Monitoring poverty and social exclusion is a regular, independent assessment of progress in tackling poverty and other forms of disadvantage across the United Kingdom.

The report uses official data from a range of sources to look at trends and patterns across different indicators. It includes analysis of low income, unemployment, low pay, homelessness and ill-health.

For the first time, this report is able to look at the impacts of the current Government’s policies on poverty and exclusion. Additionally, this year there is a chapter looking at welfare reform – who will be affected and what the impacts will be. The report also looks more closely at disability, as disabled people are likely to be affected by reforms to the welfare system.

As well as looking closely at these recent changes, the report also looks back at long-term changes. In order to give us a better understanding of the levels of poverty and exclusion today, there are indicators that go back over several decades. In so doing, we get a better understanding of the changing nature of poverty in the UK.

This report is the fifteenth in the series. A valuable resource for researchers and policy-makers alike, by looking at past trends, it aims to better illuminate the challenges of tackling poverty in the coming years.
Available in alternative formats

This publication can be provided in alternative formats, such as large print, Braille, audiotape and on disk.

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Contents

Acknowledgements 3

Summary of trends over the last five and ten years 4

Commentary 6
A long-term view 6
The representation of poverty 8
Framing the solution 10
A different framing 11

Chapter 1  Income and poverty 13
Choice of indicators 14
Measuring low income 15
1 Long-term view of low income 16
2 Income and inequalities 18
3 Minimum income standards 19
4 Poverty before and after housing costs 20
5 Public attitudes to poverty 24
6 Poverty in and out of work 25
7 Poverty dynamics 26
Commentary 30

Chapter 2  Measuring child poverty 31
Choice of indicators 32
8 Long-term view of child poverty 33
9 The child poverty targets 35
10 Depth of child poverty 36
Commentary 39

Chapter 3  Work 41
Choice of indicators 42
11 Long-term view of jobs and hours 43
12 Underemployment 45
13 Employment and unemployment by age 46
14 Workless households 47
15 Low pay 51
16 Pay inequalities 51
17 In-work training 52
Commentary 56

Chapter 4  Education 57
Choice of indicators 58
18 Long-term view of adult qualification levels 59
19 Qualifications and low income 61
20 Attainment at age 11 61
21 Attainment at age 16 62
22 School performance at GCSE 66
23 Looked-after children 66
24 Attainment at age 19 67
Commentary 71

Monitoring poverty and social exclusion 2012 1
## Contents

**Chapter 5 Disability and ill-health**  
Choice of indicators 74  
Defining disability 75  
25 Long-term view of premature mortality 76  
26 Low income 78  
27 Benefits, income and material deprivation 79  
28 Money worries 80  
29 Attitudes and exclusion 81  
Disability and work 86  
30 Worklessness 86  
31 Worklessness and health problems 87  
32 Pay 90  
33 Skills 91  
Commentary 94

**Chapter 6 Social security benefits**  
Choice of indicators 96  
34 Long-term view of the value of benefits 97  
35 Receiving out-of-work benefits 99  
36 Flows on and off JSA 100  
37 Interval between JSA claims 101  
38 Sickness- and disability-related benefits 106  
39 Take-up of income-related benefits 107  
40 Working families receiving tax credits 108  
Commentary 112

**Chapter 7 Welfare reform**  
Choice of indicators 114  
41 Long-term view of spending on benefits 115  
42 Changes to housing benefits 117  
43 Changes to non-housing benefits 117  
Commentary 121

**Chapter 8 Housing**  
Choice of indicators 124  
44 Long-term view of tenure trends 125  
45 Poverty and tenure 127  
46 Affordability 128  
47 Housing benefits 129  
48 Mortgage repossessions 133  
49 Landlord repossessions 133  
50 Overcrowding 134  
51 Fuel poverty 134  
52 Homelessness 135  
Commentary 141

**Appendix** 143

**Glossary** 149
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The responsibility for the accuracy of the report, any errors, misrepresentation or misunderstandings lies with the authors alone.
Summary of trends over the last five and ten years

Table 1 summarises this report, listing all the indicators that have a short- and medium-term focus. For each indicator, the change in the last five and ten years is shown as either ‘better’, ‘worse’ or ‘no change’.

These judgements are to a certain extent subjective, and where the trend is not obvious we err on the side of caution and classify the indicator as unchanged. The indicators are chosen so that the direction of ‘better’ or ‘worse’ should be obvious – a rise in unemployment is bad, a fall in unemployment is good.

Measures should also be unaffected by administrative or policy changes. Changes in the benefits system make judgement over a fall in the number of people receiving out-of-work benefits more complex. If the fall is because more people are finding work and thus are not reliant on state support, it is a good thing. If the fall comes because people previously eligible for assistance are no longer eligible despite their circumstances remaining the same, this should not be considered a good thing.

Of those indicators we have been able to include in the table, 14 have improved in the last five years, 11 have got worse and 14 have remained broadly unchanged. All the education indicators have either got better or remained the same over this period. All the work and benefit indicators have either remained the same or got worse.

Over the longer 10-year period, 17 indicators have improved, 11 have got worse and six are unchanged. Over the decade, all the child poverty measures have improved.
### Table 1: Summary of trends over the last five and ten years

<table>
<thead>
<tr>
<th>Topic</th>
<th>Indicator</th>
<th>10-year change</th>
<th>5-year change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low income</strong></td>
<td>Child poverty rate</td>
<td>Better</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>Pensioner poverty rate</td>
<td>Better</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>Working-age adults with children poverty rate</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Working-age adults without children poverty rate</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td></td>
<td>Number of children in poverty</td>
<td>Better</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Number of children in deep poverty (below 50% of median income)</td>
<td>Better</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Income inequality 90:10 ratio</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Child poverty target</strong></td>
<td>Relative' child poverty rate – 60% of contemporary median</td>
<td>Better</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>Absolute' child poverty rate – 70% of fixed 1998/99</td>
<td>Better</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>Proportion in low income and material deprivation</td>
<td>Not in report</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Work</strong></td>
<td>Number of people underemployed</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td></td>
<td>Young adult unemployment rate</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td></td>
<td>Proportion of workless households</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Proportion of working people low-paid</td>
<td>Better</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Ratio between low-paid men and the male average</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Ratio between low-paid women and the male average</td>
<td>Better</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Proportion of people without qualifications receiving training</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>Proportion of children not getting expected standard at age 11</td>
<td>Better</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>Proportion of children not getting expected standard at age 16</td>
<td>Not in report</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>Proportion of looked-after children not getting expected standard at age 16</td>
<td>Not in report</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>FSM gap at age 19 for Level 2 qualifications</td>
<td>Not in report</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>FSM gap at age 19 for Level 3 qualifications</td>
<td>Not in report</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Sickness and disability</strong></td>
<td>Probability at the age of 55 of dying before 75</td>
<td>Better</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>Poverty rate for pensioners in families where someone is disabled</td>
<td>Better</td>
<td>Not in report</td>
</tr>
<tr>
<td></td>
<td>Poverty rate for working-age adults in families where someone is disabled</td>
<td>No change</td>
<td>Not in report</td>
</tr>
<tr>
<td></td>
<td>Proportion of working-age disabled that are workless</td>
<td>Better</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>Gap between median pay for disabled and non-disabled</td>
<td>Not in report</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Disability gap at age 19 for Level 3 qualifications</td>
<td>Better</td>
<td>Better</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Number claiming a key out-of-work benefit</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td></td>
<td>Stack of people claiming JSA</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td></td>
<td>On-flows of people claiming JSA</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td></td>
<td>Number claiming an out-of-work sickness or disability benefit</td>
<td>Better</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Amount of households not claiming entitled benefit</td>
<td>Worse</td>
<td>Not in report</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td>Social rent poverty risk</td>
<td>Better</td>
<td>Better</td>
</tr>
<tr>
<td></td>
<td>Private rent poverty risk</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Proportion of income spent on housing</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Number of people claiming housing benefit</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td></td>
<td>Number of mortgage repossessions</td>
<td>Not in report</td>
<td>Worse</td>
</tr>
<tr>
<td></td>
<td>Number of landlord orders made for possession</td>
<td>Better</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td>Rate of overcrowding in rented accommodation</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td></td>
<td>Rate of fuel poverty</td>
<td>Not in report</td>
<td>Worse</td>
</tr>
<tr>
<td></td>
<td>Number of homelessness acceptances</td>
<td>Better</td>
<td>Better</td>
</tr>
</tbody>
</table>
Commentary

This year’s report comes during a period of cuts to social security benefits and reforms to benefits for sick and disabled people but before the introduction of universal credit (UC) in 2013. Besides overcoming the formidable administrative challenge posed by UC, the government is also now consulting about how poverty in Britain is to be defined and measured.

The report also comes at a time when there has never been more data, more people analysing it or more places to publish the conclusions. For example, the monthly responses to new labour market statistics from ministers, opposition MPs, researchers and media commentators, show that there are many ways to interpret the statistics. To analysts and observers the outputs are fascinating and sometimes addictive. But this report is not intended as a response to the most recent data, nor particularly to the latest developments in government policy. Rather, it takes a longer view, at times going back several decades.

It does this for two reasons. The first is that poverty – in essence, not being able to achieve a basic standard of living for today’s society – is a subtle idea and a subtle problem, certainly more so than say, unemployment or inequality. Unless the economy collapses, poverty cannot be expected to change much over one or two years. The second reason is that poverty is complex, with many causes. Those causes include government policies. But poverty is not just a result of what government does: developments within the economy and in society affect it too. Though almost invariably slow-moving, their cumulative effect over several decades can be considerable.

In order to try to capture this, each chapter begins with a long-term indicator going back in some cases up to 60 years, to the start of the welfare state in 1948. The shortest of these long-term indicators goes back 30 years, to the start of the 1980s. We start this commentary by drawing out some of the things that this long-term view shows.

A long-term view

The first thing to note is that poverty, as measured by relative low income, has changed substantially over half a century. There are plenty of positives. The most striking of them is the more than halving in the pensioner poverty ‘rate’ (i.e. the proportion of pensioners with a low income) from more than 40 per cent in the early 1970s, to less than 20 per cent now.

After more than doubling from 15 to 35 per cent during the 1980s and early 1990s, the child poverty rate has now been falling for 20 years. Although the overall rate is still closer to its early 1990s peak than its late 1970s low, there are fewer children in poverty in workless households (on the before housing costs measure) today than there were at the end of the 1970s.

Working-age adults without dependent children are the only group for whom the poverty rate has not fallen. Rather, it has risen threefold, from around 6 per cent 30 years ago to 20 per cent now.
Recognising how much poverty levels have changed over a longer period confounds any idea that poverty is inevitable and therefore beyond society’s capacity to alter. Something has caused poverty to change; something else could cause it to change again.

The change seen is also testament to the power of government policy. The downward course of both child and pensioner poverty over the last decade is directly related to the substantial rises in the values of means-tested benefits (Pension Credit and Child Tax Credit) for these groups. The rise over a 30-year period in poverty among working-age adults without dependent children is likewise connected with the fact that the main means-tested benefit available to them has not risen in value (above inflation) for nearly 40 years.

A long view shows that fatalistic acceptance of poverty is at odds with a half century of history. It also shows how changes in society can affect poverty, often through their interaction with government policy. Consider for example the fall in premature mortality. In the 1960s, more than half of 55-year-old men would not survive to 75. Now the proportion that does not survive to 75 is down to one-quarter. For women, the proportion was a third but is now less than a fifth. In itself, this fall is an unalloyed good. But it has had other consequences.

One was the decision to increase the state retirement age. This matters for poverty because the state retirement age for women is when both men and women become entitled to claim means-tested Pension Credit. Pension Credit is worth almost twice as much as the equivalent working-age benefit. As a result, some people in their early 60s now have to manage on much lower incomes than people in their early 60s did until as recently as 2010.

The mix of housing tenures has changed too. Over the last ten years, the most striking change has been the increase in the share of private rented accommodation, from 9 to 17 per cent. It is impossible to say whether this is a good thing or not. With the share of dwellings that are social rented down to 18 per cent, the distribution of poverty between the two tenures has certainly changed. A 17 per cent share for the private rented sector is high by the standards of the last 30 years. A long view shows that this only takes the sector back to where it was in the early 1970s. It was actually the majority sector 20 years earlier.

The long view also shows how some of the most often-heard remedies for poverty have been in effect for decades. For example, annual increases in the value of out-of-work benefits for working-age adults have been pinned to inflation since the 1970s. Average earnings, by contrast, have risen much faster. Although it fell back slightly in the big recession, the number of people in employment has been on an upward path since the early 1990s. Compared with the early 1980s, employment is now 20 per cent higher.

Even bigger changes have been taking place in the level of qualifications of working people. In 1981, 57 per cent of women and 39 per cent of men aged 25–59 had no qualifications at all. By 2011, the figure was just 9 per cent for both women and men. At the other end of the qualifications spectrum, the proportion of this age group with university degrees has gone up from 4 per cent in 1981 (two-thirds of them men) to around 25 per cent in 2011 (with men and women in equal numbers).
But if both employment and the qualifications of the workforce are so much higher than 30 years ago, why is poverty not lower now than then? The obvious answer is that other factors must have played a part in undermining these positive changes. But if that was so in the past, it could be so in the future too. Higher employment and an even more qualified workforce may be part of the answer but they are no panacea.

On their own, indeed, they may even create new problems. So 20 years ago, 40 per cent of those lacking but wanting work had no qualifications while just 6 per cent had university degrees. Today, each group accounts for 17 per cent. Although far more graduates have a job, graduate unemployment has soared.

One reason why higher employment has been less effective as an antidote to poverty is that the total number of hours worked has risen much more slowly. As a result, the clearest trend in this area over 40 years has been the steady fall in the average number of hours per worker, down 11 per cent over 40 years.

Understanding cause and effect here may be one of the keys to the modern poverty problem. That is because working too few hours is directly connected with ‘in-work’ poverty, that is, poverty among working families. These families are working – but not enough (given their rate of pay, tax and benefits) to get their income above the poverty line. Leaving pensioners aside, there is now more in-work poverty than workless poverty. And it was in-work poverty – not workless poverty – that resisted the last government’s efforts to reduce it.

A long view shows how in-work poverty has grown. The proportion of children in poverty belonging to working families was as low as 30 per cent in the mid-1980s. Even in the early 1990s it was only around 40 per cent. Now, thanks to the fall in workless poverty, 60 per cent of all child poverty (on the BHC measure) is among working families.

The representation of poverty

This long-term view is neither a complete account of the factors that determine poverty, nor does it show how these factors are joined up. What it does do is provide a background against which to consider what seem to be the main beliefs informing policy-making in this area. These beliefs determine how the problem of poverty is presented, which in turn affects the solutions proposed.

How well are these beliefs supported by the evidence? Material from across the report allows us to answer that and we consider these beliefs in turn.

Welfare spending has risen because of working-age workless people?

As a share of national income, total spending on benefits and tax credits (13 per cent of GDP in 2011/12) has never been higher. Ten years earlier it stood at 11 per cent. But of the £53 billion rise in spending after inflation over that period, only £2 billion was accounted for by unemployment benefit and £3 billion by disability, incapacity and injury benefits. By contrast, housing benefit took £10 billion extra, family benefits
including tax credits £17 billion and pensioner benefits £24 billion. Some of the family benefits went to workless families with children. Much of the housing benefit was also claimed by workless, working-age people – although it did not of course go to them but to their landlords.

**Workless households have always been workless?**

Closely related to this is the belief that workless households and households where no one has ever worked are largely one and the same. However, households where no adult has ever worked make up just one in ten of all workless households, equivalent to 2 per cent of all working-age households. They are also mainly households composed of people under 25 who have not therefore really had a chance to get started on their careers. The rise in the number of ‘never-worked’ households is closely connected with the rise in young adult unemployment. By contrast, most of those in the 90 per cent of other workless households – where people have worked – are aged over 35.

**Poverty is concentrated in social housing?**

Newspaper articles on poverty are often accompanied by photographs of tower blocks. Ten years ago, people in social housing made up almost half of those with a low income, (some six million people); now they make up one-third (4.2 million). Over the same period, the number of people with a low income in the private rented sector has doubled from two to four million. While the risk of low income is much higher among those living in rented accommodation, there are still 4.8 million low-income owner-occupiers, more than a third of the total.

**Poverty is about worklessness and welfare dependency?**

The Work and Pensions Secretary Iain Duncan Smith has described poverty as the result of ‘worklessness and welfare dependency, addiction, educational failure, debt or family breakdown’ (see, for example, his speech to the Glasgow Welfare to Work convention in September 2012 available at www.dwp.gov.uk/newsroom/ministers-speeches/2012/19-09-12a.shtml).

While all of these are serious problems, even the overlaps between them, never mind the causal links, are unclear. The clearest is the link between worklessness and poverty – which is arguably now at its weakest ever. In 2010/11, using the main measure from the Child Poverty Act, 900,000 children lived in low-income, workless households. This is the lowest figure for at least 30 years. Conversely, the 1.4 million children in low-income, working families is the same as it was 20 years ago. The result is that 60 per cent of children in low-income households have a working parent, the highest proportion in the history of these statistics.

**People in poverty are a group apart?**

When looking at point-in-time pictures of poverty, it is easy to think that there is one group that is people in poverty and a wholly separate group of people who are not. But the reality is that people move in and out of poverty over time. For example, one in six people were in a low income (BHC) household in 2008, but one in three had been in
low income at some point in the previous four years. There is a parallel here with
unemployment. Around 1.6 million people were claiming Jobseeker’s Allowance at any
one time in 2010 and 2011. But over those two years, some five million people in
total (around one in six of the economically active population) had claimed the benefit.
The population of people in poverty, or people out of work, is far from static.

These beliefs reinforce one another in portraying poverty as something that affects a
part of society separate from the mainstream. Three key steps are involved in creating
such an impression:

- overlooking the extent to which people move in and out of low income;
- overlooking the greater part of the working-age adults and their children who have
  a low household income despite working;
- pointing to those with severe personal or family problems as if they were the typical
  workless household.

In this way, poverty as a condition experienced by large numbers of ordinary people
is displaced by poverty affecting a few as a result of indolence. Since no right-minded
person would see themselves in this latter group, ‘poverty’ must be about some
deficient ‘other’, responsible for their own plight.

Framing the solution

The third step in this argument does not just blame individuals for their own plight. By
associating all those who are workless with a dysfunctional minority, it also manages to
squeeze out the idea that there can be good reasons for people to be workless. ‘Good’
reasons could include a shortage of jobs or a shortage of suitable jobs. A ‘suitable’ job
depends on both the job itself and the individual including their health, their capabilities
and their other responsibilities. Being too sick to work is another good reason. Once
upon a time these sorts of answers were accepted. Now it seems they are not.

Good reasons like this are uncomfortable for governments. This is because they imply
that the responsibility for worklessness lies beyond the individual, for example in the
depressed state of the economy. Responsibility could also lie in the actions of employers,
or in the availability and/or affordability of services; whether there is public transport
to get to work or to the local Sure Start centre.

Good reasons do not necessarily absolve the individual from a responsibility to actively
seek work. But they do mean that powerful organisations at the heart of government
as well as employers and service providers in the private and public sectors, must act in
ways that reduce worklessness. By contrast, if the only reasons for worklessness arise
from individuals’ own failings, these institutions are absolved of responsibility.

How can government correct these individuals’ failings? As workless people depend on
the social security system, this is the obvious place to look. To bring about the
necessary change, the incentives offered to the individual to start doing the right thing
may have to be strengthened; so too may the disincentives against doing the wrong thing. This recalibration of incentives, disincentives and the support provided is ‘welfare reform’. If levels of worklessness are deemed unacceptable and the fault lies solely with the individual then welfare reform is the government’s only option.

Although the phrase ‘welfare reform’ is now associated with the introduction of the current government’s Universal Credit due in 2013, welfare reform was very much the last government’s choice too. Indeed, the welfare reforms (as distinct from the cuts) that have taken place since 2010 are largely ones introduced by the last government. The biggest of these is the replacement of Incapacity Benefit by Employment and Support Allowance which began in 2008. The reduction in the age of the youngest child after which a lone parent has to seek work is another reform introduced by Labour. So too was the introduction of tax credits. A belief in welfare reform itself is not something that divides the political parties.

So can it work? Can worklessness and even poverty fall among those whom these reforms are aimed at, that is lone parents, those who are sick or disabled, and shortly all those receiving the means-tested benefits and tax credits to be replaced by Universal Credit? If Universal Credit is accompanied by an increase in the overall level of financial support to families then this will make a difference, at least for a while, the best hope being that it does some good for some and not too much harm to others. But beyond that, little should be expected.

The reason for saying this is that welfare reform may be able to do quite a lot about which people are workless, working too little, and/or in poverty. On its own, however, it can do very little about how many people in total are in this situation. This is the problem with the most important belief of all about why people are in poverty, namely that it is down to laziness or other personal failings. When the public reply to pollsters with this kind of answer it could well depend on exactly how they understand the question. If the question is taken to be about why this person is poor or workless but not that one, then a person’s luck, choice and attitude may indeed be relevant. The great mistake, however, is to imagine that explanations that are sometimes adequate at the individual level are also adequate at the collective level. This mistaken belief has a name – the fallacy of composition – and it is one that hobbles our understanding of economics and economic policy no less than our understanding of social policy.

A different framing

No government can expect to do much about poverty if all it does is try to change the choices made by those who are poor while leaving unchanged the situation in which those choices are made. The state of the economy and the number of jobs within it are obviously one part of that. So too are changes within society itself, usually slow but over a long period of time often profound.

The shame of this is that Universal Credit, the government’s big idea for tackling poverty, is wholly owned by the Department for Work and Pensions (DWP), subject to strict Treasury oversight. As a result, strategic responsibility for poverty reduction falls almost entirely to the DWP.
Yet at the same time, the Child Poverty Unit is also consulting on how child poverty should be measured. Part of the rationale is that the current measurement, focused on income, is too narrow. This MPSE report, now into its 15th edition, has always represented the view that other aspects of poverty, exclusion, deprivation and disadvantage should be measured alongside income and seen as part of the subject. Our only condition is that a specific problem only belongs here if it is more likely on average to occur among those with low incomes than among those with middle or high incomes.

A good outcome from this consultation would be for a wider range of measures to be introduced alongside (although not in place of) those for low income, leading to a broader acceptance of responsibility for poverty both across government and outside government. This broadening would reduce the focus on the individuals in poverty, shifting it instead to the situation in which those individuals find themselves.

There is no single factor here: instead, consideration has to be given to all of the factors entering into the long view above, including demographic change, employment levels (both jobs and hours), qualifications and housing. Other elements not discussed including pay, taxation and public services are certainly relevant. There is also a strong case to be made about the importance of the cost of essential goods and services.

A broad approach to the causes of poverty is not a new idea. So what might it take to make it happen? Two changes are needed. The first is to give up the belief that welfare reform is the key to ending poverty. For as long as this belief holds sway, the more complex, broad approach stands no chance. Universal Credit and the claims made for it are the latest expression of it. But the belief has dominated thinking about poverty policy since the introduction of child and working tax credits ten years ago.

The second is to focus on in-work poverty because the problems of the in-work poor are the same as those of most working people, but worse because money is tighter. Restoring ‘poverty’ to the mainstream in this way opens up the possibility of arguing that responsibility for it belongs with mainstream organisations.

Welfare reform is obsessed with whether the social security system provides adequate work incentives. Sideline welfare reform and the question that reappears is whether the safety net the system provides is adequate. Since adult benefit rates have been tightly controlled for years, rising social security spending is symptomatic of greater need. Suppressing those symptoms by cutting entitlement just weakens the safety net, and there are eminently good reasons why people may need it. Bringing these reasons to the fore can challenge that most pernicious idea that the poor are to blame for their own poverty.
# Chapter 1

**Income and poverty**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Choice of indicators</td>
<td>14</td>
</tr>
<tr>
<td>Measuring low income</td>
<td>15</td>
</tr>
<tr>
<td>1 Long-term view of low income</td>
<td>16</td>
</tr>
<tr>
<td>2 Income and inequalities</td>
<td>18</td>
</tr>
<tr>
<td>3 Minimum income standards</td>
<td>19</td>
</tr>
<tr>
<td>4 Poverty before and after housing costs</td>
<td>20</td>
</tr>
<tr>
<td>5 Public attitudes to poverty</td>
<td>24</td>
</tr>
<tr>
<td>6 Poverty in and out of work</td>
<td>25</td>
</tr>
<tr>
<td>7 Poverty dynamics</td>
<td>26</td>
</tr>
<tr>
<td>Commentary</td>
<td>30</td>
</tr>
</tbody>
</table>
Choice of indicators

This section looks at different measures of income and low income. The first part of the chapter sets the context for analysis of poverty in the UK in 2012. It begins with an explanation of the measurement of low income and the definition of poverty, followed by an indicator on the level of low income across the population as a whole. The reason for including the whole population is that the recent falls in median income make a material difference to the estimates of the number of people in poverty.

Next we look at income inequalities to show how the income growth in the last 15 years has been spread across the income distribution.

We then compare the current relative low-income threshold to the Minimum Income Standard (MIS). The MIS is an absolute measure, using current prices and the expenditure required for a household to have the minimum standard of living. The analysis allows us to see how a poverty level income compares with this minimum.

We also consider public attitudes to poverty. We look at what the public consider poverty to be, and why they think poverty persists. This is important when considering the type of measures and policies that could gain traction with the public.

Having set out the context, we then look at the different factors that affect poverty. Having looked at the long-term trends in poverty by age, we break down poverty among adults into smaller age groups and work status. This analysis allows us to analyse older working-age adults at high risk of poverty in the context of the changes to the state retirement age.
Measuring low income

The most common measure of low income compares the income of individual households to the national average. This is frequently referred to as ‘poverty’ or ‘relative poverty’. A household has a low income (or is in poverty) if its income after tax is less than 60 per cent of the average (median) household income for that year. This threshold is sometimes referred to as the ‘poverty line’.

The income level required to exceed the poverty line varies according to the number of adults and children in the household. For example, the income required by a couple to reach a defined standard of living is greater than, but not double, the amount required by a single adult. The poverty thresholds for different types of household are shown in Table 2.

Table 2: Low-income thresholds in 2010/11

<table>
<thead>
<tr>
<th>Family Composition</th>
<th>Low-income threshold before housing costs (BHC) £ per week</th>
<th>Low-income threshold after housing costs (AHC) £ per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single with no children</td>
<td>168</td>
<td>125</td>
</tr>
<tr>
<td>Couple with no children</td>
<td>251</td>
<td>215</td>
</tr>
<tr>
<td>Lone parent with two children under 14</td>
<td>269</td>
<td>211</td>
</tr>
<tr>
<td>Couple with two children under 14</td>
<td>351</td>
<td>301</td>
</tr>
</tbody>
</table>

Source: Households Below Average Income, DWP, 2010/11

Household income can be measured before or after housing costs (BHC/AHC) and is measured net of taxes (including Council Tax). Housing costs are rent, mortgage interest (but not capital repayment), water charges, service charges and buildings insurance.

The BHC measure also counts housing benefit as income but does not deduct the rent for which the benefit is given, therefore households receiving a housing benefit look relatively better off. Moreover a household whose housing benefit increases as a result of a rise in housing costs will appear to be better off when their disposable income has not actually changed. As such we prefer the AHC measure and use it throughout the report. We use the BHC measure in parts of the housing chapter (chapter 8) when we look specifically at housing costs and in the child poverty chapter (chapter 2) as the national child poverty target is based on the BHC measure.

Setting the low income level at less than 60 per cent of the median is largely arbitrary. It is a useful benchmark from which to define poverty but masks much complexity. While it is clearly beneficial to have greater amounts of income, the life of someone at 61 per cent of the median is not fundamentally different to someone with an income of 59 per cent of the median. Further, the level of 60 per cent does not directly reflect rising costs of living.

Measured relative to the average, poverty is a type of inequality. It is the inequality between those on lowest incomes and what might be considered the norm. While increasingly referred to as ‘relative poverty’ it is in fact no more relative than any other measure currently in use. Poverty is inherently relative. It is about lacking things that the majority of the population take for granted and regard as normal.
Measuring low income continued

As it is measured relative to contemporary median income, the threshold rises with the income of the rest of the population. Ostensibly this could make it more difficult to reduce poverty in periods of strong economic growth. Yet over the last 15 years, reductions in poverty have been largest when median income has risen the most.

However, in 2010/11 the median income, and therefore the poverty line, fell. The proportion of people living in poverty using the contemporary median measure also fell by 1 per cent. But if poverty was measured using a fixed income measure, for example 60 per cent of the median income in 1998/99 adjusted for inflation, the proportion of people in poverty did not change in 2010/11. A fall in the contemporary poverty measure can only be seen as a good thing if it is accompanied with a fall in the fixed measure. As such the fall in poverty in 2010/11 should not be interpreted as good news.

1 Long-term view of low income

The low-income picture is now very different from earlier decades. Where once two-thirds of those in low income were children and pensioners, working-age adults now make up the majority.

The total number of people in low-income households is nearly double that of half a century ago (13.7 million compared with 7 million). Most of the increase took place in the second half of the 1980s. Before 1980, the total fluctuated between six and eight million. Since 1988, it has fluctuated between 12 and 14 million.

The single biggest change is in the risk of poverty in old age. Fifty years ago, 40 per cent of pensioners had low incomes compared with just 6 per cent of working-age adults without dependent children. As most people who become pensioners move from the latter group, i.e. they do not have dependent children, retirement meant a big drop in income and the threat of poverty.

The difference in risks between these two groups has now disappeared. Through a rollercoaster ride in the 1970s, 1980s and early 1990s, the pensioner poverty risk has halved to 17 per cent in 2011. But the poverty risk for working-age adults without dependent children has shown a clear upward trajectory since the 1980s (even in the 2000s when the risk for other groups was falling). At 20 per cent in 2010/11 it is now three times higher than the level in 1980.

The picture for children (mirrored closely by adults living with them) is that after remaining steady through the 1960s and 1970s (at around 15 per cent), the low-income risk more than doubled, reaching nearly 35 per cent in the mid-1990s. Since the late 1990s it has fallen back again, reversing about one-third of the earlier increase.

These changing risks have altered the make-up of the low-income population. Fifty years ago, four in every ten people in low income were pensioners. Even 20 years ago, pensioners were the largest of the four groups shown in indicator 1B. Now they are the smallest – and make up just one in every six people in low income. Children, by contrast, account for about one-quarter – a fraction that has changed little over the decades.
**Indicator: 1A**

In the 1960s and 1970s, a pensioner’s ‘risk’ of low income far exceeded that of all other groups. Now this risk is the lowest. As determinants of low income, age and family type have never mattered less.

![Proportion of people in low-income households (per cent)](chart.png)

Source: Family Resources Survey and Households Below Average Income, DWP, via IFS analysis

**Indicator: 1B**

Until the early 1990s, pensioners remained the largest age group with a low income. They are now the smallest.

![Number of people in low-income households (millions)](chart2.png)

Source: Family Resources Survey and Households Below Average Income, DWP, via IFS analysis

The first graph shows the proportion of the following population groups in a low-income household for each since 1961: (dependent) children; working-age adults with dependent children; working-age adults without dependent children; and pensioners.

The second graph shows the number of people in each of the four population groups who are in low-income households in four three-year periods over the last 50 years.

A ‘low-income household’ is one whose income, after equalisation (adjustment) for household size and composition, is less than 60 per cent of median household income for that year, after housing costs (AHC).

The data before 1994/95 is from the Family Expenditure Survey, a smaller (and less robust) survey than the post-1994/95 Family Resources Survey which underlies the modern Households Below Average Income statistics. Caution should be exercised in drawing conclusions about individual years before 1994/95, or in year-on-year comparisons.
2 Income and inequalities

Income inequalities grew over the last decade, but inequalities by wealth are far greater.

The long-term trend in incomes from the mid-1990s was one of consistent growth, greater at the top and the middle than the bottom. Between 1995 and 2009/10, incomes at the 90th percentile point grew from £596 per week to £813 (in 2010/11 prices, after housing costs), an increase of 37 per cent.

This is slightly greater than the 34 per cent growth seen at the median (from £278 to £373) and much greater than the 24 per cent growth at the 10th percentile.

But in the most recent year, incomes at the 90th percentile fell by £50 per week, to £764. The fall at the median – £15 per week – was smaller in both relative and absolute terms. Incomes at the tenth percentile fell by £1 per week.

This means that the 90:10 ratio – the ratio of income at the 90th percentile to the 10th percentile – fell from 5.4, its highest point in at least 15 years, to 5.1 in the most recent year. Therefore, the incomes of the top tenth rate around five times that of the bottom tenth.

The distribution of wealth, however, is much more uneven. Pension wealth is excluded (and would only serve to make the differences starker). The total household wealth held by the top 10 per cent, including physical wealth, financial wealth and property wealth, was just under £2 trillion in the years 2008–2010. For the bottom 10 per cent, the total wealth was £6 billion.

The majority of the wealth held by the top 10 per cent is property wealth (£1.2 trillion). This compares with around £275 billion for those in the middle and zero at the 10th percentile point. In fact, the property wealth of those at the bottom of the distribution is actually negative, representing debt with no equity.

Each decile in the income distribution has roughly 2.5 million households. So an aggregate wealth of £6 billion for the lowest decile averages out at just over £2,000 per household. All of this is ‘physical wealth’, not property or financial wealth. For the top decile, the average (mean) wealth per household is around £800,000. But the range within the top decile is likely to be huge.
3 Minimum income standards

For working-age families, the poverty threshold is lower than the standard most people would accept as a minimum, and the gap between the two is growing.

The Minimum Income Standard (MIS) is what is considered to be the ‘minimum acceptable standard of living in Britain today that includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society’ (see www.minimumincomestandard.org).

The MIS for a working-age family is about 28 per cent higher than the poverty threshold of 60 per cent of median income. This is true for different family types, with and without children. So someone can be counted as not in poverty, but they still do not have enough income to reach the minimum income standard.

In 2008, when the MIS was first calculated, it was about 20 per cent higher than the poverty threshold. MIS has risen faster than inflation, and much faster than average incomes. The result is that, in 2012, those in poverty are even further away from being able to obtain the minimum standard of living than they were in 2008.

Pensioners are an exception to this rule. Due to their lower MIS, the poverty threshold and MIS levels for a pensioner couple are roughly the same (around £230). But in 2008, MIS was about 11 per cent lower than the poverty threshold for pensioners.

What this means is that the poverty threshold is just sufficient for a minimum standard of living for pensioners, but nowhere near so for a working-age family. Anyone living below the poverty threshold cannot afford what is generally accepted to be a minimum standard of living.

Indicator 3B shows the MIS items that a family in poverty would have to do without. In order to carry out this analysis, we used the categories defined in the MIS research. We then prioritised these categories, with food considered the most important. For simplicity, we take entire categories together, and prioritise the categories rather than the items within it. In reality, families would not do this, but would be more likely, for example, to go below the minimum amount of food to spend money on some household goods.

Working-age households in poverty can only afford the minimum amount of social participation if they go below the minimum for other items such as food, fuel, water or clothing. Put another way, people in poverty can only fully afford these basics if they forego social participation, meaning that social exclusion is the result of their poverty.

This is not true for pensioners as the poverty threshold for pensioners is slightly above the MIS for this group.
4 Poverty before and after housing costs

Including housing benefits in the calculation of poverty makes a substantial difference to the findings. Around three million more people are in poverty once housing costs and benefits have been accounted for.

In 2010/11, 21 per cent of the population was in poverty on the after housing costs (AHC) measure, compared with 16 per cent of the before housing costs (BHC) measure. This means that around one-third more people are in poverty AHC than BHC.

While the AHC level has been higher than the BHC level, the gap in the most recent year is, at five percentage points, as high as it has been in the last 15 years. In 2004/05, when the gap was at its lowest, it stood at three percentage points.

The overlap between the two measures is substantial, and the majority of people in poverty, around 9.6 million, are included whichever measure is used. However, there are substantial minorities counted as in poverty by one measure but not the other.

1.1 million people are in BHC poverty but not AHC. They are people living in households with low incomes but very low (probably zero) housing costs.

A further 2.4 million people are in poverty AHC but not BHC and do not receive a housing benefit. These are people living in households with quite low BHC incomes but very high housing costs.

Finally, there are 1.5 million people receiving housing benefit living in AHC but not BHC poverty. Again, they have quite low BHC incomes and very high housing costs. Their housing benefit boosts their BHC income, and this increased income is above the BHC poverty threshold. This is a clear flaw in the measure as the housing benefit is not part of their disposable income. It is legally payable to the landlord of the property and cannot in any meaningful sense lift a household out of poverty.
**Incomes and inequalities**

**Indicator: 2A**

Although income inequality fell slightly in 2010/11 it is still high by the standards of the late 1990s and early 2000s.

The first graph shows equivalised (adjusted) household incomes at various points in the income distribution – the 10th percentile, the median and the 90th percentile. The ratio of the 90th to the 10th is also shown. Incomes are shown after housing costs (AHC).

The second graph uses data from the Wealth and Assets Survey. Rather than annual or weekly income, it looks at wealth. Three types of wealth are considered:
- Physical wealth, that is the value of material possessions;
- Financial wealth, the value of saving and investments (not including pensions) net of any debts;
- Housing wealth, net of any liabilities.

The figures shown in the graph are the aggregate for each income decile. Note that the bottom decile has a negative aggregate amount of financial and property wealth – liabilities are greater than assets for this group.
**Minimum income standards**

**Indicator: 3A**

Working-age families need an income at least 25 per cent above the poverty threshold to attain their minimum income standard. This figure has risen in recent years.

The first graph uses data from A Minimum Income Standard for the United Kingdom in 2012 (see www.minimumincomestandard.org). It shows the difference between the Minimum Income Standard (MIS) and the poverty threshold, as a proportion of the poverty threshold for different family types.

The second graph is based on NPI analysis of the MIS. MIS asks groups of members of the public to produce lists of items that households would need in order to reach an adequate standard of living. These lists are then checked by experts who may suggest amending them, for example the food budget is checked by nutritionists to ensure a healthy diet.

From the lists, detailed budgets are calculated, going to the level of individual items in order to arrive at an overall cost. These items are then grouped into categories, upon which our analysis is based. The categories are food, alcohol, tobacco (which has been allocated a budget of zero by the focus groups), clothing, water rates, household insurance, household goods and other housing goods (which we group together as household goods and services), personal goods and services, motoring (which has been allocated a budget of zero by the focus groups), travel costs and social and cultural participation. Childcare and Council Tax are not included in the analysis.

The graph implies a hierarchy of categories with food considered to be the most important. This is not the approach taken in the MIS report, which considers the total to be the minimum standard. Research forming part of the MIS project does show, however, that low-income households spend a greater proportion of their income on food than other households, indicating that food is given a priority.
The proportion of the population in low income when measured after housing costs is one-third higher than the rate measured before housing costs. The gap has not been larger in 15 years.

Most people in poverty are included in both the before and after housing costs measures, but Housing Benefit payments contribute to around 1.5 million people not being included in the poverty measure on the BHC basis.

The first graph shows the proportion of people in poverty, i.e. those living in households below 60 per cent of the contemporary median household income. It compares the poverty rate for two different measures of income, after housing costs (AHC) and before housing costs (BHC).

Income is disposable household income either AHC or BHC. All data is equivalised (adjusted) to account for differences in household size and composition.

The second graph shows the number of people that are in each of the following three groups: in AHC poverty and not BHC poverty, in BHC poverty and not AHC poverty and in both AHC and BHC poverty. Households are further broken down to show whether or not they receive a housing benefit. The housing benefit received need not necessarily completely cover a household’s housing costs.
5 Public attitudes to poverty

The public has a minimalist view of what constitutes poverty in modern society, and more people see it as an individual’s responsibility than a decade ago.

This indicator looks at both the public’s understanding of poverty and what people in general see as the cause of poverty among individuals. More than 90 per cent of people consider a person to be in poverty if they cannot afford to eat or live without going into debt. Though slightly lower than a decade ago, this is still a much higher proportion than agrees with the other two definitions in the British Social Attitudes survey.

Around half of people in the survey would consider a person to be in poverty if they had enough money to eat and live but could not afford other things they needed. Over the 26 years of the survey this proportion has stayed between 50 per cent and 60 per cent.

But only 22 per cent of those surveyed in 2010 would consider a person to be in poverty if they could afford all they needed but not what others took for granted. This figure is slightly lower than ten years earlier, when it was stood at 27 per cent.

Attitudes towards poverty have changed in the quarter of a century over which the survey has asked these questions. The proportion of people who believe that people lived ‘in need’ due to individual laziness has risen, from 19 per cent to 25 per cent. Over the same period, there has been a commensurate fall in the proportion of people who think people living in need is the result of societal injustice, from 27 per cent to 20 per cent.

It is worth noting, however, that the most popular response, in the 1980s and the 2000s, to the relevant survey question was to say that people living in need was ‘inevitable’. More than one-third (36 per cent) of respondents chose this option both 20 years ago and now. There is a popular view that the poor are ‘always with us’.
6 Poverty in and out of work

Half of all children and working-age adults in poverty live in working households. The risk of poverty for a working-age adult reliant on means-tested benefits is far higher than a pensioner similarly reliant on state pension and means-tested pension credit.

Over the last decade, the number of people, both adults and children, in workless, low-income households has remained at around five million. Of these, 1.4 million are children, and 3.6 million are adults.

But the number of people in low-income, working households has grown almost every year. In 2000/01, there were 5 million people in low-income, working households (1.9 million children and 3.1 million working-age adults). This number remained more or less constant until 2004/05, when it began to rise. By 2009/10, it had grown to 6.1 million (4 million working-age adults, 2.1 million children), an increase of more than one-fifth in ten years.

But while the share of poverty for those in work is growing, the risk of poverty is still much higher in workless families. For working-age adults, the risk of poverty in a household with nobody in paid work is never less than 50 per cent. In fact, it rises as high as 70 per cent for those aged 35–44. The risk of poverty for those in working households is never higher than 18 per cent, and falls with age to 12 per cent among 55- to 65-year-olds.

For pensioners, the risk of poverty for those with their own private pensions and so not reliant on the state pension is similar to the risk for people in work. Around 10 per cent of pensioners who have their own private pensions are in poverty.

It is worth comparing the poverty risks of pensioners who rely solely on state pension and Pension Credit with the risks of poverty for working-age adults in workless families. Both groups are reliant on state benefits for their incomes. But the much more generous Pension Credit means that the risk of poverty for someone over 65 and reliant on state benefits is 30 per cent, compared with 50 per cent for a working-age adult in a workless family.

One way of looking at this is that the risk of poverty for a workless adult falls from 50 per cent to 30 per cent on reaching the state retirement age. As this state retirement age rises, so will the number of working-age adults in poverty.
Persistent poverty fell for children and pensioners in the decade to 2008. But those in persistent poverty make up less than half of all those who spend some time in poverty.

In the four years of 2005 to 2008, 8 per cent of pensioners and working-age adults had been in poverty for at least three of the previous four years (i.e. persistent poverty), compared with 17 per cent of children.

All these figures were lower than a decade previously, although the fall was greatest for pensioners. In the four years to 1998, 23 per cent of pensioners had been in persistent poverty, around three times higher than the figure ten years later.

There were also 23 per cent of children in persistent poverty in 1998. This figure fell year on year until reaching 15 per cent in 2004. After that point, however, the proportion of children in persistent poverty started rising again, finishing the period at 17 per cent.

Persistent poverty among working-age adults was lower than the rest of the population for most of the period analysed (1995/98 – 2005/08). In 1998, 10 per cent of working-age adults were in persistent poverty. This figure fell only slowly in the following decade and this, combined with the steep fall in the rate among pensioners, means there is now no difference in the proportions in persistent poverty between the two groups.

Over the four years to 2008, 33 per cent of people had been in poverty at least once. Around 11 per cent had been in persistent poverty – 5 per cent had been in poverty for all four years, 6 per cent for three of the four years. So persistent poverty, as defined by the DWP, makes up just over one-third of all poverty over this four-year period. 14 per cent of people had been in poverty for one of the four years, and 8 per cent for two years.

Using the same data source to look at the ‘snapshot’ view of poverty, 18 per cent of people were in poverty in 2008 (before housing costs). So across the four years to 2008, around 33 per cent of people experienced poverty at least once, almost twice the level of people in poverty at any one time (18 per cent in 2008).
Public attitudes to poverty

Indicator: 5A

Most people agree that a person who cannot afford to eat or live is in poverty, but most would not agree that someone who can afford what they need but not what others take for granted is in poverty.

Source: British Social Attitudes Survey, NatCen; the data is for Great Britain

Indicator: 5B

Compared with 25 years ago, more people now think that people live 'in need' as a result of individual laziness; fewer people think it is as a result of injustice in society.

Source: British Social Attitudes Survey, NatCen; the data is for Great Britain

The first graph shows the responses to three separate ‘yes/no’ questions in the British Social Attitudes Survey. For each question the respondent is asked if they would consider a person to be in poverty if certain situations pertained. Non-respondents are removed entirely from the calculation, so the figures in the graph are shown as a proportion of all those who answered the question.

The second graph shows the responses to the question, ‘Why do you think people live in need?’ Only one response was permitted and a list of six choices were given, as well as the possibility of responding with ‘other reason’, ‘none of the above’ or not responding at all.
Indicator: 6A

Excluding pensioners, the number of people in low-income, workless households has remained around five million for the last decade. The number in low-income working households is now six million – a rise of one-fifth over the same period.

Source: NPI analysis of Households Below Average Income, DWP; the data is for Great Britain

Indicator: 6B

A retired person without any private pension has a far lower risk of poverty than a working-age adult in a workless household.

Source: NPI analysis of Households Below Average Income, DWP, 2009/10; the data is for the UK

The first graph shows the number of working-age adults and children in poverty; the groups are separated to show those in working families and those in workless families.

The second graph shows the proportion of working-age adults in poverty by age group and family work status (either working or workless). It also shows the proportion of pensioners in poverty by whether or not they have a private pension.

Families where both adults are retired are excluded from the analysis of the under-65 population. This affects a significant number of 55- to 64-year-olds.

A family is described as working if at least one of its adult members is in paid work, and workless if this is not the case.

The data comes from NPI analysis of the Households Below Average Income dataset.

Poverty is measured as those living in households below 60 per cent of the contemporary median household income, after deducting housing costs.
**Poverty dynamics**

**Indicator: 7A**

There were substantial falls in persistent low income among children and pensioners in the decade to 2008. Among working-age adults, persistent low income fell only slightly.

The first graph shows the proportion of children, working-age adults and pensioners in persistent poverty. Persistent poverty is defined as being in a household with income less than 60 per cent of the contemporary median for at least three of the preceding four years. The calculation of income is made after housing costs have been deducted.

The second graph shows a breakdown of the population by poverty status variation between 2005 and 2008. It is based on analysis of the British Household Panel Survey, which is the ultimate source for the income dynamics report used in the first graph. The calculation of low income is on a before housing costs basis as it is not clear from the dataset how housing costs could be deducted from incomes. From year to year, individuals can drop out of the survey, or their income data can be incomplete. All such examples are removed from the analysis.

**Indicator: 7B**

In 2008, around one in three people had been in low income for at least one of the previous four years.
**Commentary**

The analysis in this report uses data up to 2010/11 – the most recent available. It tells us about the first ‘dip’ in the double dip recession, and shows that poverty did not rise in those years. In fact, it fell for children and pensioners.

But what is the longer-term view? The Institute for Fiscal Studies (IFS) has produced projections of the levels of poverty for children and working-age adults. These projections go as far as 2020, but the real value lies in the analysis of the years to 2015.

The IFS projects that child poverty will rise from 2.6 million in 2009 to 2.9 million in 2015 (using the before housing costs measure). This would put the rate of child poverty at 22 per cent. Poverty among working-age adults without dependent children is projected to increase from 3.4 million to 4.0 million over the same period. It is worth pointing out that over the same period, poverty on the fixed measure (using the median of one year and adjusting for inflation) is projected to rise more quickly, from 2.2 million to 3.0 million for children and from 3.1 million to 4.1 million for working-age adults with no dependent children. This means that the IFS expects more people to become poor relative to both the contemporary norm and their living standards in previous years.

The IFS expects poverty to rise because levels of out-of-work benefits are now set at the lower Consumer Price Index (CPI) rate of inflation. This will affect Local Housing Allowance claimants, as housing rents rise far faster than CPI on average.

The analysis by the IFS suggests that the introduction of Universal Credit (UC) will reduce child poverty, and do so significantly. Up to 450,000 children are expected to be lifted out of poverty by 2015 as a result of the UC reforms.

There is, then, a lot riding on the success of Universal Credit. But there is a huge amount of uncertainty around the proposed system both in terms of content and delivery. The 2011 report from Citizens Advice, Universal Credit, an Exploration and Key Questions (see [http://bit.ly/ZcXCod](http://bit.ly/ZcXCod)), lists eight main concerns, including issues around carers’ allowances, grandparents’ eligibility for childcare tax credit and what types of earnings constitute income for the purpose of the assessment.

On top of this there are concerns over the IT systems needed to make UC operational. These concerns cover both the capability of such systems, which have a poor central government procurement record, and individuals’ ability to use them. UC is designed to be ‘digital by default’, so applicants will need both internet access and a bank account to get their benefits. Many people currently claiming benefits lack at least one of these.

The pilots of UC in 2013 will tell us much about how easy or hard it will be to solve these problems. Until then, we must consider the already bleak predictions of rising poverty as an optimistic assessment.
Choice of indicators

In May 2012, the Secretary of State, Iain Duncan Smith, announced a consultation on the measurement of child poverty. In launching the consultation, he spoke of ‘developing better measurements of child poverty – which include income but do more to reflect the reality of child poverty in the UK today’.

In stressing the need for new measures, there must be some belief that the current measures are inadequate. It is true that they do focus on money, though not solely income. But money must at the very least be the starting point for poverty measurement – it is the unifying theme. Of course differences in health, education and work outcomes are important, but they matter more because of the persistent differences by income.

This short chapter assesses the current measures, as embodied in the Child Poverty Act, and proposes a new measure. All these measures have income, or at least money, at their centre. Before looking at the indicators, we explain what the current definition of poverty is.

In this chapter, there are three indicators. The first indicator looks at the long-term view of the topic, focusing on the changes in and out of work.

The second indicator shows the current measures in the Child Poverty Act, demonstrating both the changes over time and the important differences between the measures. The last indicator looks at the depth of child poverty, something the current measures do not capture.
8 Long-term view of child poverty

After rising rapidly in the 1980s and early 1990s, child poverty fell more slowly in the late 1990s and 2000s. This fall has been accompanied by a continuing rise in the proportion of children in poverty in working families.

During the 1980s and the early 1990s, the number of children in low-income households rose by about three-quarters. It increased by 1 million in the 1980s alone. In the years since 1997, most of that growth has been reversed. A similar pattern also occurred in the after housing costs measure of low income and child poverty.

The number of children in workless families in poverty has fallen since the mid-1990s, from 1.9 million in 1996 to 1 million in 2009. Over the same period the number of children in poverty in working families has hardly changed. As a result, six in ten children in poverty now belong to working households. For most of the 1980s it was less than four in ten.

The rise in child poverty up to the early 1990s is almost entirely accounted for by two factors: the increase in the poverty risk and the increase in the number of children in workless households. Between the start of the 1980s and the early 1990s the in-work child poverty risk doubled from 7 per cent to 14 per cent. The risk of workless poverty also increased from 68 per cent to 73 per cent. Alongside this the number of all children in workless households rose from 1.6 million to 2.8 million. So in effect for more than 1 million children the poverty risk went from 7 per cent to 73 per cent.

The fall in child poverty since the 1990s can also be accounted for by two factors: (i) the fall in the number of children in workless families from 2.8 million in the early 1990s to 2.2 million at the end of the 2000s, and (ii) the substantial fall in the risk of poverty among workless families from 72 per cent to 42 per cent, the lowest level shown in the indicator.

However, the risk of child poverty in working families has not changed since it doubled in the 1980s and remains at 13 per cent. As the number of children in working families is increasing and the poverty risk has remained the same, the number and share of children in in-work poverty is now higher than at the start of the 1980s.
Long-term view of child poverty

Indicator: 8A

The number of children in low-income households peaked in the early 1990s. The proportion of those children in working families is at a peak now.

Indicator: 8B

Child poverty rose from the early 1980s to the late 1990s because of increasing levels of worklessness and a doubling in the in-work poverty risk; it then fell because of a fall in the risk of workless poverty and the number of workless households.

The first graph shows, for each year since 1979, the numbers of children living in low-income households by work status of the family (either working – containing at least one adult in paid work, or non-working – families where no adult is working). The graph also shows children in low-income working families as a proportion of all children in low income. Low income is defined as households with below 60 per cent of the median income of that year, before housing costs (BHC), the same measure that is used for the child poverty targets in the 2010 Child Poverty Act. The second graph shows the proportions of children in working and workless families whose households have a low income, at four points since 1979. It also shows the number of children in workless families at those times. The data before 1994/95 is from the Family Expenditure Survey, a smaller (and less robust) survey than the post-1994/95 Family Resources Survey which underlies the modern Households Below Average Income. Caution should be exercised in drawing conclusions about individual years before 1994/95, or in year-on-year comparisons. As the earlier data is less reliable, the second graph uses two-year averages for the start of the 1980s (1979 and 1980) and the early 1990s (1991 and 1993; the 1992 data was not used as it is anomalous).
9 The child poverty targets

On any of the four measures in the Act, child poverty fell in the last decade. While the risks of poverty are now quite similar on all four measures, the composition of those in poverty differs, and these differences are informative.

In 2010/11, the most recent year for which data is available, 18 per cent of children were in poverty using the contemporary threshold. While this figure was two percentage points lower than the previous year, there had been no change in the proportion of children living below the fixed 1999/2000 threshold (the median for that year, adjusted for inflation). That proportion remained unchanged at 19 per cent.

What this means is that the contemporary child poverty rate (the median for any one year) fell because the contemporary median, against which it is compared, had fallen. While this implies that incomes at the bottom of the distribution held up better than those in the middle, there is no real cause for celebration. That lack of change in the fixed measure shows there was no improvement in living standards.

The longer-term trajectories for both measures were, however, heading downwards in 2010/11. The contemporary measure is six percentage points lower than a decade earlier. The fixed measure is 11 percentage points lower.

The two other measures in the chart only cover part of the time period. The proportion of children in persistent poverty was 12 per cent in 2008. It was slightly higher than previous years, but lower than a decade earlier, when it was 17 per cent. On the material deprivation measure, 14 per cent of children were in poverty, the lowest number in this short series.

The make-up of the population of children in poverty differs a little across the measures. On the low income measures, the economic and family status of children in poverty are broadly similar. Around two-fifths of those children in poverty on each measure are in workless households, with this number split evenly between lone-parent and couple households.

The material deprivation measure is different, however. Using this measure, around three-fifths of children in poverty are in workless households. The main reason for this difference is that far fewer children in self-employed households are in poverty under this measure – they make up 5 per cent of the total, compared with 17 per cent on the fixed and 21 per cent on the contemporary measure.

Commensurately, children in workless, lone-parent households make up a greater proportion of the total in poverty under the material deprivation measure – 37 per cent compared with 21 per cent on the contemporary measure and 18 per cent on the fixed measure. The experience of poverty is more acute in lone-parent households, as children (and parents) are more likely to go without everyday items. This suggests that policies for lone-parent households, such as the Lone Parent Tax Credit and the New Deal for Lone Parents, had the right focus.
10 Depth of child poverty

The reduction in child poverty was not as a result of those just below the poverty threshold being lifted to just above it.

In 2010/11, around half of the 2.3 million children in households with incomes below 60 per cent of the median were in households with incomes above 50 per cent of the median. That is, around half were close to the ‘poverty line’. The remaining half was split evenly between those whose household incomes were between 40 per cent and 50 per cent of the median (600,000) and those with lower incomes (600,000).

Over the longer term, there has been little reduction in the number of children in households with very low incomes. Although the numbers change from year to year, and there are some doubts as to the quality of the data, around 700,000 children have been in such households for most of the last decade.

So the fall in child poverty comes from the population between 40 per cent and 60 per cent of the median, split evenly between those above and below 50 per cent. Therefore it would not be true to say that child poverty fell because those just below the poverty line moved to just above it. There was also a decrease in the number of children living substantially below the line, if not necessarily those in deepest poverty.

Around one-third of children in poverty (0.7 million children) live in working families and have incomes below half the national median. Around 28 per cent (800,000 children) are in working families whose income is between 50 per cent and 60 per cent of the median. Among children in poverty in workless households, roughly half are in very poor households (440,000) and half are in households just below the poverty threshold (460,000).

This means that even among very poor households, most children live with a working parent. Moreover, most children in low-income, working families are in families with very low incomes.
The child poverty targets

Indicator: 9A
Child poverty was lower in 2010/11 than 5, 10 or 15 years earlier on any of the measures used in the Child Poverty Act.

![Graph showing proportions of children below income thresholds]

Source: Households Below Average Income, DWP and IFS, the data is for Great Britain to 2002/03 and the UK thereafter.

Indicator: 9B
Children living in lone parent households, particularly workless households, are a larger proportion of those living in materially deprived low-income households than other low-income households.

![Graph showing proportions of children in low-income and materially deprived households]

Source: Households Below Average Income, DWP, 2010/11; the data is for the UK.

The first graph shows four different series: i) the proportion of children in households below 60 per cent of contemporary median income before housing costs and benefits are deducted; ii) the proportion of children in households below 70 per cent of the 1999/2000 median income (adjusted for inflation) before housing costs and benefits are deducted; iii) the proportion of children in households below 60 per cent of the contemporary median income before housing costs and benefits are deducted for three or more of the preceding four years (this series only runs to 2008); iv) the proportion of children in households below 70 per cent of contemporary median income who are also materially deprived.

The material deprivation measure comes from the Households Below Average Income and Family Resources Survey. These surveys contain questions relating to a list of ‘essential’ items, with different questions for pensioners and families with children. Adults were asked if they had an item and, if not, if this was because they were unable to afford it. Items that most households can afford are given the greatest weight, and compiled into a score of 0 to 100. Any family with a score of 25 or above is considered to be materially deprived.

The second graph looks at children in poverty under three of these definitions – contemporary income, fixed income and the combined low income and material deprivation measure. Each column shows the proportion of this population according to work status and family type.

Monitoring poverty and social exclusion 2012

37
**Depth of child poverty**

**Indicator: 10A**

There are 800,000 fewer children in poverty than a decade ago, but the number in very low-income households has remained unchanged.

**Indicator: 10B**

Around one-third of children in poverty are in working households with incomes less than half the median.

The first graph shows the proportion of children living in households below 40 per cent, 50 per cent and 60 per cent of the contemporary median household income before housing costs for each year since 1995/96. For the years to 2002/03, the figures, which are for Great Britain, have been uplifted to include Northern Ireland as well.

The second graph shows all children in low-income households broken down by family work status and by depth of poverty. A family is described as working if at least one of its adult members is in paid work, and workless if this is not the case.
Commentary

The launch of a consultation into the measurement of child poverty implies the current measure is flawed. Indeed, this was demonstrated in the most recent results when, as income fell, so did poverty. But the existing measures in the Child Poverty Act address the problem directly through the fixed income measure. The fixed measure is, in fact, more important as it looks at whether the spending power of individuals has improved. If poverty under the fixed measure increases, the poorest are worse off than they were before.

It is only because progress against the fixed threshold has been constantly positive that attention has focused on the contemporary measure. With falling median incomes, hopefully only in the short term, focus should return to the fixed income measure.

Another criticism of the income measures is that they represent only points in time, and do not differentiate between short-term spells in poverty and an entire childhood spent in low-income. The persistent poverty measure, though somewhat out-of-date, deals with this, as does the material deprivation measure.

The relatively low proportion of self-employed households in poverty under the material deprivation measure compared with the income measure makes this point clearly. Incomes in such households tend to fluctuate, and may result in spells in poverty. But when not in poverty, these households are able to save money which allows them to afford essential items when their income drops.

This puts self-employed households in a very different position to workless households, particularly workless lone-parent households, who have no such opportunity to save money. The result is that workless households make up a greater proportion of those in material deprivation than those in low-income. All this is captured by the current measures.

So how can the measurement be improved? We suggest that some measure of depth of poverty, either a count of individuals, or as a total measure of the ‘poverty gap’, would strengthen the current set of measurements. This would counter the criticism (which the data does not strongly support) that tackling child poverty boiled down to lifting those just below the poverty line to a position just above it.

There is further criticism that focusing on income alone, at the expense of health, housing or education, can skew priorities or result in too narrow a focus. Obviously we believe in taking a broad view of poverty – that is what this series of reports is about. But the Child Poverty Strategy published last year includes measures of ill-health and poor educational performance.

More important than deciding on a broad measure of child poverty is a broad focus in tackling it. At the moment, the Child Poverty Unit straddles three government departments, but does not touch policy areas such as business, housing or local government. In order for any child poverty strategy to succeed, it must have a wider remit than it does now.
Chapter 3  Work

Choice of indicators  42
11 Long-term view of jobs and hours  43
12 Underemployment  45
13 Employment and unemployment by age  46
14 Workless households  47
15 Low pay  51
16 Pay inequalities  51
17 In-work training  52
Commentary  56
Choice of indicators

This chapter begins with a long-term view of changes in the labour market going back to the middle of the twentieth century. It looks at the headline employment numbers alongside changes to hours worked, which gives a better measure of the scale of employment, both individually and in the aggregate.

Chapter 1 Income and Poverty showed us that work was almost certainly necessary, but not sufficient, to raise a family out of poverty. If work is to be the route out of poverty, there must be sufficient work at the individual level. The first part of this chapter looks at the number of people lacking work. This goes beyond those officially ‘unemployed’ to include underemployment. As well as those officially defined as unemployed (those lacking but actively seeking paid work and available to start work in the next four weeks), indicator 12 includes two other groups; those described as economically inactive but who nevertheless want paid work; and those in part-time work who cannot find the full-time work they want.

One particular aspect of the way the economic downturn has impacted on the labour market is the high level of young adult unemployment. This is contrasted with the rising level of employment among older working-age adults.

Having looked at individuals lacking work, we then look at workless households. The reason for doing this is that there must be sufficient work at the household level, as it is the household income that determines whether or not a family is in poverty.

Sufficiency of work is one part of the equation. Another is that work must be adequate both in terms of pay and the possibility to train and progress once working. We look at low pay, and the types of job most likely to be low-paid, and pay inequalities.

Finally, we look at whether jobs offer training and development. To lift individuals and families out of poverty for good, jobs need to give people the opportunity to progress, and in–work training is key to this.
11 Long-term view of jobs and hours

Although many more people are working, average hours per worker have fallen. But the impact of the recession has been small, given the increase in employment and hours over the previous 20 years.

Over the 40 years to 2011, the total number employed rose 19 per cent while total hours worked rose 6 per cent. As a result, hours per worker fell 11 per cent.

Both employment and hours are down from their peaks in 2007 and 2008 (by 1 per cent and 3 per cent respectively). These are modest declines compared with the recession at the start of the 1990s (down 6 and 8 per cent respectively).

Between the 1970s and early 1990s the numbers in employment tended to fluctuate. But between 1993 and 1997 the number of people employed rose every year.

The increase in job numbers has outstripped the rise in hours consistently since the 1970s. Hours per worker were 7 per cent below the 1971 value in 1993 and 11 per cent below it in 2011. In short, although employment is up, the total amount of work being done is up by very much less.

This pattern extends even further back, the rise in employment since 1952 being almost exactly offset by the fall in hours per worker over that period. (Philpott, J. (2012) Britain at Work in the Reign of Queen Elizabeth II. London: Chartered Institute of Personnel and Development see www.cipd.co.uk/binaries/5758WorkAuditWEB.pdf).

The fall in the average hours per worker can be understood by looking at three contributing factors: (i) changes in hours per full-time job, (ii) changes in hours per part-time job and (iii) the balance between full- and part-time jobs. The first and third of these factors have played the biggest part in changes since 1992.

In 2007 (the eve of the recession) the average hours per worker was around 2.8 per cent lower than the 1992 level. A fall in average hours per full-time worker and an increase in the share of part-time jobs contributed almost equally to this fall.

By 2011, the average hours per worker was 4.5 per cent lower than the 1992 level. At this point the overall shift to part-time jobs has the biggest impact.
**Long-term view of jobs and hours**

**Indicator: 11A**

With the number of people in employment up by nearly 20 per cent over four decades but hours up only slightly, hours per worker are down by one-tenth.

The first graph shows the total number of people in employment, the total number of hours worked and the ratio of the two – hours per worker – for each year since the start of the 1970s. Each series is expressed as an index relative to their starting values in 1971.

**Indicator: 11B**

Over the last 20 years, the fall in the number of hours per worker is due in almost equal measure to lower hours in full-time jobs and a rising share of part-time jobs.

The second graph accounts for the change in hours per worker at three points in time – 1997, 2007 and 2011 – compared with 1992, in terms of changes in: (i) the average number of hours per full-time worker; (ii) the average number of hours per part-time worker; and (iii) the mix of workers between full- and part-time. The results are shown as a percentage of 1992 value. 1992 is the year of comparison because it is the earliest that data broken down between full- and part-time is available.

Source: Labour Force Survey, ONS; the data is for the UK

Source: Labour Market Statistics, ONS; the data is for the UK
12 Underemployment

Around 6.5 million people are underemployed, up by more than 2 million since the middle of the last decade. This number has risen for men and women alike.

As already noted, as well as those officially defined as unemployed (those lacking but actively seeking paid work and available to start work in the next four weeks), underemployment includes two other groups. The first are those (classed as economically inactive) lacking but wanting paid work but not classified as unemployed. The second group are those in part-time work who cannot find the full-time work they want.

By mid-2012, there were 6.4 million people underemployed in the UK. Of these, 2.6 million were unemployed, another 2.4 million were economically inactive but wanting work, and 1.4 million were in part-time work but wanted a full-time job.

This is the highest point in the series. The lowest point was in 2004, when 4.1 million people were underemployed. Since then, the number of people unemployed has risen by 1.2 million and the number working part-time but wanting full-time work has risen by 800,000. The number economically inactive but wanting work has only risen by 300,000, suggesting that this number is less affected by changes in the overall economic climate.

The most recent figures say something interesting about how the economic downturn has affected the labour market. Since rising sharply in 2008 and more slowly in 2009, unemployment has remained at around 2.5 million people. The number who are economically inactive but are wanting work has not changed since 2008.

The number of people in part-time work wanting a full-time job has, however, increased by 500,000 since 2009. It is this willingness of employees to work fewer hours that is keeping unemployment from rising even higher.

Between 2006 and 2011, male unemployment rose by 520,000 to 1.5 million and female unemployment by 370,000 to 1.1 million. This represents almost identical proportional rises of around 50 per cent since 2006.

Over the same period, the number of men who were economically inactive but wanting work rose by 90,000 (10 per cent), compared with a 70,000 (6 per cent) rise for women. The number of men working part-time but wanting a full-time job rose by 300,000, a rise of 115 per cent. For women, the increase of 340,000 represented a 92 per cent rise on the 2006 figure.

What these figures show is that the rise in underemployment has been roughly similar for men and women since the start of the economic downturn. Taking a shorter term view at any point may give a different story – male unemployment rose fastest in the early part of the 2008/09 recession, with female unemployment rising more quickly more recently. But the medium term view is one of the impacts being shared equally.
13 Employment and unemployment by age

Unemployment has risen far more for young adults than for other age groups. At the same time, there are now more people aged 50+ in work than five years ago.

By mid-2012, the unemployment rate (the proportion of economically active not working) among 16- to 24-year-olds was 22 per cent, compared with 6 per cent for those aged between 25 and 64. This means that one million young adults were unemployed in the first half of 2012.

This number has been rising since well before the recession began, and before unemployment starting to increase among the rest of the working-age population. It saw a huge rise between 2008 and 2009 from 15 per cent to 19 per cent. Since 2009, however, the figure has remained around 20 per cent.

Unemployment is only one part of this picture when we look at the changes by different age groups. Between 2006 and 2011, the number of 16- to 24-year-olds in work fell by 500,000. The number of 16- to 24-year-olds unemployed rose by 300,000 in the same period. The number inactive (which includes students neither working nor looking for work) rose by 400,000.

Over the same period, the 50- to 64-year age group actually experienced a rise of 400,000 in the number in employment while unemployment also rose by 160,000 for this age group. Among the over 65s, employment also rose by 250,000. These two rises contributed to an overall increase in the number of people in work between 2006 and 2011 of 150,000. So over the course of the economic downturn the number of people in work has gone up.

These are snapshots, not cohorts, and so it is not the same group of, for instance, 16- to 24-year-olds in each time period. But it is quite clear that different age groups have fared very differently in the labour market over the last five years.
14 Workless households

Households where no one has ever worked are a very small subset of all workless households. Most adults in households where no one has ever worked are aged under 25.

In 2012, 18 per cent of working-age households in the UK (around 3.8 million) had no working adult. This figure has stayed at roughly the same level for the last three years. In 2006, the low point in this series, 17 per cent of working-age households were workless.

In 2012, 2 per cent of working-age households had no adult who had ever worked. This equated to around 370,000 households, a figure roughly double that of 1997. Households where no adult has ever worked make up only one-tenth of workless households.

Of the 560,000 adults living in households where no one has ever worked, 54 per cent are aged 16–24 (300,000 people). For this group, ‘never worked’ could simply mean that they have not worked since school or university; they are not long-term workless.

The opposite is true of currently workless households where at least one person has once worked. Here, over 35s make up the majority of the (much larger) total. 48 per cent of adults (2.4 million) in these households are aged over 50, a group that makes up only 8 per cent of those living in the ‘never worked’ households. A further 22 per cent (1.1 million) are in the 35–49 age group, a group that makes up 18 per cent of adults in ‘never worked’ households.

Workless households are rightly a focus of political attention. The UK has a far higher proportion of children living in workless households than the EU average and this directly contributes to its relatively high child poverty rates. But the recent emphasis on households where no adult has ever worked is, in our view, misguided. The group is small, and the recent rise in numbers is likely to be a manifestation of high and rising young adult unemployment and nothing more. ‘Never worked’ households make up only a small proportion of overall worklessness and should therefore not take up a large proportion of the attention.
Indicator: 12A
Despite unemployment being lower than 20 years ago, record numbers of people working part-time but wanting a full-time job mean that underemployment is the highest it has been for two decades.

Source: Labour Market Statistics, ONS; the data is for the UK

Indicator: 12B
The rises in both the numbers of unemployed and those working part-time but wanting full-time work have been similar for men and women.

Source: Labour Market Statistics, ONS; the data is for the UK

The first graph shows the number of people either unemployed, lacking but wanting work or working part-time but wanting a full-time job. The figures for each year are the average of the four quarters, with the exception of 2012, where it is the average of the first two quarters.

The second graph shows the gender breakdown of the three constituent components of underemployment. It compares the number of men and women in each group in 2006 and 2011.
Employment and unemployment by age

Indicator: 13A

With one in five economically active young adults unemployed, the unemployment rate is at a record high for this age group and is three times as high as that for older adults.

Source: Labour Market Statistics, ONS; the data is for the UK

Indicator: 13B

While the number of under-25s in work has fallen by 500,000 since 2006, the number of over-50s in work has grown.

Source: Labour Market Statistics, ONS; the data is for the UK

The first graph shows the unemployment rate for those aged 16–24 and those aged 25–64. This is the number of unemployed people as a proportion of the economically active (those either employed or unemployed).

The second graph shows the changes in the number of people employed and unemployed by age group between 2006 and 2011. The figures are an average of the four quarters of data for both years. A total for all age groups is also shown.
Workless households

Indicator: 14A

Nearly 20 per cent of working-age households are currently workless. Only 2 per cent of all working-age households contain no adult who has ever worked.

Source: ONS; the data is for the UK

Indicator: 14B

Whereas the majority of working-age adults in households where no one has ever worked are aged under 25, the majority of working-age adults in workless households where someone has worked are over 35.

Source: Working and workless households, ONS; the data is for the second quarter of 2011 for the UK

The first graph shows the proportion of working-age households that have no working adult. They are divided into those where no one has ever worked and those where at least one adult has worked.

The second graph shows how different the age distributions are of households where no adult has ever worked and other workless households.

In order to calculate the number of households currently workless that have once worked, we subtract the never worked households from the workless households. The graphs show both these households and households where no one has ever worked.

The data for both graphs comes from the ONS publication Working and Workless Households.

The graphs only cover working-age households; that is, households with at least one working-age adult. A household is classed as workless if none of the working-age members are in work. A household is classed as never having had work if none of the working-age members have ever worked.
15 Low pay

Following progress in reducing the proportion of low-paid jobs in the early 2000s, there has been no change in the last five years.

In the first half of the last decade, the proportion of people in low-paid jobs fell for both men and women. The fall for women was steeper, from 28 per cent in 2001 to 21 per cent in 2006. Over the same period, the proportion of men in low-paid jobs fell from 12 per cent to 10 per cent.

Since 2006, however, there has been little change. If anything, the proportion of men in low-paid work has risen, but changes in the analysis methodology in the last year make it impossible to say for certain. The proportion of women in low-paid work remains around one-fifth.

In total, there were 4.4 million jobs paid less than £7 per hour in 2011. Of these, around 800,000 were filled by 18– to 21-year-olds and 900,000 by those aged 22–29. But while the under 30s make up less than half of all those in low-paid work, they make up the majority of the low-paid working in hotels and restaurants.

In comparison, low-paid wholesale, retail and transport jobs are spread out across the age range. In each of the five age groups (not including the over 65s), between 175,000 and 275,000 people are working in low-paid jobs in this sector.

16 Pay inequalities

Pay inequalities between genders have shrunk, but gaps between the low- and high-paid have grown.

In 2011, the bottom 10 per cent of men were paid 55 per cent (or less) of the male full-time median, exactly the same figure as a decade earlier. For women, the figure was 52 per cent, compared with 49 per cent in 2001. So the gap between men and women closed at the bottom of the distribution.

At the top end of the distribution, the top 10 per cent of men were paid (at least) 222 per cent of the male median, compared with 218 per cent in 2001. So the gap between the average and the top has grown, albeit slightly. The top 10 per cent of women were paid (at least) 178 per cent of the male full-time median, an increase from 170 per cent in 2001. So the gap between highly paid men and highly paid women has closed slightly. But again, the gap for women between the middle and the top has grown.

So the growth in female pay at the top was greater than the growth at the bottom, and male pay grew at the top but not the bottom. This means that the pattern over the last decade has been for gaps between men and women to close but those between well-paid and low-paid, both men and women, to grow.
16 Pay inequalities continued

In part-time work, the distributions are quite similar. Median male hourly pay is £7.67, and median female hourly pay is £8.10. The 75th percentile points are likewise similar (£12.33 for men, £11.77 for women) as is hourly pay at the 25th percentile (£6.21 and £6.48 respectively).

But among those in full-time work, there is a significant gender gap at all points in the distribution. The male median is £13.11, compared with £11.91 for women. At the 25th percentile point, male hourly pay is £9.25 compared with £8.55 for women. At the 75th percentile, the gap is the greatest – £19.55 for men and £17.34 for women.

The net effect of this is that male pay on the whole is higher at the median (£12.42 compared with £10.00 per hour), as well as the top and bottom quartile points. This gap is greater than the full-time gap as a greater proportion of men work full-time, where average pay is higher, than women.

17 In-work training

The proportion of people receiving in-work training is lower than a decade ago. People without qualifications are far less likely to receive training than those who already have qualifications.

In 2011, 28 per cent of people with a qualification had received in-work training in the last three months, compared with 9 per cent of those with no qualifications.

This difference has been constant throughout the last decade – those with qualifications are consistently three times as likely to receive in-work training as those without. But compared with a decade ago, indeed compared with even five years ago, the proportion of people receiving training has fallen across the board.

So whereas in 2001, 31 per cent of people with qualifications had received in-work training in the previous quarter, by 2011 it was 28 per cent. Among those without qualifications, the figure fell from what was already a low of 11 per cent to a new low of 9 per cent.

People in full-time work are slightly more likely to receive in-work training than those in part-time work. Among those with qualifications, 28 per cent of full-time employees received some form of training in the last three months compared with 26 per cent of those in part-time work. Among those without qualifications, 9 per cent of those in full time work had received training compared with 8 per cent of those in part-time work.

There is, however, a far more marked difference between people working in the private and public sectors. 40 per cent of public sector employees with qualifications had received some in-work training in the previous three months, compared with 23 per cent of private sector employees. Among those with no qualifications, 15 per cent of employees in the public sector had received training compared with 8 per cent in the private sector.
Low pay

Indicator: 15A

After a fall in the proportion of people in low-paid work in the first part of the last decade, there has been little further change in the last five years.

Source: Annual Survey of Hours and Earnings, ONS; the data is for the UK

Indicator: 15B

Low-paid jobs in the public sector are more common among older workers, whereas low-paid work in hotels and restaurants is concentrated among the under 30s.

Source: Annual Survey of Hours and Earnings, ONS, 2011; the data is for the UK

The first graph shows the proportion of men and women paid below a low pay threshold equivalent to £7 per hour in 2011 prices. £7 was chosen as it represents around 60 per cent of the median and is close to the 2012 living wage figure of £7.20 (there was no agreed living wage figure for 2011). The £7 figure is then deflated using earning indices to calculate the proportion of low-paid people in previous years.

The data is for people aged 22 and over until the most recent year, when all those aged 21 and over are included. This follows the change to minimum wage legislation, where the full rate now covers 21-year-olds. This could make a difference to the findings, as younger people tend to be lower paid. For this reason, the columns for 2011 are coloured differently.

The second graph shows the number of people paid less than £7 per hour in 2011, broken down by age and industry.
Pay inequalities

Indicator: 16A

Compared with a decade ago there has been a decrease in pay inequality between men and women and an increase in inequality between the low- and high-paid.

[Diagram showing earnings ratio]

Source: Annual Survey of Hours and Earnings, ONS; the data is for the UK

Indicator: 16B

Among part-time employees, male and female pay is similar, but male full-time pay is higher than female full-time pay at all points in the distribution.

[Diagram showing hourly pay for part-time and full-time work]

Source: Annual Survey of Hours and Earnings, ONS, 2011; the data is for the UK

The first graph shows the ratio of low and high pay to the median. In all cases, we are looking at pay for full-time work. The measure of pay used is gross hourly pay not including overtime. For high pay, we look at the 90th percentile (the top 10 per cent earn at least this amount). For low pay, we look at the 10th percentile (the bottom 10 per cent earn at most this amount). The second graph shows the 25th, 50th and 75th percentiles for men and women, working full- and part-time. The second graph shows hourly pay at the 25th, 50th and 75th percentiles for men and women, working full- and part-time. The data comes from published tables in the Annual Survey of Hours and Earnings.
In-work training

**Indicator: 17A**

The proportion of people in work who have received training is lower than a decade ago, both for those with and those without qualifications.

![Graph showing the proportion of working-age adults in employment who received job-related training in the last three months](source)

Source: Labour Force Survey, ONS; the data is for the UK.

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**Indicator: 17B**

The proportion of employees receiving in-work training varies little between part-time and full-time work but varies substantially by qualification and between the private and public sectors.

![Graph showing the proportion of employees who received in-work training in the last three months](source)

Source: Labour Force Survey, UK; the data is an average of the four quarters of 2011.

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The first graph shows the proportion of employees over time who received in-work training in the three months prior to the survey broken down by those with and without a qualification. The age groups covered are men aged 16–64 and women aged 16–59 until 2007. Thereafter, all working men and women aged 16–64 are included. This makes no discernible difference to the analysis.

The second graph shows the proportion of employees who received in-work training in the three months before the 2011 survey broken down by those with and without a qualification, public and private sector and full-time and part-time working. The data includes all people aged 16–64 in paid work.

The training in question is job-related but can be paid for by the employer or the employee. Both graphs cover only people who are in paid work. The data is from the Labour Force Survey dataset.
Commentary

Given that the UK has seen almost no economic growth in the last two years, the fact that unemployment has not risen could be seen as surprising. In fact, the lack of such a rise has led some to doubt the GDP figures.

Putting to one side the slight complacency this view encapsulates – there are 2.6 million unemployed, including 1 million young adults, both figures the highest for more than 15 years – this downturn has certainly been different from previous recessions. The indicators above can help explain the apparent contradictions. First, the underemployment indicator identified that 1.4 million people now work part-time due to the lack of full-time jobs.

Not only does part-time work offer fewer paid hours, those hours are, on average, less well-paid than full-time hours. On top of this one in five women and one in seven men are paid less than £7 per hour. A cut in hours and a potential cut in hourly pay means people have less money to spend. All of this is a drag on economic recovery.

Additionally, while there has been a rise in employment, much of this has been among the self-employed (www.npi.org.uk/m-blog/view/who-are-the-new-self-employed/). While self-employment is not bad per se, it is less secure than full-time employment and the evidence suggests that many people classified as self-employed are carrying out the same roles they used to do on a full-time employed basis.

The other notable aspect of the changing labour market is how it affects different age groups in different ways. Young adult unemployment is up hugely, but the rise for older age groups has been much more modest. Conversely, much of the rise in the number of people working part-time but wanting a full-time job has been among the over-40s.

So while younger people are more likely to be excluded from the labour market altogether, older workers are having to accept fewer hours and worse terms. The big rise in self-employment in the last five years has mainly come from the over-40s, and most of those are ‘working for themselves’, which implies doing work similar to their previous employed post but on a less secure, freelance basis.

This suggests that rising self-employment among older workers could be the counterpart to unemployment among the young. Clearly self-employment is preferable to no employment, but both are indicative of a lack of jobs – a lack of demand in the UK economy.
## Chapter 4  Education

Choice of indicators 58
18 Long-term view of adult qualification levels 59
19 Qualifications and low income 61
20 Attainment at age 11 61
21 Attainment at age 16 62
22 School performance at GCSE 66
23 Looked-after children 66
24 Attainment at age 19 67
Commentary 71
Choice of indicators

Poverty and education are closely connected, with links running in both directions.

On the one hand, a basic level of qualifications is essential for finding good-quality and well-paid work, and thus avoiding poverty. On the other hand, children from poorer families are less likely than other children to attain the expected educational standards. This in turn impacts on their ability to find and sustain good jobs as adults and makes them more likely to suffer from exclusion and poverty. Poverty is thus perpetuated from one generation to the next.

This chapter looks at trends in skills and qualifications across the whole population, from school children to working-age adults. It begins with the long-term trends in qualifications in the population as a whole, and the changing impact on the workforce. As well as analysing the trends in educational outputs in and of themselves, we look at the impact of qualifications on work, pay and poverty.

We also look at attainment at the ages of 11 and 16. The analysis is broken down by pupils’ free school meals (FSM) status. The gap between the outcomes of FSM and non-FSM children is a good indicator of how low income affects educational attainment. There are also substantial variations by geography, which say a lot about what schools and local authorities can do to raise standards.

We look at the performance of schools with high proportions of FSM students to determine how having a higher intake of poor students can impact on overall school results. We also analyse attainment levels of children in the care system, as outcomes among this group are so poor that they merit particular mention.

The final indicator looks at the qualifications among young adults, given that young adult unemployment is at a record high. The indicator on educational outcomes can determine to what extent young people are equipped with the necessary skills at the end of school.
18 Long-term view of adult qualification levels

30 years ago, nearly six in ten women and four in ten men aged 25 to 59 had no qualifications. A 25-year-old with no qualifications would not have been unduly disadvantaged. 30 years later, fewer than one in ten people have no qualifications: now aged 55, that same person is highly disadvantaged.

Since 1981, the proportion of men aged 25–59 with no qualification has fallen from 39 per cent to 9 per cent, with a particularly rapid fall during the 1980s.

Since 1981, the proportion of women aged 25–59 with no qualification has fallen from 57 per cent to 9 per cent. The fall was particularly steep during the 1980s and has continued at a rapid pace, even over the last decade. On this measure, men and women are now equal.

A similar pattern can also be seen among those with university degrees, with the proportion rising from 4 per cent in 1981 to 25 per cent now. Thirty years ago, two-thirds of them were men; now it is half men and half women (Source: NPI analysis of Labour Force Survey, ONS). The trend of a higher qualified workforce will continue for as long as those turning 60 remain less qualified than the cohort reaching 25.

Among 25- to 59-year-olds, the proportion lacking but wanting work ranges from 18 per cent for those with no qualifications to 6 per cent for those with a degree. For each step on the qualification ladder, the proportion lacking but wanting work falls, with greater falls at the lower end of the qualification scale.

The proportion lacking but not wanting work at each qualification level is about the same as the proportion who do want work, except for those with no qualifications, where the level not wanting work, at 34 per cent, is higher. As a result, over half of those with no qualifications lack work.
Chapter 4

Long-term view of adult qualification levels

Indicator: 18A

30 years ago, nearly half of those aged 25 to 59 lacked any qualification, three-fifths of them women. Now it is less than one in ten, among both women and men.

![Graph showing the proportion of 25- to 59-year-olds with no qualification over time.]

Source: Labour Force Survey, ONS; the data is for the UK

Indicator: 18B

Among 25- to 59-year-olds, the proportion lacking but wanting a job ranges from 6 per cent for those with a degree to 18 per cent for those with no qualifications. In total, more than half of this age group with no qualifications lack a job.

![Graph showing the proportion of 25- to 59-year-olds lacking work by highest level of qualification.]

Source: Labour Force Survey, ONS; the data is for 2011 for the UK

The first graph shows the proportions of both men and women aged 25 to 59 lacking any qualifications at four points in time, roughly a decade apart, over the last 31 years.

The second graph shows the proportion of people aged 25 to 59 lacking work according to their highest level of qualification for 2011. Those lacking work are divided between: (i) those ‘lacking but wanting’ work, including both those counted as ILO unemployed (looking for work and ready to start within a matter of days) and others who want work but do not fulfil one of these conditions (and are counted as economically inactive); and (ii) those lacking but not wanting work (also economically inactive).
19 Qualifications and low income

Lower levels of qualification are associated with a higher risk of poverty and a higher risk of being low-paid.

In 2009/10, 30 per cent of families where none of the adults had any qualifications above GCSE grade D were in low income. This was twice as high as the proportion for families where at least one adult had a degree. Families with low or no qualifications also accounted for two-fifths of all families in poverty.

Qualifications also have an impact on the risk of being low-paid. Half of working adults with no qualifications were paid less than £7 per hour in 2011. This level drops as the level of qualification rises. Less than one in ten adults with a degree were paid below £7 per hour.

Adults with low or no qualifications are more likely to be workless and when in work they are more likely to be low-paid. Both these factors contribute to the high risk of poverty for those with low or no qualifications.

20 Attainment at age 11

Following a long period in which the proportion of 11-year-olds not reaching expected standards fell year-on-year, there has been little change more recently, and gaps between pupils on free school meals and other pupils persist.

In 2011, 18 per cent of 11-year-olds did not reach Level 4 (the expected standard) in English, down from 25 per cent in 2001. 20 per cent failed to attain Level 4 in maths in 2011, down from 29 per cent a decade earlier.

The 2011 Monitoring Poverty and Social Exclusion report (www.jrf.org.uk/publications/monitoring-poverty-2011) shows that rapid progress was made in the mid- to late-1990s. In the seven years between 1995 and 2001, the proportion not getting Level 4 in English and maths both dropped by about 26 percentage points. Since 2001, the proportion has further declined by only 8 percentage points. In fact in the last four years, the trend has been almost flat.

Children eligible for free school meals (FSM) were twice as likely to lack Level 4 in English and maths as other children. This was true for any given subject or gender. 39 per cent of boys and 26 per cent of girls eligible for FSM did not reach Level 4 in English, compared with 20 per cent and 11 per cent of non-FSM boys and girls respectively.

The comparable figures for pupils not reaching Level 4 in maths were 33 per cent of FSM girls and 32 per cent of FSM boys, compared with 17 per cent for both non-FSM boys and girls.

The gap between the proportion of FSM and non-FSM pupils not reaching Level 4 in 2010, at 19 percentage points for English and 17 for maths, is large. However, it is slightly lower than the gap in 2006 of 22 and 21 percentage points respectively.

There were significant gender differences in attainment in English, with girls outperforming boys across the FSM categories by at least 10 percentage points. By contrast, in maths, there was no real difference between the genders.
21 Attainment at age 16

Although gaps in attainment between pupils on free school meals and other pupils are large and seemingly unchanging at the national level, the much smaller gaps in London show that differences are not inevitable.

At 65 per cent, the majority of free school meal (FSM) pupils lacked five GCSEs at A*–C including English and maths in 2010/11, down from 80 per cent in 2005/06, a fall of 15 percentage points. The proportion of non-FSM students lacking the expected level was 38 per cent in 2010/11, an improvement of 14 percentage points compared with 2005/06. Overall, around 235,000 pupils did not reach the standard of five good GCSEs in 2010/11, of whom 52,000 were eligible for FSM.

So FSM students are twice as likely to lack five good GCSEs as non-FSM students. Despite improvements in attainment levels for both FSM and non FSM students, the gap between them has not narrowed.

The proportion of pupils not attaining five good GCSEs varies little across the regions among pupils who do not receive free school meals. For all regions, this figure is between 30 and 40 per cent. The variation among children who do receive free school meals is much greater, ranging from 45 to 70 per cent.

This is entirely due to the above average performance of FSM children in London. At 48 per cent, Inner London had the lowest proportion of FSM pupils lacking five good GCSEs across England. The proportion in Outer London was higher at 57 per cent, but much lower than other regions. The gap between Inner London and West Midlands, which was the next best non-London region for FSM performance, was 15 percentage points.

Non-FSM pupils in Inner London (36 per cent lacking five good GCSEs) and Outer London (33 per cent) also performed better than their counterparts in other regions, though the gap between regions was not as big as for FSM pupils.

This meant that in 2010/11 the gap in performance between FSM and non-FSM pupils was the narrowest in London, making it the least unequal region in England in terms of education.
Indicator: 19A

Families where no one has a qualification are much more likely to be in poverty than those with some qualifications.

![Bar chart showing proportion of families in poverty by level of qualification.](chart)

Source: Households Below Average Income, DWP; the data is for 2009-10 for the UK

Indicator: 19B

Among people in work, those without qualifications are five times as likely to be low paid as those with degrees.

![Bar chart showing proportion of working people aged 15 to 64 earning less than £7 an hour.](chart)

Source: Labour Force Survey, ONS; the data is the average for four quarters of 2011 for the UK

The first graph shows the proportion of families in poverty by level of qualification in the benefit unit. (A benefit unit is a single adult or a couple (either married or cohabiting) and all their dependent children. A non-dependant child living in the same house is a separate benefit unit. In this report we tend to use the word ‘family’ instead of benefit unit.) The qualification level is determined by the highest qualification held by the adults in that benefit unit. For example, if one adult holds a degree-level qualification and the other has no qualification, the benefit unit is classified as one with a degree-level qualification.

A benefit unit is said to be in poverty if its net household income is below 60 per cent of median income after housing costs have been deducted. Qualifications are measured at the benefit unit level while income is measured at the household level.

The second graph shows the proportion of working-age adults in employment who were paid less than £7 per hour by the level of their highest qualification.
**Attainment at age 11**

**Indicator: 20A**

Progress in reducing the proportion of 11-year-olds failing to meet the expected standards in English and maths has slowed down in the last four years.

The first graph compares the proportion of children failing to reach Level 4 at Key Stage 2 (11 years old) for all mainstream schools. Results are shown separately for maths and English.

**Indicator: 20B**

Pupils receiving free school meals are almost twice as likely to lack the expected standards in English and maths.

The second graph shows, for the latest year, how the proportion of children failing to achieve Level 4 at Key Stage 2 varies by the gender of the pupil and whether or not the pupil is receiving free school meals.

Level 4 is the level that children are expected to reach in the Key Stage 2 tests taken in the final year of primary school (year 6).

To receive free school meals, parents have to receive either means-tested out-of-work benefits or receive Child Tax Credit but not Working Tax Credit. While this is the best available proxy measure, it excludes many children in low-income working families and also excludes those who are eligible for but don’t claim, free school meals.
Indicator: 21A

The proportion of pupils receiving free school meals lacking five good GCSEs has fallen but the gap with pupils not receiving free school meals has not changed.

The first graph shows the proportion of 16-year-old pupils lacking five GCSEs at A*-C including English and maths. The data is shown separately for pupils eligible for free school meals and others and the attainment gap between the two groups is also shown.

The second graph shows, for the latest year, the proportion of pupils failing to achieve five A*-C grades including English and maths in each region in England by receipt of free school meals. The regions are ranked by the size of attainment gap from smallest to largest.

Monitoring Poverty and Social Exclusion reports have progressively moved towards higher thresholds, from attaining any five GCSEs at A*-C, to five GCSEs at A*-C including English and maths. Because of the consistent improvements in educational attainment, getting five GCSEs at A*-C including English and maths has now become the norm. This was not true five years ago.

The data is for all maintained schools (including academies and community technology colleges) in England and is based on the number of pupils at the end of Key Stage 4 in each academic year.

To receive free school meals, parents have to receive either means-tested out-of-work benefits or receive Child Tax Credit but not Working Tax Credit. While this is the best available proxy measure, it excludes many children in low-income working families and also excludes those who are eligible for, but don’t claim, free school meals.
22 School performance at GCSE

There appears to be a strong link between the chances of a school ‘failing’ and its proportion of children on free school meals. Again, though, London is the exception.

The vast majority of schools were able to meet the floor standard for GCSE performance, as defined by the Department for Education in 2010/11. The floor standard measures schools where less than 35 per cent of pupils achieves five A* – C grades at GCSE, as well two other measures of progress since Key Stage 3. Overall 4 per cent of schools in England – 102 – were below the floor standard.

In schools where the free school meal (FSM) pupils made up less than 10 per cent of the total pupils at GCSE, only 1 per cent failed to reach the floor standard. By contrast, in schools with more than 40 per cent of FSM pupils, 14 per cent did not meet the standard.

Overall, two-thirds of all the schools that failed to meet the floor standard had more than 20 per cent of pupils receiving FSM.

Looking at the same data by region it is clear that, although the proportion of FSM pupils in a school can impact its success, it is not the only factor. Yorkshire and Humber had the highest proportion of failing schools, but the proportion of FSM intake is about average. By contrast, London had the highest FSM intake of all regions and yet the lowest proportion (1 per cent) of failing schools. Only three schools in London were below the floor standard in 2011.

23 Looked-after children

Educational outcomes for care leavers remain poor. They are twice as likely to lack five good GCSEs as the average pupil and one in three are not in education, training or employment (NEET) at age 19.

In 2010/11, almost 87 per cent of 16-year-olds in the care system did not achieve five GCSEs at A* – C including English and maths. This was twice the average of 42 per cent. The attainment levels of looked-after children are even worse than free school meal (FSM) pupils.

Although the proportion of looked-after children failing to achieve five good GCSEs has been gradually falling, the rate of progress is very slow. In the six years from 2005/06 to 2010/11, the proportion of looked-after children that had not reached this standard dropped by 7 percentage points, compared with a 14 percentage point drop for all pupils.

By age 19, 33 per cent of care leavers were not in education, training or employment (NEET) and a further 6 per cent were not in touch with services in 2011. This meant that a majority of care leavers were in education or employment.

The proportion of care leavers not remaining in touch with services has more than halved since 2004. By contrast, the proportion of NEET has gradually risen since 2008.
24  Attainment at age 19

At age 19, the gap in Level 2 attainment between pupils on free school meals and other pupils has closed. Those lacking Level 2 at age 19 are unlikely to have attained it by age 21.

In 2011, 16 per cent of non-free school meal (FSM) 19-year-olds did not have a Level 2 qualification and 44 per cent did not have a Level 3 qualification. Both the figures were lower than the previous year and the lowest in the series.

The proportions were much higher among pupils eligible for FSM. 35 per cent of those receiving FSM in year 11 did not have any qualifications at Level 2 or above by age 19. This is more than double the non-FSM level. In total 68 per cent lacked a Level 3 qualification, 25 percentage points higher than the non-FSM level.

The FSM gap for Level 2 qualifications has narrowed considerably over the period. The gap at Level 2 narrowed from 28 percentage points in 2005 to 19 percentage points in 2011. However, the gap at Level 3 closed by only 1 percentage point between 2005 and 2011.

Although 43 per cent of people born in 1990 did not have a Level 2 qualification at age 16, this proportion halved to around 21 per cent by age 19. There was little additional progress after age 19. Similarly, the proportion of those lacking a Level 3 qualification fell rapidly between the ages of 17 and 19, by 34 percentage points. After the age of 19 the fall is much more gradual.
School performance at GCSE

Indicator: 22A

Schools with a high proportion of pupils receiving free school meals are much more likely to fall below the floor standard than other schools.

The first graph looks at the proportion of schools failing to reach the floor standard for GCSE performance by the proportion of FSM pupil intake.

The second graph shows the distribution of failing schools by region and compares it with the average proportion of FSM intake in that region.

For 2010/11, the Department for Education assessed mainstream maintained secondary schools’ performance against defined floor standards. Considered against these, a school was seen as underperforming if its Key Stage 4 results were:

- less than 35 per cent of pupils at the end of Key Stage 4 achieving five or more GCSEs A*–C (or equivalents) including English and maths GCSE;
- below average proportion (median for 2010 was 72 per cent) of pupils at the end of Key Stage 4 making expected progress in English; and
- below average proportion (median was 65 per cent) of pupils at the end of Key Stage 4 making expected progress in maths.

In reality it is the first of these conditions that is the most important. Only a tiny number of schools fail this condition and pass the other two.

The first graph shows that schools with a high proportion of pupils receiving free school meals are much more likely to fall below the floor standard than other schools.

The second graph shows the distribution of failing schools by region and compares it with the average proportion of FSM intake in that region.
Looked-after children

Indicator: 23A
Almost nine in ten looked-after children lack five good GCSEs, twice the average.

The first graph shows the performance of children who have been looked after continuously for at least 12 months. It shows proportion of looked-after children who obtained fewer than five GCSEs at A*–C including English and maths. By way of comparison, the figure for all children – the national average – is also shown.

Indicator: 23B
The proportion of care leavers not staying in touch with services has fallen. The proportion of care leavers not in education/training/employment continues to rise.

The second graph shows the destinations of care leavers at age 19. It shows the proportion of children in care at the age of 16 who, by the age of 19, were either not in education, employment or training (NEET) or not in contact with Connexions services at all.

The term ‘looked-after’ was introduced by the Children Act 1989 and refers to children who are subject to care orders and those who are voluntarily accommodated.

The graph shows a decreasing number of care leavers who lose touch with Connexions services. It is most likely that those not in touch with Connexions are not in education or work so a decline in this level should be considered an improvement.
Attainment at age 19

Indicator: 24A

The gap between 19-year-olds receiving free school meals and those not receiving them without a Level 2 qualification has decreased but the gap for Level 3 qualifications has not.

Indicator: 24B

The likelihood of achieving further qualifications is high at age 16 but drops significantly at the age of 19.

The first graph shows the proportion of 19-year-olds who received free school meals at the age of 16 without a Level 2 qualification or with a Level 2 qualification and not a Level 3 qualification. The proportion for non-FSM 19-year-olds has also been shown for comparison.

The second graph shows, for all people born in 1990, the proportions who achieve certain educational levels at each age from 16 (in 2006) to 21 (in 2011). The educational levels shown are: below Level 2 and Level 2 but not Level 3. Level 2 qualifications include GCSEs grades A*–C and equivalents. Level 3 qualifications include A Levels and equivalents.
Commentary

Our analysis of school attainment data takes us up to 2011. The 2012 GCSE results have provoked some controversy around changing grade boundaries in response to ‘grade inflation’. Almost every summer previously, the rising number of pupils attaining GCSEs has led to some commentators, and an increasing number of politicians, saying that exams have got easier. In response, it was felt that adjustments to the English exam paper in 2012 were an arbitrary attempt to address this.

We do not intend to get into the specifics of this discussion here. We would note, though, that it is hardly a new accusation. When the proportion of pupils getting five GCSEs at A – C rose from 20 per cent to 30 per cent in the 1980s, there were similar claims that exams had merely got easier (Glyn, A. and Miliband, D. (1994). Paying for Inequality: The Economic Cost of Social Injustice. London: IPPR.) Moreover, to change the rules from year to year, or even in the middle of the year, devalues the examination every bit as much as ‘grade inflation’ does.

But taking a step back, the rise in the number of pupils getting good GCSEs is entirely consistent with the rise in the number getting A Levels, degrees and even PhDs. The first indicator in this chapter shows a very clear long-term trend in which the population as a whole has become more qualified.

This means that better qualifications cannot be the sole answer to economic success for both the individual and country as a whole. At the individual level, qualifications are now something of a ‘positional good’ – their labour market value is relative to the overall level of qualifications. As more people go to university, having a degree moves from being an advantage in the job market to the norm. The number of graduates who are either out of work or doing jobs that require much lower levels of qualifications makes this clear.

The focus on skills puts the emphasis on the individual to improve their own labour market prospects – a supply side reform. This is largely what people have done over the last 20 years and more. But there must be some changes on the demand side, too, to ensure that these extra skills are properly harnessed, or the result will merely be a better educated workless population.

There is an obvious need to focus on those with no qualifications, or qualifications below Level 2 (five good GCSEs). From a poverty perspective, this is where the biggest gains can be made. The final indicator in this chapter shows that even if pupils miss out on five GCSEs at age 16, many pick them up in the next three years. But after age 19 there is little change. Encouraging students to take up science, technology, engineering or maths (the so-called ‘STEM’ subjects) may be good for the economy as a whole, but a different focus is needed for the one in six 21-year-olds without Level 2 qualifications.
Chapter 5

Disability and ill-health

Choice of indicators 74
Defining disability 75
25 Long-term view of premature mortality 76
26 Low income 78
27 Benefits, income and material deprivation 79
28 Money worries 80
29 Attitudes and exclusion 81
Disability and work 86
30 Worklessness 86
31 Worklessness and health problems 87
32 Pay 90
33 Skills 91
Commentary 94
Choice of indicators

The first indicator in this chapter is on changes to the risk of premature death. It is supported with a graph on inequalities in life expectancy which shows why premature death belongs in a report on poverty.

We then move on to income, looking simply at what proportion of people in families where someone is disabled experience poverty, and how this compares to everyone else. It is a headline indicator to show how disability can be linked to severe financial deprivation.

Disabled people are eligible for benefits including Disability Living Allowance (DLA) which is specifically intended to help with the day-to-day costs of living with a disability. One criticism of the poverty calculation is that it does not adjust for this, and simply includes DLA as income without taking into account the additional expenditure. For this reason, this next indicator looks at the difference that claiming a disability benefit makes to the poverty rate. It also looks at how disability living allowance impacts on actual spending power as measured by the material deprivation index.

As well as looking at material deprivation we look at subjective measures. Indicator 28 gives us a better idea of the extent to which households are able to meet their expenses and how having impairments affects this. We also look more specifically at the kinds of items people with impairments go without for financial reasons.

Next we consider the attitudes of the general public towards disabled people who are unable to work. We also look at what creates barriers that prevent children with impairments from participating fully in society. This indicator aims to highlight that although our focus is on income and work, disabled people face much wider forms of exclusion which are just as worthy of attention.

The remainder of the chapter focuses on work. We look at the total proportion of disabled people that are not in paid work, and how this has changed in the last decade. We also look at differences in the ‘economic activity’ of workless disabled people and non-disabled people by gender.

The term ‘disabled’ captures a range of groups whose disabilities will affect them in different ways so we look at the variations in work rates by health condition.

We then look at pay levels for working adults with a disability compared with those without. It is important to look at this as work is often claimed to be the root out of poverty, but this is only the case if pay is high enough. At the start of the chapter we show that disabled people have higher demands on their income and this indicator shows to what extent pay levels compensate for this.

Lastly we look at education and skills. Lacking qualifications is strongly linked to low pay, and unemployment. This indicator first looks at the proportion of 19-year-olds lacking qualifications, then looks more generally at the relationship between disability and qualifications and how they both impact employment prospects.
Defining disability

The main focus of this chapter is disability. The leading model of disability – the social model – defines disability as a disadvantage or exclusion which is caused by the lack of account taken by society of the needs of people with impairments. Impairments are long-term characteristics of an individual that affect their functioning and/or appearance. Someone with an impairment is not necessarily disabled.

As MPSE takes a data-led approach, when we talk about disability our analysis is confined to the definition used by the source data, which varies throughout the chapter. Full details of the different definitions of disability used are given in the explanatory text below each indicator.

In one of the indicators on disability we use the Life Opportunities Survey by the DWP, the first major survey to take a social model approach to disability. In these indicators we are able to compare people with impairments with people without impairments.

In the remaining indicators we have to use alternative definitions of disability. These are based on survey participants’ responses to various questions. Put simply, the questions aim to determine if someone has an impairment that limits the kind of activities they are able to do. For example, the Labour Force Survey uses such questions to identify if someone belongs to either of two definitions of disability:

- Disability Discrimination Act (DDA) disabled – a person with a physical or mental impairment that has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities.

- Work-limiting disabled – a person with health problems for more than one year that affects the kind or amount of work they can do.

Throughout this chapter we often compare the ‘disabled’ to the ‘non-disabled’. But disabled people with different impairments, from different socio-demographic backgrounds and facing different barriers will have very different day-to-day experiences. In some indicators we show the different outcomes for the disabled by their particular health problem.

Generally the indicators on disability aim to identify in what ways disabled people experience a disadvantage in society, rather than how and why this occurs which will vary depending on, among other things, the kind of impairment and its severity.
25 Long-term view of premature mortality

The risk of a 55-year-old dying by the age of 75 has halved for both men and women over the last 50 years. The gap in life expectancy at 65 by level of deprivation has grown in recent years. In England, men in the least deprived areas can now expect to live longer than women in the most deprived areas.

Between 1961 and 2010, the probability that a man aged 55 would die before the age of 75 reduced from 55 per cent to 26 per cent. Over the same period, the probability for women reduced from 36 per cent to 18 per cent.

The difference in these probabilities between men and women has been falling since the early 1970s when the mortality risk for men started to fall (it had been falling for women during the 1960s). The gap of 9 percentage points between men and women in 2010 is the lowest in the time series shown.

These risks continue to fall (faster for men than women) with no sign of a slowdown in the pace. This ‘gender gap’ for premature death is therefore likely to continue to fall too.

Average life expectancy in England at age 65 increased by about 1.2 years between 2001–04 and 2006–09. Since the increase was slightly greater for men than women, this also narrowed the gender gap with women’s life expectancy at 65 exceeding men’s by just under three years.

For both men and women, the increase was biggest in the areas of lowest deprivation (1.5 and 1.4 years respectively) and smallest in the areas of highest deprivation (1.0 and 0.8). This widened the ‘deprivation gap’ to 4.1 years for men and 3.4 years for women.

One consequence of this is that 65-year-old men in the least deprived areas of England now have a life expectancy one year more than women in the most deprived area. In short, the deprivation gap is beginning to overhaul the gender gap.
Over 50 years the probability that 55-year-olds would not live to 75 has halved, to about 25 per cent for men and less than 20 per cent for women. This gap, which was still growing in the 1960s, is now at an all-time low.

Indicator: 25B

Unequal increases in life expectancy at age 65 in the 2000s widened the gap between the least and most deprived areas in England. Men at 65 in least deprived areas now have a longer life expectancy than women at 65 in most deprived areas.

The first graph shows, for each year since 1961, the probabilities that a man or woman aged 55 will have died before reaching the age of 75. The choice of ages 55 and 75 reflect the fact that while the risk of death has come down for every age over the past 50 years, most of the fall in the number of deaths has been in this age group (and among infants under one). The building blocks for these statistics are the age-specific period death rates which give the probability that someone at a particular age will not survive another year.

The second graph shows the life expectancy, separately for men and women, for a 65-year-old according to the level of deprivation of the area in which they live. The results, for England only, group the areas into fifths (quintiles). They show the levels over the period 2001 to 2004 and the change compared with those years by 2006 to 2009.
26 Low income

With the exception of pensioner families, risks of poverty are higher in families with a disabled person. One in three people in poverty live in a family with a disabled person.

In 2010/11, 33 per cent of children in families where someone is disabled were in poverty, compared with a rate of 25 per cent for children in families where no one is disabled. Despite the high level of poverty among children in families where someone is disabled, it has fallen by 7 percentage points in ten years, a fall greater than for those in families without disabled people. This means that the ‘disability gap’ (the gap between the poverty rate for those in disabled families and those not) has become smaller – in 2000/01 it was 12 percentage points, and in 2010/11 it was 8 percentage points.

Twenty nine per cent of working-age adults in families where someone is disabled were in poverty in 2010/11, the same level as in 2000/01. Over the same period the proportion of working-age adults in poverty in families where no one is disabled increased from 16 per cent to 19 per cent. So the disability gap has closed, but only because of a worsening in the rate for those in families without a disabled person.

The poverty rate for pensioners in families where someone is disabled in 2010/11 was, at 14 per cent, lower than other age groups. Pensioners are now the only age group where the poverty rate is the same for families with and without disabled people. In 2000/01 the poverty rate for pensioners in families where someone is disabled was actually lower than the proportion where no one is disabled, at 24 per cent and 28 per cent respectively. Falls in pensioner poverty in the last ten years have been substantial, regardless of disability.

People living in families where someone is disabled make up 34 per cent of all people in poverty in 2010/11. There are twice as many children and working-age adults in poverty in families where no one is disabled than in families where someone is disabled, despite the higher risk for this group. Pensioners are the only age group where there are more people in poverty in families where someone is disabled than in families where no one is disabled; this is because pensioners generally are much more likely to be in a family where someone is disabled.
27 Benefits, income and material deprivation

Disability benefits reduce the risk of poverty for families with disabled people. Costs are higher for these families however, and a high proportion go without everyday items for this reason.

In 2010/11, 24 per cent of people in families where someone is disabled were in poverty, compared with 20 per cent of people in families where no one is disabled. This gap of four percentage points was reached in 2008/09 and is the narrowest in the time series shown.

Looking only at people in families where someone is disabled, in 2010/11 the proportion of those in families claiming a disability benefit in poverty was 14 per cent and the proportion for those not claiming was 29 per cent.

For context, overall around one-third of people in families where someone is disabled receive a disability benefit, and two-thirds do not.

The poverty rate for people in families where someone is disabled not claiming a disability benefit has fallen considerably over the time series, although not consistently, with the biggest improvement being made in the first half of the 2000s. This is almost entirely due to improvements in the poverty rate for pensioners.

For people in families claiming a disability benefit the poverty rate rose steadily over the same period, but sharper falls in the last two years has meant the rate has returned to the level of 15 years earlier. This is almost entirely due to the worsening poverty rate for working-age adults in families where someone is disabled.

So the poverty rate for people in families claiming a disability benefit is half that for people in families where someone has a disability but is not claiming. What this means is that disability benefits are reducing the poverty rate among disabled people. In fact, households receiving disability benefits have a lower risk of poverty than households with no disabled people. However, we know that there are costs associated with disability that some of these benefits are intended to cover. So as well as income, we need to consider material deprivation – households that cannot afford essential everyday items.

At both the bottom and the middle of the income scale the proportion of people in families that are materially deprived, where someone is disabled, is higher than people in families where no one is disabled. The gap is bigger at the lower end of the income scale – 50 per cent of people in families where someone is disabled in the bottom fifth of the income scale are materially deprived compared with 33 per cent for those where no one is disabled.

So, although disability benefits will increase the income of a disabled family and substantially reduce their poverty risk as a result, this does not necessarily translate into better material wellbeing for disabled families. For lower income families with a disability, the additional costs of having a disability clearly means that other ‘basic items’ contained in the material deprivation measure must be sacrificed. When comparing the income of disabled families with non-disabled families we cannot assume that a higher income means a higher quality of life as the demands on their income are greater.
28 Money worries

Families where someone has an impairment struggle to meet everyday expenses more than other families.

Households with people living with impairments find it more difficult to afford their usual expenses than households without any people with impairments.

Around 40 per cent of households containing someone (but not all people) with an impairment experienced difficulty affording their usual expenses. This includes 30 per cent who experience some difficulty and 10 per cent who experience great difficulty. This compares with 23 per cent and 5 per cent respectively for households where no one has an impairment.

Households where all people have impairments are even more likely to experience difficulty meeting their usual expenses. However, their additional risk of doing so compared with households where some but not all members have an impairment is only 3 percentage points. This compares to a 13 percentage point gap between households with some impaired members and those with none.

38 per cent of households where someone is impaired would be unable to pay an unexpected but unnecessary expense of £500, compared with 26 per cent of households with no one with impairments. Similarly 32 per cent of households where someone is impaired would not be able to pay for an annual holiday away from home for a week, compared with 20 per cent for households with no impairments.

All households are somewhat less likely to say they are unable to afford to eat meat, chicken or fish every second day or to keep their home adequately warm than say they are unable to afford the other items. But the proportion of households with an impaired person who say they cannot afford these things is twice the rate for households where no one is impaired.
29 Attitudes and exclusion

Other than the disability itself, the greatest barrier to participation faced by children with an impairment is the attitude of others. These attitudes appear to be hardening among the general population.

In 2011, 47 per cent of people thought that government spending on people who are disabled and are unable to work should not increase. This compares with 28 per cent in 2002 – an increase of 19 percentage points in nine years. It has increased by 10 percentage points since the question was last asked in 2008.

Conversely, the proportion of people in 2011 who thought government spending on people who care for disabled people should not increase was much lower at 25 per cent. This rate again has increased by 10 percentage points since 2008, but in the 10 years before that it had hardly changed.

Although the support for increasing government spending on disabled people who cannot work has fallen considerably over the 2000s, more than half the population think that spending on this group should increase.

The widening gap between the trend for carers and that for the workless disabled shows how public attitudes have changed towards disabled people. But the change in 2011 indicates that attitudes to both groups are hardening.

Looking at the barriers to participation that children with and without impairments face, it is not surprising that the most common barrier – at 18 per cent – is their disability and health condition, illness or impairment.

The next most common barrier to participation for children with impairments is the ‘attitudes of others’ at 16 per cent. 11 per cent of children with impairments identified financial reasons as a barrier to participation compared with 5 per cent of children without impairments. For each barrier, children with impairments were more than twice as likely to experience it than those without impairments.

More tangible barriers to participation such as lack of special aids or equipment or badly designed buildings are much less common barriers to participation at 6 per cent and 2 per cent respectively. This highlights the fact that disadvantage related to disability is a much wider issue than physical accessibility problems.
The first graph compares the proportion of people in poverty for families where someone is disabled with families where no one is disabled in 2010/11 and 2000/01. The data is separated for children, working-age adults and pensioners.

The second graph shows the number of people in poverty in 2010/11 by age group and if they are in families where someone is disabled.

Poverty is defined as having an income below 60 per cent of the contemporary median income after housing costs have been taken into account.

In 2000/01 all those who reported having a limiting longstanding illness were identified as having a disability. In 2010/11 disabled people are those with longstanding illness/disability/impairment that leads to a substantial difficulty in at least one of nine life areas.
Disability and ill-health

Benefits, income and material deprivation

Indicator: 27A

Among people living in families with a disabled person, those who received a disability-related benefit were half as likely to be in poverty as those who did not.

Source: Households Below Average Income, DWP; the data is for Great Britain to 2001/02 and for the UK thereafter

Indicator: 27B

Whether in the poorest fifth or on average incomes, people in families with a disabled person are more likely than other households to lack everyday items for reasons of cost.

Source: NPI analysis of Households Below Average Income 2009/10, DWP; the data is for the UK

The first graph shows how the proportion of people in poverty has changed between 1995/96 and 2010/11. The lines show the poverty rate for different groups: people in families where no one is disabled and people in families where someone is disabled. The latter is also split to show those receiving disability benefits and those not.

The second graph shows the proportion of people who are materially deprived in the bottom and middle fifth of the income distribution. It shows the rate for people in families with disabled people and people in families without disabled people separately.

Poverty is defined as having an income below 60 per cent of the contemporary median income after housing costs have been taken into account.

In 2000/01 all those who reported having a limiting longstanding illness were identified as having a disability. In 2010/11 disabled people are those with longstanding illness/disability/impairment that leads to a substantial difficulty in at least one of nine life areas.

The material deprivation measure comes from the Households Below Average Income Survey and the Family Resources Survey. These surveys contain questions relating to a list of 'essential' items, with different questions for pensioners and families with children. Adults were asked if they had an item and, if not, if this was because they were unable to afford it. Items that the most households can afford are given the greatest weight, and compiled into a score of 0 to 100. High scoring families are considered to be materially deprived.

The material deprivation score is not provided for families of only working-age adults, but the component data is available and the score for this group was derived by NPI.
Money worries

Indicator: 28A

More than two-fifths of households with someone who has an impairment struggle to meet their everyday expenses, compared with around one-quarter of households without someone who has an impairment.

The first graph shows the proportion of households that reported difficulty paying their usual expenses by household impairment status.

The second graph shows the proportion of households that are unable to afford particular items by whether someone in that household has an impairment.

The data comes from the Life Opportunities Survey (LOS), a longitudinal survey of disability in Great Britain. It is the first major ONS social survey in Great Britain to explore disability in terms of the social barriers to participation that people experience.

Following the social model, disability is understood as the disadvantage people with impairments experience due to barriers that restrict their participation in different areas of life. Impairments relate to the loss of physiological and psychological functions of the body. The data requires someone to have experienced barriers to participation and have an impairment.
Indicator: 29A

There has been a consistent increase in the proportion of people who do not think government spending on disabled people should rise.

Indicator: 29B

Other than the impairments themselves, the greatest barriers children with impairments face are the attitudes of others.

The first graph shows responses to the question ‘Would you like to see more or less government spending than now on a) benefits for people who care for those who are sick or disabled and b) benefits for disabled people who cannot work?’ The graph shows the proportion of people who answered either ‘same’ ‘less’ and ‘much less’ (and not those that responded ‘more’ or ‘much more’) in different years.

The second graph shows the proportion of children aged 11 to 15 who experienced a particular barrier to participation, in the 12 months prior to interview. The data is shown separately for children with and without impairments.

The data comes from the Life Opportunities Survey (LOS), a longitudinal survey of disability in Great Britain. It is the first major ONS social survey in Great Britain to explore disability in terms of the social barriers to participation that people experience.

LOS follows the social model: disability is understood as the disadvantage people with impairments experience due to barriers that restrict their participation in different areas of life. Impairments relate to the loss of physiological and psychological functions of the body. The data requires someone to have experienced barriers to participation and have an impairment.
Disability and work

The remainder of this chapter looks at the relationship between disability, sickness and work. Not having work is closely linked to poverty. Few people without work have sufficient income to avoid poverty. It is also what most people of working age choose to do so the absence of work among working-age people is a good indicator of (a) low income and (b) exclusion from an activity that will make someone better off.

When we talk about work in this report, we tend to frame the discussion around working being preferable to worklessness. However, with disability this is not always the case:

- worklessness is not always a bad thing for disabled people; working could worsen their condition;
- worklessness among the disabled is not always a bad thing for society, a lack of paid work does not mean that they are not contributing to society in another way;
- a certain level of worklessness because of disability is inevitable and the state system is designed for this very purpose – to protect the most vulnerable.

It is neither realistic nor desirable to have all working-age disabled people economically active, but it is important to identify if and how disabled people are excluded from, or are at a disadvantage in, the workplace.

30 Worklessness

In the last decade, the level of worklessness has fallen among disabled people. However, around one-fifth of people with a disability still lack but want work.

Just under half of disabled working-age people were not in paid work in 2011; 48 per cent of men and 49 per cent of women. This compares with 19 per cent of non-disabled men and 27 per cent of non-disabled women.

The proportion of workless disabled men fell slowly but steadily between 2001 and 2008. The fall has been faster for women, so the gap between disabled men and women has virtually closed, compared with a gap of 8 percentage points for the non-disabled.

The fall in the proportion of workless disabled adults has occurred at a time when the rate of worklessness among non-disabled men was flat. This does not, however, mean that disabled people’s worklessness rates have been unaffected by the recession; in 2009 the proportion of both disabled and non-disabled men that were workless rose by two percentage points.
30 Worklessness continued

Around 20 per cent of disabled adults want work (they are either unemployed or economically inactive wanting work), compared with 10 per cent for non-disabled adults. 27 per cent of disabled men and 31 per cent of disabled women do not want work, compared with 8 per cent and 16 per cent for non-disabled men and women respectively. But looking specifically at those not working around half of all groups (men and women with and without a disability) do not want work.

Unlike the non-disabled, there is little difference between the economic status of disabled women and men.

31 Worklessness and health problems

Levels of worklessness are higher among people with mental health problems than among people with other types of disability.

The proportion of non-disabled people with a health problem who are workless is close to the non-disabled average of 22 per cent. The exception to this rule is people with a mental health problem (such as phobias, panic attacks, depression, bad nerves) and people with learning difficulties.

Having a health problem that is classed as disabling doubles the level of worklessness to 50 per cent. Disabled people with problems with breathing, blood pressure/circulation, stomach, liver, kidney, digestion or diabetes have the lowest level of worklessness at 37 per cent.

39 per cent of people with mental health problems who are not classed as disabled are workless, 17 percentage points higher than the non-disabled average. The workless rate increases to 75 per cent for disabled people with a mental health problem, much higher than for disabled people with all other types of health problems, except for learning difficulties.

The level of worklessness among people with learning difficulties is the highest of all of the health problem groups shown, but only slightly higher than the level for those with mental health problems. The gap between the workless rates for those with learning difficulties and those with mental health is tiny compared with the gap between these two groups and the rest.

Just under one-fifth (18 per cent) of workless disabled people cite mental health issues as their main health problem. 30 per cent have their main health problem related to their back, neck, hands, feet or limbs.
Indicator: 30A

Although lower than a decade ago, the proportion of disabled people not in paid work is twice that of non-disabled people.

Indicator: 30B

Around one-fifth of disabled men and women lack work but want a job.

The first graph shows the proportion of men aged 16 to 64 and women aged 16 to 59 that are not working between 1999 and 2011. The data is shown separately by sex and disability status.

The second graph shows men aged 16 to 64 and women aged 16 to 59 by their economic activity. The data is shown separately by sex and disability status.

The disabled are defined here as anyone who meets either or both the disability definitions in the Labour Force Survey – work-limiting disability or disabled according to the Disability Discrimination Act (DDA). Work-limiting disability comprises those people who stated that they have had health problems for more than one year and that these problems affect the kind or amount of work they can do. The DDA defines a disabled person as a person with a physical or mental impairment that has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities, and not just work.

Unemployed refers to people who are actively seeking work and immediately available to start work. Inactive people are defined as those who are not working and either not available to start work or not actively seeking it.
Worklessness and health problems

Indicator: 31A

Whether classified as disabled or not, a much higher proportion of people with mental health problems or learning difficulties are not in paid work compared to people with other types of health problems.

![Graph showing proportions of people with various health problems who are workless.]

Source: Labour Force Survey, ONS; the data is an average for 2010 and 2011 for the UK.

Indicator: 31B

People with mental health problems make up one-fifth of disabled workless people.

![Pie chart showing proportions of disabled workless people by health problem.]

Source: Labour Force Survey, ONS; the data is an average for 2010 and 2011 for the UK.

The first graph shows the proportion of non-disabled people with a health problem that are workless by their problem type and the rate of worklessness for those with the same health problem but are classified as disabled. The line shows the non-disabled average.

The second graph shows the proportion of workless disabled people by their type of health problem.

The disabled are defined here as anyone who meets either or both the disability definitions in the Labour Force Survey – work-limiting disability or disabled according to the Disability Discrimination Act (DDA).

The health problem category refers to the individual’s main health problem only. The Labour Force Survey identifies whether people have a health problem and what their main health problem is. There are 17 different categories of health problem in the survey which we have grouped into six in the indicators for the purposes of sample size.
32 Pay

There is a disability 'pay penalty' that persists across age groups.

The median hourly rate of pay for disabled people was 93 per cent of the non-disabled median in 2010. This has increased by 3 percentage points since 2004.

In 2010 the hourly rate of pay of the lowest paid fifth of disabled people was 62 per cent of the median pay for non-disabled people. This figure has remained at the same level since 2004. The hourly rate of pay for the lowest paid fifth of non-disabled people was slightly higher, at 65 per cent of the non-disabled median.

The hourly pay rate for the highest paid fifth of disabled people was 153 per cent of the non-disabled median, compared with 170 per cent for the highest paid non-disabled fifth. Both have remained fairly constant since 2004. So although at the bottom end of the pay scale disabled people are only slightly worse off than the non-disabled, the same cannot be said at the top of the pay scale. There has been little progress in addressing disability pay inequalities at either end of the pay scale.

Overall around 26 per cent of working-age disabled people are low-paid compared with 24 per cent for non-disabled people, a relatively small gap. However demographic differences between the disabled and non-disabled (younger people have a low incidence of disability but are much more likely to be low-paid) make the gap seem smaller than it actually is.

For every age group the proportion of people who are low-paid is at least 5 percentage points higher for the disabled than the non-disabled. The groups with the highest proportion of low-paid people are disabled people aged 25 to 34 and disabled people aged 55 to 64 at 25 per cent. The group with the lowest proportion of people on low pay is non-disabled people aged 35 to 54 at 16 per cent.
33 Skills

The proportion of disabled 19-year-olds lacking a Level 3 qualification has fallen in recent years, and is converging towards the non-disabled average. But among those with such a qualification, disabled people are slightly more likely to be low-paid and much more likely to lack but want work.

In 2010, 53 per cent of 19-year-olds with a disability did not have a Level 3 qualification. This compares with 42 per cent for those without a disability.

There has, however, been a substantial improvement in the proportion of disabled people without a Level 3 qualification. It has fallen from 74 per cent in 2000 – a fall of 21 percentage points in ten years. This fall has been much faster than for non-disabled 19-year-olds, meaning the disability gap has closed from 21 percentage points to 11 percentage points.

On average in 2010 and 2011, 35 per cent of working disabled people without a Level 3 qualification were paid less than £7 per hour, compared with 31 per cent for the non-disabled and 13 per cent for the disabled with a Level 3 qualification. So the disability gap of 4 percentage points is much smaller than the qualification gap of 22 percentage points. Lacking a Level 3 qualification has a much greater impact on being low-paid than having a disability.

However, this is not the case with the risk of lacking but wanting work. The proportion of disabled people lacking but wanting work, at 14 per cent for those with a Level 3 qualification and 25 per cent without a qualification, is higher than the level for the non-disabled with and without a qualification.
The first graph shows the lower quartile pay and upper quartile pay level of disabled and non-disabled people relative to the median pay for the non-disabled in that year, for each year since 2004.

The second graph shows the proportion of non-disabled people that are paid less than £7.00 per hour and the additional proportion for the disabled by age group.

The age group 16 to 24 has been excluded from the second graph because of the high proportion of all people who are low paid in that group and the generally lower proportion of people in that group that are disabled.

Pay is average gross hourly pay.

The disabled are defined here as anyone who meets either or both the disability definitions in the Labour Force Survey – work-limiting disability or disabled according to the Disability Discrimination Act (DDA).
**Skills**

**Indicator: 33A**

Although around half of disabled 19-year-olds still lack a Level 3 qualification, this is both much lower than the figure in 2000, and closer to the non-disabled level than a decade ago.

The first graph shows the proportion of 19-year-olds without a Level 3 qualification in various years, by their disability status. A Level 3 qualification refers to A Levels or equivalent.

Disability in the first graph aims to identify individuals who are disabled according to the Disability Discrimination Act (DDA disabled). In 2010 the questions used were changed to more accurately capture disability than in previous interviews.

The second graph shows the proportion of people who are lacking but wanting work and the proportion of working people who are paid less than £7.00 per hour. The data is shown separately by both disability status and qualification level (either with or without a Level 3 qualification). The data is an average for the eight quarters of 2010 and 2011. People lacking but wanting work include those defined as officially unemployed and those that are economically inactive but want work.

The second graph, disabled is defined as anyone who meets either or both the disability definitions in the Labour Force Survey – work-limiting disability or disabled according to the DDA.

The age limit of 25 to 49 was used in the second graph to limit the distortions that the low incidence of disability among younger adults and the high incidence in older age groups can cause.

A Level 3 qualification refers to A Levels or equivalent.

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**Source:** Youth Cohort Study, Department for Education; the data is for England and Wales

**Source:** Labour Force Survey, ONS; the data is an average for 2010 and 2011 for the UK
Commentary

One of the more striking findings in this chapter is that the number of people with a disability who were workless actually fell in the last decade. This fall was in contrast to the static level of worklessness among non-disabled people. In indicator 38 we will see that the number of people claiming an out-of-work disability benefit also fell over that period. This supports this finding.

This may initially seem surprising when set against the rhetoric of people ‘languishing’ on benefits, but it has echoes in the increasing level of employment among older working-age adults that we saw in Chapter 3 Work. Older adults are more likely to have a disability, so their increasing work rate will increase the work rate among disabled people as a whole.

In this light it is worth considering the success or otherwise of the Work Programme, designed to help the long-term workless, including many disabled people, back into work. The trends suggest that more disabled people were finding work anyway.

Looking further ahead, the change from Disability Living Allowance (DLA) to the Personal Independence Payment (PIP) will have a significant impact on the incomes of disabled people. At the time of writing, the government’s intention is to cut 20 per cent of the DLA caseload (and hence expenditure) with the introduction of PIP.

Our analysis shows that households with a disabled person who do not receive a disability related benefit are twice as likely to be in poverty as households with disabled people who do receive benefits. Moreover, for any given level of income, families with a disabled person are more likely to lack everyday items for reasons of cost than households without a disabled person.

What DLA is doing is increasing the incomes of disabled people and their families, allowing them to meet the costs of everyday life. The fact that, even with DLA, disabled people are more likely to lack everyday items than other families suggests that DLA may actually be insufficient itself. Cutting this support can only result in poverty becoming both deeper and wider among disabled people.

There is also another point to consider. DLA is paid to people both in and out of work. Part of the costs it covers are the costs of getting to work. Reducing it may have the unintended consequence of disabled people deciding not to work, as the costs of doing so would be too high.
Chapter 6

**Social security benefits**

Choice of indicators 96
34 Long-term view of the value of benefits 97
35 Receiving out-of-work benefits 99
36 Flows on and off JSA 100
37 Interval between JSA claims 101
38 Sickness- and disability-related benefits 106
39 Take-up of income-related benefits 107
40 Working families receiving tax credits 108
Commentary 112
**Choice of indicators**

The benefit system is at the heart of the government’s anti-poverty strategy, which has a strong emphasis on moving people into work or increasing their hours of paid work as a route out of poverty. The ongoing welfare reforms and the introduction of Universal Credit from October 2013 are often cited as steps in this direction that will incentivise work over welfare.

This chapter has 7 indicators focusing on different aspects of the benefit system. It begins with a long-term view of the value of benefits for different types of recipients. The aim of the indicator is to highlight the big differences in both the levels and trends of the three benefits at different points over more than 60 years.

We then set out the total numbers of people claiming an out-of-work benefit, and how they vary by type of benefit and geography. This gives us the starting point for the analysis. We have a particular focus on sickness- and disability-related benefits, due to the change this particular part of the social security system is undergoing. In-work benefits complete this picture, and the analysis shows the rising number of families claiming such assistance.

It also analyses flows on and off benefits. Inflows or new claims for unemployment-related benefits function as indicators of the strength of the general labour market while outflows provide a measure of the effectiveness of the system in getting people back into work. This dynamic picture is very different from the more common point-in-time analysis.

We also include indicators on benefit take-up in order to consider their adequacy in lifting people out of poverty or reducing the burden on them while in poverty.
34 Long-term view of the value of benefits

There have been two big shifts in the value of benefits since the beginning of the welfare state: in the mid-1970s, when benefits for working-age adults ceased to rise by more than inflation; and at the end of the 1990s, when child and pensioner benefits increased sharply. The longstanding policy of lower benefits for younger children was also abandoned at this point.

In the first 25 years of the welfare state, the real value (that is, adjusted for inflation) of Income Support doubled, for working-age, pensioners and children alike. This doubling was only slightly less than the rise in average household disposable income.

Thereafter, Income Support for working-age adults has gone up each year only in line with inflation. Over the second 25 years (to the late 1990s), Income Support for children and pensioners rose faster than this. Then in the late 1990s, Income Support for children and pensioners first jumped and then continued to grow steadily.

This has completely altered the relative values of the benefit for the three groups. Before 1998, Income Support for two children had been about one-third less than that for two working-age adults. By 2008, it was nearly one-third more. In 1998, Income Support for pensioners was 40 per cent higher than for working-age adults; by 2008 it was worth double.

The changes also extended to the amounts of Income Support provided for children of different ages. Before 1998, younger children always got less than older children: for example, a two-year-old was due less than half the amount for a 17-year-old. By 2000, this distinction by age was abandoned. As a result, Income Support for younger children rose threefold between 1998 and 2008 while that for a child aged 17 rose by a half.
Long-term view of the value of benefits

Indicator: 34A

During the first quarter century of the welfare state, income support for working-age adults was equal to that for pensioners and twice that for children. In the last 15 years, it has fallen far behind both.

Indicator: 34B

During the first half century of the welfare state, income support for older children was always much more than for younger children. Since the late 1990s, this difference by age has been completely abolished.

The first graph shows the real (inflation-adjusted) values of the principal means-tested benefit each year since the start of the welfare state in 1948 separately for: a working-age couple; a pensioner couple; two dependent children aged 2 and 12.

Since 1988, the benefit for working-age adults has been known as Income Support. Since 2003, the pensioner benefit has been known as Pension Credit. Since 2003, the value of Income Support for children has been the same as the value of Child Tax Credit.

The second graph shows the value of this means-tested support for children aged 2, 7, 12 and 17 as a proportion of that for one working-age adult (strictly half of a couple) in 1978, 1998, 1998 and 2008.
35 Receiving out-of-work benefits

The number of people claiming out-of-work benefits was falling year-on-year for sickness and disability, unemployment and lone parent benefits until the recession began. The rises since are entirely due to rising unemployment, and have not changed the regional pattern.

In 2012, 5.4 million working-age adults received a key out-of-work benefit. This accounted for 14 per cent of all working-age adults in Great Britain. The level in 2012 was higher than the levels seen in the last two years and was similar to the peak in 2009. It was about 700,000 higher than the pre-recession low in 2007 and 400,000 higher than a decade ago.

Of the 5.4 million people receiving benefits, 2.6 million (48 per cent) were receiving out-of-work benefits related to sickness and disability (Incapacity Benefit/Employment and Support Allowance), 1.6 million (30 per cent) were jobseekers and 600,000 (11 per cent) were lone parents.

Over the decade, the number of people receiving sickness and disability- and lone parent-related benefits fell. The number receiving unemployment-related benefit also fell up to 2007, after which it rose substantially. Two things were at play here – rising unemployment due to the recession and the reforms to the benefit system from 2008 onwards. The Lone Parent Obligations moved lone parents from Income Support to Jobseeker’s Allowance (JSA), and different assessments for disability benefits whereby a majority of applicants are found ‘fit to work’ also resulted in an increase in applications for JSA.

However this is not to say that the decline in the number of recipients recorded as lone parents or disabled is solely due to administrative changes; the number of lone parents and people with disabilities claiming out-of-work benefits was falling before 2008.

At the regional level, the North East had the highest proportion of working-age adults receiving a key out-of-work benefit (18 per cent), followed by Wales and the North West (both at 17 per cent). Generally, the regions in the North experienced a higher rate of benefit recipiency than the regions in the South, but benefit recipiency has increased across Great Britain since 2007. The East Midlands and Yorkshire and Humber saw the biggest rises.

With 26 per cent of the working-age population receiving an out-of-work benefit, Blaenau Gwent and Merthyr Tydfil in Wales had the highest level of benefit recipiency of all local authorities in Great Britain, followed by Knowsley, Blackpool and Liverpool in the North West at 25 per cent.

The local level pattern of benefit recipiency reinforces the North–South divide seen in the regional level data. 32 of the 47 local authorities (about two-thirds) with the highest proportion of benefit recipiency were clustered in the North – 12 were in North West, 8 in Wales, 7 in Scotland and 5 in North East. All the local authorities in the North East had above average levels of benefit recipiency, compared with about a quarter in the South East and South West respectively.

London, which otherwise has high levels of income poverty and unemployment, did not stand out for high levels of benefit recipiency. Only 3 of London’s 32 boroughs were in the worst band. One of the reasons for this could be the comparatively lower level of sickness and disability-related benefit recipiency in London, which forms a major proportion of out-of-work benefits.
The number of new claims for JSA made over a year is roughly double the number of people claiming at any one time. Almost five million people have claimed JSA in the last two years.

The average number of people claiming JSA during the first half of 2012 was 1.6 million. This was similar to the recent peak in 2009 and higher than the average levels seen in the last two years. However it was much lower than the levels observed after the recession in the early 1990s.

In the first half of 2012, 1.1 million claimants (two-thirds of total claimants) were men. This was similar to the levels seen in 2010 and 2011, though it was about 100,000 lower than the peak in 2009. By contrast, the number of women claiming JSA has been rising since 2008 and was at its peak in the first half of 2012. There were 500,000 women claiming JSA in the first half of 2012, double the number at the 2004 low point, but still only half the number of men claiming.

The total number of new claims (the on-flows) is much higher than the number claiming at a particular point (the stock) in any given year. In 2011, 3.3 million new JSA claims were made, twice the stock of claimants of 1.5 million. Changes in on-flows do not always correspond to changes in stocks. Between 2006 and 2008, the stock level fell year on year; however the on-flows kept rising.

Around 4.8 million people had claimed JSA at some point during the two years between April 2010 and April 2012. 1.6 million people were claiming JSA at the end of March 2010 and constitute the stock of JSA claimants at the beginning of the period. In addition to this, 3.2 million people started a claim in the period; 1.8 million had never claimed before and another 1.4 million people had claimed before (but were not claiming in March 2010). The total of 4.8 million claimants in two years is three times the figure of stock claimants in June 2012 (1.6 million).
37 Interval between JSA claims

The ‘churn’ of JSA is substantial – half of new claimants last claimed less than six months ago, and half stop claiming within three months.

Almost half of all claims made by men (46 per cent) and a third of all claims by women (34 per cent) starting in the first quarter of 2012 were made within six months of last claiming. Overall about 42 per cent of all claims were made within six months of the last claim.

2009 saw the lowest proportion of new claimants that had claimed within six months previously, (around 35 per cent overall). This was due to the recession, with an increase in the number of people claiming for the first time. Then in 2010 and 2011 the proportion of new claimants who had claimed in the six months previously was at its highest.

Around 335,000 JSA claims came to an end in June 2012. More than half of them (175,000 claims) lasted less than three months. About three-quarters (247,000 claims) ended within six months of the claim beginning.

About two-fifths of all claims ending in June 2012 ceased because the claimant had found a job or had increased their hours. Even though this proportion was higher than a year ago, it is still only a minority of JSA off-flows. At 47 per cent, a significant proportion of claims that ended in June 2012 did so for unknown reasons and these people were presumably ‘lost’ to the system – not working, not training and not claiming.

The official source for the data used here asserts that many of these unknown leavers will have moved into employment, though no estimates or evidence is provided. Even if we assume that the proportion of such unknown people finding work was the same as the remainder of those leaving JSA, still a significant minority (around 30 per cent of claims) would still be missing from the system.

One of the reasons why so many people cease claiming JSA but remain out of work could be due to the expiry of the contributory version of JSA (JSA-C), which ends after six months. Those who had been claiming JSA-C could potentially claim the means-tested element of JSA. However, any claimant with a working spouse would not be eligible for the means-tested version.
Receiving out-of-work benefits

Indicator: 35A

The number of working-age adults claiming an out-of-work benefit fell until 2007, and has risen since due to the rising number of jobseekers.

Source: Benefit Caseloads National Statistics (WPLS), DWP; the data is for November of each year up to 2011 and for February 2012, for Great Britain

Indicator: 35B

Levels of benefit recipiency remain higher in the North, though other regions have seen larger increases since 2007.

Source: Benefit Caseloads National Statistics (WPLS), DWP; the data is for Great Britain

The first graph shows the number of working-age adults in Great Britain claiming out-of-work benefits each year from 2002 to 2012. The numbers are broken down by the reason for claiming, rather than the benefit claimed.

A person claiming for multiple reasons appears in the first category for which they are eligible, the order being Jobseeker’s Allowance (JSA), Employment and Support Allowance (ESA) and Incapacity Benefit. Lone parents, carers and others on income-related benefit. Lone parents on Income Support are claimants with no partner whose youngest child is under seven. Other lone parents will either be classified as unemployed or disabled accordingly. The graph does not include Disability Living Allowance claimants as they can be in work as well.

The second graph shows the proportion of working-age adults in Great Britain claiming out-of-work benefits in each English region, Wales and Scotland. The map shows the distribution of out-of-work recipients at local authority level (2009 definitions).

The base populations used to calculate the proportions for 2012 are mid-2010 population estimates as Census 2011 data for Scotland is not yet available.
Indicator: 35C  
Proportion of working-age adults receiving a key out-of-work benefit by local authority.

Source: Benefit Caseloads National Statistics (WPLS), DWP; the data is for February 2012 for Great Britain.
Indicator: 36A

The number of men claiming JSA has remained steady in the last three years, but the number of women has continued to grow.

Source: Claimant court data, via NOMIS; stock data relates to June of every year; the flows data is the sum of 12 months; data is for the UK.

Indicator: 36B

Nearly five million adults had claimed JSA at some point in the two years to April 2012, of which two-fifths had never claimed before.

Source: JUVOS cohort data from Labour Market Statistics, ONS, and claimant count data from NOMIS. The graph covers the period from April 2010 to April 2012; the data is for Great Britain.

The first graph shows two things: the bars show the average number of people claiming JSA in each year and the lines show the total number of new claims or inflows in each period. The results are shown separately for men and women.

The lines show claims, not people, implying that a person may be counted twice in any particular period. This could happen, for example, when someone makes a new claim for JSA in, for example, January, then finds work, then claims again within six months.

The second graph shows the total number of people who claimed JSA in the period between April 2010 and April 2012. It shows three separate elements: the first group consisting of those who made a new claim for JSA in the second quarter of 2010 and the first quarter of 2012 having never claimed JSA before; the second group consisting of those who made a new claim between the second quarter of 2010 and the first quarter of 2012, having claimed in the past but whose previous claim had ended by the second quarter of 2010; and the last group showing the numbers already claiming at the beginning of the second quarter of 2010.

This graph shows the number of people, and not claims. In order to avoid double counting individuals who could have made multiple claims during the period, we have made some assumptions on whether claims started during this period and how many claims passed from one quarter to another.
Interval between JSA claims

**Indicator: 37A**

Half of men and a third of women making a new claim for JSA were doing so within six months of their previous claim.

![Bar chart showing the proportion of claims starting in the period where the last claim was within the previous six months.](chart)

Source: Table 6.23, JUVOS cohort, ONS; the data is for first quarter of each year for Great Britain

**Indicator: 37B**

Though a majority of exits from JSA occur within three months of the claim beginning, the reason for half of those is unknown.

![Bar chart showing the number of JSA claims ended in June 2012 with the results broken down according to the duration of claim and the reason for ending JSA.](chart)

Source: Claimant count data via NOMIS; the data is for June 2012 for the UK

The first graph shows the likelihood that someone making a new claim for Jobseeker’s Allowance was last claiming the benefit less than six months previously. Figures are shown separately for men and women.

The second graph shows the number of JSA claims that ended in June 2012 with the results broken down according to the duration of claim and whether the claimant was leaving JSA i) for work, ii) for full-time education or training, iii) to transfer to another benefit, iv) to move abroad or other reasons (for example retired, in prison, had a defective claim, deceased), v) reason not known because failed to sign or reason not known.
The number of people claiming an out-of-work sickness- or disability-related benefit is lower now than at any time for at least ten years, a fall that has been entirely among short-term claimants.

In 2011, about 2.6 million working-age adults were claiming an out-of-work sickness or disability benefit (either Incapacity Benefit or Employment and Support Allowance). This was about 200,000 lower than the level in 2002 and was the lowest level in the time series shown. The numbers claiming these benefits have been steadily declining since 2002.

Of the 2.57 million recipients in 2011, a majority (62 per cent) were claiming the benefit for more than five years. Another 16 per cent had been claiming for more than two years but less than five. The proportion of long-term recipients has remained more or less stable even though the overall recipient number has declined. This implies that although comparatively fewer people were flowing in with new claims, those already claiming were slow to leave.

It is important to note that the numbers shown in indicator 38A are a snapshot taken at a point in time (November of each year). If we were to include all those who had claimed at some point within a year, the number of short-term claims would increase, as the claims that start and end within the period would be counted, which they are not in the snapshot measure. The proportion claiming for more than five years would therefore be much smaller.

Of all recipients in 2011, 43 per cent (1.1 million people) were claiming the benefits for reasons of mental and behavioural problems. The next most common reason for claiming benefit was musculoskeletal disorders, with 16 per cent (400,000 adults) quoting such problems. The distribution of the type of medical conditions for short- and long-term recipients was not very different.
39 Take-up of income-related benefits

As many as one in three eligible recipients are not claiming the means-tested benefits they are entitled to. In terms of value, half of unclaimed benefits are working-age benefits.

In the ten years to 2009/10, the proportion of families, both working-age and pensioners, that were entitled to but not claiming their benefits increased. The increase occurred in all of the four benefits we analyse: Income-based Jobseeker’s Allowance (JSA-I), Pension Credit, Council Tax Benefit (CTB) and housing benefit (HB/LHA).

Non-take-up of a housing benefit more than doubled in the last decade. In 1999/2000, about 8 per cent of eligible families were not claiming their entitlement; by 2009/10 this proportion had risen to 19 per cent, amounting to some 950,000 families. Most of this was driven by rising non-take-up among working-age families. As a result, working-age families made up 60 per cent of all eligible non-claiming families in 2009/10, compared with 42 per cent 10 years ago. The average (median) amount of weekly housing benefit entitlement that was unclaimed was around £45.

Non-take-up of CTB increased by 11 percentage points over the same period. In 2009/10 pensioner families accounted for 70 per cent of the 2.7 million families not claiming their CTB entitlement. Though the numbers not claiming their entitlement is relatively large compared with other benefits, the average amount is lower at about £15 per week.

About 35 per cent or 1.4 million pensioner families entitled to Pension Credit were not claiming their entitlements in 2009/10, up from 29 per cent in 1999/2000, missing out on an average of £22 per week. A similar proportion of eligible working-age families were not claiming the JSA entitlements averaging about £50 per week.

Of the estimated £10 billion of unclaimed income-related benefits in 2009/10, benefits for working-age families accounted for 53 per cent. Unclaimed benefits for pensioners made up the other half. Unclaimed amounts of means-tested working-age benefits (i.e. Income Support, income-related JSA and Employment Support Allowance) made up the largest group at 30 per cent, followed by Pension Credit accounting for 24 per cent of the share. These benefits are specifically targeted at people with low income and hence any non-take-up is a cause for concern.

Though pensioner families made up a bigger share of the total number of eligible families not claiming their entitlements, the amounts unclaimed were relatively small compared with working-age families.

Given that the social security system is a reserved area, where the devolved administrations of Wales and Scotland do not have much choice or say, policies designed to encourage take-up are an important lever in the hands of these administrations and can help in mitigating the country-specific effects of some of the planned welfare changes.
40 Working families receiving tax credits

The number of working families receiving tax credits rose by 50 per cent between 2003 and 2012. Around one-and-a-quarter million children are now not in poverty due to the tax credits they receive.

Since tax credits were introduced in 2003, there has been a steady rise in the number of working families receiving tax credits. As of April 2012, there were 3.3 million families receiving tax credits above the family element, of which 2.7 million or 82 per cent were families with children.

The number of families receiving tax credits in 2012 was about 50 per cent higher than the number in 2003. The number of families with children receiving tax credits rose by 615,000 in the period between 2003 and 2012. The number of families without children receiving tax credits went up four times, from 121,000 in 2003 to 582,000 in 2012.

In 2009/10, around 1.3 million children in working households were not in poverty due to the tax credits they received. Another 1.3 million children received tax credits but were still in poverty. Around 750,000 children did not receive tax credits despite living in low-income working families.

In total, the number of children needing tax credits rose by one million over the decade. It was around 3.3 million in 2009/10, up from 2.3 million in 1999/2000.

Tax credits offer a vital support to working families who are low-paid or do not work enough hours to escape poverty. Some of the changes to the tax credit system announced in the 2010 Comprehensive Spending Review and the budgets of 2010 and 2011, especially the 24-hour rule for couples with children to be eligible for tax credits, undermine the rhetoric about making work pay. They are also at odds with the principles supposedly underpinning Universal Credit, whose introduction will replace the existing tax credit system from 2013.
Indicator: 38A

Though the number claiming a sickness- or disability-related benefit has fallen since 2002, the number claiming for longer than five years has not.

![Graph showing the number of people claiming an out-of-work sickness or disability benefit (Incapacity Benefit or Employment and Support Allowance) broken down by the duration of the claim. It shows this data for each of the last ten years, from 2002 to 2012.](image)

Source: Benefit Caseload National Statistics, DWP; the data is for Great Britain.

Indicator: 38B

Two-fifths of recipients of Incapacity Benefit or Employment and Support Allowance are claiming due to mental or behavioural disorders.

![Pie chart showing the major disease group for which the benefit is sought. The causes of incapacity are based on the International Classification of Diseases, 10th Revision, published by the World Health Organization. Diseases of the musculoskeletal system and connective tissue include arthritis, back pains, spondylitis, joint pains, osteopathies, disorders of muscles etc. Diseases of the nervous system include meningitis, Huntington’s, Alzheimer’s, Parkinson’s, multiple sclerosis etc. Examples of diseases of circulatory system include hypertension, rheumatic fever, certain heart disorders like angina. Disorders of the respiratory system refer to influenza, pneumonia, sinusitis, bronchitis etc.](image)

Source: Benefit Caseload National Statistics, DWP; the data is for November 2011 for Great Britain.

The first graph shows the number of people claiming an out-of-work sickness or disability benefit (Incapacity Benefit or Employment and Support Allowance) broken down by the duration of the claim. It shows this data for each of the last ten years, from 2002 to 2012.

The second graph shows, for the latest year, the major disease group for which the benefit is sought. The causes of incapacity are based on the International Classification of Diseases, 10th Revision, published by the World Health Organization. Diseases of the musculoskeletal system and connective tissue include arthritis, back pains, spondylitis, joint pains, osteopathies, disorders of muscles etc. Diseases of the nervous system include meningitis, Huntington’s, Alzheimer’s, Parkinson’s, multiple sclerosis etc. Examples of diseases of circulatory system include hypertension, rheumatic fever, certain heart disorders like angina. Disorders of the respiratory system refer to influenza, pneumonia, sinusitis, bronchitis etc.
Indicator: 39A  
In 2009/10, the estimated proportion of people not claiming the benefits they were entitled to was much higher than a decade earlier.

Source: Income-related benefits – estimates of take-up, DWP; the data is for Great Britain

Indicator: 39B  
Of the £10 billion benefits that go unclaimed annually, just over half are for working-age adults and just under half are for pensioners.

Source: Income-related benefits – estimates of take-up and expenditure, 2009/10, DWP; the data is for Great Britain

The first graph shows, for the selected means-tested benefits, the estimated proportion of working-age and pensioner households that are entitled to the benefit but are not claiming their entitlement. The data is shown for two points in time a decade apart. The indicator looks at major benefits for working-age and pensioner households – income-based Jobseeker’s Allowance (JSA-I), Pension Credit, Council Tax Benefit (CTB) and housing benefit (HB/LHA).

The second graph shows the total amount of unclaimed income-related benefits in 2009/10, broken down by the type of benefit and the age group of those entitled (either pensioners or working-age adults).

The figures are Department for Work and Pensions (DWP) estimates, based on the modelling of data from surveys such as the Family Resources Survey. The figures shown are the mid-points of quite wide-ranging estimates, so the figures for any particular year are subject to considerable uncertainty.
### Working families receiving tax credits

**Indicator: 40A**

The number of working families receiving tax credits is 50 per cent higher than a decade ago; numbers without children have seen a fourfold rise.

The first graph shows the number of working families receiving tax credits over time, from the time tax credits were introduced in 2003. Data relates to April of every year, except for 2003, when it is for July. For each date, the data describes awards current at that date, based on incomes and circumstances reported and processed by that date.

The second graph provides an analysis of the number of children in working families where, excluding tax credits, the household is in low income. For each year, it shows the number of children in three categories; not in receipt of tax credits; in receipt of tax credits but still in low income; and in receipt of tax credits and, as a result, no longer in low income.

Both graphs only include those families who receive more than the family element of the Child Tax Credit (CTC). This element is paid to each family that is entitled to CTC, regardless of the number of children or young people in the family and was £545 a year in 2010/11, roughly equal to £10.50 per week. A low level of income is not required to get the family element of the Child Tax Credit, therefore in order to focus on lower-income families, we look only at those who receive tax credits above this element. Children here refers to those below the age of 20.

### Indicator: 40B

Tax credits lifted more than a million children in working families out of poverty, but 750,000 children lived in low-income working families who did not receive such support.

The third graph provides an analysis of the number of children in working families where, excluding tax credits, the household is in low income. For each year, it shows the number of children in three categories; not in receipt of tax credits; in receipt of tax credits but still in low income; and in receipt of tax credits and, as a result, no longer in low income.

Both graphs only include those families who receive more than the family element of the Child Tax Credit (CTC). This element is paid to each family that is entitled to CTC, regardless of the number of children or young people in the family and was £545 a year in 2010/11, roughly equal to £10.50 per week. A low level of income is not required to get the family element of the Child Tax Credit, therefore in order to focus on lower-income families, we look only at those who receive tax credits above this element. Children here refers to those below the age of 20.
Commentary

The government may consider a temporary freeze on the cash value of benefits as part of its attempt to reduce the public sector deficit. If this happens, it would be the first time that benefits had failed to be uprated at least with inflation. State pension will be exempt from any freeze as an annual rise of the greater of either inflation or average earnings has already been committed to. Based on the data in indicator 34 this leads us to make two observations regarding the mooted policy.

First, freezing state benefits will have different implications for different groups. The real value of benefits for children and pensioners has increased in the last decade, while the value of those for working-age adults has hardly changed since the 1970s.

Second, the logic of raising benefits in line with inflation is that if benefit values are based on the income required to meet a person’s basic needs, then uprating benefits in line with inflation ensures that these needs can still be met as prices increase.

However, indicator 34 shows that current benefit values do not reflect the cost of living. The real value of benefits for children has risen by 30 per cent over the ten years to 2012, but this is more to do with the child poverty target than the soaring costs of food or children’s clothes. Likewise the living costs for two pensioners should be similar to that for two working-age adults yet the benefit value for the former is twice that for the latter.

A decision to freeze benefits should only be done after reflecting on current benefit values. It could easily be decided that pensioners should have higher benefits than working-age adults as pensioners should not be forced to work and that working-age adult benefits should encourage work. But what benefit value is required to meet basic needs and encourage work? It appears that no such considerations have been made.
Chapter 7  

Welfare reform

Choice of indicators 114
41 Long-term view of spending on benefits 115
42 Changes to housing benefits 117
43 Changes to non-housing benefits 117
Commentary 121
Choice of indicators

The previous chapter looked at the benefits system as it exists today. But wide-ranging reforms will change the shape and nature of the benefits system over the next few years. Indeed, some significant changes have already taken place, such as the introduction of the Employment and Support Allowance in 2008 and the various changes to lone parent eligibility for Income Support.

Many more changes were announced in the Budget and Comprehensive Spending Review of 2010, followed by the Budgets of 2011 and 2012. The appendix lists most of these changes and provides information on when the change was or will be introduced along with estimates of the impact where these are available. The table stops short of including the impact of Universal Credit which, when introduced in 2013, will replace working-age, means-tested benefits.

This short chapter focuses on a few major changes to benefits. Since the interest of this report lies in analysing the interaction of welfare reforms and poverty, we concentrate on the bottom fifth of the income distribution throughout.

The chapter starts with a long-term indicator looking at spending on social security as a share of national income since the start of the welfare state in 1948. The supporting graph breaks down the growth in spending in the last decade by major categories of benefits.

The second indicator provides a timeline for the introduction of major changes to housing benefits. It also looks at the income distribution of families receiving housing benefits to assess the extent to which the changes will impact on low-income families.

The last indicator shows the timescale for introduction of some of the major changes to tax credits and sickness- and disability-related benefits. The supporting graph attempts to identify groups that are at risk of being hit by multiple changes.
41 Long-term view of spending on benefits

Benefit spending as a share of GDP jumped in the recession, as it did in the one at the start of the 1990s. But it has not been on an upward trend for 30 years. Almost all of the rise in the last ten years is due to pensions, family benefits and housing benefits.

Most of the indicators in this report measure changes in something that is clearly ‘bad’, for example: poverty, unemployment. However, a change in benefit spending is open to interpretation and cannot simply be interpreted as worse or better. As an indicator it aims to merely outline the context in which welfare reform is taking place.

Benefit spending as a share of GDP jumped in the recession, from 11 per cent in 2007/08 to 13 per cent in 2009/10. This mirrors the recession in the early 1990s when the proportion of GDP spent on benefits increased by slightly more at around 3 percentage points.

Between the start of the 1960s and the mid-1980s, benefit spending as a share of GDP doubled from 5 per cent to 11 per cent.

At 13 per cent in the years 2009/10 to 2011/12, the proportion of GDP spent on benefits is at an all-time high, but this is not as a result of a long-term upward trend. The levels in the 1990s to 2008/09 fluctuated between 10 and 12 per cent.

Means-tested benefits (including tax credits) accounted for about 38 per cent of benefit spending in recent years. This is much higher than the share until the 1970s but throughout the 1990s and 2000s means-tested benefits made up about a third of spending on benefits.

Around another 36 per cent of benefit spending is on the state retirement pension (a level it has been at since the early 1990s). The only significant change in the mix of benefit spending since the mid 1990s is the fall in ‘other’ national insurance benefits (from 11 per cent in 1996/97 to 6 per cent in 2006/07). This is mainly spending on contribution-based Jobseeker’s Allowance and Incapacity Benefit.

Between 2001/02 and 2011/12 spending on ‘social protection’ benefits (as classified by HM Treasury expenditure data) increased from £156 billion to £210 billion. This growth of £54 billion is a rate of 34 per cent (adjusted for inflation), more than twice the rate of growth of the economy.

Nine-tenths of this growth in spending is accounted for by the growth in spending on pensioner incomes, family benefits, and housing. At an increase of £24 billion, pensioner incomes made up the largest share of the increase, reflecting their size within the budget. Spending on housing and family benefits grew at the fastest rate, by 62 per cent and 57 per cent respectively.
Indicator: 41A

In the last three years, spending on social security benefits has represented a record share of national income. As a share of all spending on social security, means-tested benefits (including tax credits) is also at a record high.

![Graph showing total spending on social security benefits as a proportion of national income (GDP) each year since the introduction of the welfare state in 1948. The total is broken down into spending on: the state retirement pension; other contributory benefits (entitlement to which is earned by paying national insurance); means-tested (income-related) benefits (including tax credits since 1999); and other benefits (including needs-based ones such as Disability Living Allowance, and entitlement- and age-based universal benefits such as Child Benefit).](image)

Source: DWP Summary Benefit Expenditure, HMRC receipts (2003/04 to 2011/12; HMRC private correspondence (1999/2000 to 2003/04); the data is for the UK

Indicator: 41B

90 per cent of the growth in benefit spending in the last ten years has been on pensioner incomes, families and housing. Of these three, the largest proportional increase has been on housing.

![Graph showing the level of spending in each of the main categories of social security spending in 2001/02 and the growth (after discounting the effects of inflation) between then and 2011/12.](image)

Source: HM Treasury Public Expenditure Analysis (PESA) 2007 and 2012; the data is for the UK

The first graph shows total spending on social security benefits as a proportion of national income (GDP) each year since the introduction of the welfare state in 1948. The total is broken down into spending on: the state retirement pension; other contributory benefits (entitlement to which is earned by paying national insurance); means-tested (income-related) benefits (including tax credits since 1999); and other benefits (including needs-based ones such as Disability Living Allowance, and entitlement- and age-based universal benefits such as Child Benefit).

The second graph shows the level of spending in each of the main categories of social security spending in 2001/02 and the growth (after discounting the effects of inflation) between then and 2011/12. ‘Pensioner incomes’ includes the state retirement pension, Pension Credit and other benefits paid to pensioners on the grounds of their age.

The data for spending is for Great Britain, the GDP data is for the UK. The GB/UK mismatch does not make a significant impact on figures presented here.
42 Changes to housing benefits

Changes to housing benefits will affect almost all low-income households. Most will lose less than £10 per week, but those affected by the national cap and under-35s living alone stand to lose much more.

A national Local Housing Allowance (LHA) cap for private renters was introduced for new claimants in April 2011. The DWP’s impact assessment estimates that there will be a reduction in LHA for around 21,000 households nationally, most of them in London. The average loss resulting from this change was estimated to be around £75 per week per household. Similarly, the extension of the Single Room Rate restriction to under-35s was estimated to affect 63,000 individuals with an average loss of £40 per week.

On the other hand, setting the local LHA rates to the 30th percentile has been estimated to affect 775,000 households but the average amount lost is comparatively small at £9 per week per household. The under-occupation penalty would also impact on a large number of people (660,000 claimants), incurring an average loss of £14 per week per household.

Though not shown in the graph, the change relating to the annual increase of LHA rates in line with CPI rather than with local market rents would in principle affect all LHA claimants (forecast to be around 1.4 million by 2013). This would result in an average loss of £6 per week for claimants whose rent is at or above the LHA rate by 2014/15.

Around 72 per cent of LHA claimants and 62 per cent of Housing Benefit claimants are in the poorest fifth of the income distribution. So, even the seemingly small cuts to benefit entitlements are bound to have a serious impact on household finances. For example it could be extremely difficult for LHA claimants in the poorest fifth to make up for a typical shortfall of £9 per week in their housing benefit as this could put them at risk of building up rent arrears and/or becoming homeless.

43 Changes to non-housing benefits

Around 700,000 people were affected by the introduction of a time limit to ESA, losing an average of £40 a week each. The vast majority of these people, and a vast majority of all other families receiving out-of-work benefits, will also lose money due to housing benefit changes.

In the past two years two major changes have been made to out-of-work sickness and disability benefits. The first was the migration of existing Incapacity Benefit (IB) claimants to Employment and Support Allowance (ESA). It is estimated that 1.5 million existing incapacity benefits claimants will go through reassessment by 2014. Of these, approximately one-quarter (375,000 claimants) are expected to be assessed fit for work and to move off incapacity benefits, some of whom would then presumably have to claim Jobseeker’s Allowance at a lower rate. The remaining three-quarters are expected to be moved onto ESA, the majority of whom (around 850,000) would be expected to move into the Work Related Activity Group (WRAG).
Changes to non-housing benefits continued

The second policy change was to limit the amount of time a claim can be made for contributory ESA for those in the WRAG to six months. This is expected to affect around 700,000 people in total by 2015/16. Around 30 per cent of those affected are expected to continue to receive income-related ESA. A further 30 per cent are expected to become entitled to income-related ESA when their contributory ESA is removed. The remaining 40 per cent are expected to lose their entitlement to ESA because they have other income, including that from a partner. But some of these claimants would see increases in other benefits such as tax credits and housing benefits. On average the net income of all those affected is estimated to reduce by around £36 per week.

The introduction of an overall benefit cap in 2013 will also affect out-of-work households. It will limit the maximum benefit income that workless, working-age households can receive to £500 per week for couple households or £350 per week for single-person households. Around 58,000 households will have their benefits reduced by the policy in 2014/15. The hierarchy in which the benefits would be capped means that housing benefit payments will be the one curtailed. The impact assessment shows that lone parents, those in the private rented sector and households in London would be hit the hardest.

Changes to working tax credit (WTC) are estimated to affect slightly more than 200,000 families. Previously couples with children could get WTC if one adult worked at least 16 hours a week. But since April 2012, most are required to work at least 24 hours per week between them to qualify for WTC (with at least one person working 16 hours per week). This means that claimants working between 16 and 24 hours a week that were previously entitled lose at least some of their WTC. It is estimated to affect 470,000 children.

The exact amount of WTC lost depends on the family circumstances, but for couples who would otherwise be eligible for the maximum WTC, the loss would be £75 a week. It has been estimated that only 5 per cent of the families affected were able to increase their hours worked. The change could push families into poverty or increase the depth of poverty already experienced and could also act as a disincentive to work (see our analysis at www.npi.org.uk/m-blog/view/changes-to-working-tax-credit-making-work-pay-less).

Almost all workless lone parents in the bottom fifth who get Income Support also get one or more of the three housing-related benefits (Housing Benefit, Local Housing Allowance and/or Council Tax Benefit). 80 per cent of those in the bottom fifth getting IB or ESA, and around 80 per cent of those getting other out-of-work benefits also get one or more of the housing-related benefits. Among working families in the bottom fifth receiving tax credits, about one-quarter get one of the housing-related benefits. These families in the bottom fifth that receive an income-related benefit and a housing-related benefit are exposed to the possibility of being doubly hit by welfare changes.

This high housing benefit recipiency among those in the bottom quintile receiving out-of-work benefits is not surprising as most of these families would be ‘passported’ onto housing benefit (i.e. would automatically get it). However, this implies that if a claimant becomes ineligible for an out-of-work benefit as a result of the reforms they may also lose their entitlement to housing benefits making them extremely vulnerable.
## Changes to housing benefits

**Indicator: 42A**

Hundreds of thousands of people have been affected by the local LHA cap while only tens of thousands have been affected by the national one.

The first graph provides a timeline for the introduction of major changes to housing benefits. It also shows the estimated number of claimants who would be affected by each change and the average amount of monetary loss the change involves. All the estimates have been sourced from the official impact assessments produced by the DWP. All policy changes except the introduction of the under-occupation penalty have already been implemented.

**Indicator: 42B**

A majority of Housing Benefit recipients, both in the social and private rented sector, are clustered at the bottom of the income distribution.

The second graph shows the proportion of families in each income quintile receiving either Housing Benefit or Local Housing Allowance (with the top three quintiles combined).
Changes to non-housing benefits

Indicator: 43A

The household benefit cap will affect a small number of people by a very large amount, but changes to other benefits affect far more people.

Indicator: 43B

At least 80 per cent of families in the bottom quintile receiving any of the out-of-work benefits are at the risk of being doubly hit by the reforms to those benefits and to housing benefits.

The first graph shows the timescale for the introduction of some of the major changes to tax credits and sickness- and disability-related benefits. It also shows estimates of the numbers affected and (where possible) the average amount of money lost.

The second graph shows the proportion of different types of families that are in the bottom income quintile receiving one of the stated benefits in the first graph. The data is broken down to show which of three combinations of 'housing-related' benefits are also received by the family, namely Housing Benefit, Local Housing Allowance and/or Council Tax Benefit.
Commentary

One point that this chapter seeks to make is how misleading averages can be when all welfare changes are rolled together. Some benefit changes will affect tens of thousands with large benefit cuts and some will affect hundreds of thousands with small benefit cuts. Others, such as the time-limiting of contributory ESA, both affect large numbers of people and result in a considerable cut in benefit income.

A second point to note is the way that some households, almost always in low income to begin with, are going to be hit more than once, through cuts to both housing-related and non-housing benefits. The data here on the overlap of benefit cuts is only suggestive. But it reflects the weakness in how the government has assessed the impact of the welfare changes, by looking at them individually rather than as a whole.

Spending on social security as a proportion of GDP is at an all-time high and the desire to reduce it is understandable. Part of the reason that this record has been reached is that the last government put money into the system, especially into child and housing-related benefits, to protect against the recession. As an immediate repose to the problem the rise in spending should not be seen as negative. Likewise cutting benefit spending when employment rises, housing becomes more affordable and the economy grows should not be seen as negative either. However, this is not the context in which the current cuts are taking place. These cuts are merely targeting the symptoms before the underlying causes have been addressed.

What is most alarming about welfare changes is the lack of consideration for the overlap for individuals, i.e. some people will be hit many times over, and what the consequences might be for those affected. The fairly basic analysis in this chapter has demonstrated that it is the poorest households that are the most at risk and the even small changes to their benefits will dramatically reduce their income. As such these cuts to benefit spending cannot be seen as a good thing.
Chapter 8  

**Housing**

Choice of indicators 124  
44 Long-term view of tenure trends 125  
45 Poverty and tenure 127  
46 Affordability 128  
47 Housing benefits 129  
48 Mortgage repossessions 133  
49 Landlord repossessions 133  
50 Overcrowding 134  
51 Fuel poverty 134  
52 Homelessness 135  
Commentary 141
Choice of indicators

The first indicator in this chapter takes a long-term view of housing and tenure. First it puts recent, seemingly dramatic, changes into context and then it highlights the changing links between tenure and worklessness.

The chapter then focuses on housing costs and affordability. Housing is a cost that everyone faces, and for many people it is their largest regular expense. We begin by looking at the relationship between low income and tenure, by showing the changing risk of low income by tenure and then looking at how the number of people in poverty has changed for different tenure groups. The next indicator looks at housing affordability. We focus on the proportion of income spent on housing across the income distribution over time and by tenure.

The following indicator looks at the number of housing benefit recipients and how this has changed. This reflects the number of people in rented accommodation that are unable to meet their essential housing costs and are therefore entitled to the benefit.

The next two indicators look at the level of possession orders, firstly for mortgage holders and then for renters. Repossessions are a measure of extreme housing distress, where a household has not been able to afford their housing costs and is not expected to be able to do so in future.

The remaining indicators in this chapter look at different measures of housing deprivation beyond income and costs. Being able to afford your housing is one thing, but this doesn’t mean that the housing is adequate or suitable for the family’s needs.

We look at overcrowding – how this has changed over time and how it varies by tenure. Overcrowding is calculated using the bedroom standard, which is based on the number of bedroom to adults, couples and children. By this measure, when a household is overcrowded their living conditions will be very cramped indeed. Often people living in overcrowded conditions will do so because larger accommodation is not available or not affordable.

The next indicator is a measure of fuel poverty – households that would have to spend more than 10 per cent of their income to keep their home adequately warm. This indicates an inadequacy of housing in terms of energy inefficiency and low income to the extent that heating their home poses a financial challenge.

The final indicator looks at homelessness, where a family’s situation is so severe that they are unable to secure adequate housing for themselves.
44  Long-term view of tenure trends

The striking growth of the private rented sector during the 2000s still only takes it back to the level of the early 1970s. The proportion of workless households (that are working-age) in rented sectors has been rising.

Between 2001 and 2010, the private rented sector’s share of dwellings rose from 10 per cent to 17 per cent. While a sharp rise, it is still lower than the levels seen in the 1970s and earlier. The rise is also much smaller than the pace of decline in the private sector between 1951 (when it was at 52 per cent) and 1971 when it fell by 32 percentage points.

Between 2001 and 2010, the social rented sector’s share of dwellings fell from 21 per cent to 18 per cent, just one percentage point above the private rented sector and taking it back to a level last seen in the early 1950s.

Taken together, the two rented sectors reached their lowest combined share (30 per cent) in 2002. By 2010, the owner-occupied sector’s share had fallen from its maximum of 70 per cent in 2002 to 65 per cent.

Between 1981 and 1991, the proportion of heads of household in social rented accommodation in England who were not in work jumped from a half to two-thirds. Most of that jump (12 out of the 17 percentage points) was due to a rise in the proportion of households where the head had retired.

Over the last 20 years, although the overall workless proportion among social rented heads of household has hardly changed, the proportion who are retired has fallen while that for working-age has risen. The proportion of households who are working-age workless has been rising (at about five percentage points per decade) since the early 1980s.

A similar shift from retired to working-age workless can be seen in the private rented sector. However, this has occurred while the overall proportion of workless households has been slowly falling.

In 2010/11 the proportion of working-age workless households in the private rented sector was lower than the social rented sector (at 22 per cent and 37 per cent respectively). The gap is even greater for the proportion of retired households, at 8 per cent in private rented and 31 per cent in the social rented sector.
Long-term view of tenure trends

Indicator: 44A  
Private renting is up to a level last seen in the early to mid 1970s. Social renting is down to a level last seen at the start of the 1950s.

Source: DCLG live tables; the data is for Great Britain

Indicator: 44B  
After jumping sharply in the 1980s, the proportion of social sector household heads not in work has stayed at about two-thirds, but the proportion of them who are of working-age has carried on rising steadily.

Source: University of York Housing Finance Review (1981 and 1991), DCLG Survey of English Housing (for 2001/02); DCLG English Housing Survey (for 2010/11); the data is for England

The first graph shows the proportion of dwellings rented from either a private landlord or a social landlord (the local authority or a housing association) and how this has changed at 10-yearly intervals since 1951. Owner-occupation is not shown in the graph and comprises the remaining dwellings.

The second graph shows the proportion of heads of household in social rented and private rented dwellings not in paid work. The data is broken down to show retired and working-age heads of household separately. The data is shown at 10-yearly intervals since 1981.
45 Poverty and tenure

Income inequalities between renters and owners are increasing.

In 2010/11 the proportion of people living in social rented accommodation who were in poverty was 43 per cent, compared with 54 per cent 10 years earlier. Although in the last year the poverty rate for social renters fell quite sharply, the longer-term trend is clearly downwards. Conversely, the poverty rate for people living in private rented accommodation has not changed much over the past ten years. In 2010/11 it was 39 per cent and it was 38 per cent a decade earlier.

Among people who owned their homes outright, 12 per cent lived in poverty in 2010/11, 4 percentage points lower than the rate in 2000/01. Among mortgage holders, the figure was 11 per cent in 2010/11, the same level as ten years earlier.

So while in 2000/01 there were distinct poverty rates for all four tenure groups, in 2010/11 there were two, one for renters and one for owners. The poverty rate for renters is now more than three times the rate for owners.

The changing overall sizes of the different tenures and the poverty rates within each tenure have changed the tenure composition of people in poverty over the past decade. The number of private renters in poverty has doubled from 2 million in 2000/01 to 4 million in 2010/11.

However, the total number of people in poverty has fallen overall. This is accounted for by a fall in the number of people in social rented accommodation who are in poverty, from 6 million in 2000/01 to 4.2 million in 2010/11, and much smaller falls among people in owner-occupied accommodation. In 2010/11, 2.7 million people in mortgage-holding households were in poverty, as were 2.1 million people in accommodation owned outright.
46 Affordability

The poorest households typically spend more than a quarter of their net income on housing.

In 2010/11 people in the bottom fifth of the income distribution spent on average 29 per cent of their income on housing, twice as much as those on average incomes (15 per cent) and three times the level of the richest fifth (9 per cent).

For each income group, the proportion of income spent on housing rose steadily between 2002/03 and 2008/09 but then fell in 2009/10. The increase was greatest for the poorest fifth, whose proportion of income spent on housing was 5 percentage points higher in 2009/10 than in 2002/03. For the middle fifth the increase is only 1 percentage point and for the richest fifth the proportion of income spent on housing costs is slightly lower than in 2002/03.

The reason for the fall in 2009/10 was due to a fall in the housing costs for owner-occupiers with a mortgage, which was as a result of low interest rates. The proportion of income spent on housing remained at the 2008/09 levels for the other tenures.

For each tenure group the poorest fifth spend the highest proportion of their income on housing and for each income group, private renters spend the highest proportion of their income on housing.

Private renters in the bottom fifth of the income distribution spend on average 57 per cent of their income on housing. The next highest group is owners with a mortgage in the poorest fifth at 38 per cent, followed by social renters at 33 per cent. Owner-occupiers without a mortgage had the lowest housing costs as a proportion of their income.
More and more private renters have to claim housing benefit.

The number of households claiming housing benefit has been steadily rising for the last ten years and in 2012 reached 5 million. Most of this rise has been among households claiming in the private rented sector, which have more than doubled in the past ten years from 0.7 million in 2002 to 1.6 million in 2012.

At 3.3 million in 2012, the number of people claiming housing benefit in social rented accommodation is much greater than the number in private rented. However, the growth in the number of social renters claiming housing benefit has been much less than the growth in private renters claiming, increasing by only 0.3 million (9 per cent) since 2002.

In every English region and in Wales and Scotland the number of claimants of housing benefit in both social and private rented accommodation grew between 2011 and 2012. In each case the growth in private sector claimants was much greater than social rented. In areas where growth in private renter claims was lower, growth in social renter claims were still around average.

The East Midlands saw the greatest increase in the number of claimants in private rented accommodation at 7.3 per cent.

The areas with the lowest growth in the number of private sector housing benefit claimants tended to be in the higher priced parts of Great Britain – London, East and South. But Outer London does not fit this trend. In Outer London the growth in the number of private sector housing benefit claims was 6.8 per cent between 2011 and 2012 and 2.4 per cent for social renters.

It appears from these statistics that the low growth in Inner London is matched by high growth in Outer London. This would be consistent with the hypothesis that the cap on housing benefit, introduced in 2010, has moved low-income households out of expensive Inner London to less expensive areas in the suburbs.
The proportion of social renters in poverty has fallen significantly in the last decade. The proportion for private renters has not.

The number of people in poverty living in private rented accommodation has doubled in a decade.

The first graph shows the proportion of people in poverty by tenure group: owned outright, owned with a mortgage, social rented, and private rented.

The second graph shows the number of people in poverty by tenure in 2000/01 and 2010/11.

Social renting includes renting from the local authority or a housing association.

People are said to be in poverty if the household income is less than 60 per cent of the median income. Income is disposable household income after housing costs. All data is equivalised (adjusted) to account for differences in household size and composition.

In the second graph the data for 2000/01 has been adjusted from GB to UK to make it comparable with the 2010/11 figure.
Affordability

Indicator: 46A

The proportion of income spent on housing is highest for the poorest fifth. In the last decade the proportion has also risen the most for this group.

Indicator: 46B

For every income group, private renters spend a greater proportion of their income on housing than other tenure types.

The first graph shows, for each year and level of income, housing costs as a proportion of disposable income. The second graph shows the average proportion of income spent on housing by income group and tenure.

Housing costs are calculated as ‘total income before deducting housing costs’ less ‘total income after deducting housing costs’ in the Households Below Average Income dataset. They comprise such items as rent service charges, ground rents, mortgage interest (but not capital) and buildings insurance. For people in receipt of a housing benefit, the benefit itself is treated as income while the rent it covers is treated as housing costs.

The income groups (quintiles) are based on disposable household income before deducting housing costs. This is preferable, in this instance, to the after housing costs measure which may include in the lower quintiles some households who have high incomes but exceptionally high housing costs.
Indicator: 47A

Five million households now claim housing benefit, a rise of one million in five years.

Indicator: 47B

With the exception of Inner London, the growth in private rented claims has been far larger than in social rented claims in all parts of Great Britain.

The first graph shows the number of people claiming Housing Benefit until 2007, and Housing Benefit or Local Housing Allowance from 2009 onwards. No data is available for 2008, the year in which the Local Housing Allowance was introduced. Data before 2009 was based on clerical returns from local authorities. More recent data is based on a monthly electronic scan of local authorities’ claimant level data.

The second graph shows the percentage change in the number of claimants of a housing benefit between 2011 and 2012 in each region. The data is shown separately for social rented sector tenants, who claim Housing Benefit, and private rented sector tenants, who claim Local Housing Allowance.
48 Mortgage repossessions

The rate of mortgage repossessions peaked in 2009 but has not fallen significantly since.

Around 12,000 court orders (excluding suspended orders) were made for mortgage repossessions in the first half of 2012. This figure had been steadily falling in the previous two years and is at its lowest level since the time series began in 2005.

However, the number of properties that were actually taken into possession has not been falling. Since 2011 around 18,000 properties have been taken into possession every six months. Although it is lower than the 2009 peak of 25,000 it remains considerably above the pre-recession levels.

The rate of court orders (excluding suspended ones) made for mortgage possession in 2011/12 was lower than the level two years earlier in every region across England. The North West had the highest rate of mortgage possession orders at 8.9 per 1,000 owner-occupied households with a mortgage. The largest fall occurred in London, from 10.5 in 2009/10 to 6.8 in 2011/12.

The rate of mortgage possession orders tends to be higher in the northern regions and lower in the southern regions.

49 Landlord repossessions

Landlord repossessions are much more common than mortgage repossessions and are increasing across the country.

The total number of landlord possession orders made has been increasing in the last two years to 100,000 in 2011/12. This is a 7 per cent increase on the previous year. The total number of landlord possession orders peaked in 2001/02 at 130,000 and declined for most of the next decade. 2010/11 was the first time in ten years that the number of landlord possession orders increased.

All of the falls in the early 2000s in the number of landlord orders made were due to a fall in the number of orders made by social landlords. The number of orders made by private landlords, 35,000 in 2011/12, has never been higher.

The fall in the number of social landlord orders made in the last decade and the recent increase in the number of private landlord orders has changed the make-up of orders overall. In 2001/02, 80 per cent of orders made were by social landlords and 20 per cent private; in 2011/12 it was 65 per cent for social and 35 per cent for private.

The rate of possession orders made by landlords increased in every region between 2009/10 and 2011/12. The biggest growth by far occurred in London where the number of landlord possession orders increased from 14.4 per 1,000 renting households in 2009/10 to 17.5 in 2011/12.

The rate of landlord possession orders in each region is higher than the rate of mortgage possession orders (as shown in indicator 48B).
50 Overcrowding

The level of overcrowding in rented accommodation has surged in the last ten years.

The proportion of households in England that were classed as overcrowded grew between 2003/04 and 2010/11. In the most recent year overcrowding reached an all-time high at 3 per cent of households, compared to a low of 2.4 per cent in the middle of the last decade. However, the data masks considerable variation by tenure.

Overcrowding has always been highest in the social rented sector and stood at 7.3 per cent in 2010/11. This figure has risen from 4.9 per cent in the middle of the last decade. The level of overcrowding in the private rented sector, while lower, has also been growing. A decade ago, 3.5 per cent of households in the private sector were overcrowded. Now it is 5.6 per cent.

Conversely, the levels of overcrowding in owner-occupied households is much lower (1.3 per cent) and has remained at much the same level in the last ten years.

In total there were 660,000 overcrowded households in England including 280,000 social rented households, which make up the largest share (42 per cent). 190,000 of overcrowded households were in the private sector, a similar number (190,000) were in owner-occupied housing. Despite the low rate of overcrowding in owner-occupied accommodation the sheer size of the tenure group means that it still accounts for 29 per cent of all overcrowded households.

51 Fuel poverty

Almost all households in poverty are in fuel poverty. Regardless of income the risk of fuel poverty has risen in recent years.

In 2010 around 16 per cent of households in England were in fuel poverty (i.e. they would have had to spend more than 10 per cent of their income to keep their homes warm). This was a fall from the previous year where the level reached 18 per cent but remains more than twice as high as the pre-2006 levels.

Private rented households have had consistently higher rates of fuel poverty than other tenures. In 2010, 18 per cent of private rented households were in fuel poverty. However, if social rented households were separated to show those owned by the local authority separately, the rate would be 19 per cent compared with 14 per cent for social rented households in homes owned by a Registered Social Landlord.

The proportion of households in fuel poverty has risen across the income scale. In 2003, 42 per cent of the poorest fifth of households were in fuel poverty. By 2010 this had risen to 82 per cent. Among the second poorest fifth, fuel poverty rose from 10 per cent to 40 per cent, and from 5 per cent to 21 per cent among the third poorest.
52 Homelessness

50,000 households in England are classified as homeless and are housed in temporary accommodation.

After years of substantial falls, the number of households recognised as homeless has been rising since 2009/10. In 2011/12, 70,000 households were recognised as homeless. Although this level remains much lower than the 2003/04 peak of 200,000, this is the second successive year-on-year increase.

Of the 70,000 households recognised as homeless in 2011/12, 50,000 were found to be in priority need, an increase of 6,000 on the year before.

The number of households living in temporary accommodation in the first quarter of 2012 was 50,000. This is half the level in 2004/05, where this number peaked at 101,000. But for the first time since 2005, the number of households living in temporary accommodation increased in 2012.

Almost three-quarters (74 per cent) of households living in temporary accommodation in England live in London. A further 17 per cent live in the South or East regions. Only 8 per cent of households living in temporary accommodation in 2012 lived in the North or the Midlands.
Mortgage repossessions

Indicator: 48A

The number of court orders for mortgage repossessions has fallen back to pre-2008 levels but the number of actual repossessions has not.

Indicator: 48B

Mortgage repossessions remain more common in the North of England than the South.

The first graph shows the number of mortgage repossessions for the first and second half of each year; and the number of court orders made for mortgage repossessions during that period, excluding suspended orders.

The second graph shows the number of orders for mortgage repossession made in the county courts (including suspended orders) per 1,000 households in each of the English regions. It compares the rate for the first half of 2010 with the first half of 2012. The denominator used to calculate the rate of orders for each region is the number of households buying their home with a mortgage according to the 2010/11 English Housing Survey.

Landlords themselves can be subject to mortgage repossessions, and would be counted as such.
Landlord repossessions

Indicator: 49A

Though repossession orders from private landlords have risen in recent years, they are still outnumbered by orders from social landlords.

Source: Ministry of Justice, Mortgage and Landlord Possession Statistics; the data is for England and Wales

Indicator: 49B

The level of landlord repossession orders is highest in London and is rising almost everywhere.

Source: Ministry of Justice, Mortgage and Landlord Possession Statistics

The first graph shows the number of landlord claims issued for repossession which led to orders being made (including suspended orders) during each six month period since 2005. The data is shown separately for social landlords and private landlords which includes accelerated orders.

According to the Ministry of Justice, accelerated orders apply to assured shorthold tenancies (which by definition are in the private sector). They enable orders to be made solely on the basis of written evidence.

The second graph shows the number of orders for landlord repossession (i.e. against the tenants) made in the county courts (including suspended orders) per 1,000 households in each of the English regions. It compares the rate for the first half of 2010 with the first half of 2012. The denominator used to calculate the rate of orders for each region is: the number of households renting according to the 2010/11 English Housing Survey.

Landlords can register repossession claims against their tenants for a variety of reasons; the majority are as a result of the tenant being in rent arrears.
Overcrowding

Indicator: 50A
At more than seven per cent, the rate of overcrowding in social rented housing is at its highest for at least 15 years.

Indicator: 50B
More than two-fifths of overcrowded households are in the social rented sector, but still almost one in three are owner-occupied.

The first graph shows the proportion of households that are overcrowded by tenure for each year from 1995/96 to 2010/11. The second graph shows the total number of households that were overcrowded by tenure. Overcrowding is measured using the ‘bedroom standard’ which is an indicator of occupation density. The required number of bedrooms is calculated for each household according to its composition — the age, gender and relationships of its members. Households are overcrowded if they have fewer bedrooms available than the number required by the bedroom standard. Details of the bedroom standard can be found in the English Housing Survey Report Glossary (see www.communities.gov.uk/publications/corporate/statistics/ehs200910householdreport).
Fuel poverty

Indicator: 51A
Despite a fall in the most recent year, the proportion of households in fuel poverty is at least double the level of 2003 in all tenures.

![Graph showing proportions of households in fuel poverty by tenure from 2003 to 2010.](source)

Source: Department for Energy and Climate Change; the data is for England

Indicator: 51B
Fuel poverty has risen among all income groups, but especially among the bottom two deciles. Four-fifths of households in the bottom decile and two-fifths in the second bottom decile are now in fuel poverty.

![Bar chart showing proportions of households in fuel poverty by income decile.](source)

Source: Department for Energy and Climate Change; the data is for England

The first graph shows the proportion of households in fuel poverty by tenure for each year from 2003 to 2010. The second graph shows the total number of households in fuel poverty broken down according to the income distribution.

Households are considered to be in fuel poverty if they would have to spend more than 10 per cent of their household income on fuel in order to maintain a satisfactory heating regime. This is a heating regime where the main living area is at 21°C and other occupied rooms are at 18°C. It is thus a measure which compares income with what fuel costs might be, rather than what they actually are.

The fuel costs included comprise those used for space heating, water heating, lighting, cooking and household appliances. Income includes the total personal incomes of every member of the household, any benefit payments that the household receives (from private source, state benefits and savings) and income related directly to housing (i.e. Housing Benefit, Local Housing Allowance, Income Support for Mortgage Interest, Mortgage Payment Protection Insurance and Council Tax Benefit).
Homelessness

Indicator: 52A

The number of households recognised or accepted as homeless has risen for the second consecutive year.

The first graph shows the number of people newly accepted as homeless each year. This is split between those who are deemed in priority need, often households with children, and those not in priority need. The line shows the number of people who are living in temporary accommodation under homelessness provision at the end of each year.

The second graph shows the number of people living in temporary accommodation in England at the end of the first quarter of 2011 by region.

The number of households officially recognised by a local authority as newly homeless include those ‘in priority need’ (i.e. households containing children or vulnerable people, or those made homeless in an emergency), those ‘not in priority need’ and the intentionally homeless (a small number).

Much of the temporary accommodation is privately rented (leased by a housing association or local authority) but also includes bed and breakfasts, hostel accommodation, social rented accommodation and other private rented accommodation.

It is important to note that these two measures are of different types. The number of people newly accepted as homeless is cumulative over the period, while the number of people who are living in temporary accommodation under homelessness provision requirements is a point-in-time number at the end of the year.

Neither measure is a complete count: the former excludes those recognised as homeless in previous years who are still homeless, while the latter excludes homeless households which the local authority has no duty to accommodate.

Indicator: 52B

Three-quarters of all households in temporary accommodation live in London.

Source: DCLG homelessness statistics, 2011; the data is for England.
Commentary

One of the clear trends from these indicators is the worsening situation for people living in the private rented sector. Private renters tend to spend the greatest proportion of their income on housing and the number of people having to claim housing benefit in order to meet their rent payments is increasing across the country.

In the last year, financial support for private renters has been further constrained as the amount of Local Housing Allowance (LHA) a tenant can claim has been capped at the cost of the cheapest 30 per cent of properties in an area, except in Central London where an even lower national cap applies.

As the cap has only recently been applied it is difficult to see the impact in the data. A possible solution for households whose LHA is cut may be a move to a cheaper area. One could infer from the lower than average rises in LHA claims in Inner London and the higher than average rises in Outer London that people are moving from the former to the latter where housing costs are lower.

Another option, of course, is to find work or work more hours. In fact, the number of housing benefit claimants who are in work has increased substantially in recent years. A study by the Building and Social Housing Foundation showed that 93 per cent of the rise in housing benefit claimants in 2010 and 2011 was among working households.

Homeless policies have also changed. Through the Localism Act 2011 local authorities will be able to discharge their homeless duty if they find a suitable private rented home for a household with a minimum 12 month lease (previously homeless people were entitled to turn down private sector tenancies that they felt were inappropriate).

Under the previous system, there was an assumption that when most households left temporary accommodation they moved into suitable and secure housing. This may no longer hold. Research by Centrepoint (see http://bit.ly/SzJ9hF) found that homeless people who move into the private rented sector are more than twice as likely to become homeless again as those who are resettled into social housing.

The interpretation of the homelessness indicator will have to change in future. A fall in the number of people in temporary accommodation may not mean that these households are being suitably housed. Likewise an increase in the numbers presenting as homeless may not indicate a surge in new cases but may be former cases reoccurring. We would suggest that the Department for Communities and Local Government collects data that identifies how many households presenting as homeless have been homeless before.
Appendix
This table lists many of the benefit changes that have been announced in the last five years to give readers an understanding of recent and planned changes. It is by no means a comprehensive list but captures much of what has happened, and what is planned. The information here is correct at the time of writing but may of course change. The table specifies what the change is and, where possible, how many people are expected to be affected and how much the average loss is likely to be. It covers a broader range of benefits than the welfare reform chapter but in less detail. The table includes links to sources for further information.

### Changes to sickness- or disability-related benefits

<table>
<thead>
<tr>
<th>Time</th>
<th>Change</th>
<th>Estimate of numbers affected</th>
<th>Average loss to those affected</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2008</td>
<td>Employment Support Allowance (ESA) was introduced. It replaced both Incapacity Benefit, and Income Support for people judged incapable of work. New claimants now apply for ESA. Those already claiming Incapacity Benefit or incapacity related Income Support are reassessed for eligibility for ESA between February 2011 and March 2014.</td>
<td>Around 1.5 million existing incapacity benefits claimants are expected to go through reassessment by 2014. Of these, approximately one-quarter are expected to be assessed fit for work and move off incapacity benefits.</td>
<td>Not applicable.</td>
<td>Parliamentary briefing available at: <a href="http://www.parliament.uk/briefing-papers/SN05574">www.parliament.uk/briefing-papers/SN05574</a>. More information also available at: <a href="http://www.disabilityrightsuk.org/ibmigration.htm">www.disabilityrightsuk.org/ibmigration.htm</a></td>
</tr>
<tr>
<td>May 2012</td>
<td>A time limit for claiming contribution-based ESA of one year is introduced. It only applies to those in the ‘work-related activity group’ of ESA i.e. claimants who are entitled to ESA but are identified as capable of taking part in some form of work-related activity.</td>
<td>The policy is expected to affect around 700,000 people in total by 2015/16. These people will lose their entitlement to contributory ESA.</td>
<td>On average the net income of those affected is estimated to reduce by around £36 per week. This average includes those that are not expected to lose anything as they become entitled to means-tested ESA.</td>
<td>DWP impact assessment, available at: <a href="http://www.dwp.gov.uk/docs/esa-time-limit-wr2011.pdf">www.dwp.gov.uk/docs/esa-time-limit-wr2011.pdf</a></td>
</tr>
<tr>
<td>2013</td>
<td>Disability Living Allowance (DLA) for working-age people will be replaced by Personal Independence Payment (PIP). Migration of existing DLA cases to PIP will be completed by 2016.</td>
<td>It is expected that there will be around 500,000 fewer individuals in receipt of PIP by 2015/16 compared with those who would have received DLA.</td>
<td>In February 2012 the average value of DLA claimed in Great Britain £74.23 per week.</td>
<td>DWP impact assessment, available at: <a href="http://www.dwp.gov.uk/docs/dla-reform-wr2011-ia.pdf">www.dwp.gov.uk/docs/dla-reform-wr2011-ia.pdf</a></td>
</tr>
</tbody>
</table>

### Changes to housing benefits

<table>
<thead>
<tr>
<th>Time</th>
<th>Change</th>
<th>Estimate of numbers affected</th>
<th>Average loss to those affected</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2011</td>
<td>The maximum amount of Local Housing Allowance (LHA) available is capped at £250 per week for a one-bedroom dwelling rising to £400 for a four-bedroom property. Households are no longer entitled to claim for anything above the four bedroom rate. The cap applies to existing and new claimants.</td>
<td>21,000 households in Great Britain are expected to have their LHA benefit cut (around 2 per cent of LHA claimants). 80 per cent of the total affected live in London.</td>
<td>It’s estimated that those affected will lose on average £74 per week.</td>
<td>Table 20: Impact of the measure for various groups available at: <a href="http://www.dwp.gov.uk/docs/impacts-of-hb-proposals.pdf">www.dwp.gov.uk/docs/impacts-of-hb-proposals.pdf</a></td>
</tr>
<tr>
<td>April 2011</td>
<td>Caps on the amount of Local Housing Allowance (LHA) available are set at the 30th percentile of local private rent levels (i.e. 30 per cent of private rent properties in each area charge rents that are below the LHA cap and 70 per cent charge more).</td>
<td>775,000 households in Great Britain are expected to have their LHA benefit cut (around 83 per cent of LHA claimants).</td>
<td>It’s estimated that those affected will lose on average £9 per week. Larger households will experience greater losses.</td>
<td>Table 16: Impact of the measure for various groups available at: <a href="http://www.dwp.gov.uk/docs/impacts-of-hb-proposals.pdf">www.dwp.gov.uk/docs/impacts-of-hb-proposals.pdf</a></td>
</tr>
<tr>
<td>Time</td>
<td>Change</td>
<td>Estimate of numbers affected</td>
<td>Average loss to those affected</td>
<td>Source</td>
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<td>-------------------------</td>
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</tr>
<tr>
<td>April 2011 through the</td>
<td>A person claiming means-tested benefits that cover housing costs has the income of the non-dependent members of their household (e.g. adult children) taken into account. The contributions that the non-dependents are expected to make are being uprated in three stages over three years. The benefit amounts for some claimants will be reduced if it is assessed that the loss can be met by the non-dependent.</td>
<td>300,000 Housing Benefit and Council Tax Benefit claimants have their benefit awards adjusted to account for non-dependents in their home. Around 350,000 non-dependents are living in households where such deductions are being made.</td>
<td>Unknown.</td>
<td>DWP impact assessment, available at: <a href="http://www.dwp.gov.uk/docs/eia-ndd-2011.pdf">www.dwp.gov.uk/docs/eia-ndd-2011.pdf</a></td>
</tr>
<tr>
<td>next three years</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>January 2012</td>
<td>Single claimants of Local Housing Allowance (LHA) aged under 35 will only be entitled to the single room rate rather than one-bedroom property rate (an increase in the age from under 25).</td>
<td>Estimates based on the March 2010 LHA caseload suggest that 63,000 people will lose out. This amounts to around 7 per cent of the LHA caseload, or 20 per cent of the one-bedroom LHA caseload.</td>
<td>Those affected are expected to receive, on average, £41 per week less benefit than under the current rules.</td>
<td>DWP impact assessment available at: ssac.independent.gov.uk/pdf/20-04-2011-consultation.pdf</td>
</tr>
<tr>
<td>April 2013</td>
<td>Working-age claimants of Housing Benefit (HB) in the social rented sector that are under-occupying their homes will have their benefit cut to an amount that reflects the size of their household rather than the size of their home.</td>
<td>It is expected to affect an estimated 660,000 Housing Benefit claimants living in the social rented sector at the time of its introduction in 2013/14.</td>
<td>Average loss for local authority tenants is expected to be £13 per week in 2013/14, compared with £16 per week for housing association tenants.</td>
<td>DWP impact assessment available at: <a href="http://www.dwp.gov.uk/docs/eia-social-sector-housing-under-occupation-wr2011.pdf">www.dwp.gov.uk/docs/eia-social-sector-housing-under-occupation-wr2011.pdf</a></td>
</tr>
<tr>
<td>April 2013</td>
<td>Local Housing Allowance rates will be increased in line with the Consumer Prices Index rather than in line with market rents.</td>
<td>It is estimated that there will be around 1.4 million claimants under the new Local Housing Allowance arrangements in 2013.</td>
<td>It is expected that LHA claimants will experience a notional loss in their benefit based on historical trends in rent growth and forecasts of the Consumer Price Index.</td>
<td>DWP impact assessment available at: <a href="http://www.dwp.gov.uk/docs/hb-lha-cpi-uprating-wr2011-ia.pdf">www.dwp.gov.uk/docs/hb-lha-cpi-uprating-wr2011-ia.pdf</a></td>
</tr>
<tr>
<td>April 2013</td>
<td>Council Tax Benefit will be abolished and replaced by locally devised Council Tax Support schemes. Local authorities have not been allowed to alter the benefit for pensioners.</td>
<td>In May 2012 there were 3.7 million claimants of Council Tax Benefit aged under 65 who could be affected.</td>
<td>The loss will vary depending on each local authority scheme. Most schemes have not been finalised.</td>
<td>DWP council tax benefit claimant data, available at: <a href="http://research.dwp.gov.uk/asd/index.php?page=hbctb">http://research.dwp.gov.uk/asd/index.php?page=hbctb</a> NPI analysis of local proposals, available at: <a href="http://www.npi.org.uk/files/New20Policy%20Institute/LocalisingCouncilTaxSupport.pdf">www.npi.org.uk/files/New20Policy%20Institute/LocalisingCouncilTaxSupport.pdf</a></td>
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</tbody>
</table>

Monitoring poverty and social exclusion 2012
### Changes to tax credit system

<table>
<thead>
<tr>
<th>Time</th>
<th>Change</th>
<th>Estimate of numbers affected</th>
<th>Average loss to those affected</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2011</td>
<td>Once income increases above a given threshold, entitlement to tax credits is gradually withdrawn. This 'taper' for tax credits has been increased from 39p for every extra £1 in income to 41p for every £1.</td>
<td>On 1 April 2011, about 3.5 million in-work families were receiving tax credits and had incomes above the tax credit first income threshold (£6,420 per year) and are likely to be subject to the taper.</td>
<td>Unknown.</td>
<td>NPI estimate, based on HMRC statistics available at: <a href="http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm">www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm</a></td>
</tr>
<tr>
<td>April 2011</td>
<td>The percentage of childcare costs eligible to be paid through tax credits has been reduced from 80 per cent to 70 per cent.</td>
<td>On 1 April 2011, 490,000 in-work families were benefiting from the childcare element of Working Tax Credit. In 2012 the number was down to 455,000. This was the first time that this number had fallen since tax credits were introduced in 2003.</td>
<td>The maximum loss that a family with more than one child could face is around £30 per week (or £1,560 per year). On average the amount of childcare costs covered by tax credits was £69 per week in April 2011; it was £58 per week in April 2012.</td>
<td>NPI estimate, based on HMRC statistics available at: <a href="http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm">www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm</a></td>
</tr>
<tr>
<td>April 2012</td>
<td>Higher earners stop getting Child Tax Credit (CTC) where earnings/joint earnings reach £41,300 (reduced from £50,000).</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>April 2011</td>
<td>The baby element of Child Tax Credit was abolished.</td>
<td>470,000 families were claiming this element on 1 April 2011.</td>
<td>The baby element amounted to £10.50 per week (£545 annually).</td>
<td>NPI estimate, based on HMRC statistics available at: <a href="http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm">www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm</a></td>
</tr>
<tr>
<td>April 2011</td>
<td>The basic and 30 hour element of Working Tax Credit (WTC) was frozen for three years.</td>
<td>Freezing basic element affected all in-work families receiving WTC (4.9 million working families on 1 April 2011). 2.4 million in-work families were receiving the 30 hour element of WTC on 1 April 2011.</td>
<td>In April 2011, the basic rate was frozen at £1,920 per year and the 30 hour element at £790. If it was increased by RPI (4.6 per cent in September 2010), the basic element would have risen by £88 and the 30 hour element by £66. If it was increased by CPI (3.1 per cent in September 2010), it would have risen by £60 and £24 respectively.</td>
<td>NPI estimate, based on HMRC statistics available at: <a href="http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm">www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm</a></td>
</tr>
<tr>
<td>April 2012</td>
<td>Couples with children have to work 24 hours a week between them, (with one working at least 16) to qualify for WTC. Previously only one adult had to work at least 16 hours per week to qualify.</td>
<td>A total of 212,000 families containing 470,000 children will be affected. In a separate parliamentary question, it was suggested that only 5 per cent of those affected were able to get extra hours while almost all the remainder lost out.</td>
<td>Maximum loss could be around £75 per week (£3,900 annually).</td>
<td>Parliamentary question, answer 88172 available at: <a href="http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm120110/text/120110w0003.htm">www.publications.parliament.uk/pa/cm201213/cmhansrd/cm120110/text/120110w0003.htm</a></td>
</tr>
</tbody>
</table>
### Other changes

<table>
<thead>
<tr>
<th>Time</th>
<th>Change</th>
<th>Estimate of numbers affected</th>
<th>Average loss to those affected</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2011</td>
<td>Most benefit levels are now uprated by the Consumer Prices Index rather than the Retail Price Index.</td>
<td>In February 2012 around 5.2 million people claimed an out-of-work benefit in Great Britain.</td>
<td>As an example, the rate of Jobseeker’s Allowance for a single person in 2012/13 is £71 per week; under the former uprating system it would have been £73.25 per week; a loss of £2.25 per week over two years.</td>
<td>DWP benefit claimant data, available at: <a href="http://research.dwp.gov.uk/asd/index.php?page=tabtool">http://research.dwp.gov.uk/asd/index.php?page=tabtool</a> IFS impact analysis, available at: <a href="http://www.ifs.org.uk/bns/bn120.pdf">http://www.ifs.org.uk/bns/bn120.pdf</a></td>
</tr>
<tr>
<td>April 2011</td>
<td>Sure Start maternity grant of £500 restricted to first child.</td>
<td>Around 150,000 families a year will no longer be eligible for a second or subsequent child.</td>
<td>£500 one-off grant no longer available.</td>
<td>DWP benefit claimant data, available at: <a href="http://research.dwp.gov.uk/asd/index.php?page=tabtool">http://research.dwp.gov.uk/asd/index.php?page=tabtool</a></td>
</tr>
<tr>
<td>May 2012</td>
<td>From November 2008, the age of the claimant’s youngest child for the purposes of qualifying as a lone parent for Income Support decreased from 16 to 12 then to 10 then finally to 7 in October 2010. From May 2012, this has reduced further so that a lone parent who is aged 18 or over can only get Income Support if their youngest child is aged less than five. Workless lone parents will instead have to apply for Jobseekers Allowance.</td>
<td>In February 2012 over 100,000 lone parents whose youngest child was aged 5+ were claiming Income Support.</td>
<td>Not applicable.</td>
<td>DWP benefit claimant data, available at: <a href="http://research.dwp.gov.uk/asd/index.php?page=tabtool">http://research.dwp.gov.uk/asd/index.php?page=tabtool</a></td>
</tr>
<tr>
<td>January 2013</td>
<td>Child Benefit will be reduced for households where their income exceeds £50,000, and will fall to zero for those with more than £60,000.</td>
<td>Around 1.2 million families will see some reduction in their Child Benefit. Around 840,000 of those households will lose all of the benefit. The other 360,000 will lose a portion of the benefit through the new tapering rule.</td>
<td>The value of child benefit in 2012 was £20.30 per week for one child and £13.40 for each additional child.</td>
<td>HMRC impact assessment available at: <a href="http://www.hmrc.gov.uk/budget2012/tni-0620.pdf">www.hmrc.gov.uk/budget2012/tni-0620.pdf</a></td>
</tr>
<tr>
<td>April 2013</td>
<td>Abolition of the discretionary Social Fund, which includes Community Care Grants and Crisis Loans.</td>
<td>In 2009/10 more than 263,000 non-repayable Community Care Grants were awarded, with the average initial award being £437. In 2009/10, around 2.7 million Crisis Loans were awarded to help people deal with emergencies.</td>
<td>In 2009/10, the average award was £82.</td>
<td>DWP impact assessment available at: <a href="http://www.parliament.uk/documents/impact-assessments/IA11-041P.pdf">www.parliament.uk/documents/impact-assessments/IA11-041P.pdf</a></td>
</tr>
<tr>
<td>April 2013</td>
<td>Household benefits capped so that no out-of-work working-age family receives more than £500 per week in total benefits (or £350 per week for single adult households).</td>
<td>An estimated 56,000 households will be affected.</td>
<td>The average loss for those affected will be £93 per week.</td>
<td>DWP impact assessment available at: <a href="http://www.dwp.gov.uk/docs/benefit-cap-wr2011-ia.pdf">www.dwp.gov.uk/docs/benefit-cap-wr2011-ia.pdf</a></td>
</tr>
</tbody>
</table>
Glossary

Benefit unit 150
Economically active and economically inactive 150
Economic status of the family 150
Equivalisation 151
Fuel poverty 151
Homelessness 151
Household 152
Housing benefits 152
Income After Housing Costs (AHC) 152
Income Before Housing Costs (BHC) 152
Low-income households 153
Material deprivation 153
Overcrowding 153
Qualifications 153
Temporary accommodation 154
Underemployment 154
Unemployment 154
**Benefit unit**

A single adult or a couple (either married or cohabiting) and all their dependent children. In this report we tend to use the word ‘family’ instead.

**Economically active and economically inactive**

An economically active person is either in paid work or unemployed. An economically inactive person is not in paid work and not actively seeking work in the last four weeks and/or not available to start work in the next two weeks. Economically inactive people can be further divided into those who want to work and those who don’t.

**Economic status of the family**

The economic status of an individual in the Households Below Average Income (HBAI) survey is self-reported. In order to arrive at the family work status, individuals are allocated to the first category which applies in a hierarchical order; so, for example, a couple with one partner unemployed and the other working part-time would be allocated to the ‘one or more in part-time work’ group. The different categories of work status, in their hierarchical order, are given below:

1. One or more full-time self-employed
2. Single or couple, all in full-time work
3. Couple, one in full-time work, one in part-time work
4. Couple, one in full-time work, one not working
5. No one in full-time work, one or more in part-time work
6. Workless, one or more aged 60 or over
7. Workless, one or more unemployed
8. Workless, other inactive
Equivalisation

This is the process by which household income is adjusted for household size and composition. In order to enjoy a comparable standard of living, a household of, say, three adults, needs a higher income than a single person living alone, but not three times that of a single person. The income obtained by the equivalisation process is thus a proxy for living standards and can be used to make comparison between households.

In order to calculate equivalised income, household incomes are divided by household equivalence factors, which vary according to the number of adults and the number and age of dependants in the household. The most commonly used scale is the OECD scale, which takes an adult couple without children as the reference point, with an equivalence value of one. The OECD values are shown in the table below:

<table>
<thead>
<tr>
<th>Person</th>
<th>BHC equivalisation</th>
<th>AHC equivalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>First adult</td>
<td>0.67</td>
<td>0.58</td>
</tr>
<tr>
<td>Spouse</td>
<td>0.33</td>
<td>0.42</td>
</tr>
<tr>
<td>Other second adult</td>
<td>0.33</td>
<td>0.42</td>
</tr>
<tr>
<td>Third adult</td>
<td>0.33</td>
<td>0.42</td>
</tr>
<tr>
<td>Subsequent adults</td>
<td>0.33</td>
<td>0.42</td>
</tr>
<tr>
<td>Children under 14</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Children 14 and over</td>
<td>0.33</td>
<td>0.42</td>
</tr>
</tbody>
</table>

Fuel poverty

Households are considered to be in fuel poverty if they would have to spend more than 10 per cent of their household income on fuel in order to maintain a satisfactory heating regime, i.e. where the main living area is at 21°C and other occupied rooms are at 18°C. It is thus a measure that compares income with what fuel costs would be, not on actual expenditure.

Homelessness

This refers to statutory homelessness as defined under the Housing Acts of 1977 and 1996, and the Homelessness Act 2002. When households apply for assistance under the Housing and Homelessness Acts, local authorities assess the claim based on eligibility, intentions and priority needs. If accepted as homelessness, the local authority owes a ‘homelessness duty’ to ensure that suitable accommodation is available for the applicant and his or her household. The ‘priority need’ groups include households with dependent children or a pregnant woman, disabled people, applicants aged 16 or 17; applicants aged 18 to 20 who were previously in care; applicants vulnerable as a result of time spent in care, in custody, or in HM Forces, and applicants vulnerable as a result of having to flee their home because of violence or the threat of violence.
Household

Poverty is calculated at the household level, from the net total household income. A household is defined as a single person or group of people living at the same address as their only or main residence, who either share one meal a day together or share the living accommodation (i.e. living room). A household will consist of one or more benefit units or families (i.e. a single adult or a couple living as married, civil partners, cohabitees or same sex partners and any dependent children).

Housing benefits

Housing benefits provide financial assistance to those on low income to pay all or part of their rent for accommodation that is either socially rented from a local council or housing association or privately rented from a landlord. Local Housing Allowance (LHA) was introduced in April 2008 to replace Housing Benefit for tenants in the private rented sector. In this report, where we are referring to either kind of benefit, we use housing benefit with a lower case. Housing Benefit (capitalised) denotes the specific benefit paid to tenants in socially rented accommodation as opposed to LHA paid to private tenants.

Income After Housing Costs (AHC)

This is derived by deducting a measure of housing costs from the BHC income measure. Housing costs include:

- rent (gross of housing benefit)
- water rates (if applicable), community water charges and council water charges
- mortgage interest payments
- structural insurance premiums (for owner-occupiers)
- ground rent and service charges.

Income Before Housing Costs (BHC)

Poverty measured on BHC basis uses income that includes in addition to the usual net earnings from employment or profit or loss from self-employment, all social security benefits (including Housing Benefit) and tax credits and other income (for example income from occupational and private pensions, investment income). This is the government’s official poverty measure, used in the 2010 Child Poverty Act.
Low-income households

A household has a low income (or is in poverty) if its net income is less than 60 per cent of the average (median) household income for that year. Income is net of income tax payments; National Insurance contributions; Council Tax; contributions to occupational pension schemes, all maintenance and child support payments, which are deducted from the income of the person making the payment; student loan repayments. This threshold is sometimes referred to as the ‘poverty line’. Poverty can be measured on two bases – on income before housing cost (BHC) and on income after housing cost (AHC).

Material deprivation

This measure is based on a group of questions designed to capture the material deprivation experienced by families with children and has been included in the Family Resources Survey since 2004/05. The list includes 21 goods and services, including child, adult and household items. Respondents are asked whether they have the item in question, whether they do not have it because they do not need it or whether they do not have it because they cannot afford it. The list of the 21 items included in the survey was identified by independent academic analysis (see McKay, S. and Collard, S. (2004). Developing deprivation questions for the Family Resources Survey, available at http://bit.ly/sqWXZH).

Overcrowding

Household overcrowding is measured using the ‘bedroom standard’ of occupation density. The required number of bedrooms is calculated for each household according to its composition – the age, gender and relationships of its members. Households are overcrowded if they have fewer bedrooms available than the number required by the bedroom standard. Details of the bedroom standard can be found in the English Housing Survey Report Glossary, available at bit.ly/LEfoJU.

Qualifications

The qualification levels contained in this report refer to the National Qualifications Framework or Qualifications and Credit Framework (for vocational or work-related qualifications) or equivalent Scottish qualifications. Level 1 or below or other qualifications include qualifications such as Key Skills at Level 1, Skills for Life, GCSE grades D to G, Foundation Welsh Baccalaureate, GNVQ/GSVQ foundation level and other entry-level qualifications. Level 2 generally refers to GCSEs grades A*–C or equivalent and Level 3 refers to A Level or equivalent. Level 4 or above includes Higher National Diplomas, teaching qualifications and higher education and degree-level qualifications.
**Temporary accommodation**

The number of households in temporary accommodation mostly refers to households accommodated by the local authority under the homelessness duty to secure suitable accommodation until a settled home becomes available for the applicant household.

However, the numbers also include households provided with accommodation pending a decision on their homelessness application, households pending a review or appeal to the county court of the decision on their case, possible referral to another local authority, and households found to be intentionally homeless and in priority need who were being accommodated until they find accommodation for themselves.

**Underemployment**

This includes three groups:

i) those officially defined as unemployed (those lacking but actively seeking paid work and available to start work in the next four weeks)

ii) those described as economically inactive but who nevertheless want paid work

iii) those in part-time work who cannot find the full-time work they want.

**Unemployment**

This comprises all those with no paid work in the survey week who were available to start work in the next fortnight and who either looked for work in the last month or were waiting to start a job already obtained. The unemployment rate is the percentage of the economically active population who are unemployed (that is, the number unemployed divided by the total employed and unemployed). People in full-time education are unemployed if they are looking for part-time employment.