---

What is available and the poverty rates for each benefit **52**

---

Poverty among disabled people and those with caring responsibilities **53**

---

Disability **54**

---

Carers **60**

---

## What is social security, what should it be doing and why do we need it?

The role of the social security system is partly to prevent destitution and poverty, and partly to level out some of the financial disadvantage people face from their life circumstances. Markets on their own cannot ensure people do not experience poverty for the reasons described below. A successful social security system should support people out of poverty where the market cannot. There are three reasons for this.

### A family's income can be too low to cover its core living costs

One function of the social security system is to replace or supplement the incomes of people who cannot earn enough money through work to meet their core living costs. This could be because of unemployment, low pay or low-quality work; unexpected life events leading to shocks in income or costs (like relationship breakdown or sudden illness); underlying characteristics that may limit earning capacity (like disability and caring responsibilities); and unaffordable core living costs like housing or Council Tax.

Social security benefits that respond to these needs include Universal Credit, Jobseeker's Allowance, Working Tax Credit and Housing Benefit. Such benefits tend to be means-tested, which means only people whose income or savings is below a certain amount can claim them. The size of the payment can also be reflective of need, for example a family might receive more if they have children.<sup>20</sup>

### Market wages cannot be set differently depending on need

Some people have higher core living costs than others. For example, living with a disability costs more, whether that's due to spending extra on transport, needing to make adaptations to your house, or requiring paid-for care (Smith et al, 2004). Similarly, having children is more expensive than not having children because there are extra people in the house who need supporting but who don't contribute to the household's collective income. Market wages cannot be set differently for people depending on need. Examples of benefits that respond in part to greater costs are Child Benefit and Disability Living Allowance. Such benefits aren't meant to provide an advantage to the recipient but rather to attempt to level the playing field. In many cases, they are paid to everyone who meets the criteria regardless of their income but they rarely cover the full costs they relate to.

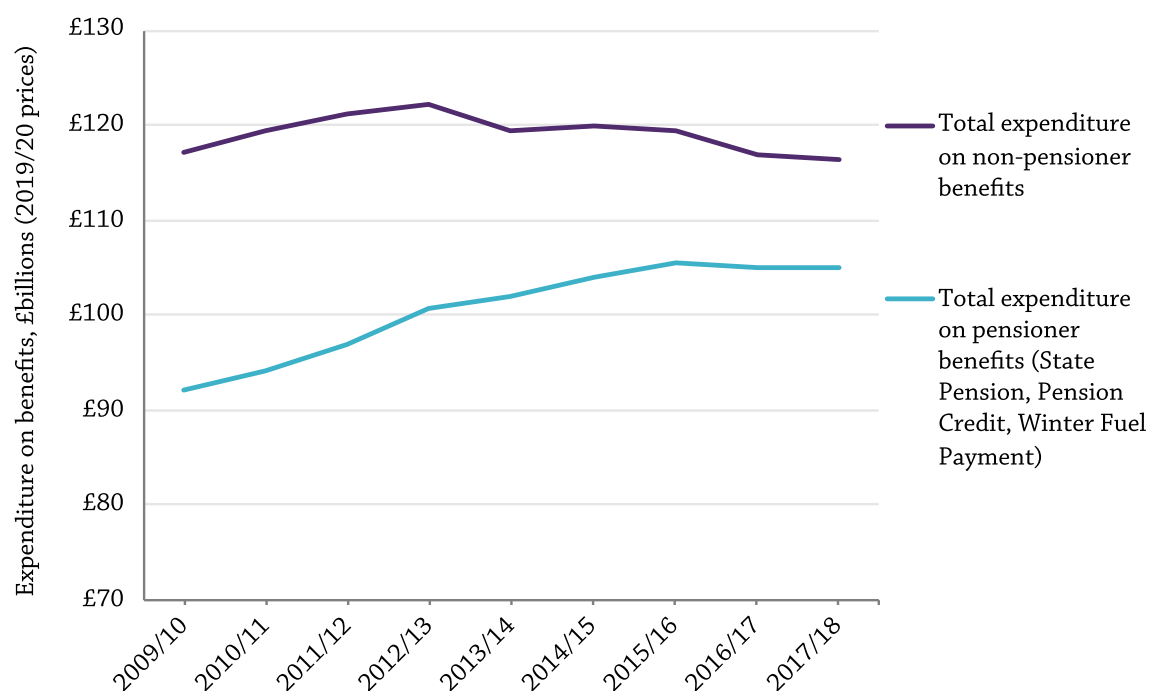
## Difficulties of smoothing income over the life course

During their adult lives, people have known periods of low earnings and high costs. The most common of these are pregnancy, looking after young children and retirement. Examples of benefits that address this are Statutory Maternity Pay or Maternity Allowance and the state pension. This fluctuation of earnings and costs is one reason why, while only about one-fifth of people report receiving one of the UK's main working-age means-tested benefits at any one time, more than half do so over an 18-year period (Roantree and Shaw, 2018).

## The cost of social security and keeping benefits in line with the cost of living

Expenditure on social security across the UK makes up over a quarter of government spending (£220 billion in 2018/19). £100 billion of this is spent on the state pension.

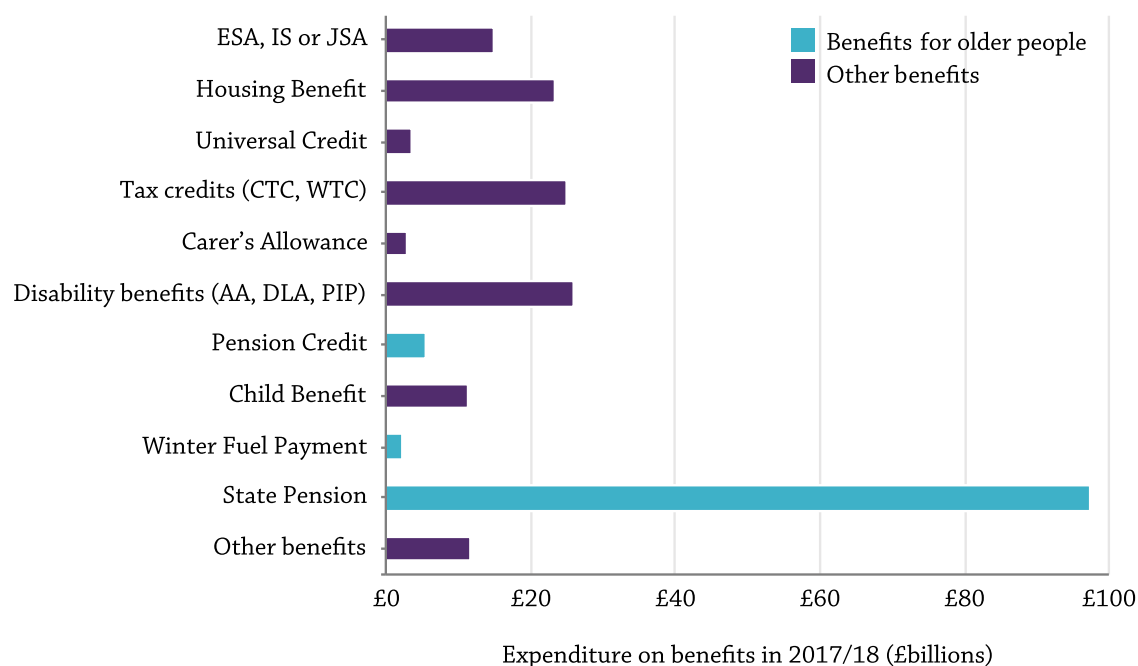
### Government spending on non-pensioner benefits has been on a downward trend since 2012/13\* partly due to benefit cuts



Source: Department for Work and Pensions

\* Council Tax Benefit has been excluded from these figures. This was administered by the DWP until 2012/13 and has now been devolved to local authorities which can largely set their own payment levels and criteria.

## The state pension accounts for a large amount of total government expenditure on benefits



Source: Department for Work and Pensions

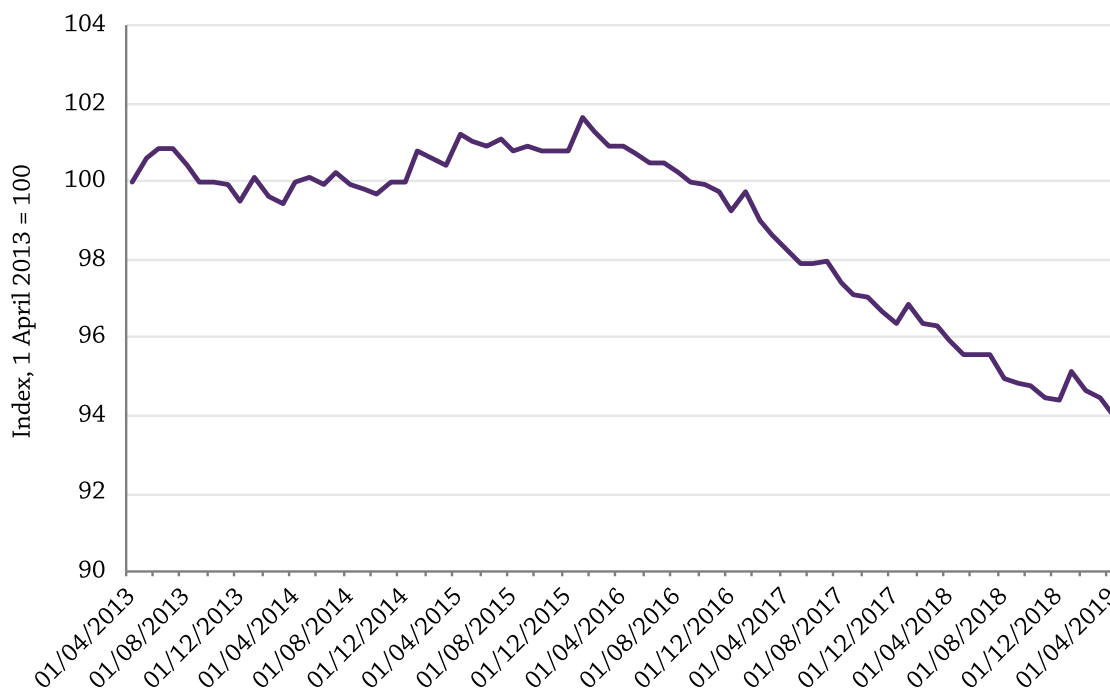
Note: AA = Attendance Allowance, CTC = Child Tax Credit, DLA = Disability Living Allowance, ESA = Employment and Support Allowance, IS = Income Support, JSA = Jobseeker's Allowance, PIP = Personal Independence Payment and WTC = Working Tax Credit.

In April each year, benefit amounts are reconsidered in the light of inflation<sup>21</sup> and are sometimes changed to better reflect the cost of living (a process known as uprating). From the 1980s to 2012/13, many means-tested benefits were uprated in line with the cost of living and inflation rate each year, averaging around 2% between 1992 and 2012. Then for three years they were increased by 1% each year. Since 2016, benefits have not been uprated at all (the 'benefits freeze').

There are some exceptions to this. The state retirement pension is subject to a 'triple-lock' guarantee whereby the amount paid is the higher of three different scales, while some other payments (like the Winter Fuel Payment) have no regular uprating schedule and are only changed occasionally. If a method of uprating succeeds in maintaining the value of benefits (ie if a benefit could buy the same in 2019 as it could in 2013) then the benefit line on the chart below should be brought back to the 100 line each April.

However, as the chart below shows, since 2016, when inflation began to increase after a period where it remained low, the benefit freeze has led to benefits losing their real value year on year. Benefit levels lost 6% of their value between April 2013 and April 2019 purely as a result of the benefits freeze. Uprating of benefits is due to restart in April 2020. For poverty not to automatically increase over time, it's important that this happens.

**The benefit freeze has seen the value of many benefits fall. The same benefit received in 2019 and 2013 is worth around 6% less**

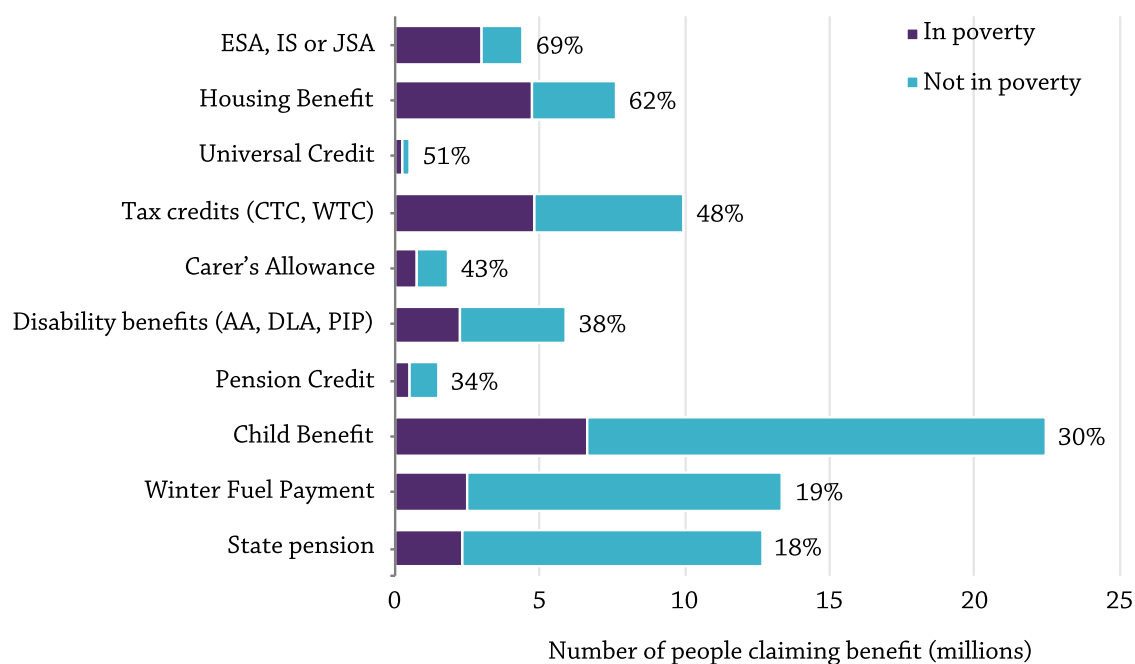


Source: Office for Budget Responsibility

**What is available and the poverty rates for each benefit**

The social security system should play a key role in preventing people entering destitution or long-term poverty. Poverty rates are higher for recipients of means-tested benefits than for the general population. This is partly because recipients of these benefits are, by default, low-income families, but it also demonstrates that the social security system does not help people to escape from poverty or protect them from deep poverty and destitution. The chart below shows the number of people who claimed different benefits in 2017/18 (including the children and immediate family members of claimants) and the percentage of them who are in poverty.

## In 2017/18 the poverty rate was highest among recipients of income-replacement benefits, Housing Benefit and Universal Credit



Source: Households Below Average Income and Family Resources Survey

## Poverty among disabled people and those with caring responsibilities

The analysis above gives an overview of the social security system. It highlights the type of benefits that are available and the impact that they have on poverty, why we have a social security system and what its purpose is, and how different families get different types of benefit. The next two sections focus specifically on two groups: disabled people and adult informal carers. These are groups who are more likely to claim benefits and have higher poverty rates. Future work will explore how social security affects other groups, for example those in work or families with children.

Poverty is based on low household incomes. While poverty rates for those in receipt of benefits are very high, not all benefit recipients are in poverty. Some recipients have other sources of income, receive benefits that are not means tested, or live with other household members whose incomes (in combination with the recipient's income) mean the total household income is above the poverty line.

## Disability

Throughout this section, disability is defined according to the core definition within the Equality Act 2010:

‘a physical or mental impairment which has a substantial and long-term adverse effect on the ability to carry out normal day-to-day activities’.

There are several drivers of poverty for disabled people in the UK:

- Disabled people face higher costs of living (Smith et al, 2004).
- There is a sizeable difference in highest level of qualification between those who are disabled and those who are not: 19% of disabled adults have a degree or above, compared with 35% of non-disabled adults.
- Disability, ill-health and society’s response to these conditions often prevent people from working. For example, disabled people tend to earn less than their non-disabled counterparts even if they have the same qualification levels.

Disability is self-declared in the Family Resources Survey. Difficulties with vision, hearing, mobility, dexterity, stamina, breathing or fatigue are grouped as physical disabilities. Difficulties with learning, memory, mental health and social and behavioural difficulties are classified as mental disabilities.

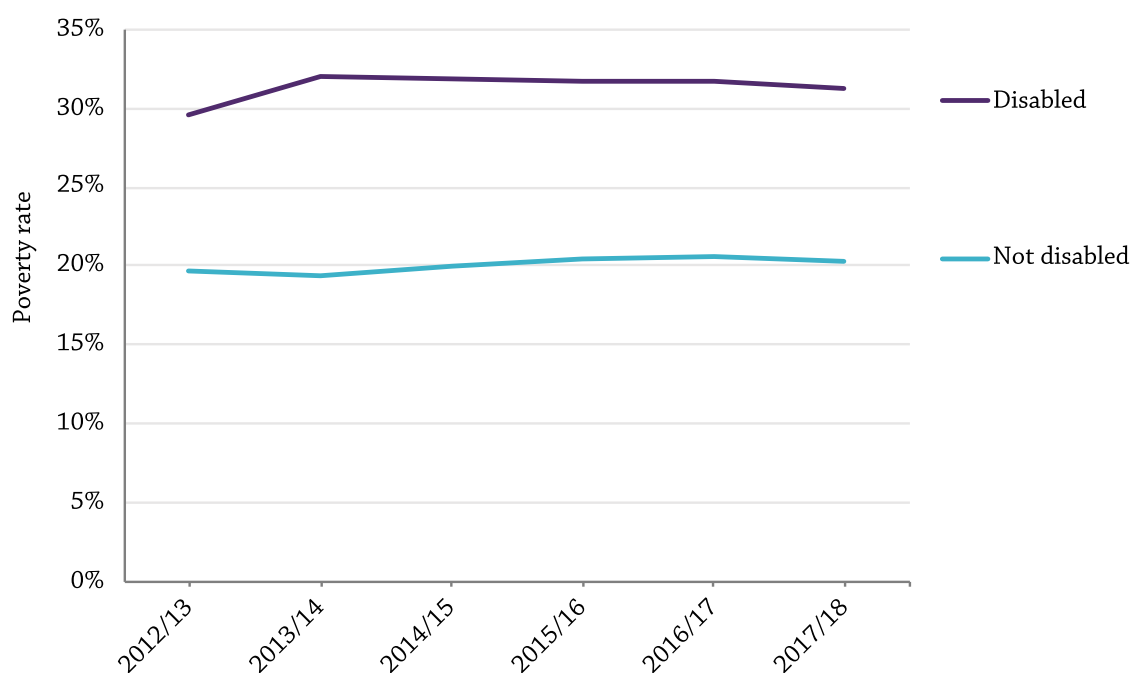
### Disability benefits should not be counted as income

Life is more expensive when you are disabled. To try to help with this, disabled people are eligible for several ‘extra-cost’ benefits (for example, Disability Living Allowance (DLA) and Personal Independence Payment (PIP)). These aim to contribute towards the additional costs associated with being disabled. They are distinct from the benefits that aim to enhance the income of those unable to work for health reasons, so can be claimed whether you are in employment or not.

The relative measure of poverty after housing costs (AHC) used elsewhere in this report includes disability benefits when measuring a family’s income. However, while the data shows the amount a family receives in disability benefits, it doesn’t show the extra costs associated with being disabled. Including disability benefits without accounting for the associated extra costs can therefore lead to a misleading assessment of poverty, which we can see reflected in the rates. The poverty rate for disabled people in 2017/18 was 31% when disability benefits are excluded from income. Including disability benefits in income reduces the poverty rate by 6 percentage points. The discussion around poverty within this chapter excludes disability benefits from income in order to give a more realistic picture of poverty and disability.



## Being disabled increases the likelihood of being in poverty



Source: Family Resources Survey and Households Below Average Income

## Disability increases the risk of poverty

Being disabled puts you at a higher risk of being in poverty. In 2017/18, 31% of the 13 million disabled adults and children in the UK lived in poverty – around four million people. By contrast, the poverty rate among the non-disabled population was 20% in 2017/18. This gap has persisted over time.

Furthermore, an additional 3 million people in poverty who are not themselves disabled live in a household where there is disability. In other words, of the 14 million people who live in poverty, nearly half of them are affected by disability in one way or another.

## Disability is on the increase

The prevalence of disability has increased over the last five years. In 2017/18, 21% of the population had a disability, up from 19% in 2013/14. The prevalence of people with a physical disability has remained stable while there has been an increase in mental disability, particularly among children and working-age adults. There are now 1.6 million more people with a mental disability than in 2012/13.

### Key stat

Four million people with disabilities in the UK are living in poverty.

In total, seven million people in poverty are either disabled or live with a disabled person – nearly half of everyone in poverty.

Exploring disability among the three main age groups reveals several differences. Disability among pensioners is relatively high at 43% in 2017/18; 18% of working-age adults are disabled, while the disability rate for children is 8%.

The poverty gap between disabled and non-disabled people depends on several factors, including age, gender, the type of disability and the disability mix within the family. The size of the gap varies greatly depending on the age of the individual, with the biggest gap for working-age adults. A disabled working-age adult is more than twice as likely to be in poverty as someone who is non-disabled.

**Table 3: Disabled working-age adults have the highest poverty rate**

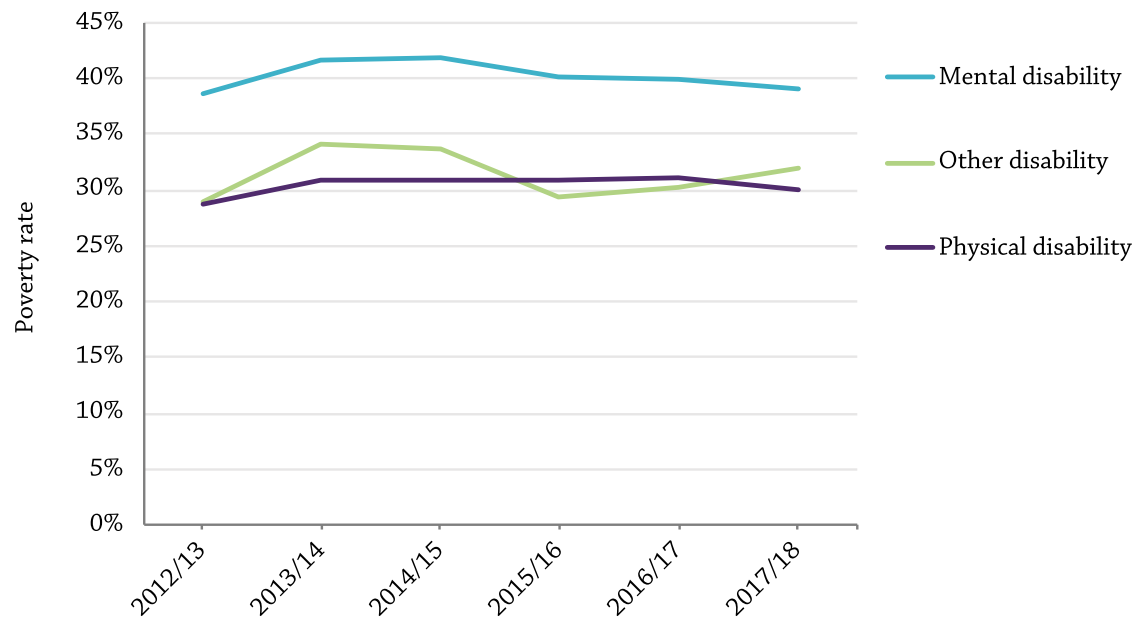
<b>Age group</b>	<b>Whether has a disability</b>	<b>Number of people in poverty</b>	<b>Poverty rate</b>
Child	Disabled	300,000	32%
Child	Not disabled	3,700,000	29%
Working-age adult	Disabled	2,700,000	38%
Working-age adult	Not disabled	5,600,000	18%
Pension-age adult	Disabled	1,100,000	22%
Pension-age adult	Not disabled	1,100,000	16%

Source: Households Below Average Income and Family Resources Survey 2017/18

These differences are more evident when the data is split further by gender. The poverty rate among working-age disabled men is 40%, 24 percentage points higher than those who are not disabled. The poverty rate among working-age women is 36%, 17 percentage points higher than those who are not disabled.

Nearly half of those who are disabled and living in poverty have a mental disability – around 2.1 million people. The poverty rate among those who are mentally disabled is 39%, 9 percentage points higher than those who have a physical disability.

## People with a mental disability have a higher risk of poverty



Source: Households Below Average Income and Family Resources Survey

Note: Where an individual has more than one type of disability, they are counted in all relevant categories.

Poverty is especially high among families with a disabled adult and a disabled child (40%) – more than twice the rate where there is no disability. In families where there is only an adult who is disabled the poverty rate is also high – six million people living in poverty are in a family where there is a disabled adult.

### Table 4: Disability in a family increases poverty

Disability mix within the family	Poverty rate	Number of people
Disabled adult and child	40%	600,000
Disabled adult only	30%	5,400,000
Disabled child only	26%	500,000
No disability	19%	8,100,000

Source: Households Below Average Income and Family Resources Survey 2017/18

## Benefits do not protect disabled people against poverty

A family where at least one person is disabled and receives disability benefits has a much higher risk of being in poverty – 37% compared with 28% of families where at least one person is disabled but in which no one receives disability benefits. While the poverty rate for those not in receipt of disability benefits has remained relatively stable over the past 10 years, the rate for families who are receiving them has steadily increased over the past six years. This might be due to that group having more severe disabilities and also because we don't count disability benefits as income. Those receiving disability benefits have lower employment rates and are more likely to be reliant on other benefits for their income (the real value of which has been eroded by the freeze on benefits), including Employment and Support Allowance (ESA) or Universal Credit. Those who are of working age are particularly at risk: 1.3 million working-age adults who live in a family in receipt of disability benefits live in poverty. A family with a disabled member is three times more likely to claim income-related benefits, although the majority (seven in ten) do not.

**Table 5: A family with disability is more likely to claim income-related benefits**

<b>Income-related benefits</b>	<b>Someone disabled within the family</b>	<b>No-one disabled within the family</b>
In receipt	30%	9%
Not in receipt	70%	91%

Source: Households Below Average Income and Family Resources Survey 2017/18

Around 4.4 million disabled people lived in families receiving income-related benefits in 2017/18; over half of them in poverty. The following groups stand out as being at particular risk:

- people receiving both Housing Benefit and ESA – more than 900,000 in 2017/18; seven in ten of them lived in poverty
- those receiving only ESA – 400,000 people – had a poverty rate of 40%
- disabled pensioners receiving Pension Credit and Housing Benefit – around 500,000; three in ten lived in poverty.

It is not just social security, however, where there are issues for disabled people. The world of work can also compound their experience of poverty.

## Disability and work

Disabled people are less likely to work: 50% of working-age disabled people were not working in 2017/18 compared with 18% of those who were not disabled.

This difference has persisted across the last six years, even though the overall proportion of those who are in work has increased. Worklessness is particularly high for those who have a mental disability, with nearly 2.1 million people with a mental disability not in work (63%).

Disabled people work fewer hours. Of those who are working, 32% work part-time, compared with 20% of the non-disabled population. This gap has persisted over the previous six years. On average, they work 13 fewer hours a week. Disabled people also earn less. In 2017/18, the weekly household income for disabled people was nearly £200 a week less than for those who were not disabled. There are likely to be a number of factors at play here, but this disparity is partly being driven by differences in working patterns. Disabled people are more likely to work part-time than full-time.

**Table 6: Working-age disabled people on average work fewer hours and have lower incomes**

	<b>Disabled</b>	<b>Not disabled</b>
Hours worked per week	17	30
Weekly household income	£404	£593

Source: Households Below Average Income and Family Resources Survey 2017/18

The differences in poverty rate, working status, hours worked and mean weekly income between non-disabled people and disabled people persist across all levels of qualification. Disabled people also tend to have lower qualification levels. Those who are disabled are much less likely to have a degree, and much more likely to have no qualifications at all.

**Table 7: Disabled people have lower levels of qualification**

Highest qualification attained	Disabled	Not disabled
Degree or above	19%	35%
Qualification below degree level	52%	54%
No qualification	29%	11%

Source: Households Below Average Income and Family Resources Survey 2017/18

However, higher levels of qualifications do close some of the gaps between disabled and non-disabled people for hours worked, weekly income and poverty rate. Further to this, a higher level of qualification makes not working much less likely (30% of disabled people with a degree were not working compared with 76% without any qualification). Nevertheless a gap remains; having a degree or higher level narrows the disability poverty gap to six percentage points.

**Table 8: Having a degree-level or above qualification narrows the disability poverty gap**

Highest qualification attained	Disabled poverty rate	Non-disabled poverty rate
Degree or above	17%	11%
Qualification below degree level	31%	19%
No qualification	41%	32%

Source: Households Below Average Income and Family Resources Survey 2017/18

The figures above show that disability increases poverty risk for families. Another feature of families with a disabled person is they often also include an informal carer. The next section looks in detail at the living standards of carers.

## Carers

There were nearly 4.5 million informal adult carers<sup>22</sup> in the UK in 2017/18, around 7% of the population. An informal carer is defined as someone providing informal help and support (that is, not in a professional capacity) to someone for disability or health reasons, either inside or outside of the family. More than half of them were women and three-quarters were of working age. The overall proportion of carers among the adult population has declined slightly over recent years, with this decline persisting across gender and age group. Carer prevalence is at its highest among working-age adults in their 50s and early 60s, who are twice as likely to be carers as younger adults.

### Key stat

Of the nearly 4.5 million informal adult carers in the UK almost a quarter are living in poverty.

**Table 9: The largest group of carers is working-age females**

<b>Age group</b>	<b>Gender</b>	<b>Number of people</b>
Working age	Female	2,000,000
Working age	Male	1,300,000
Pension age	Female	600,000
Pension age	Male	500,000
<b>Total</b>		<b>4,400,000</b>

Source: Households Below Average Income and Family Resources Survey 2017/18

## Most carers look after someone outside of the family

Note, the definition of a family here is in line with the benefit system, for example, a family is a single adult, or married or cohabiting couple plus any dependent children. This means, for example, that someone caring for an elderly parent would be counted as caring for someone outside the immediate family.

For every hundred carers:

- 69 are caring for someone outside of the family
- 28 are caring for someone within the family
- three have care responsibilities both within and outside of the family.

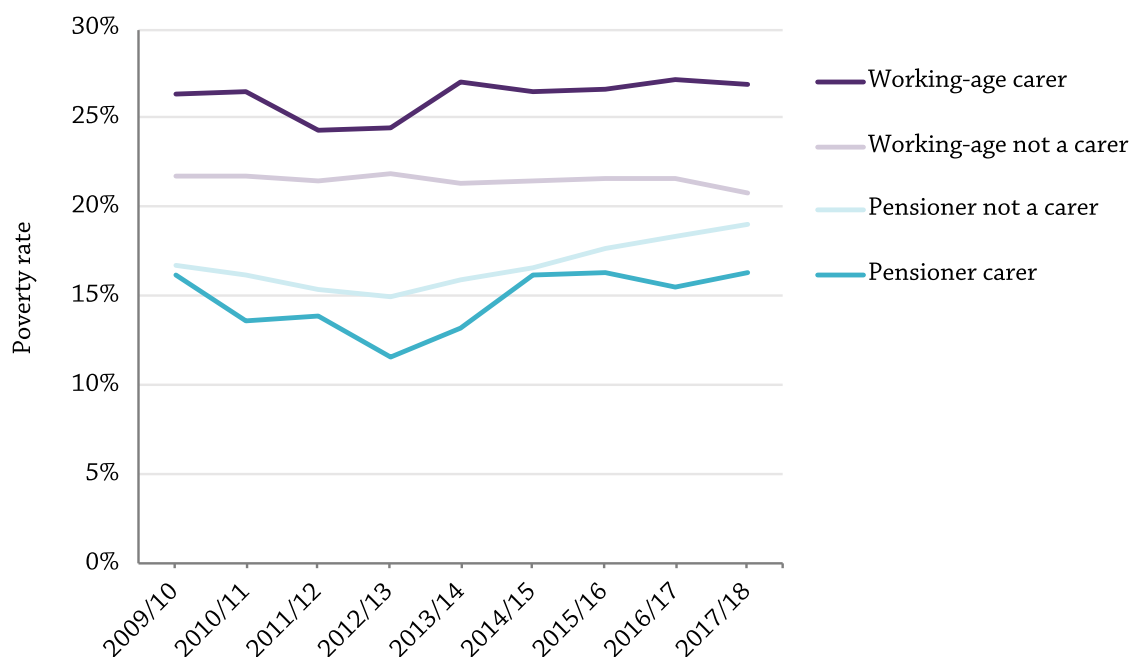
Around 70% of those caring within the family tend to be caring for other adults and the rest are caring for disabled children (apart from a small proportion of less than 1% that are caring for both adults and children). The vast majority of those cared for outside of the family are either relatives or other adults (85% in all).

## Being a carer increases the likelihood of poverty

Nearly a quarter of all informal carers were living in poverty in 2017/18 – more than a million people. The poverty gap between carers and non-carers has persisted in the last 10 years, with working-age carers constantly at a higher risk of poverty than their counterparts who are not carers. For pensioners the picture differs; poverty overall for carers is lower than for those who are not.



### The poverty gap between carers and non-carers has persisted over the last 10 years



Source: Households Below Average Income and Family Resources Survey

Poverty among carers varies depending on age and gender. Carers of working age have a higher poverty rate than those who have no caring responsibilities, and although women of working age have the greatest risk of poverty of all, the risk for working-age male carers is close behind: more than a quarter of male working-age carers and female working-age carers live in poverty.

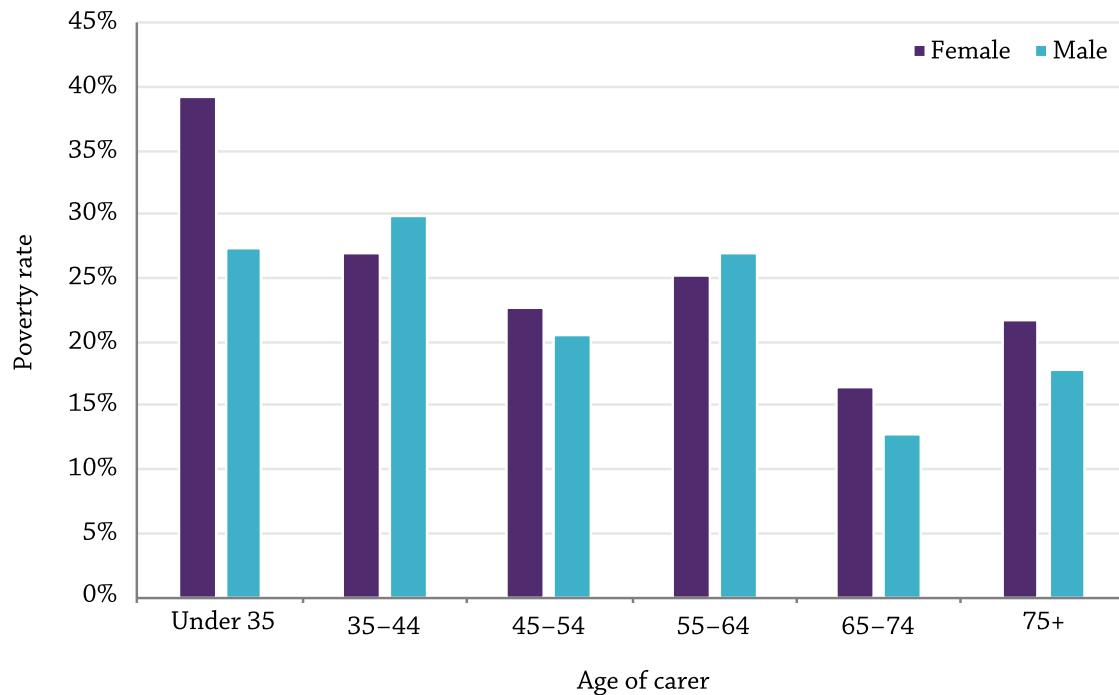
**Table 10: Female carers of working age have the highest risk of poverty**

Gender	Working age		Pensioners	
	Carer	Not a carer	Carer	Not a carer
Female	28%	21%	17%	20%
Male	26%	20%	15%	17%

Source: Households Below Average Income and Family Resources Survey 2017/18

Younger carers (under 35) have higher rates of poverty than older carers. There is also a marked gap between men and women, with nearly four in ten young female carers living in poverty. The gap between the two genders closes for older carers.

## Young female carers have the highest poverty rate

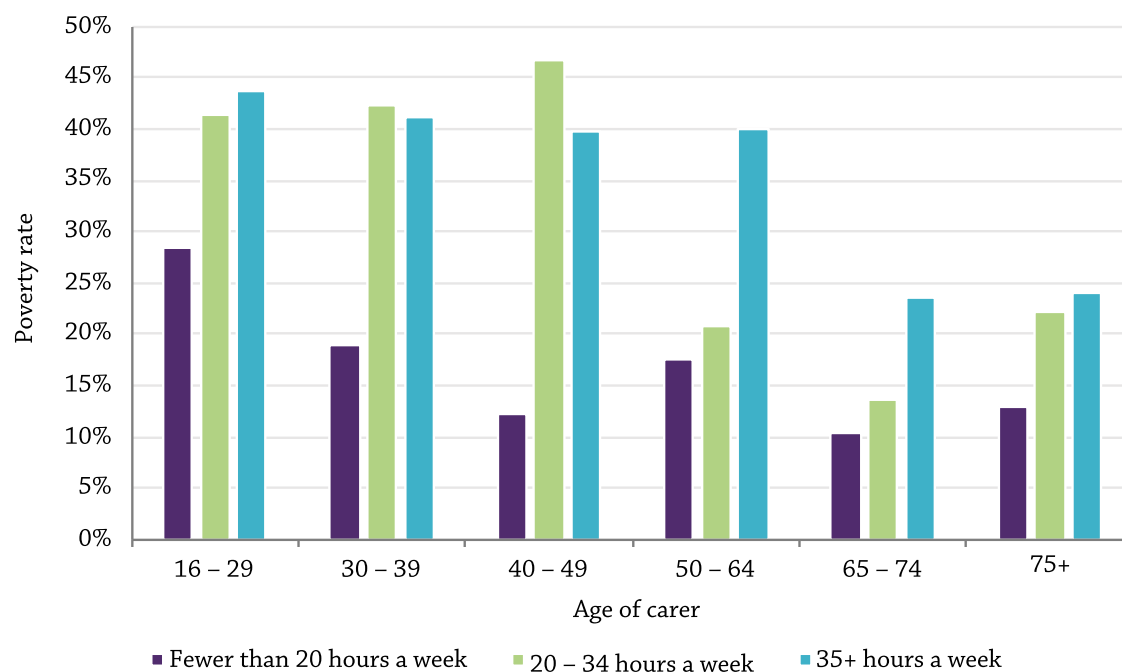


Source: Households Below Average Income and Family Resources Survey

The amount of time spent caring is, unsurprisingly, another driver for poverty. Those who have a higher caring responsibility have a higher poverty rate; this is particularly true for those who are of working age.

Those who care for 20 hours or more a week have a notably higher risk of being in poverty than those who care for fewer than 20 hours. There are also differences between those who care for between 20 and 34 hours a week, and those who care for 35 hours or more a week. Those who care for 35+ hours a week are eligible to claim Carer's Allowance but those caring for between 20 and 34 hours a week are not eligible yet may still find their ability to work or the hours they can work compromised by their caring responsibilities.

### For most age groups, the more hours you care the higher your risk of poverty



Source: Households Below Average Income and Family Resources Survey

### Carers and their families

Poverty is higher among families where there is at least one carer, with just over one in four such families living in poverty. The gap is particularly large for couples without children; where there is at least one carer, the poverty rate is double that for the same family type without a carer.

**Table 11: Poverty is higher among families where someone is a carer**

	At least one carer	No carers
Couple with children	30%	22%
Couple without children	24%	12%
Lone parent	45%	46%
Pensioner couple	18%	15%
Pensioner single	17%	25%
Single without children	34%	25%
All family types	27%	22%

Source: Households Below Average Income and Family Resources Survey 2017/18

Those caring for someone inside the family are more likely to be in poverty than those caring for someone outside the family. For all adults the gap is 14 percentage points. In these families, issues of caring and disability interact. This gap persists for all age groups and for both men and women.

**Table 12: Caring for someone within the family greatly increases the likelihood of poverty**

	<b>Cares for someone inside the family</b>	<b>Cares only for someone outside the family</b>
<b>Female</b>		
Working-age adult	40%	24%
Pension-age adult	24%	14%
<b>Male</b>		
Working-age adult	40%	20%
Pension-age adult	21%	8%
<b>All adults</b>	<b>34%</b>	<b>20%</b>

Source: Households Below Average Income and Family Resources Survey 2017/18

Note: Those caring both for someone inside the family and outside the family are included in the first column

Nearly half of all carers are looking after relatives outside of the immediate family. Around 400,000 of them (20%) live in poverty. Poverty is particularly high within families where there are adults cared for, with more than one-third living in poverty.

The inability to work is the key driver for poverty among carers. In 2017/18, some 36% of working-age carers were not in work, compared with 23% of non-carers. This gap persists across both men and women and all ages from 25 to 64 and has grown over the last six years.

Those who care 35+ hours a week are three times less likely to be working as those caring fewer than 20 hours a week. Carers work, on average, seven hours fewer a week than those who do not provide care. Weekly household income is £100 a week less for carers.

**Table 13: Carers work fewer hours and have lower incomes**

<b>Whether a carer</b>	<b>Hours cared</b>	<b>Mean weekly hours worked</b>	<b>Mean weekly household income</b>
No		28	£567
Yes	Less than 20 hours a week	27	£553
Yes	20–34 hours a week	21	£477
Yes	35+ hours a week	11	£335

Source: Households Below Average Income and Family Resources Survey 2017/18

This section shows clearly that being a carer increases the poverty risk for families. This, combined with the fact that many carers are caring for disabled family members (who themselves also increase the poverty risk for their families) makes the importance of understanding what is going on in this sector and how best we support carers paramount.



Housing case workers are not trained properly and often not empathetic or compassionate.

**DISCRIMINATION**

**STUCK UNVALUED  
VICTIMISED**

**NO ALTERNATIVE**

**HOUSING**

**ISOLATED CONSTRAINED**

**EVICTED WITH NO NOTICE**

**HAVE TO FIGHT FOR EVERYTHING**

Returning to destructive abusive relationships as the alternative (total inability to afford to survive with your child) is worse.



# Housing

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Introduction	<b>69</b>
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---

Trends in tenure	<b>69</b>
------------------	-----------

---

How can housing tenure affect poverty levels?	<b>73</b>
---	-----------

---

Private renters	<b>74</b>
-----------------	-----------

---

Social renters	<b>79</b>
----------------	-----------

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Concealed households	<b>81</b>
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## Introduction

- Since the year 2000, the private rented sector has doubled in size and an increasing proportion of households who are locked in poverty live in the sector.
- Many have lost out on Local Housing Allowance, the benefit designed to protect households in poverty in the private rented sector from high housing costs.
- The long-term shrinkage of the social housing sector through Right to Buy, and the lack of political and economic will to build enough to meet demand, have led to a shortage of genuinely affordable housing for households in poverty.
- Housing costs in the social sector have also increased steadily since 2002, and even when Housing Benefit is considered, rents in this sector are now unaffordable in many areas.
- In addition, some social sector tenants have also had their Housing Benefit reduced through the introduction of policies such as the under-occupation penalty (often referred to as the bedroom tax).

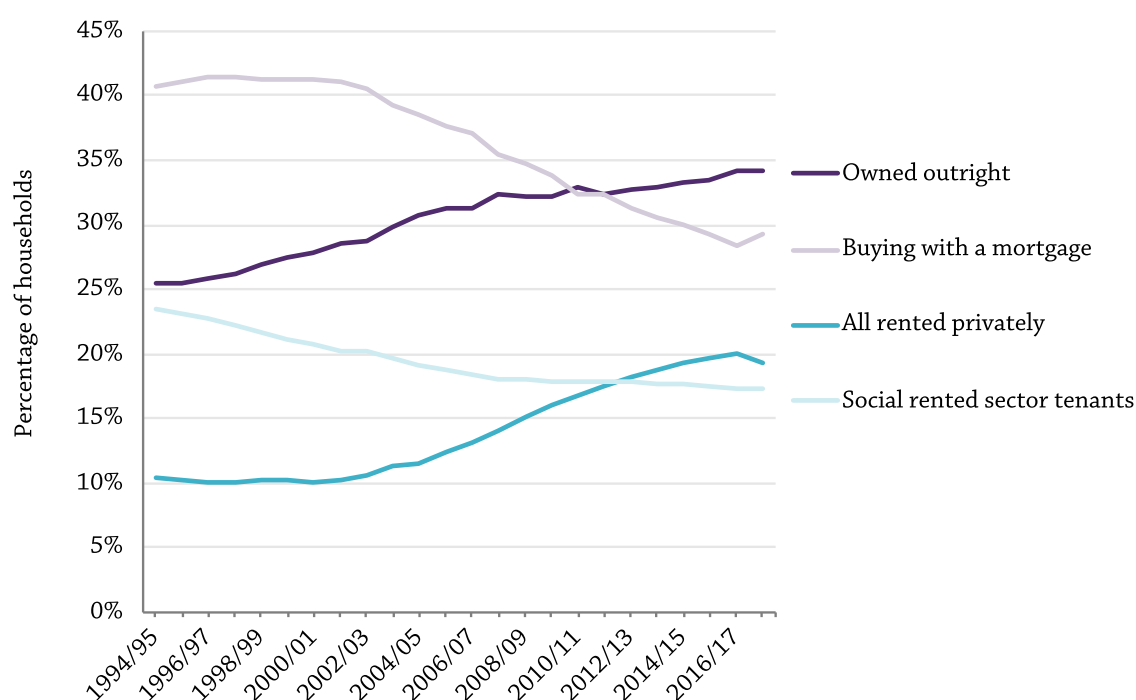
The pattern of housing tenure in the UK has changed considerably over the last 20 years, and this has affected housing costs for households in poverty. This chapter looks at how trends in tenure and housing costs are related to poverty, focusing on households on low incomes who rent in the private and social rented sectors, two tenures where housing costs have risen significantly since 2000/01. Conversely, average housing costs for those paying a mortgage and outright owners were at similar levels in 2017/18 compared with 2000/01.

## Trends in tenure

Home-ownership as a whole across the UK peaked around the year 2000, but steadily decreased from then to 2016/17 (Resolution Foundation, 2019) partly due to reduced access to mortgage finance for lower-income households following the recession. In contrast, the private rented sector has grown significantly during this period, doubling in size between 2001/02 and 2017/18. Meanwhile, the social housing sector has continued to shrink through policies such as the Right to Buy introduced in 1980,<sup>23</sup> which contributed to the growth of home-ownership and reduced council-owned housing, and a failure to build an adequate supply to replace lost stock and to meet new demand.

Data on housing stock for the last four decades shows that council-owned housing reduced from 30% of total housing stock in 1981 to less than 8% in 2017 across Great Britain as a whole.<sup>24</sup> The growth in social housing owned and managed by other providers such as housing associations has been modest, and building of social housing has been limited. This means the social housing sector has continued to decrease overall. Around 17% of households lived in social housing in 2017/18 compared with 23% in 1994/95, yet more low-rent, affordable and secure housing is needed if we are to prevent housing costs pulling more households into poverty.

### Home-buying is declining and private renting is increasing

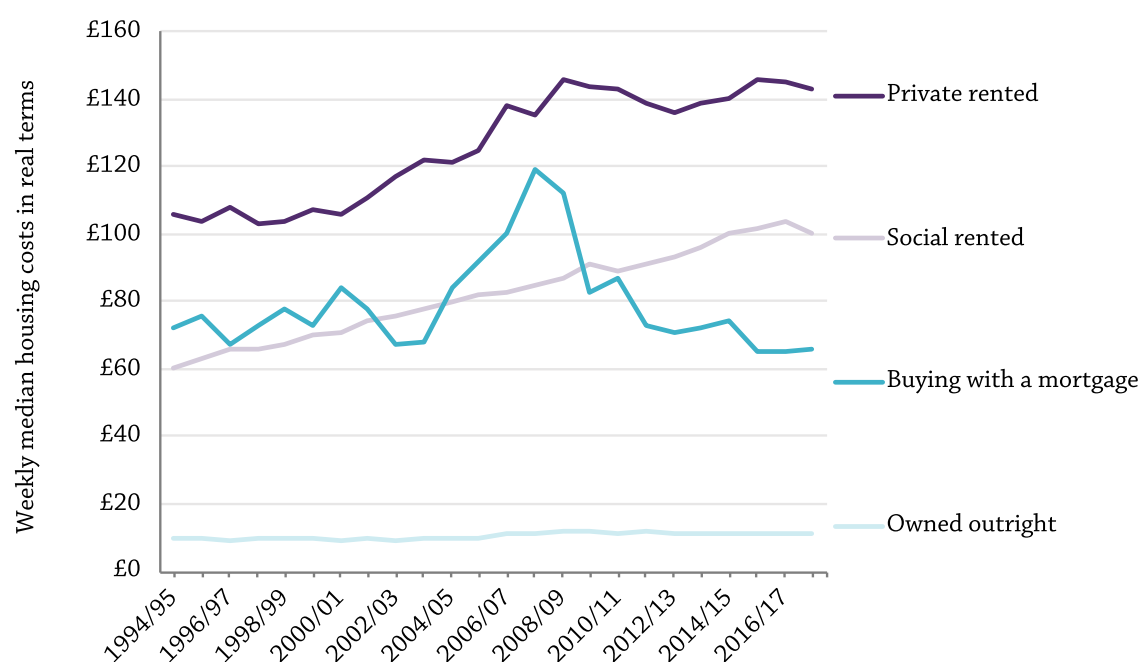


Source: Households Below Average Income

This decrease in the availability of social housing has led to a shortage of genuinely affordable rented housing for households in poverty who cannot get mortgage finance or afford to buy a home. This means a record number of families with children and pensioners are now burdened with higher housing costs in the private rented sector. This has important implications for poverty. The private rented sector also offers far less security of tenure than social housing and moving more frequently is disruptive to family/household stability and support networks (Clarke et al, 2017). For example, more than half (52%) of the private renters surveyed for the English Housing Survey 2016/17 had been living in their property for less than a year, compared with only 21% of social renters (and 26% of owner-occupiers).

The chart below shows how housing costs have changed among households in poverty over time after accounting for inflation. Housing costs have consistently been highest, on average, for households in poverty in the private rented sector. Median private rents rose as the sector grew from 2001/02 to around 2008/09. The doubling in size of the private rented sector in the UK means twice as many households who rent privately have been affected by these high housing costs, particularly in areas of high housing demand such as London, the South East and most UK cities.

### Private renters have the highest housing costs among households trapped in poverty



Source: Households Below Average Income

Once a household in poverty moves into the private sector, they are often trapped in poverty. Private rents, set in relation to the housing markets, are unaffordable for many households in poverty while also constraining the ability of households to save money, with families committing a large proportion of their household budgets to rent and other essential housing costs.

Many private landlords also require advance deposits of hundreds of pounds. Since the Tenant Fees Act came into force in June 2019, deposits have been capped at five weeks' rent.<sup>25</sup> However, this can still act as a barrier to entry into the private rented sector for low-income households. It can also make moving unexpectedly additionally financially burdensome (Croucher et al, 2018).

**Key stat**

Around 19% of households are privately renting compared with 10% 20 years previously – a third of this group are in poverty.

In addition, rent increases are unregulated in England and Wales, meaning a landlord can increase rent by any amount and with no limits on the frequency of increases once any initial contractual term has ended. Many households find this spectre of rent increases daunting and unpredictable. They can also be a source of risk for people in poverty, as an increase in rent may mean a household has to move if the new rent is unaffordable, while the sense of insecurity this creates can impact on the wellbeing of renters on low incomes (Croucher et al, 2018).

Private sector tenancies in England, Wales and Northern Ireland are also legally insecure.<sup>26</sup> Private sector tenancies were deregulated in 1988, which introduced assured/assured shorthold tenancies, the main tenancy type used in the private sector today. These tenancies, which may only last for six months, are far less secure than previously. As noted above, there is no regulation or predictability to rent increases and tenants can be served a notice to quit for no reason.

Private renters, who move more often than social renters, also incur the costs of frequently moving house and risk losing rental deposits. This legal insecurity can feed into a wider insecurity, which may undermine their ability to 'feel at home' and their willingness to invest in their home and local community.<sup>27</sup> For renters with children, this can cause particularly acute problems, such as having to move children out of school and other supportive social networks.<sup>28</sup>

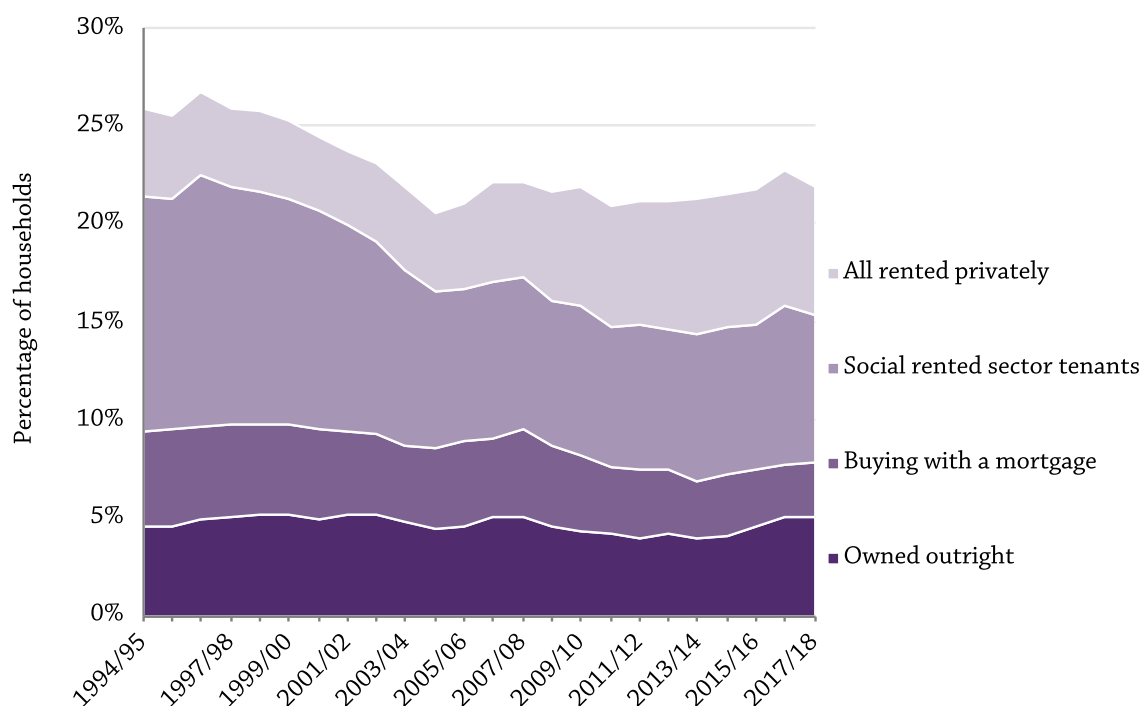
The chart above shows that mortgage costs rose steeply from 2003/04 until the start of the Great Recession in 2007/08 and then dropped again. Overall, mortgage costs are now relatively low due to low interest rates. However, far fewer lower-income households are now able to get mortgage finance (ONS, 2019) to buy their own homes following the financial crash, which limits routes out of private renting.

Some of the households trapped in deep, long-term poverty live in the social rented sector where there has been a sustained increase in rents over the last 20 years (Wilson, 2019), although in the 2015 Summer Budget, it was announced that rents in social housing in England would be reduced by 1% a year for four years. This started in April 2017. As we might expect, outright home-owners have by far the lowest housing costs on average compared with other tenures. Most outright owners are pensioners but many still have problems affording associated repair and heating costs.<sup>29</sup>

## How can housing tenure affect poverty levels?

The chart below shows how people in poverty are distributed across the different housing tenures.

### Social rented sector households are the largest tenure group in poverty



Source: Households Below Average Income

This chart shows two distinct phases either side of the dip in 2004/05: first a gradual decrease in how many individuals were in poverty from about 1996/97 to 2004/05, followed by a broad flattening off from 2004/05. The first phase – one of decline – arose from a decrease in poverty among tenants in social rented housing.<sup>30</sup> The second phase resulted from the growing number of people living in poverty in the private rented sector, which halted the decline.

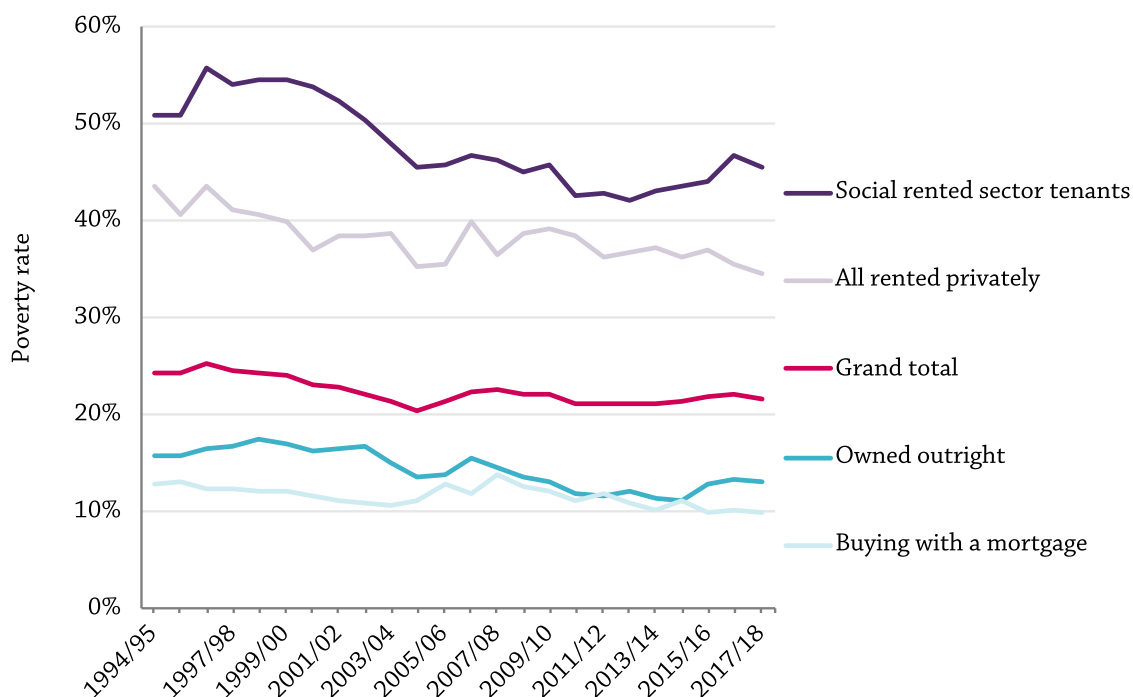
The chart below shows the proportion of people in poverty for each housing tenure rather than the composition of the overall percentage. Looking at the second phase since 2004/05, not much change can be seen among the different tenures. Poverty rates by tenure in 2017/18 were very similar to 2004/05. Around 35% of individuals in the private rented sector, and around 45% of people in social rented housing, were in poverty at both times and this means the composition not the risk is the issue.

**Key stat**

Around 17% of households live in social housing compared with 23% 20 years ago – almost half of this group are in poverty.



## Individuals in the social and private rented sectors have the highest rates of poverty



Source: Households Below Average Income

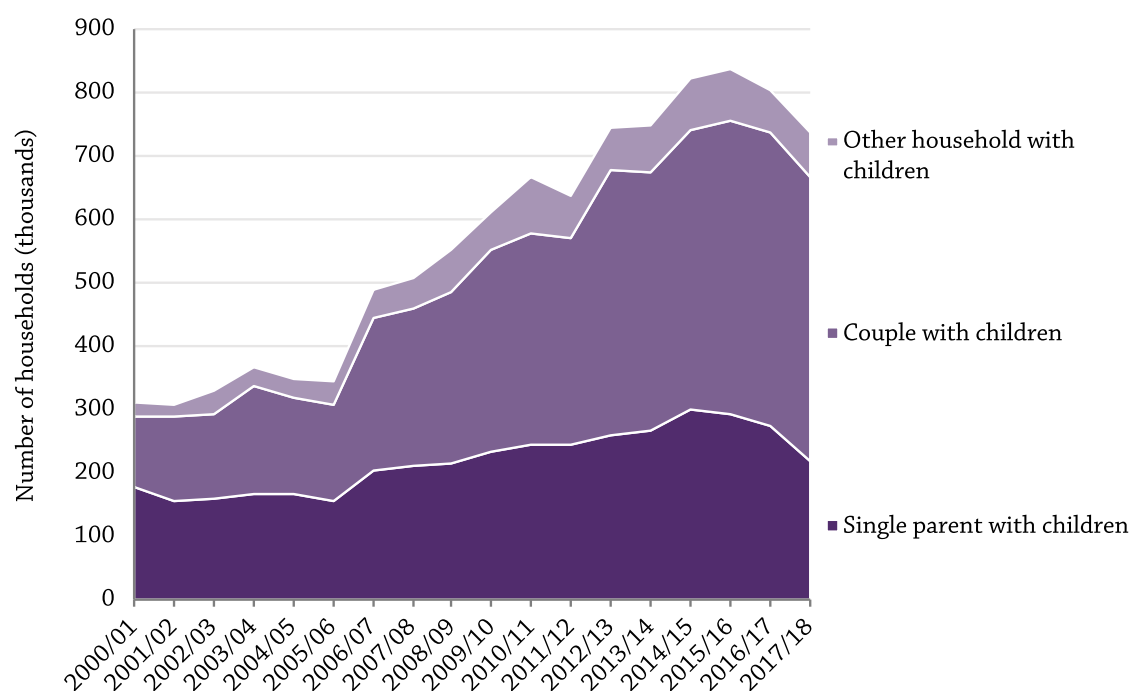
Different patterns of tenure change have also driven different poverty rates across the devolved nations. For example, the higher proportion of people in poverty living in social housing in Scotland who pay lower rents partly explains the lower Scottish poverty rate (Congreve, 2019). In Northern Ireland, generally lower housing costs and a higher rate of homes owned outright by older households may contribute to the lower poverty rate there.

## Private renters

### Private renters: working-age families

The chart below shows the rapid growth in the number of families with children in poverty living in the private rented sector from 2005/06 to 2015/16. By 2016/17, more than four times the number of couple-parent families rented in the private sector (more than 460,000) than in 2000/01.

## Increasing numbers of households in poverty with children now rent privately



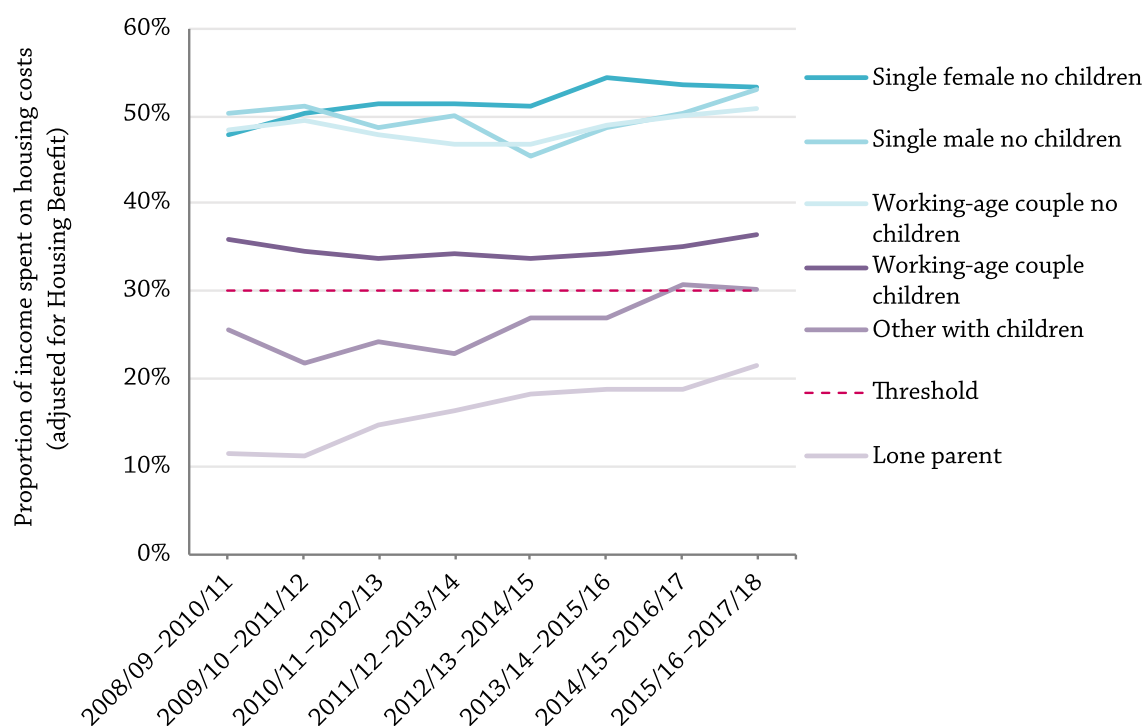
Source: Households Below Average Income

A further factor contributing to the rise in families paying high market rents in the private rented sector has been the introduction of the Localism Act in 2011.<sup>31</sup> This gives local authorities the power to discharge their legal duty to rehouse homeless families by offering a property in the private-rented sector with a 12-month tenancy.

The chart below shows how much of a household's income is taken up by private sector housing costs for households in poverty. This is a commonly used measure internationally of how 'affordable' housing is. Housing costs of more than 30% of household income are generally judged to be unaffordable, though this is a rule of thumb rather than being based on evidence about what is affordable in the long-term or not.

Housing Benefit has been deducted from both incomes and housing costs in the method used to create the chart below. This allows us to see the true burden of rent and other housing costs on income from earnings, state pension or disability and other benefits. Using this method, however, private sector rents appear to be affordable to single-parent families despite their high poverty rates (although their affordability is worsening) as they are more likely to be in receipt of Housing Benefit to help with housing costs. Their income may still be much too low to avoid poverty – it is just that much or all of their housing costs are paid by benefits.

## Households in poverty without children live in less affordable private rented housing



Source: Households Below Average Income

A raft of changes to social security policy have been under way since around 2010, which affect the findings in the above chart. This includes a series of caps and freezes to Local Housing Allowance (LHA), a benefit for privately renting tenants which varies depending on where you live. In the past, the maximum amount of LHA a household could claim was set at the median (50th percentile point) rent for that area. In 2011, the maximum was reduced and became payable only up to the 30th percentile point for local market rents, so it would only pay rent for the cheapest 30% of rental properties. In 2014 and 2015, annual rises in LHA were capped at 1% and in 2016 LHA was frozen for four years.<sup>32</sup> In addition, in 2012 the 'shared accommodation rate' for single people was extended from age 25 to 35.<sup>33</sup>

Research carried out by Crisis and the Chartered Institute of Housing in 2018 has shown that underinvestment in Local Housing Allowance rates mean that 92% of areas in Great Britain were unaffordable to single people or a couple or a small family in 2018/19.

There is also evidence that households dependent on benefits face discrimination by landlords in the private rented sector<sup>34</sup> with some suggestion that this has worsened due to the roll-out of Universal Credit (Simcock and Kaehne, 2019). It is likely that these further constraints on LHA have made private rented sector housing unaffordable and inaccessible for many workless households.<sup>35</sup>

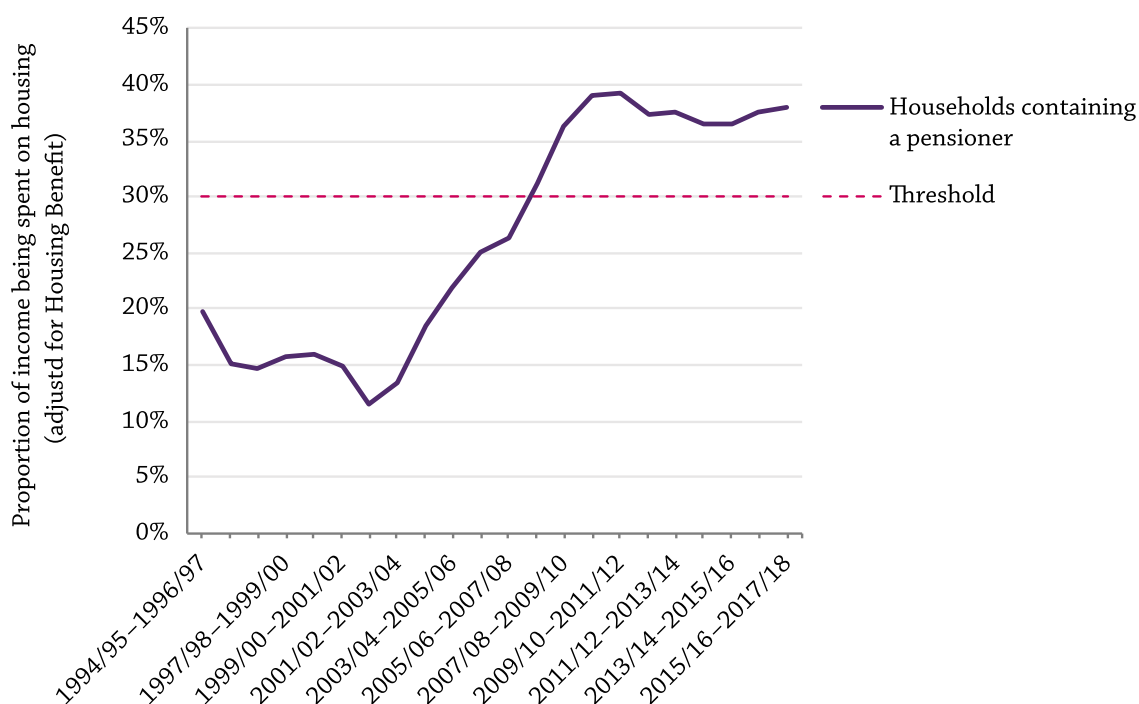
## Private renters: pensioners

The UK has an ageing population and the proportion of pensioner households is increasing at a faster rate than other groups. Around one in six people were aged 65 or over in 1998, but this had increased to one in five by 2018.

As women live longer, and older people are more likely to be bereaved and single the older they are, more single pensioners are women than men. They also have lower lifetime earnings and so are likely to be poorer than men on average.

An estimated 380,000 households in England headed by someone aged 65 or over were living in the private rented sector in 2017/18. For the UK, around 7% of pensioner households lived in the private rented sector. This was roughly the same in 2017/18 as it was 10 years earlier. However, the percentage of pensioners who are privately renting and are in poverty has increased from 30% to 35% and this is likely to be because of rising rents that Housing Benefit is not keeping up with, especially as the poverty rate for privately renting pensioners before housing costs fell over the same period.

### Private sector renting is unaffordable for pensioner households in poverty (the proportion of income spent on rent is after adjusting for Housing Benefit)



Source: Households Below Average Income

The chart above shows that private rented sector housing is increasingly unaffordable for pensioner households in poverty.

While some of the increase might be due to household composition changes while pensioner poverty was reducing rapidly in the early 2000s, there is evidence that the constraints on LHA for private rents mean pensioners are having to use state pension or disability benefits to cover their rent (Arthur et al, 2018).

It is noteworthy therefore that a small proportion of people aged 65 or over who live in the private rented sector are not yet retired and may be obliged to continue working past retirement age in order to pay rent or a mortgage.

**Table 14: Around a fifth of households headed by someone aged 65 or over are renting**

	<b>Own outright</b>	<b>Buying with mortgage</b>	<b>Private renters</b>	<b>All social renters</b>
Household reference person (HRP)				
Aged 65 or over	74.6	4.1	5.1	16.2
Economic status of HRP				
Retired	74.2	4.4	5.6	15.8

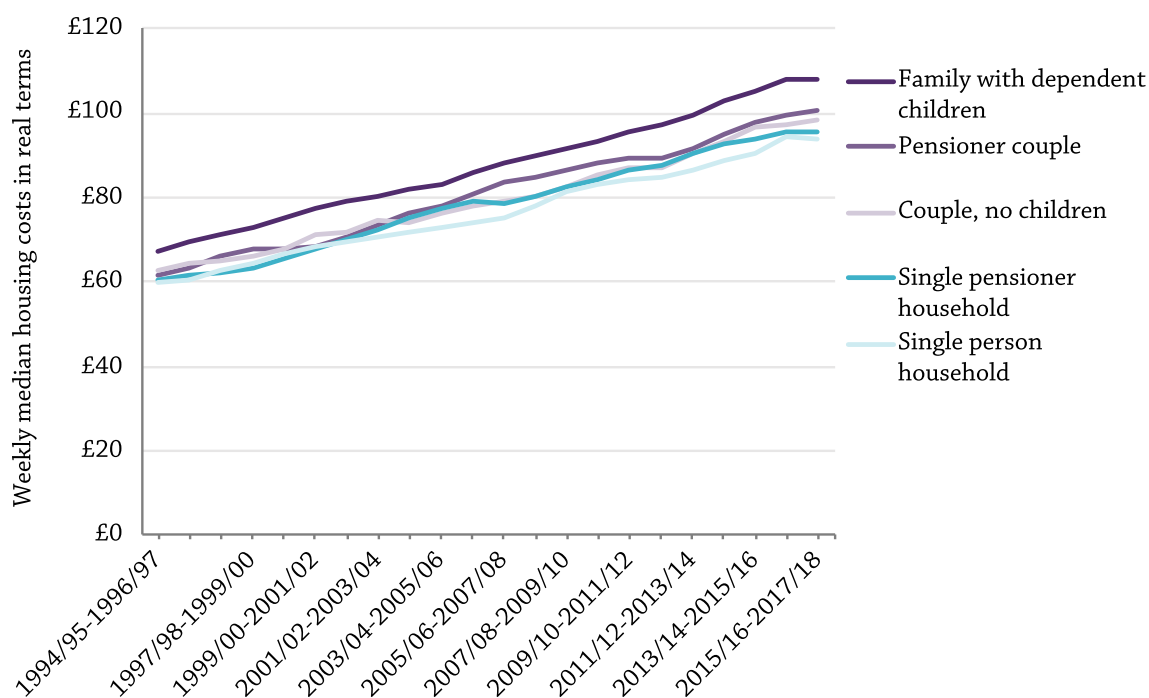
Source: English Housing Survey 2017/18

Research on older private renters in 2018 found that more than a quarter (26%) of older people aged 65 or over continued to work if they still had a mortgage to pay or lived in private rented accommodation (Harpley, 2018). This compares to 12% of outright-owners and 10% of social tenants. Among pensioner couple households in poverty in the private rented sector, three in ten contain someone who continues to work past retirement age.

## Social renters

There has been a sustained rise in housing costs for all family types in the social rented sector over the last two decades after accounting for inflation.

### Social housing costs for those in poverty have risen for all household types



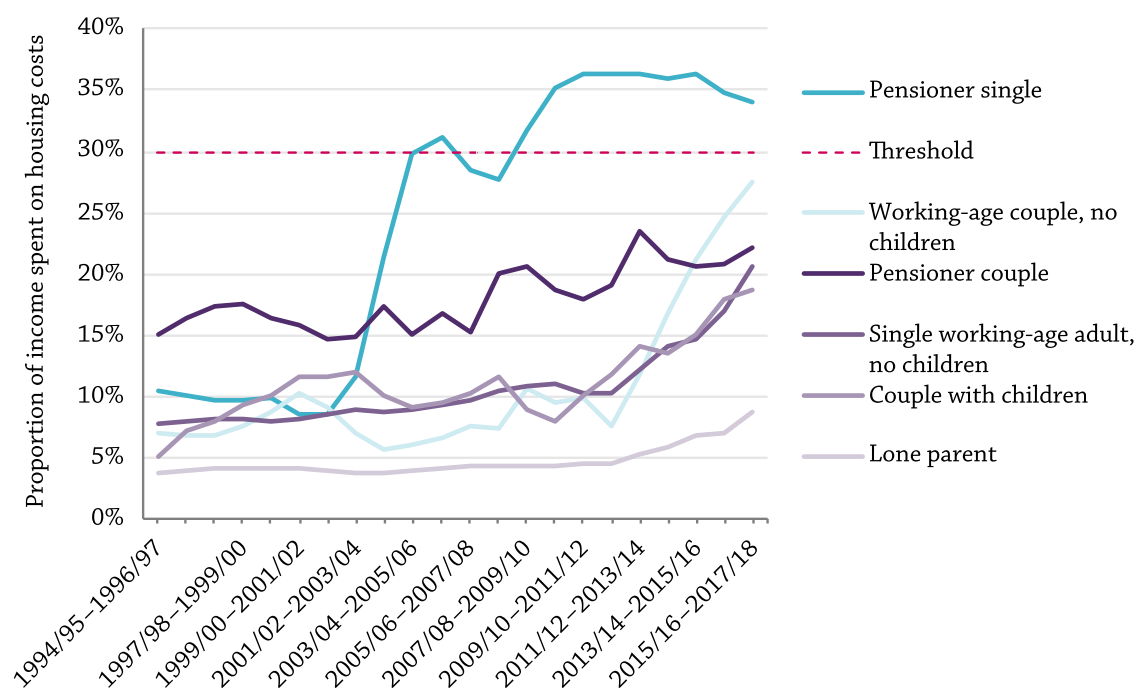
Source: Households Below Average Income

Note: These housing costs have not had Housing Benefit deducted unlike the affordability calculations.

From 2001, social rents were set using a government formula based on property value, local earnings and number of bedrooms. The aim of this was to align council and housing association rents. However, the evidence suggests that social rents based on this formula have become unaffordable for many households in poverty. Following the 2015 Budget, the government changed tack, requiring local authorities to reduce rents by 1% a year from 2016 to 2019.

## Social renters: households of working age

### Social housing has become unaffordable for many single-pensioner households in poverty



Source: Households Below Average Income

### Families with children

While the social sector remains affordable for most poor families with children, around a fifth fewer families with children in poverty are living in the social rented sector compared with 20 years ago. As discussed above, the social rented sector has shrunk considerably.

### All working-age households

The reduced availability of social housing means this form of housing is less accessible to households in poverty even if they become homeless. As mentioned above, many local authorities now rehouse homeless families by offering a property in the private rented sector with a 12-month tenancy.

The proportion of all working-age households living in poverty in social-rented housing has increased in recent years, whether someone is working or not. This increase has been steepest among single-parent families (since about 2010) and single women of working age (since about 2015). This may be due to changes to social security policy (see the chapter on social security).



## Pensioner households

Households headed by people aged 65 or over comprised 27% of the social sector – the largest proportion of social housing tenants by age group in 2017/18. However, the chart above shows that social housing has become unaffordable for many poor single pensioner households since around 2003, partly due to the changes in how social rents are set, described above. Yet pensioner households are the fastest growing household type in the UK and more affordable, secure, adaptable homes will be needed for this group soon. As discussed above, in the method used here Housing Benefit is excluded from both income and housing costs.

## Other types of households

Much of the analysis in the Households Below Average Income series is at a family level, which is defined as a single adult, or a married or cohabiting couple, plus any dependent children (that is children under 16 or aged 16 to 19 in full-time non-advanced education). Analysis looks at family types by age, number of adults and number of children. Households that consist of parents with older children aged 18 or over are counted as a two-family household because these adult children are old enough to work or claim benefits independently. There is also a small proportion of poor, larger households that contain multiple families, including extended family and possibly lodgers.

Around 19% of households contain one or more grown-up children (stepchildren, foster children, son/daughter-in-law or grandchild(ren)) living with one or more parents or grandparents. Some may have younger siblings in the family. By far the majority of these are resident in non-poor households who have the space to house them. However, some of these young adults may be living at home because they cannot afford to move out. They are ‘concealed’ households. This group is analysed in further detail below.

## Concealed households

Over the last 20 years, the proportion of working-age adults buying their own home or owning outright fell from 72% to 62%. Over the same period, the proportion of working-age adults renting privately more than doubled from 11% to 23%. Looking only at those aged 20- to 34-years-olds, 63% were buying their own home or owning outright compared with 47% 20 years later. The proportion of 20- to 34-year-olds living in the private rented sector also rose between 1997/98 and 2017/18 (from 18% to 37%). Although the drop in home-ownership rates appears to mirror the rise in renting, we cannot simply assume that 20 to 34 year olds who are not owning a home are now renting.

Here we are looking at a subset of concealed households aged 20 to 34 who are living in the household of their parent(s) or guardian(s). A person is counted as a separate family when they are 20 or when they leave full-time non-advanced education, so concealed households will have at least two families living in one dwelling. These 20- to 34-year-olds have either recently left education and entered the labour market (or are about to), or are established in the workforce. Nominally, it is the first point in someone's life that they would be able to afford to move out of their parental home. The age range is also significant as those in it are only able to claim the shared accommodation rate, rather than the full amount, of Housing Benefit.<sup>36</sup> As income is often measured at the household level (ie the incomes of all families in a household are summed), a household's income may not fully reflect the financial situation of the families within it. This means that at times income-based household-level analysis does not tell the subtle stories of families in the UK, one of which is that of concealed households.

### Key stat

30% of 20- to 34-year-olds live with a parent or guardian now compared with only 20% 20 years ago.

## Why are concealed households important?

**The number of concealed households is increasing.** Twenty years ago, 20% (2.4 million) of 20- to 34-year-olds lived with a parent or guardian. That figure has now risen to 30%, affecting 3.9 million people in 2017/18. As the number of concealed households grows, understanding their story is important for both housing and poverty.

**People in concealed households may feel unsuccessful and detached from community.** While more 20- to 34-year-olds living at home could be the sign of a changing social norm, research suggests that not being able to own a home can be detrimental to an individual's sense of self and community engagement. Research (NatCen, 2017) on the opinions on 18- to 40-year-old first-time buyers showed that just over half of those surveyed believed home-ownership meant they had succeeded in life and that just under half said it meant they had a stake in society. In addition to this, home-ownership provided a sense of financial security as 83% of first-time buyers believed that it would provide future financial returns.

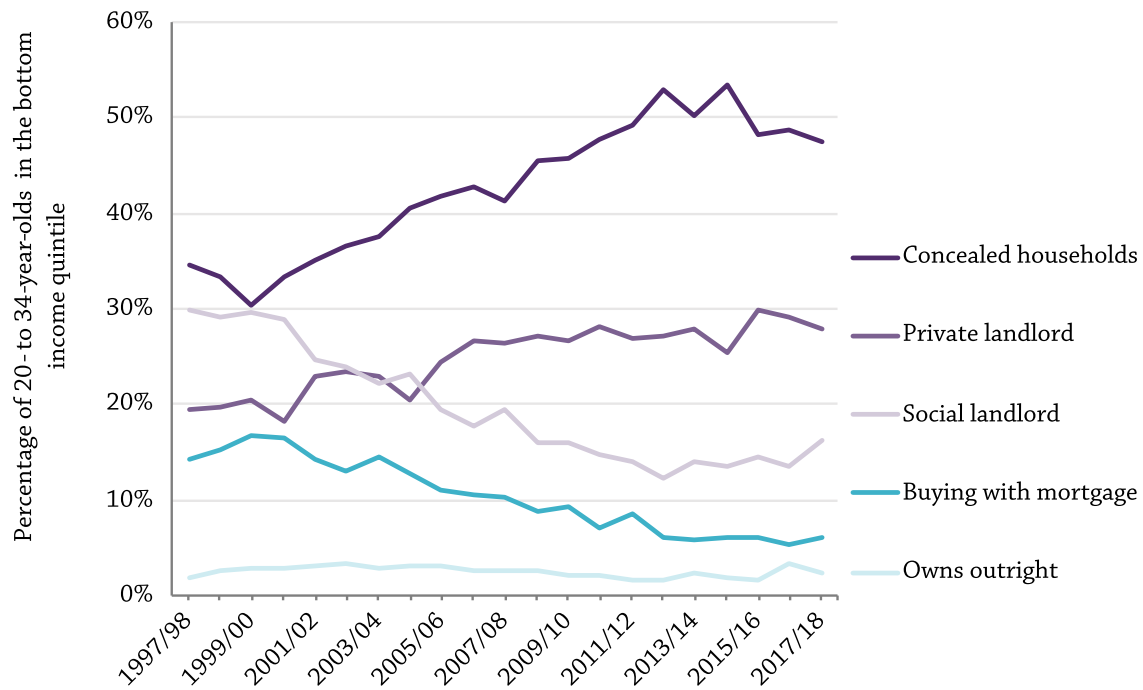
**People in concealed households are at a greater risk of overcrowded conditions.** It is not the case that all young adults living at home with their parents/guardians have their own living space. Compared with 9% of all families with a 20- to 34-year-old in them living in an overcrowded house, 16% of families living in concealed households are living in overcrowded conditions. Overcrowding has been found to be associated with viral and bacterial infections, childhood tuberculosis and delayed cognitive development (Shelter, 2005). Living in overcrowded conditions has also been associated with increased chances of depression, anxiety, stress and even mortality (Office of the Deputy Prime Minister, 2004). The more concealed households that exist in overcrowded conditions, the greater the risk of illnesses like these affecting those living in them.

### The increasing proportion of concealed households in the poorest households

As can be seen in the chart below, adults aged 20 to 34 in the poorest family income quintile have been more likely to be living in a concealed household with their parent/guardian than living independently in the social rented sector, private rented sector or buying their own home over the last 20 years. Not only is it the most likely 'tenure' for this age group, but over the last 20 years the proportion has increased from 35% to 48%. In contrast, the proportion of adults aged 20 to 34 in the poorest income quintile that have been living independently and are in the social rented sector or homebuyers has decreased over the last 20 years (social rented sector from 30% to 16%, homebuyers from 16% to 8%).

The chart suggests that as fewer young adults find accommodation in the social sector or can afford to buy a home, they are living with their parents for longer. The increase in concealed households among the poorest began in 2000/01. While this coincides with a period where house prices increased markedly and the cost of getting on the property ladder rose, changes to the nation's demographics and an unequal distribution of home-ownership have played a part. Without enough social housing, and the high cost of renting privately and owner-occupation, the concealed household is picking up a lot of the wider strain in the housing market. Something needs to be done to help young people on low incomes frustrated from realising their ambitions.

**The percentage of 20- to 34-year-olds in the bottom income quintile living in concealed households has increased, while the percentage in the social rented sector has decreased**



Source: Households Below Average Income and Family Resources Survey

# Conclusion

# Conclusion

With millions of people in our society living precarious and insecure lives, solving poverty must be a priority for concerted action by the new government. As a country, we have made progress on poverty before, and we must do so again.

There are four key drivers of poverty levels that need to move in the right direction for poverty across the UK to be reduced as quickly as possible:

## **1. We need as many people as possible to be in good jobs.**

**What's happened:** The proportion of people in employment has risen consistently for six years, to reach record levels. This gives a strong base but has not been enough to stem the rising tide of poverty, especially among workers and families with children.

**What next:** Weak local economies in some parts of the UK have led to higher unemployment than in the UK as a whole. This needs to change to maintain progress for this driver. In addition, employment among disabled people and carers is still low and they should be supported to work when they are able to do so. Investment in places with weaker local economies needs to reach people who are struggling most, through boosting the proportion of better-paid jobs and support for training and skills development, as well as transport and infrastructure.

## **2. We need improving levels of earnings for low-income working families, helping people in the lowest-paid jobs or those working part-time.**

**What's happened:** Over time, a higher and higher proportion of people in poverty are in working families. Workers in families with children have seen a rising risk of poverty, whereas there has been little change for workers in families without children. Working single parents have seen the fastest increase in poverty.

**What next:** We need to increase the number of employees in good jobs that reduce poverty. Too many people are stuck in low-paid, insecure jobs, with little chance of progression and too few hours of work to reach a decent living standard. Workers need more security, better training and opportunities to progress, particularly those in part-time jobs or in certain areas of the country. In-work poverty must be seen as a critical issue for our economy and given high priority by economic policy-makers.

### **3. We need to strengthen the benefits system so that it provides the anchor that people need in tough times.**

**What's happened:** Spending on benefits for working-age people is falling, with the system failing to prevent destitution and high poverty rates for recipients of many benefits. Disabled people and carers have high poverty rates. This is partly about improving access to good jobs, but solving it also requires the system to offer better support to these groups.

**What next:** We need to improve the current system, to ensure it gives adequate support. We also need the system to offer a better service for those using it, and to shift public thinking so that a poverty-fighting social security system is seen as an essential public service and receives sustainable investment.

### **4. We need to increase the amount of low-cost housing available for families on low incomes and increase support for those with high housing costs.**

**What's happened:** Households on low incomes who rent in the private and social rented sectors have seen their housing costs rise. Rising poverty is in part due to more households being stuck in the expensive private rented sector. A raft of changes to social security policy have left more and more people struggling to afford housing, and more 20- to 34-year-olds on low incomes are having to live in their parents' home for longer, leading to overcrowding and restricting opportunities.

**What next:** We need to increase access to genuinely affordable homes for people in poverty across the country and improve support for those with high housing costs. We also need to address the sense of insecurity felt by many people living in the private rented sector.

Across all these areas, the need to 'level up' opportunities and living standards is a common concern. We all want to live in a place with good opportunities and low poverty, having the security of a job with a reliable number of hours, knowing that we can rely on the benefit system to help us when circumstances threaten to pull us under, and feeling secure in our home, not worrying about whether we can afford to pay our rent.

Underpinning all this, we need to build the public will for action. At times during the last 20 years, the UK dramatically reduced poverty among people who had traditionally been most at risk – pensioners and children. However, that success was not sufficiently celebrated and secured, and over the last 15 years we have seen often overlapping spells of rising unemployment, falling wages, falling benefit levels and quickly rising housing costs; and not a sustained period where the drivers were all moving in the right direction. The mix of positive and negative changes across the drivers has led to the last 15 years of stagnation in overall poverty levels, with sharp increases in poverty for some groups.



We at JRF believe this can and should change. Building on our strategy to solve poverty in the UK (JRF, 2016), we are working with our partners in all areas of the UK explicitly on tackling the three drivers of poverty so that more people find a route out of poverty through work, more people find a route out of poverty through a better social security system and more people live in a decent, affordable home. Underpinning this, we are building a movement for change – building consensus across boundaries of the need for action and of the benefits of tackling poverty, so we can work together as a society to end poverty.

# Appendix: How is poverty defined and measured?

To first understand poverty, we need to know how to accurately define and then measure it. Being in poverty is when your resources are not enough to meet the cost of your minimum needs, including taking part in society (D'Arcy and Goulden, 2014). However, several different methods of measuring poverty based on this broad definition exist, all of which produce slightly different pictures of UK poverty. Some of the key measures are outlined below.

Poverty measure	Description
Relative poverty (after housing costs)	Household income less than 60% of the middle person's (or median) household income after housing costs are deducted, where income is adjusted for different family sizes through a process called equivalisation.
Relative poverty (before housing costs)	Equivalised household income less than 60% of the median before housing costs are deducted.
Absolute poverty (before/after housing costs)	Equivalised household income less than 60% of the median income of a base year (2010/11 currently) before/after housing costs, uprated annually from the base year by the rate of inflation.
Material deprivation	When people say they are unable to access or afford a range of particular goods and activities that are typical in society at a given point in time.
Social Metrics Commission (SMC) Measurement Framework	Aims to adjust the relative poverty (after housing costs) measure to include a wider range of resources, including adding assets and savings, and taking away inescapable costs such as debt repayments and childcare costs, to create a measure of a household's available resources. This measure is still being refined with an experimental publication based on this to be published by the DWP in 2020. <sup>37</sup>
Minimum Income Standard (MIS)	Defines the income the public thinks is needed to afford what is necessary for an 'acceptable standard of living' based on household type.

All these measures can be adjusted to look at deeper poverty or how long people are living in poverty.

To best understand poverty in the here and now, it is important to use relative measures of poverty. While absolute poverty is helpful for understanding how the incomes of poorer households are changing in relation to general prices, it does not consider societal changes in what constitutes a decent standard of living. Furthermore, any threshold tends to become obsolete over time and needs periodic rebasing. Absolute poverty measures tend to underestimate relative poverty and suggest that any increase in incomes equates to lower poverty, when in fact people may still be falling way behind the living standards of society as a whole.

We use relative poverty after housing costs (AHC) in this report because it is closest to our definition of poverty. Official figures often use before housing costs (BHC) poverty rates, but as everybody needs housing regardless of their income, and the money spent on this is generally not available for a person to spend elsewhere, we feel that the cost incurred should therefore not be considered as available income. BHC measures tend to underestimate poverty rates for two reasons:

1. Housing costs in expensive areas such as London mean that many people there struggle to make ends meet, even when their incomes before deducting housing costs are higher than in other areas, but this is hidden in BHC poverty measures. That means London has lower BHC poverty rates than the UK overall, but the very highest percentage AHC.
2. Households on lower incomes tend to spend a higher proportion of their income on housing than richer ones. In 2017/18, households with incomes in the lowest fifth of the population spent approximately 33% of their incomes on housing on average. In comparison, households in the highest fifth spent just 8% on housing. So housing costs – rent or mortgages mostly – take up a greater share of the cash of households in poverty, leaving less income for food, bills and other necessities.

Measuring AHC poverty gives a more accurate representation of the income households have available and gives us a better understanding of which households are struggling and why.

It is important to note that measures of relative poverty represent the total net income after tax deductions for each family type – this includes employment earnings, state financial support through benefits and tax credits, and any other income sources minus income tax, national insurance and Council Tax payments, contributions to pension schemes and student loan deductions. However, the Social Metrics Commission (SMC)<sup>38</sup> takes this further, suggesting that the actual resources available to a household must include not just incomes but also available assets and savings, and should deduct a range of inescapable costs including housing costs, debt repayments, disability costs, childcare costs and social care costs.

Using the SMC, 2.6 million people appear to be in poverty who are not classed as in poverty using the relative AHC measures, while another 2.5 million people classed as in poverty using the relative AHC measures do not appear to be in poverty when using the SMC. Although this does not significantly change the overall number of people in poverty (by design), it does change the composition. The SMC measure suggests that more working-age families with children (due to childcare costs), more disabled people (due to the extra costs associated with disability) and fewer pensioners (due to the inclusion of available assets and savings in a person's resources) are in poverty than our current measures suggest. We remain strongly supportive of the measure agreed by the Social Metrics Commission, which is underpinned by years of research and collaboration. It commands the support of experts across the political spectrum because it better accounts for the reality facing people on low incomes. This measure is still being refined with an experimental publication based on this to be published by the DWP in 2020 and we look forward to continuing to play a leading role in its development with a view to moving to use this measure in future reports.

# Notes

- 1 See Appendix for the definition of poverty we use and outlines of some other poverty measures.
- 2 All figures from the Family Resources Survey in this report are based on the End User Licence version of the dataset available from the UK Data Archive. This has been anonymised so there will occasionally be small differences from the published DWP Households Below Average Income statistics.
- 3 [www.jrf.org.uk/blog/what-destitution](http://www.jrf.org.uk/blog/what-destitution) (accessed 29 November 2019).
- 4 Estimated using Understanding Society data and defined as being in poverty for three consecutive annual interviews (so the third interview will be two years after the first).
- 5 We look at the bottom quintile (which has a fixed proportion of individuals over time) here rather than those in poverty, as otherwise the analysis will be affected by changes in the proportion of individuals in poverty.
- 6 The bottom fifth is used instead of those in poverty, as this is a fixed proportion of the population, whereas the proportion of the population in poverty varies from year to year. All people in the bottom quintile are in poverty at present and the bottom quintile includes most people who are in poverty.
- 7 See Table 4.1 of the IFS's *Living Standards, Poverty and Inequality in the UK: 2015* which shows how benefit levels compared to inflation and movements in the poverty line. Available from [www.ifs.org.uk/publications/7878](http://www.ifs.org.uk/publications/7878) (accessed 29 October 2019).
- 8 We have used three-year moving averages commonly used with time series data to smooth out short-term fluctuations (that may occur due to small sample sizes) and highlight longer-term trends or cycles.
- 9 Ethnicity of the household is taken as the ethnicity of the head of the household.
- 10 For further details, see [www.jrf.org.uk/report/poverty-ethnicity-labour-market](http://www.jrf.org.uk/report/poverty-ethnicity-labour-market) (accessed 29 November 2019).
- 11 According to the Minimum Income Standard, the cost of full-time childcare for a family of four children (two children aged two to four, two children primary school age) is approximately £418 a week.
- 12 Based on three-year averages from 2011/12 to 2013/14 and 2015/16 to 2017/18.
- 13 For details, see <https://cpag.org.uk/child-poverty/effects-poverty> (accessed 12 September 2019).

- 14 Accommodation is a broad sector of the hospitality industry, ranging from bed & breakfast enterprises and hotels to other facilities that offer a lodging service.
- 15 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/739692/Childcare\\_and\\_early\\_years\\_survey\\_of\\_parents\\_2017-follow-up\\_survey.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739692/Childcare_and_early_years_survey_of_parents_2017-follow-up_survey.pdf) (accessed 29 November 2019). Report published in September 2018.
- 16 [www.gov.uk/government/collections/national-travel-survey-statistics](http://www.gov.uk/government/collections/national-travel-survey-statistics)
- 17 [www.resolutionfoundation.org/app/uploads/2017/10/Great-Escape-final-report.pdf](http://www.resolutionfoundation.org/app/uploads/2017/10/Great-Escape-final-report.pdf) (accessed 29 November 2019).
- 18 ‘Stuck’: employees who were in low-paid work in every year they appear in the data.  
‘Escapers’: those who earn above the low pay threshold in each of the final three years of the decade, suggesting they have made a sustained move onto higher wages.  
  
‘Cyclers’: people who fall between the above categories, moving onto higher wages at some point during the decade but not consistently out of low pay by the end of the period.  
  
As defined by the Resolution Foundation.
- 19 <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7950> (accessed 29 November 2019).
- 20 Throughout this chapter, a family (or benefit unit) is defined as a single adult, or couple living as married, and any dependent children.
- 21 <https://researchbriefings.files.parliament.uk/documents/SN06762/SN06762.pdf> (accessed 29 November 2019).
- 22 Information about young carers is not captured within FRS/HBAI, so the discussion is limited to informal adult carers. The 2011 Census estimated that there were nearly 180,000 young carers (under 18) in the UK, a figure long thought to be a gross under-estimate.
- 23 [www.ifs.org.uk/uploads/publications/wps/WP201505.pdf](http://www.ifs.org.uk/uploads/publications/wps/WP201505.pdf) (accessed 12 September 2019).
- 24 See Ministry of Housing, Communities and Local Government (MHCLG) live tables on dwelling stock: [www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants](http://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants) (accessed 12 September 2019).
- 25 [www.gov.uk/government/collections/tenant-fees-act](http://www.gov.uk/government/collections/tenant-fees-act) (accessed 29 November 2019).
- 26 The law was amended in Scotland in December 2017 to make private tenancies more secure.
- 27 [www.ippr.org/files/2018-12/1543853003\\_prs-interim-december18.pdf](http://www.ippr.org/files/2018-12/1543853003_prs-interim-december18.pdf) (accessed 29 November 2019).

- 28 [https://england.shelter.org.uk/\\_\\_data/assets/pdf\\_file/0005/656708/Growing\\_up\\_renting.pdf](https://england.shelter.org.uk/__data/assets/pdf_file/0005/656708/Growing_up_renting.pdf) (accessed 29 November 2019).
- 29 [www.jrf.org.uk/report/home-owners-and-poverty](http://www.jrf.org.uk/report/home-owners-and-poverty) (accessed 29 November 2019).
- 30 There was a peak in the sale of council housing from 1997–2003.  
See [www.ifs.org.uk/uploads/publications/wps/WP201505.pdf](http://www.ifs.org.uk/uploads/publications/wps/WP201505.pdf) (accessed 12 September 2019).
- 31 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/5959/1896534.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/5959/1896534.pdf) (accessed 29 November 2019).
- 32 [www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/inquiries/parliament-2017/inquiry19](http://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/inquiries/parliament-2017/inquiry19) (accessed 29 November 2019).
- 33 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/329902/rr874-lha-impact-of-recent-reforms-summary.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/329902/rr874-lha-impact-of-recent-reforms-summary.pdf) (accessed 29 November 2019).
- 34 [www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2017/motgage-lenders-letter-17-19/](http://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2017/motgage-lenders-letter-17-19/) (accessed 29 November 2019).
- 35 [www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/inquiries/parliament-2017/inquiry19/](http://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/inquiries/parliament-2017/inquiry19/) (accessed 29 November 2019).
- 36 [https://england.shelter.org.uk/housing\\_advice/benefits/housing\\_benefit\\_deductions\\_when\\_living\\_with\\_non-dependants](https://england.shelter.org.uk/housing_advice/benefits/housing_benefit_deductions_when_living_with_non-dependants) (accessed 29 November 2019).
- 37 For details of the proposed measure see [www.gov.uk/government/statistics/development-of-a-new-measure-of-poverty-statistical-notice](http://www.gov.uk/government/statistics/development-of-a-new-measure-of-poverty-statistical-notice) (accessed 29 November 2019).
- 38 See <https://socialmetricscommission.org.uk/> (accessed 29 November 2019).



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The Joseph Rowntree Foundation is working with governments, businesses, communities, charities and individuals to solve UK poverty. This report provides a comprehensive, independent and authoritative overview of UK poverty in 2019/20, which we hope will make more people want to solve poverty, understand it and take action.

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