

# MONITORING POVERTY AND SOCIAL EXCLUSION 2013

Tom MacInnes, Hannah Aldridge, Sabrina Bushe,  
Peter Kenway and Adam Tinson



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Adam Tinson

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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 presents a summary of the indicators in the report. Where possible, it looks at changes over the last five and ten years, though the data does not always allow for this.

The assessment of whether an indicator is 'better' or 'worse' is in part a statistical judgement. When the choice is unclear, we err on the side of caution and label it unchanged.

Overall, 15 of 37 indicators have improved over the last five years and 15 have got worse. Many of the improvements are found in the health and education sections. Many of the deteriorations are in the work and benefits sections. Going back five years means we are comparing current data with the eve of the recession; many of the economic indicators have deteriorated markedly since. Over the longer term, the picture is similar. Of 34 available indicators 16 have improved and 13 have got worse.

## Summary of trends over the last five and ten years continued

**Table 1: Summary of trends over the last five and ten years**

Topic	Indicator	10-year change	5-year change
Low income	Median incomes	Worse	Worse
	Child poverty rate	Better	Better
	Pensioner poverty rate	Better	Better
	Working-age adults with children poverty rate	Better	No change
	Working-age adults without children poverty rate	Worse	Worse
	Number of people in poverty in working families	Worse	Worse
	Number of people in poverty in workless or retired families	Better	Better
Work	Number of people underemployed	Worse	Worse
	Young adult unemployment rate	Worse	Worse
	Proportion of workless households	No change	No change
	Proportion of men that are low paid	No change	Worse
	Proportion of women that are low paid	Better	No change
	Male median full-time earnings	Better	Worse
	Female median full-time earnings	Better	Worse
	Proportion of people with qualifications receiving in-work training	Worse	Worse
	Proportion of people without qualifications receiving in-work training	Worse	No change
Education	Proportion of children not reaching expected standard at age 11	Better	Better
	Proportion of children not reaching expected standard at age 16	Not in report	Better
	FSM 'gap' at age 16	Not in report	No change
	Proportion of looked-after children not reaching expected standard at age 16	Not in report	Better
	Proportion of care leavers not in education or training or contact with social services	No change	No change
	FSM gap at age 19 for Level 3 qualifications	Not in report	Better
Benefits	Number claiming a key out-of-work benefit	No change	Worse
	Stock of people claiming JSA	Worse	Worse
	On-flows of people claiming JSA	Worse	Worse
	Number of sanctions among JSA claimants	Worse	Worse
Housing	Social rent poverty risk	Better	Better
	Private rent poverty risk	Better	Better
	Number of people claiming housing benefit	Worse	Worse
	Number of mortgage repossession	Worse	Better
	Number of landlord orders made for repossession	No change	No change
	Rate of overcrowding in rented accommodation	Worse	No change
	Number of homelessness acceptances	Better	Better
Health	Infant mortality rate	Better	Not in report
	Obesity levels among Year 6 pupils	Not in report	Worse
	Under-age pregnancy rate	Better	Better
	Risk of premature mortality (men)	Better	Better
	Risk of premature mortality (women)	Better	Better

## Commentary

### Key stats

- 13 million people were in poverty in 2011/12.
- Average incomes fell by 8 per cent between 2008 and 2012.

### Poverty in 2011/12: falling numbers but not good news

13 million people in the UK were in poverty in 2011/12, the most recent year for which there is data. Poverty is measured by net household income, adjusted for size (bigger ones need more money to reach a given standard of living than smaller ones) and after housing costs have been deducted. People are counted as being in poverty if their household income is below 60 per cent of the median (mid-point) income for all UK households. In 2011/12, this poverty threshold for a single adult was £128. For a couple with two children it was £357.

Obviously 13 million is far too high. Yet expressed as a proportion of the population, this 21 per cent 'poverty rate' is the lowest since 2004/05, which itself was the lowest for more than a decade. This year's rate is the second lowest since more reliable official statistics began to be collected in the mid-1990s. But this is little comfort for two reasons.

First, the latest poverty statistics are two years old. For many children and working-age adults with low household incomes, the ongoing squeeze on incomes of the last two years can only have increased both the extent of poverty (the numbers affected) and its depth (how far their household incomes are below the poverty line). This is true for both children and adults and for those both in working and non-working families.

Pensioners have been spared most of this. The 14 per cent pensioner poverty rate is half what it was 20 years ago and one-third of what it was in the 1960s. Apart from a blip 30 years ago when the rate fell sharply then jumped back up, it is quite possible that the pensioner poverty rate is now the lowest it has ever been. Just one in eight of all those in poverty in the UK are pensioners.

Second, the headline poverty rate understates the squeeze there has been on those with low incomes. That is because the extent of poverty in any year is measured relative to median incomes in the same year. Over the four years to 2011/12 median income fell by an unprecedented 8 per cent. The effect of this is that the threshold against which poverty is measured also fell. A family could be in poverty in 2008, see no rise in their income over four years, and yet not be in poverty by 2012 simply because the median had fallen.

We have always said in these reports that proper interpretation of the statistics means looking at what is happening in relation to both the contemporary (same-year) and fixed-year poverty thresholds. The same-year threshold is the more important (poverty is, by its very nature, relative). However, a fall in this 'relative poverty' can only be a good thing if the number below the fixed threshold falls too. The fixed threshold is a matter of choice; the DWP use 2010/11 as a staging post towards the 2020 Child Poverty Act targets. But to fully examine the impact of the falling median, the obvious one to take here is the 2007/08 high point. Choosing our words carefully, we find that alongside the 13 million people in poverty in 2011/12 are a further two million with incomes that would have been low enough to count as poverty in 2007/08. That is the effect of the recession and its prolonged aftermath.

For both children and pensioners, the numbers below the 2007/08 threshold are little different in the latest year. By contrast, the number of working-age adults with household incomes below this threshold has jumped by a fifth, 1.5 million, in four years.

## Changes since 2011/12: social security and tax credits

The effect of welfare reforms that were introduced in April 2011 are reflected in the latest poverty statistics. They include the more severe limits on the Local Housing Allowance payable to private sector tenants, the reduction in the share of childcare costs met by Working Tax Credit and the restriction or abolition of benefits payable to pregnant mothers or for newborn babies. The switch from Incapacity Benefit to Employment and Support Allowance was also well underway.

But most changes have only come in since April 2012; their effect is not in these figures. These changes include: an increase in the number of hours people must work to be entitled to Working Tax Credit and the restriction on eligibility for the contribution-based Employment Support Allowance (both 2012). Changes which only took effect in April 2013 include: the under-occupancy penalty in social housing; the replacement of Council Tax Benefit (in England) by Council Tax Support; the £500 a week household benefit cap (£350 for single people without children); the uprating of benefits by only 1 per cent; and the start of the process of replacing Disability Living Allowance by the Personal Independence Payment.

Several things can be said about the impact of these changes. Although there are exceptions (e.g. the withdrawal of some child benefits from higher income families) most affect those with low or near low incomes. Almost all affect working families as well as non-working ones. The scale and depth of the impacts vary greatly. Many families have been hit by more than one benefit change.

The replacement of Council Tax Benefit by Council Tax Support in April 2013 illustrates these points. The change left around 2.4 million families facing an increase in Council Tax (usually after having had a full rebate up until that point). Two million of them are estimated to be in poverty – three-quarters in 'deep' poverty (less than 50 per cent of median income). 20 per cent of these are in working families. Impacts vary, from around £1 a week and with an average £2.60. And 440,000 were hit by the under-occupancy penalty (with a combined weekly impact of £16.90 on average).

The biggest impacts – an estimated £93 a week on average – fell on 40,000 families as a result of the household benefit cap. To lose a sum of money this large must require a drastic change in the way a family lives. But what about those losing small sums, for example around nine million families will on average be 2 per cent worse off by April 2014 as a result of benefits being uprated by just 1 per cent. Do these small sums of money really matter that much?

First, as already noted, many are hit by more than one of these changes. Second, the incomes derived from the main out-of-work means-tested benefits were already very low, being worth 60 per cent of the Minimum Income Standard for families with children or just 40 per cent for single working-age adults. The amounts for single adults only cover what the public believes to be the minimum necessary for food, fuel and water.

## Key stats

- 2 million families in poverty are no longer exempt from paying Council Tax.
- Out-of-work benefits are worth less than 40 per cent of Minimum Income Standard for single adults.

Third, restrictions on housing benefits and Council Tax Benefit mean that many people now have to pay towards both rent and tax from this income where previously they did not. Finally, a much tougher sanctions regime has seen many more lose benefit as a punishment for infringing the rules. Both of these last two factors were already evident in 2011/12 and therefore reflected in the headline statistics. But both, too, have continued to grow since then.

In short, most of the changes to social security and tax credits brought in by this government are now operating but are not reflected in the latest poverty statistics. They will, in all cases, leave people worse off than they would otherwise have been. This is as true for people in work as for those out of work. The main exception to this is Universal Credit but this has only just begun to be introduced. From October 2013, it will still only cover single adults applying for what would previously have been Jobseeker's Allowance, within a handful of pilot areas. It is likely to be a year into the life of the next parliament before the impact of this reform, which does have some positive effects, can be expected to begin to show in the poverty statistics.

## Changes since 2011/12: employment and earnings

The story with the labour market is different. On a range of indicators to do with work and jobs, all (by the first half of 2013) were past their worst. Workless households peaked in 2010. The unemployment rate peaked in 2011. The wider measure of underemployment peaked in 2012. The number of people on a temporary work contract because they could not find a permanent one also peaked in 2012. This means that the latest available poverty statistics may reflect the labour market at its weakest. On these measures, the labour market has now turned.

This is very different from what happened after the last recession 20 years ago. The rise in the unemployment rate during and immediately after that recession was similar to that seen in 2008 and 2009 but the fall from the peak was rapid. Although the fall in underemployment after 1993 was more muted, it began almost as soon as the recession ended. This time, it has only just begun. What has made the difference is the number in part-time work but wanting full-time work. Although its rise has slowed it hasn't stopped, the 1.42 million people in this situation in the first half of 2013 being a new record, up 150,000 on 2011.

But the turn of the tide for jobs has not been matched by a turn on pay which continues to fall after allowing for inflation. One sign of this is the numbers paid at or below the living wage. In 2012, 4.9 million people were paid below the living wage of £7.45 an hour. A year earlier, 4.6 million were paid below the living wage of £7.20. This 300,000 increase reflects the fact that prices (which feed into the calculation of the living wage) were still growing faster than wages in 2012. Median hourly pay (the rate below which exactly half of all those employed are paid) grew 1 per cent in 2012. Over the same period, the consumer price index rose by nearly 3 per cent.

One factor pushing the other way is the increase in the personal tax allowance, by £630 in 2012/13 and £1,335 in 2013/14. This combined increase of nearly £2,000 is very big and pushes up weekly net earnings by up to £8 per week. But someone paid the minimum wage (£6.31 an hour from October 2013) only gets the

## Key stats

- Almost 5 million people were paid less than the living wage in 2012.
- 1.4 million people in part-time work want but cannot find a full-time job.

full £8 if they average at least 29 hours of work a week. If they average less than 25 hours a week the 2013/14 increase is worth nothing, as they are not paying income tax anyway. A recipient of housing benefit will find that benefit reduced by 65 per cent of any increase in net earnings. As a result, a housing benefit recipient working full-time at £6.31 an hour could end up just £3 a week better off.

If the judgement on the paths of employment and earnings since early 2012 can be no better than that 'the worst is past', this is still far more positive than the judgement on recent changes to the benefit system. Should this be seen as some reward for a 'deserving' group and some further penalty for an 'undeserving' one? The answer to this is no. For one thing, as noted above, most of the adverse changes to benefits and tax credits impact those in work too. More fundamentally, attempts to portray the workless as a breed apart are quite at odds with the evidence.

For example, claims for Jobseeker's Allowance shows how much movement there is between work and unemployment. Although the number claiming this benefit at any one time has been around 1.5 million since 2009, 4.8 million different people have claimed it at some point in the last two years. This is equivalent to almost one in six of those in work.

Neither is disability a sign of detachment from the world of work. For example, among those aged 25 to 50, half of those who report a disability are in work while a further quarter wants work.

As for households who have never worked, a majority are made up of people aged under 25, reflecting the persistently high rates of young adult unemployment as well as the fact that many in this group are, or have until recently been, students.

## Poverty now: counting the pennies

The calm surface of the poverty statistics for 2011/12 hides a sharp shift downwards. Looking 'forward' into the recent past shows this has continued. Although the labour market has now turned, pay is still falling relative to prices. The real value of benefits will fall further in 2014. The danger is that this downward shift is becoming a downward spiral.

Our reading of where this is heading is bleak. For those not working, the price of state financial support is discipline and demonisation. The real value of that support, already low (especially for those without dependent children), continues to fall. Restrictions on housing and council tax benefits also mean it has to go further than ever. For some, state support no longer even stops people from going hungry. This is the significance of food banks. It's not so much the number of people having to turn to them (350,000 in 2012/13, even before the deepest of the cuts) as the reasons for the referrals, almost half arising directly from problems with the benefit system. If this system were doing its job, that proportion would be all but zero.

Those who are poor but in work (with their families, now a majority of all those in poverty across the UK) enjoy more political sympathy, but they still face the prospect of more stringent conditions attached to the receipt of in-work benefits under Universal Credit aimed at getting them to work longer. Yet the main financial beneficiary of any extra

## Key stats

- Almost 5 million people claimed JSA over the last two years.
- The majority of people in households where no adult has ever worked are aged under 25.

work is not the worker and their family but the state. For example, someone receiving tax credits but also paying national insurance and income tax keeps 27 pence of every extra pound earned; the other 73 pence goes to the Treasury. In this situation, a day's work at the minimum wage puts £11.90 in the pocket. With housing benefit adjusted (reduced if earnings rise), the net return for the day's work falls to just £4.20. Universal Credit will help if there is housing in the claim but will make it worse if there isn't (by £10.60 in both cases). Those in in-work poverty are ever more trapped.

The pressure now being applied to the poorest quarter of society has not been seen since before the birth of the welfare state in the 1940s. Some local charities and advice services have told us about families now counting pennies. Given the evidence in this report, this is not surprising.

The problems that this government and the last see themselves as addressing through their welfare reforms – a soaring benefit bill, worklessness, poverty – are serious indeed. But their roots do not lie in the people caught up in them. Instead they lie elsewhere, in the behaviour of both financial and non-financial corporations, in the laxity of regulators, in an unwillingness to contemplate a low-cost, good-quality alternative to private rented homes, in confused thinking that treats valid answers to questions about individuals (why this person is unemployed rather than that) as if they were valid answers for social ones too (why there is unemployment at all).

If poverty is really to be 'tackled' (as the euphemism goes), it is the shortcomings of powerful institutions and ideas that must be the object of relentless attention, not the poor themselves.

## Chapter 1

## Income and low income

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## Introduction

Income, and low income in particular, is at the heart of our analysis of poverty. The main indicators of poverty in this series of reports use household income as the measure. When we look at disadvantage in other areas of the report, such as health or education, we try to analyse differences by income, or some proxy of income.

The reason for this is that in a market economy such as ours, the ability to participate, or take control of one's own life, is heavily dependent on having the income to do so. If poverty is about lacking the resources to attain the norms of contemporary society – and no one has come up with a better definition – then income is clearly central.

In previous years, the implications of this approach for a study like this were clear enough. As average (median) incomes rose, the standards that were considered the norm rose too. We would look at incomes relative to the average for that year. Table 2 shows the values of this threshold, measured both before and after housing costs are taken into account.

**Table 2: The poverty threshold in 2011/12, £ per week**

	Single adult	Couple, no children	Lone parent, one young child	Couple, two children aged 6 and 14
Before housing costs	172	256	223	392
After housing costs	128	220	172	357

But in the last two years, median incomes have fallen by an unprecedented degree. This means the poverty threshold itself is lower. This gives rise to a situation where a family in poverty one year can be lifted out the next without their income rising at all. Clearly such a change is meaningless, and as a result a greater focus is given to the 'absolute' measure of poverty. This measure fixes the poverty threshold at its 2010/11 level, adjusting only for inflation in later years.

This fixed measure is used in the child poverty targets, and in our analysis of those targets in graph 2A. But the choice of year is arbitrary and the coincidental point that it happens to be last year is not especially helpful, given that incomes had already started falling by then. To fully look at how falling incomes impact on the measure of poverty we need to go back further than one year, to the middle of the last decade when incomes were at their peak. This is where our analysis begins.

## Choice of indicators

The first indicator looks at how **incomes have changed** at different points in the distribution and for different family types. Setting out this change helps us better understand the analysis of low income that follows.

We then look at the **long-term pattern of poverty across age groups**. The changes in risk and composition of poverty have been substantial and going back to the 1980s gives us an opportunity to look at what happened to poverty following previous recessions.

The next indicator covers **the child poverty targets**. They include both a relative and fixed measure of poverty, and we look more closely at the material deprivation measure in the second graph.

Following this analysis of different measures of poverty, we look at the differences **before and after housing costs**. This analysis considers both the differing proportions considered to be in poverty under each measure and the effect of housing benefits on the calculations.

We then have two indicators on costs – one looking at **inflation in the price of food and other essentials** and the other comparing the **minimum income standard** to the poverty threshold and levels of out-of-work benefits. When incomes rise more slowly than prices, the cost of goods becomes an ever more important part of our understanding of poverty.

This is followed by an analysis of **in-work poverty**. The numbers of people in poverty who live in working families has been rising in recent years. For the first time, this report also looks at the numbers of working people in poverty.

The final indicator looks at levels of **poverty among disabled people**. Not only do disabled people have higher rates of poverty than the population average, but this rate is also likely to be an underestimate. This indicator looks at both of these aspects.

## 1 Change in incomes over time

**Incomes at all levels fell in the last two years. The fall in median incomes lowered the estimate of the number of people in relative poverty.**

Following two consecutive annual falls, median incomes in 2011/12 were below where they were a decade earlier. The actual value was £367 per week, compared with £368 in 2001/02 (equivalised values adjusted for inflation). As recently as 2009/10, median household income had been 7 per cent above its 2001/02 level, although it actually peaked two years earlier. The total fall from its 2007/08 peak was 8 per cent.

At different ends of the distribution, incomes behaved rather differently. For those with the highest 10 per cent of incomes (the 90th percentile), incomes carried on rising until 2009/10, well after the recession began. The fall since then has been steep, however, meaning that the top 10 per cent of incomes are now roughly where they were a decade ago.

The data also shows a fall in the incomes of the bottom tenth beginning well before the fall in the median. Incomes at the 10th percentile peaked in 2004/05, at around 6 per cent above their 2001/02 level (£171). Up to that point, the growth in incomes at the bottom had been in line with the growth in the median. After 2004/05, however, they fell for seven of the next nine years. By 2011/12 they were 5 per cent lower than a decade earlier.

The falling median impacts on the measurement of poverty as it lowers the poverty threshold by a corresponding amount. The effect of this 8 per cent fall is shown in the second graph.

In total, 2.2 million people were above the 2011/12 poverty threshold but below the threshold for 2007/08. Between 2007/08 and 2011/12, the number of children in poverty on the relative measure fell by around 500,000. But around 600,000 children lived in households whose income, while above the 2011/12 poverty threshold, would have been below the 2007/08 threshold. For pensioners, the story is similar. Pensioner poverty fell by 400,000, but in 2011/12, a further 500,000 pensioners lived in households whose incomes were below the 2007/08 poverty threshold.

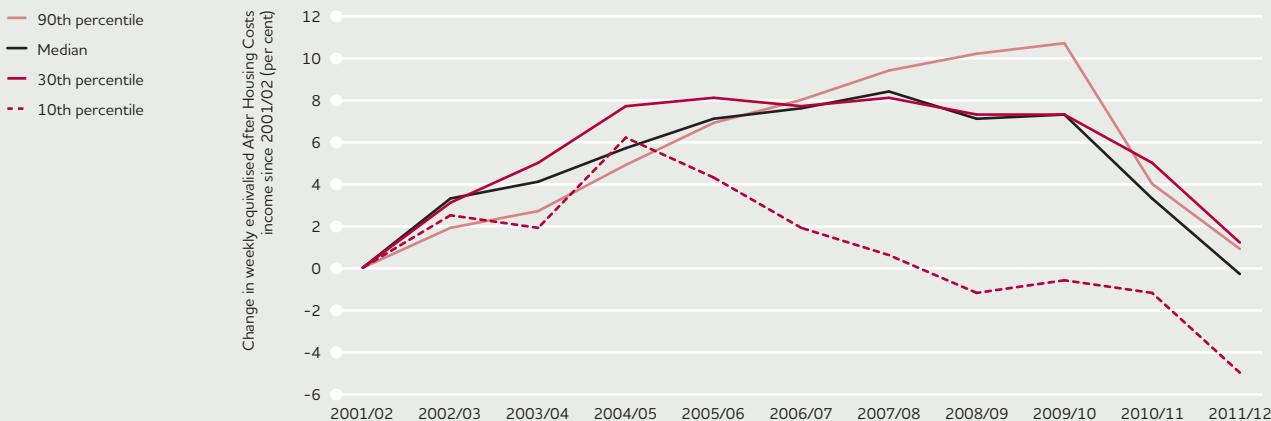
Poverty among working-age adults, however, had risen from 7.5 million in 2007/08 to 7.9 million in 2011/12. On top of this, some 1.1 million working-age adults lived in households whose income was above the 2011/12 threshold but below the threshold for 2007/08.

## Income and low income

## Change in incomes over time

## Indicator: 1A

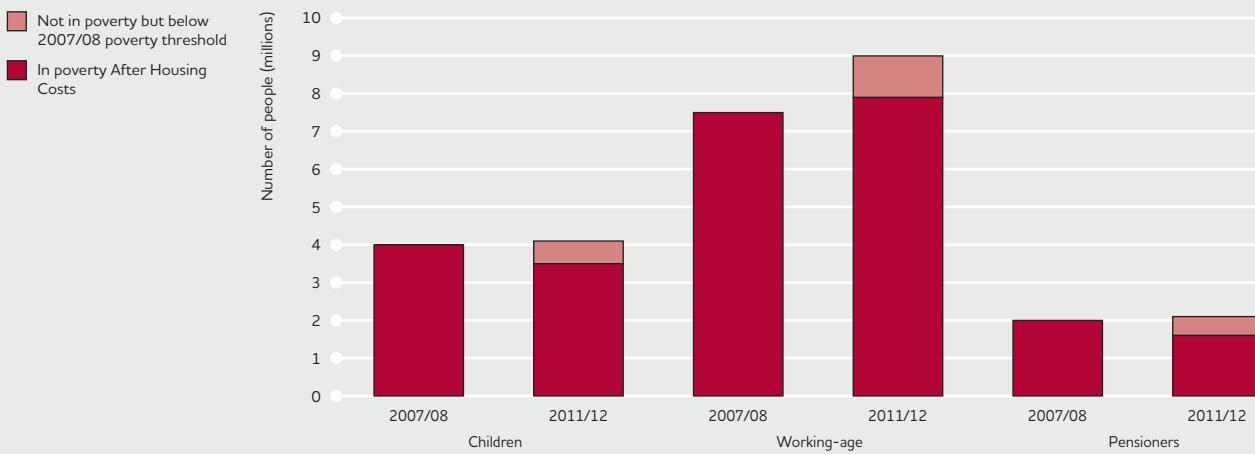
The fall in median incomes over the last two years wiped out all the gains of the previous decade. Incomes at the bottom have fallen further still, and for longer.



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

## Indicator: 1B

The fall in median incomes since 2007/08 means that around two million people, mainly working age adults, are not now considered to be in poverty although their incomes are low enough to have been below the poverty threshold four years earlier.



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

The first graph shows the change in incomes at the 10th, 30th and 90th percentile points as well as at the median over the last decade. Income is measured after housing costs have been deducted and is adjusted (equivalised) for household size and composition. All values are given in 2011/12 prices, so adjusted for inflation.

The second graph shows the number of people in poverty in 2011/12 on the 'relative' after housing costs measure. In addition, it shows the number of people who are not in poverty in 2011/12 but have incomes below 60 per cent of the 2007/08 median (after housing costs and adjusting for inflation). As the first graph shows, median income in 2011/12 is 8 per cent lower than in 2007/08. So these additional people in poverty are those whose household income is between 60 per cent and 64.8 per cent (60 per cent + 8 per cent of 60 per cent) of the 2011/12 median.

## 2 Poverty and age

**The age distribution of people in poverty has changed radically over the last few decades. Falls in pensioner and, to a lesser extent, child poverty contrast with a steady rise in poverty among working-age adults without children.**

In 2011/12, the proportion of pensioners living in poverty had fallen to 14 per cent, its lowest rate for almost 30 years. Child poverty has fallen to 27 per cent, its lowest rate for almost 25 years. At the same time, poverty among working-age adults with children remains at 23 per cent, a similar level to that in the last MPSE report.

Among working-age adults without dependent children, the proportion living in poverty is now 20 per cent. This is the highest in at least 30 years, having risen quite steadily over that period. Uniquely, poverty among this group did not fall when median incomes, against which the poverty threshold is measured, fell.

The changes in the 1980s are worth drawing attention to. In that decade, pensioner poverty more than doubled before beginning to fall again. Poverty among children began rising in the early 1980s, and peaked in the early 1990s some 17 percentage points higher. Among working-age parents, the rise was slightly smaller, at around 13 percentage points and around 5 percentage points for working-age adults without children.

Since then, the overall fall in child poverty, from its peak in the mid-1990s to today, is around 7 percentage points. The fall in pensioner poverty has been much sharper – from more than 40 per cent in the late 1980s to 14 per cent today, a fall of roughly two-thirds.

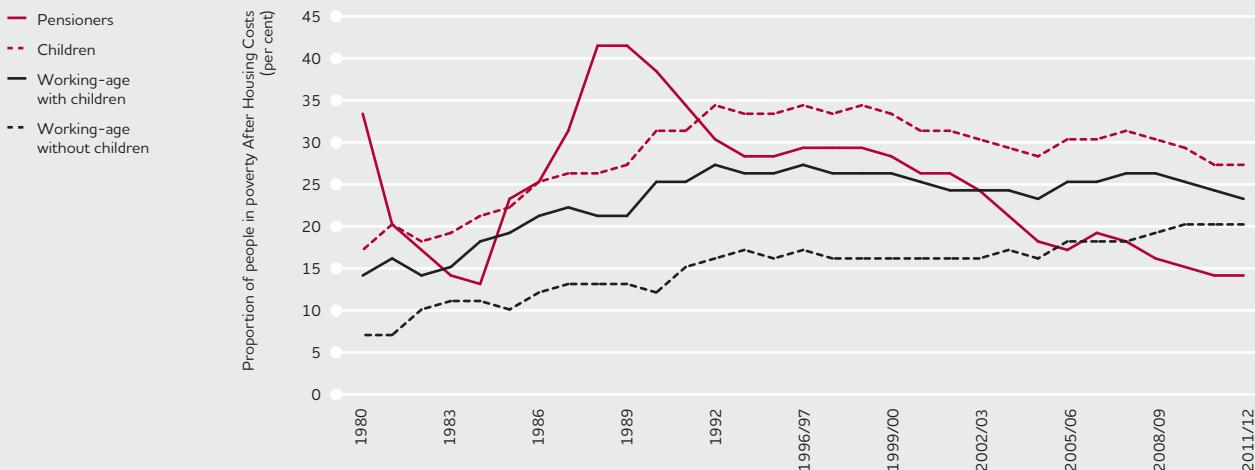
These changes become even more apparent when we consider the composition of those in poverty. In 1982, there were 2.3 million children and 1.6 million pensioners in poverty, making up between them around half of those in poverty. Even as poverty rose over the decade, from 7.8 million to 13.5 million, children and pensioners combined still made up just over half of the total.

By 2012, however, this had changed completely. There are now around 3.5 million children in poverty, 3.2 million parents, 1.6 million pensioners and 4.7 million working-age adults without children. Working-age adults now make up the majority (60 per cent) of all those in poverty. So despite parents having a greater risk of poverty (see graph 2A), there are many more non-parents living in poverty.

## Poverty and age

### Indicator: 2A

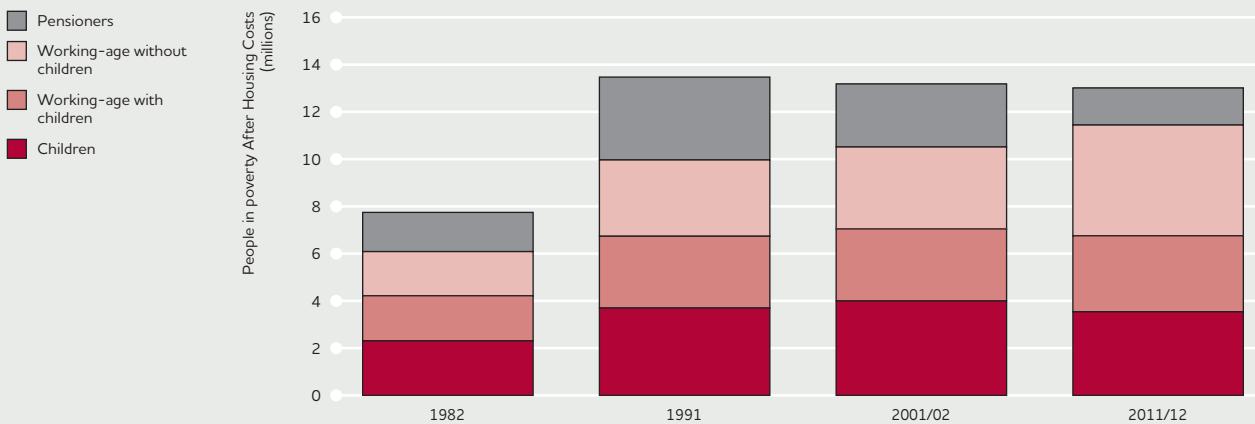
Pensioner poverty is now at one third of its level in the late 1980s. Poverty among all other adults has risen over that period, while the level for children has fallen back to where it was 25 years ago.



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

### Indicator: 2B

Since the early 1990s, the total number of people in poverty has barely changed, but within that number the mix of pensioners, working-age adults and children has changed a lot.



Source: Family Resources Survey and Households Below Average Income, DWP, via IFS; the data is for the UK

The first graph shows the proportion of people of different age groups in poverty over the last three decades. The second graph shows the number at four points in time. In both, poverty is measured after housing costs have been deducted.

In the second graph, the numbers in 1982, 1991 and 2001/02 are originally for Great Britain, and uplifted by 3 per cent to cover the whole UK.

### 3 The child poverty targets

**Progress in reducing child poverty stalled in the middle of the last decade. In recent years, the deterioration in average incomes means fewer children are in relative poverty, but more are in absolute poverty.**

The first graph shows the medium term trends in child poverty, on three of the measures used in the Child Poverty Act. On all measures, child poverty is slightly lower than five or ten years ago, and much lower than fifteen years ago.

The changes in the last two years, while small, are worth closer inspection. Relative child poverty fell from 22 per cent in 2008/09 to 17 per cent in 2010/11, and then remained unchanged in the most recent year. The fall on the absolute measure was lower, however, and in 2011/12, the proportion of children in poverty on this measure actually rose. What this means is that between the start of the recession and 2010/11, the incomes of families with children at the bottom of the distribution rose both relative to the average and relative to previous years. In the last year, however, these incomes fell compared with the year before, but at the same rate as the fall in median incomes.

It is interesting to note that the proportion of children who are materially deprived has fallen in the last two years. In 2011/12, this figure stood at 12 per cent, down from 17 per cent three years earlier. This is a bigger fall than the low-income measure, implying that fewer children than previously are going without these everyday items.

The second graph unpacks the material deprivation measure a little more. The everyday items are divided into items for children and items for adults. Children are much less likely to go without everyday items for reasons of cost than their parents. Essentially, parents prioritise their children's needs above their own. No more than 18 per cent of children in households in the bottom fifth of the income distribution go without any of the seven items we can analyse for reasons of cost. This is lower than any adult item.

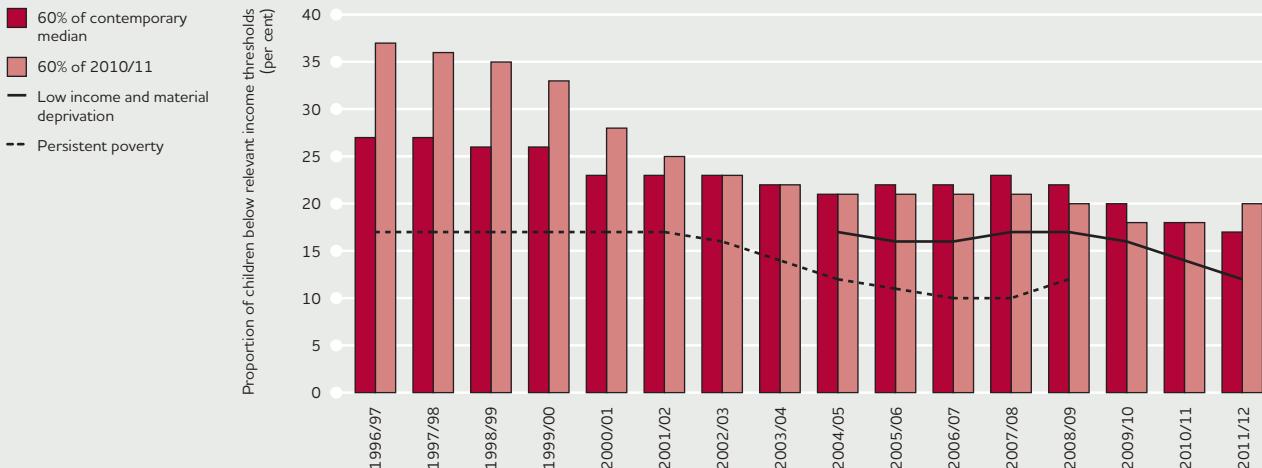
Fewer children in lower income households now lack everyday items for reasons of cost than six years ago. This is true for all seven items, from sports equipment, to school trips, for which we can make comparisons over time. Adults in lower income households, however, are now more likely to lack seven of the eight items for which we can make comparisons.

## Income and low income

## The child poverty targets

## Indicator: 3A

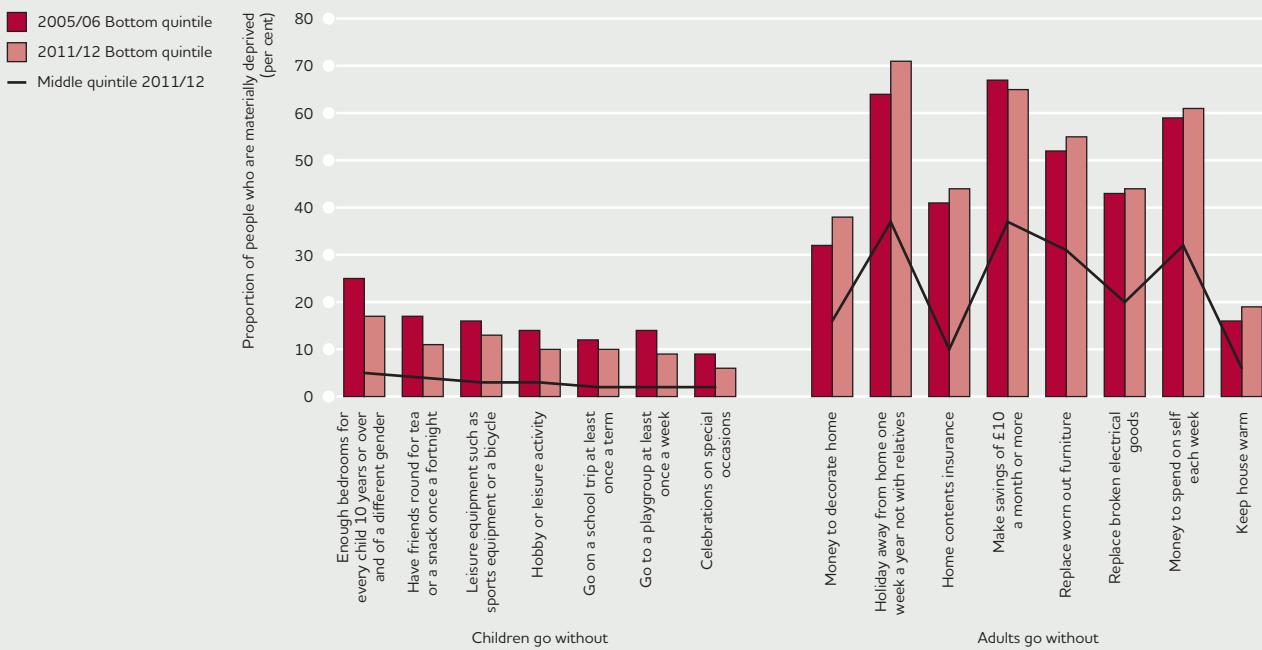
As average incomes fell in the last year, child poverty rose on the fixed measure and fell on the relative measure.



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

## Indicator: 3B

In the last six years, children in low-income families have become less likely to lack everyday items for reasons of cost. Parents in low income families have become more likely to lack such items.



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

The first graph shows the proportion of people in poverty on each of the four measures included in the 2010 Child Poverty Act – relative low income, absolute low income, persistent poverty and low income and material deprivation. Data for the latter two measures are not available for the full-time series.

The second graph concerns material deprivation, the measure of which is based on a series of questions on whether families have a range of everyday items and if not, whether this is for reasons of choice or cost. These items are both 'child' items and 'adult' items though in reality many of the latter are actually items for the whole household. Some of the actual items making up the score have changed over time; comparison is only made for those items that have been included throughout.

## 4 Poverty before and after housing costs

**The choice of poverty measure matters – poverty is higher on the after housing costs measure, and the gap between the two measures is the widest it has been in a decade.**

The poverty rate for the whole population was 21 per cent measured after housing costs (AHC) and 16 per cent measured before housing costs (BHC) are deducted.

This gap of 5 percentage points is the highest it has been for a decade, and has been growing, although slowly, since the middle of the last decade.

The BHC measure is used in the child poverty target, and is the measure generally used for international comparisons. But the way the two measures have grown apart are a cause for concern, suggesting some changes in the nature of poverty.

Indicator 4A shows how housing costs have grown for low-income households and the growing gap between the two measures suggests a growing impact of housing costs on poverty. It is not, though, a change the BHC measure can pick up. Given that housing costs are unavoidable, and difficult to lower in the immediate term, a poverty measure that cannot reflect the way they are rising relative to incomes is increasingly limited. We prefer the AHC measure and use it throughout this report as it better reflects the reality of low income, especially when housing costs rise.

The second reason for preferring the AHC measure is that the BHC measure includes housing benefits as household income. In reality, housing benefits go to the landlord, not the tenant – they can only be spent on rent.

The second graph shows the breakdown of people in poverty on the two measures. It also shows whether or not they were in a family receiving housing benefits. In 2010/11, there were 9.8 million people in poverty on the BHC measure. Only 1 million of these were not also in poverty on the AHC measure.

Around 13 million people were in poverty in the AHC measure, of which 4.2 million were not in poverty on the BHC measure. So around one-third of those in poverty AHC were not in poverty BHC. Included in this 4.2 million are 2 million people in families receiving housing benefits. This benefit would have been counted as income on the BHC measure, helping raise that family's income above the BHC poverty threshold.

## Poverty before and after housing costs

### Indicator: 4A

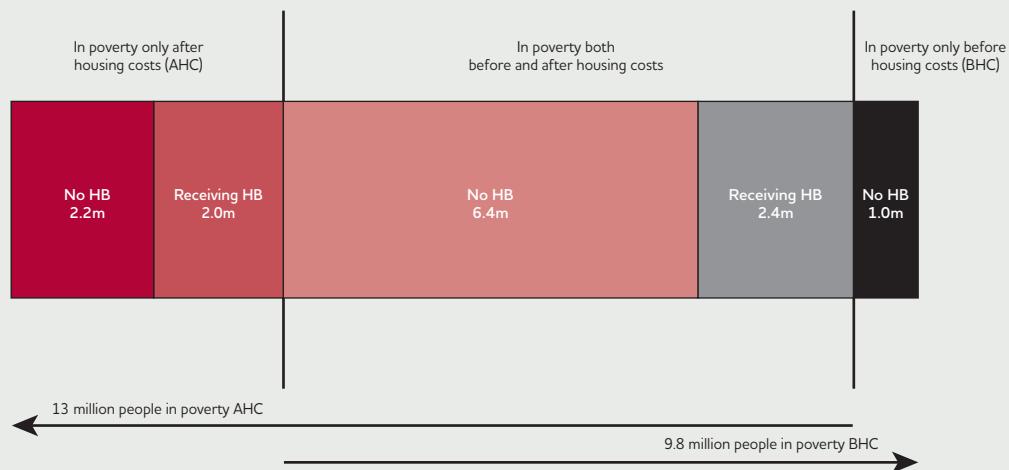
More people are in poverty when measured AHC than BHC. The gap between the two measures is at its widest for over a decade.



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

### Indicator: 4B

Most people in poverty are in poverty on both the AHC and BHC measures. Housing benefit payments contribute to two million people being in poverty on the AHC but not the BHC basis.



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

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 and before housing costs.

Income is disposable household income either before housing costs or after housing costs. 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 housing benefits. The housing benefits received need not necessarily completely cover a household's housing costs.

## 5 Food costs and food banks

**Prices of food have risen faster than the rate of inflation over the last decade but utility bills have risen more quickly. Food banks, providing free food to people on low incomes, get almost half of their referrals due to changes or faults in the benefit system.**

Between 2002 and 2012, the consumer price index (CPI) rose by 29 per cent. That means that on average consumer items cost just under one-third more in 2012 than 2002. Within this average, though, there is substantial variation between different items.

The largest rise in prices comes from utility bills and transport. Over that decade, the cost of electricity, gas and other fuels more than doubled, rising by 140 per cent. Domestic water charges rose by 69 per cent. The cost of personal transport (not including the purchase cost of vehicles) rose by 71 per cent, while the cost of public transport rose by 87 per cent. So over the last decade, public transport became more expensive relative to private transport.

The costs of food also rose faster than inflation, but this change happened only in the last five years. So until 2007, food prices were rising with CPI inflation. Since then, food prices have risen more quickly, meaning that in total they are 41 per cent higher than in 2002. But even over the last five years, fuel bills and transport costs have increased by more than food prices.

The cost of food and the number of people using food banks has become one of the most powerful stories of the current period of austerity. Making comparisons of people using food banks over time is not easy, as there simply are more food banks now than five years ago. They may well be meeting need that was previously going unmet.

But looking at why people use food banks is instructive, as it tells us about the reasons people lack money. The Trussell Trust runs a network of food banks, to which statutory agencies refer people in need and the reasons for those referrals are recorded. Almost half of referrals come because of the operation of the benefits system – either due to a delay in payment (30 per cent) or a change in the amount paid (15 per cent). Clearly there have been many changes to the benefits system in recent years, but it is interesting to note that, in 2012/13 at least, delays in the system were responsible for twice as many referrals as the changes.

## Food costs and food banks

### Indicator: 5A

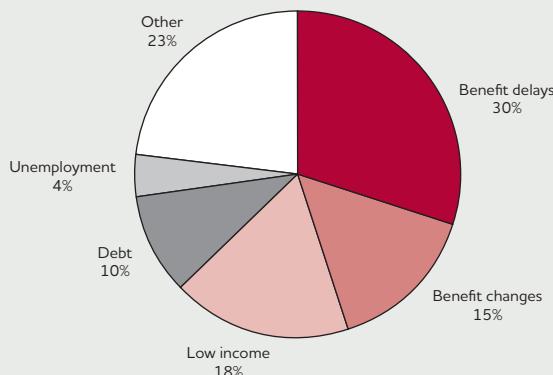
Over the last decade the cost of utilities and transport has risen much faster than the overall rate of consumer price inflation.



Source: Consumer Price Inflation Indices, ONS; the data is for the UK

### Indicator: 5B

Almost half of referrals to food banks are related to benefit delays or changes.



Source: Trussell Trust; the data is for 2012/13

The first graph shows how the prices of a range of essential goods have risen since 2002. The goods shown are a selection of the overall Consumer Prices Index, which is also shown. For reasons of space, not all the components of the index are included.

The second graph shows the reasons given for referrals to food banks run by the Trussell Trust. The Trust provides food to people who have been referred by a statutory agency or care professional such as a doctor or teacher. The reasons for referral are recorded as shown in this graph.

## 6 The Minimum Income Standard (MIS)

**Income sufficient for a family to be deemed not in poverty is increasingly unable to provide a minimum standard of living. Levels of means-tested benefits leave working-age families having to go without some items considered essential in order to afford other items.**

In 2012, the poverty threshold for single adults and couples with children was around one-third lower than the minimum income standard (MIS) for those groups. For a lone parent, it was lower still, at 37 per cent. Three years ago, the poverty threshold was 20 per cent lower than the MIS for all three groups, so a poverty-level income is even less sufficient now than three years ago.

For pensioners, the situation is somewhat different. Pensioners themselves think that they need a lower income to attain the minimum standard than working-age adults do. As a result, the MIS for pensioners is below the poverty threshold – a poverty level income is deemed sufficient to attain a minimum standard of living for a pensioner couple. However, whereas the threshold was 12 per cent above the MIS in 2008/09, by 2011/12 it was only 6 per cent above.

The MIS is made up of different categories of goods and services. The second graph looks at how far means-tested benefits cover these items, and the extent to which some of them are affordable only by forgoing others.

Pensioner couples reliant on means-tested benefits have sufficient income to afford all the items that comprise their MIS. This is both because their benefits are more generous (see indicator 27 on values of benefits) and because their MIS is lower.

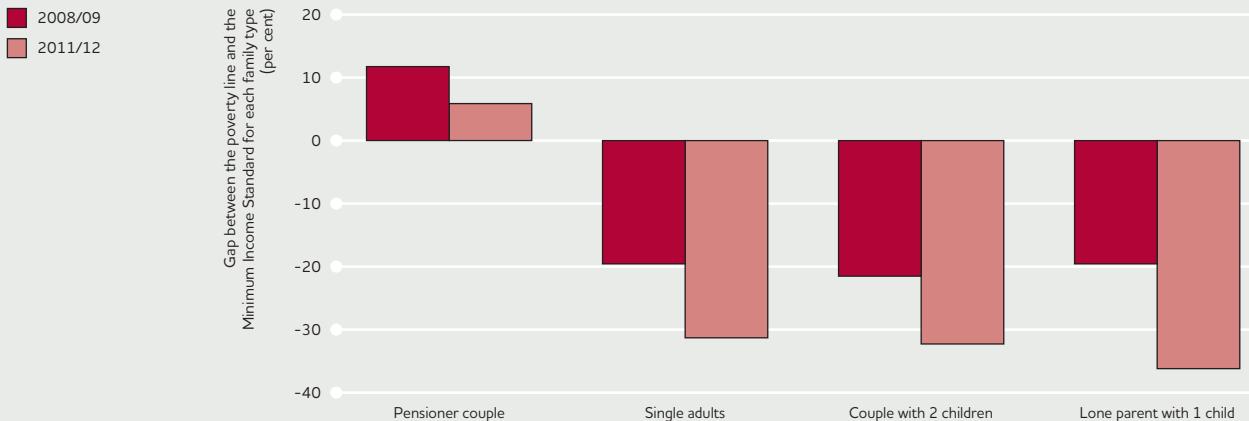
Working-age families reliant on out-of-work benefits can only afford part of their MIS. Out-of-work benefits for single working-age adults cover only 38 per cent of the MIS. For couples with children and lone parents, this figure is 58 per cent and 57 per cent respectively.

This means that single working-age adults on means-tested benefits can only afford the minimum required amount of food, water and fuel by forgoing all the other items that comprise the MIS. In reality, people may choose not to prioritise in this way, going without some food items in order to afford, for example, some clothing items. But items considered an essential part of modern life are only affordable by forgoing other, equally essential items.

## The Minimum Income Standard (MIS)

### Indicator: 6A

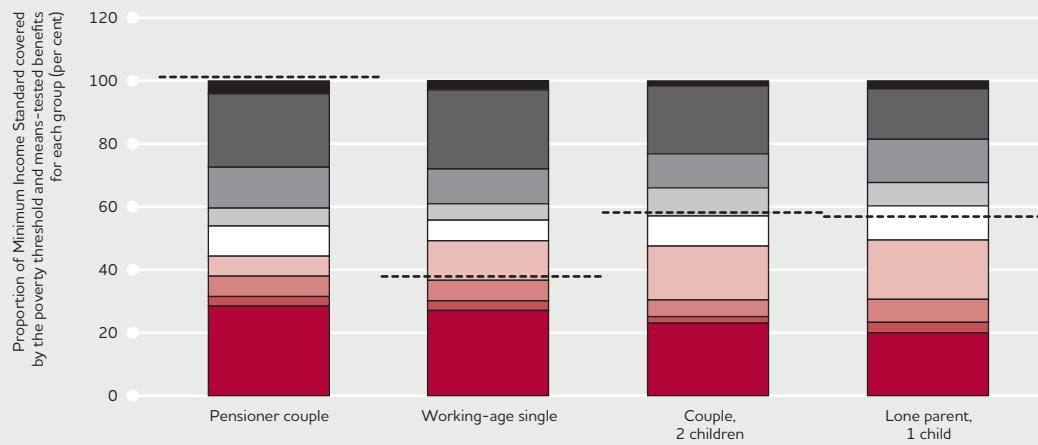
The poverty line for working-age families is at least 30 per cent lower than the minimum income standard. This shortfall has grown in recent years.



Source: A Minimum Income Standard for the UK in 2012, JRF; the data is for the UK

### Indicator: 6B

Out-of-work benefits for single adults are only sufficient for the essential costs of food, fuel and water rates. For families with children, benefits are also sufficient for clothing and some goods and services, but not social participation.



Source: A Minimum Income Standard for the UK in 2012, JRF, and Households Below Average Income, DWP; the data is for 2011/12 for the UK

The first graph 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 MIS – the income needed to reach a minimum socially acceptable standard of living. Individual items deemed necessary are costed and grouped into categories for the analysis. The categories are food; alcohol; clothing; water rates; household insurance, household goods and other housing goods (which we group together as household goods and services); personal goods and services; travel costs; 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 do, indicating that food is given a priority.

## 7 In-work poverty

**For the first time on record, the majority of people in poverty are in working families. Two-thirds of adults in these families are in work.**

In 2011/12, there were around 13 million people in poverty in the UK. Of these, around 6.7 million were in a family where someone worked. The remaining 6.3 million were in workless working-age families or families where the adults were retired. This is the first time in the history of this data series where in-work poverty has made up the majority of poverty.

This change is a result of both falling workless poverty and rising in-work poverty. Going back 15 years, in-work poverty was only one-third of all poverty in Britain. Around 5.1 million people lived in low-income, working families and 9.3 million lived in low-income workless or retired families. Since then, the number of people in workless poverty has fallen by 3 million, and the number in working poverty has risen by 1.6 million.

What is noticeable about in-work poverty is how it began to rise around 2003/04, after being fairly static for the previous five or so years. We saw earlier that overall poverty fell until this point, with progress much slower thereafter. It was this rise in poverty in working families that halted the progress in reducing poverty overall.

The fall in poverty among those in workless and retired families is obviously related to the fall in pensioner poverty. But even among workless, working-age families, the proportion of people in poverty has fallen over the last 15 years. In 1996/97 70 per cent of people in workless working-age families were in poverty. Today, that figure is 60 per cent.

The second graph looks more closely at the population of children and working-age adults living in low-income working families. In 2010/11 there were 2 million children living in low-income working families. Around one-fifth (410,000) lived in a family where all the adults were working full-time. The majority lived in a family where one adult was not working, or the only work was part-time.

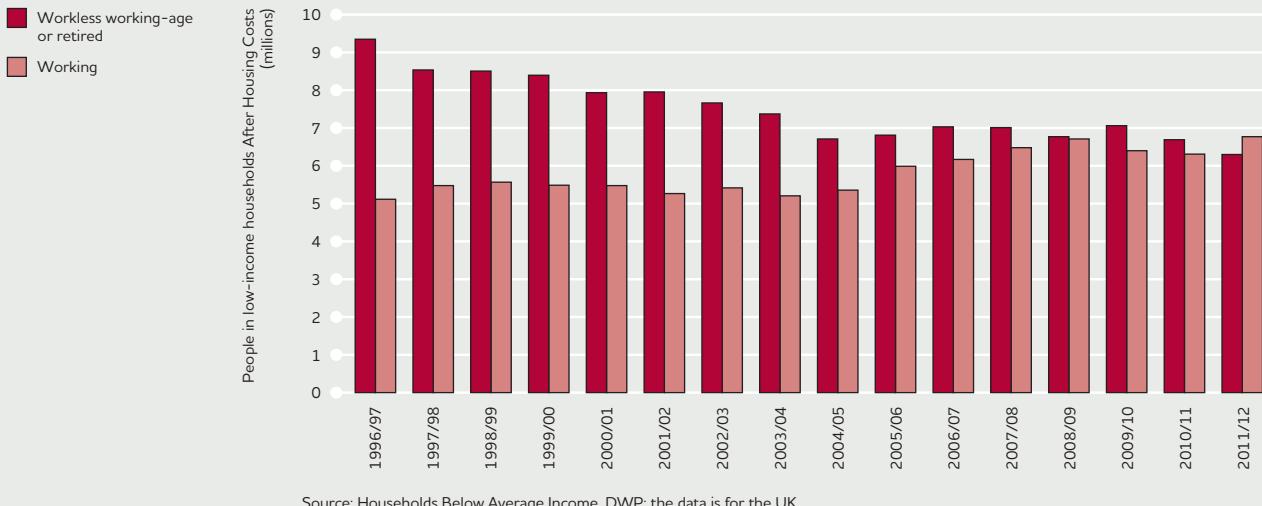
Among working-age adults in low-income working families, three-quarters (3 million working-age adults) are themselves in work. The remaining quarter (1.1 million) are not themselves working but live with a working partner.

## Income and low income

## In-work poverty

**Indicator: 7A**

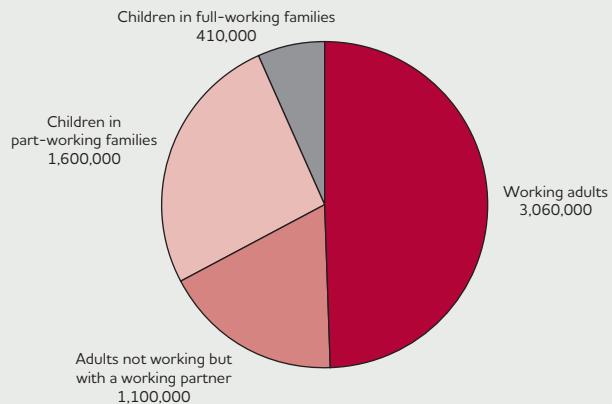
There are now more people in poverty in working families than in workless or retired families combined.



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

**Indicator: 7B**

Around three quarters of working-age adults in low-income working families are themselves in paid work.



Source: Family Resources Survey, DWP; the data is for 2010/11 for the UK

The first graph shows the numbers of people in poverty (after housing costs) who live in working and workless or retired families. A family is classed as working if any adult member is in paid work, full-time or part-time, including self-employment. The figures shown are totals, including children, working-age adults and pensioners.

The second graph shows the breakdown of working-age adults and children in low-income working families. Due to data availability it covers 2010/11, whereas 7A covers 2011/12.

## 8 Disability and poverty

**Families that include disabled people are more likely to be in poverty than other families, although the proportion in poverty has declined over the last decade. But the inclusion of particular disability benefits as income artificially lowers this poverty rate.**

In 2011/12, 24 per cent of people in families with a disabled person were in poverty. This is the same as the year before, and compares with 30 per cent a decade ago. Around 20 per cent of people in families with no disabled person are in poverty, so there is a 4 percentage point gap between families with and without disabled people. This is the lowest gap in the 15 years that this statistic has been published.

We can further analyse poverty among disabled people and their families by looking at whether or not they receive a disability-related benefit. In families that do not receive a disability benefit, 28 per cent of people are in poverty. In families that do, 14 per cent are in poverty. So families with a disabled person who receive a disability-related benefit are less likely to be in poverty than the national average.

To a certain extent this is understandable – this group by definition receives an income that other families do not. But it is also misleading. Disability Living Allowance (DLA) and Attendance Allowance (AA) are intended to meet the specific costs of disabilities so the incomes of these families are higher because their costs are higher. In that regard, the poverty rate for disabled people may be underestimated.

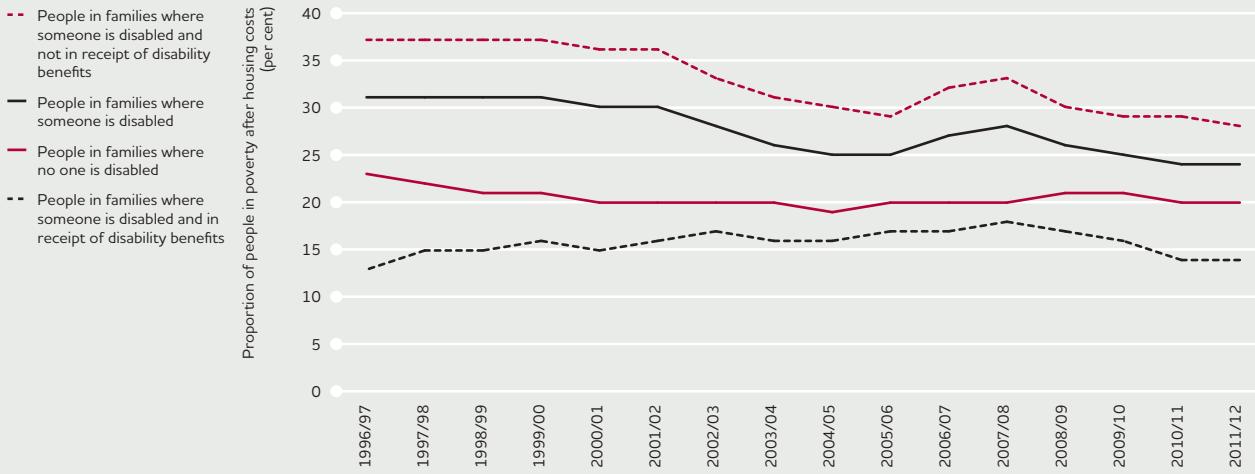
The second graph removes DLA and AA from household income, to further analyse this impact. DLA and AA are paid to almost 5 million people; a large enough number to raise the national median income. When analysing poverty rates with and without DLA and AA, the median is adjusted to account for this.

The effect of removing DLA and AA from incomes is to double the number of people in poverty who receive these benefits. For children, the number rises to 390,000 from 240,000. For working-age adults there is an increase from 730,000 to 1,300,000. The largest proportional increase is for pensioners, where the number in poverty trebles, from 180,000 to 560,000.

## Disability and poverty

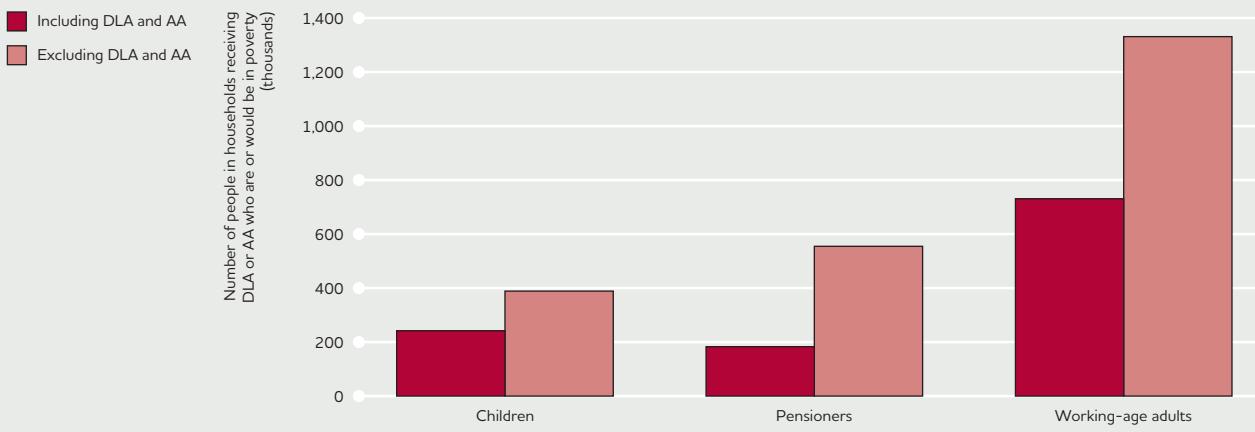
### Indicator: 8A

The proportion of people living in a family with a disabled person who lives in poverty has fallen in the last decade. While still lower, the proportion of people in families with no disabled person who live in poverty has not changed.



### Indicator: 8B

The number of people in poverty living in a household receiving Disability Living Allowance or Attendance Allowance would be around double if these benefits were not counted as income.



The first graph shows the proportion of people in poverty according to whether they live with a disabled person. It is not in itself a measure of the number of disabled people in poverty. Those who do live with a disabled person are further broken down by families receiving disability-related benefits and families that receive no such benefit.

The second graph looks at the effects of these benefits in lifting people out of poverty. The graph shows the number of people in poverty who live in families receiving Disability Living Allowance or Attendance Allowance, two benefits that are intended to meet the costs of disability. It then looks at how many would be in poverty if they did not receive these benefits. In the calculation, these benefits are deducted from the families' incomes. Doing so actually lowers the national median income, so a new poverty threshold is calculated at 60 per cent of this new median. The second set of columns in the graph shows the number of people below this new threshold.

## 9 Child poverty in local areas

**While scattered across the country, child poverty is clearly concentrated in urban areas. This is the case for urban areas of all sizes. The lowest levels of child poverty can typically be found in rural areas.**

The map of child poverty across the UK shows a very high proportion of children in poverty in the major cities. Manchester, Liverpool, Glasgow, Newcastle and parts of London are all in the ten areas with the highest rates of poverty. Tower Hamlets in East London has the highest rate of child poverty in the country, at 42 per cent, ahead of Manchester at 38 per cent.

Not all of the areas with high levels of poverty are big cities, however. Blaenau Gwent has the highest level in Wales, and places such as Strabane, Hastings and Redcar are also in the 30 areas with the highest rates. So poverty is not just a problem for large urban areas so much as urban areas of all sizes.

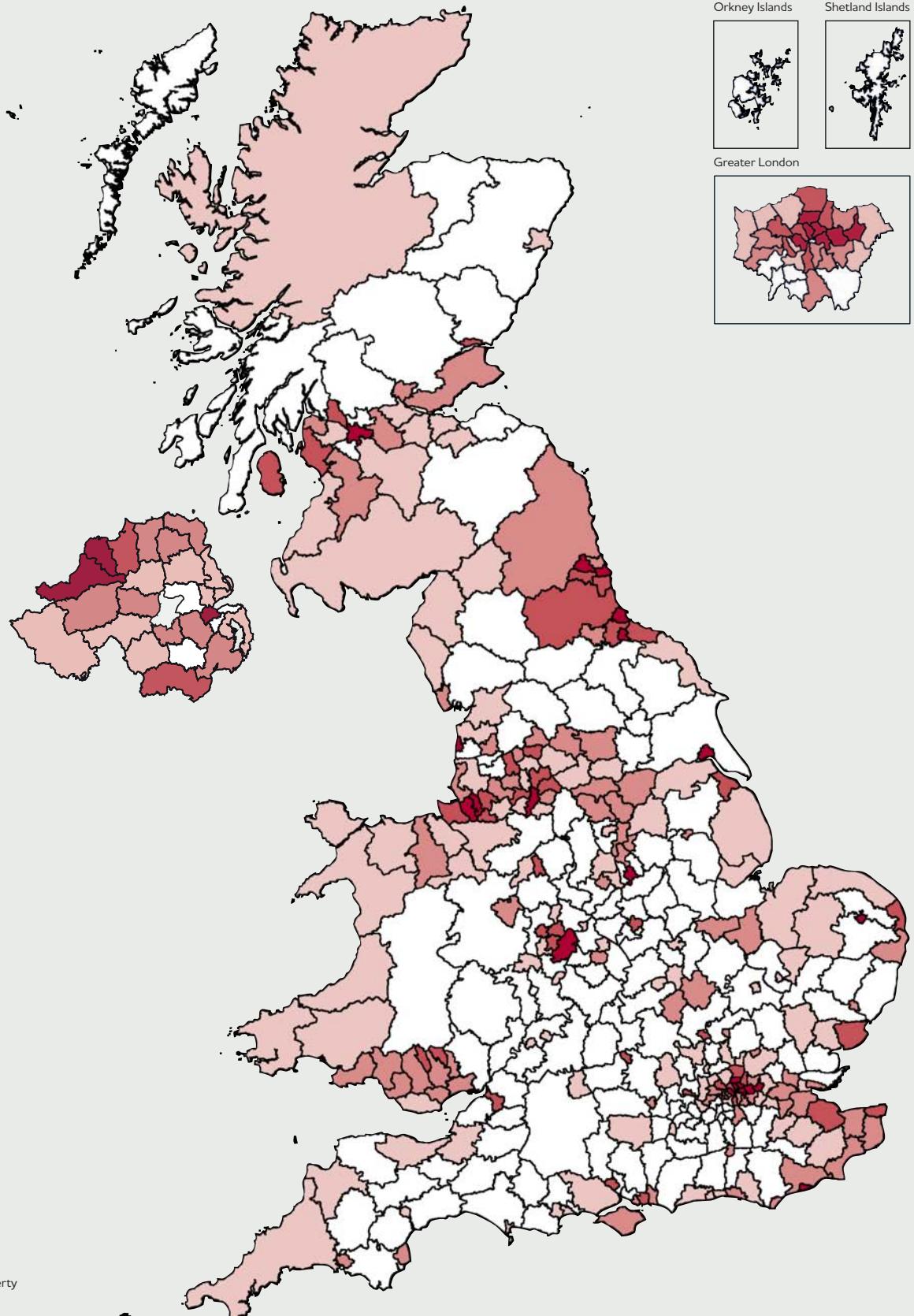
The areas with the lowest levels of poverty are similarly scattered across the country. Richmond upon Thames, Harrogate, the Shetland Isles and Rutland are all in the 20 areas with the lowest levels of child poverty.

The map shows the proportion of children in poverty in each local authority in the UK. It is based on numbers calculated for End Child Poverty. This is based on local estimates from 2010 published by HMRC. These figures draw together data on out-of-work and in-work benefits. Those children in families receiving out-of-work benefits are considered to be in poverty, as are those in families receiving in-work benefits where household income is still below 60 per cent of the national median. These figures are then adjusted for changes in the labour market since 2010. More up-to-date data, from mid-2012, on the number of children in working and workless households is used to adjust the totals in each region. These changes are then applied to the local level data.

Income and low income

## Child poverty in local areas

Indicator: 9



## Commentary

When last year's report was written, the Department for Work and Pensions was in the middle of a consultation on a 'better' measure of child poverty. At the time of writing, nothing has emerged from the consultation and it's not clear whether there will be a new measure.

In the meantime, the most recent set of poverty statistics shows a fall in relative poverty, at the same time as an unprecedented drop in median incomes. The two are related, and the change casts doubt on the usefulness of a relative measure when medians are falling. These doubts are legitimate, and we believe the relative measure should be used in conjunction with some fixed measure until such time as average incomes start to rise again.

As the relative figures for poverty are seen as unreliable, or missing an important point, so other concepts have emerged that try and capture the experiences of those on low incomes. One of these is food poverty, 'the inability to afford, or to have access to, food to make up a healthy diet'.

It is obviously a powerful concept, and it's true that many people, and many more people than five years ago, are struggling to make ends meet. Costs of essentials have risen in recent years, and incomes have not. Food prices may have risen less steeply than utility prices, but a rise of one quarter in four years will still make an impact.

But this does not mean that there is something called 'food poverty' that is distinct from 'poverty'. In fact the inability to afford items as essential as food is the essence of poverty. The reason people cannot afford food, or have to rely on food banks to provide it, is because their incomes are low. The reasons people are referred to food banks – delays in benefits, cuts in benefits – are about falling incomes. Rising food prices compound the problem, but poverty would exist anyway.

The recent focus by bloggers, newspapers and celebrity chefs on how to eat for less is probably welcome – money-saving tips always are, regardless of income. But the Minimum Income Standard shows that it's not just food that is considered an essential item – there is also clothing, transport, utility bills and rent. If people cannot afford to eat, then they surely cannot afford the other items either. And this is what is called poverty.

## Chapter 2

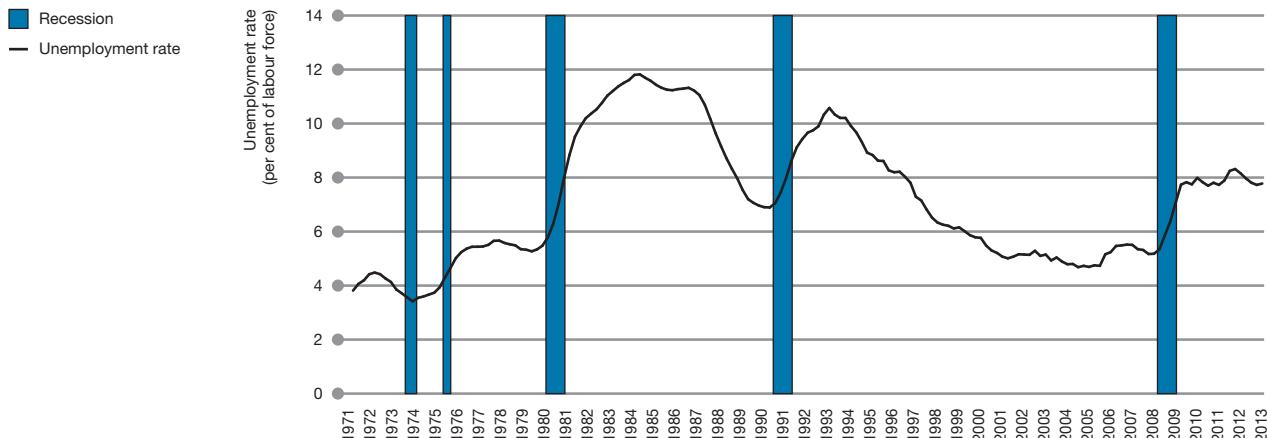
# Work

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## Introduction

The unemployment rate is the most cited labour market statistic. Although it does not convey the entire experience of the labour market, it is worth comparing it with previous recessions.

### Unemployment did not increase as much in the 2008 recession as in previous downturns.



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

The unemployment rate reached around 8 per cent following the recession that began in 2008. This compares to more than 10 per cent for the early 1990s recession and almost 12 per cent in the early 1980s recession. However, the number of people becoming unemployed during the recession was higher in 2008 than in the previous cases as a result of population growth. Another difference is that the unemployment rate has not continued to increase quite so drastically after the economy has returned to growth as it did in the 1980s and 1990s.

Immediately before the 1980 recession the unemployment rate was 5.5 per cent. The economy did not return to that level of the unemployment until the middle of 2000: that is, more than 20 years later. It then stayed at or below this level for more than eight years, before the current financial crisis began.

The unemployment rate in this recession is comparatively low. However, a corollary of this is that labour market problems are manifesting themselves in different ways: falling real wages, underemployment, and insecure working arrangements. The rest of this chapter examines these issues in more detail.

## Choice of indicators

The precise nature of work and labour market disadvantage is important from a poverty perspective, particularly given that most people in poverty are now in working families (see *Chapter 1 Income and Low Income*).

The first indicator looks at **underemployment**, which measures those who want to work or want to work more. This includes the unemployed, those who are not immediately available for or actively looking for work but would like it, and those working part-time who want full-time work.

The economic downturn has had an uneven affect across age groups, with **unemployment for young adults** substantially higher than for older adults. Those with **disabilities** also face disadvantages in the labour market, with higher rates of worklessness and lower rates of pay than non-disabled people with the same level of qualifications.

Poverty is measured on the basis of household income, so the level of **workless households** is an important indicator. However, those in work may be in poverty as a result of working too few hours or having **low pay** which is another indicator. There are also **pay inequalities** between genders and those working part-time and full-time. Another indicator looks at how **low pay determines household income** given the existence of other factors, such as in-work support in the social security system.

For poverty to be temporary rather than a permanent part of people's lives, they may need in-work progression to obtain, for example, better hours, job security and satisfaction. Part of this is reliant on **in-work training**. Finally, the chapter looks at elements of **insecurity** in the labour market, such as zero-hours and temporary contracts.

## 10 Underemployment

**Underemployment has fallen slightly in 2013 but remains above 2008 levels.**

**The number in part-time work wanting full-time work continues to increase.**

Underemployment refers to everyone who is not working as much as they want to, not just those who are unemployed. As such, it also includes those working part-time because they could not get full-time work, and those who are not actively looking or available for work but would like it. The number of underemployed people in the UK in the first half of 2013 was 6.2 million. This was lower than the year before by around 63,000 people; the first fall since 2003.

Of the 6.2 million underemployed, 40 per cent were unemployed (2.5 million), 37 per cent were not in the labour market (2.3 million) and the remaining 23 per cent were working part-time but wanting full-time work (1.4 million). This is a different pattern to 10 or 20 years before. In 2003, more than half the underemployed were inactive but wanting work (52 per cent), 35 per cent were unemployed and 13 per cent wanted full-time work.

Most of the increase in underemployment since the start of the recession in 2008 has come from unemployment and people working part-time who want but can't get full-time work. The number of those wanting but lacking work has increased only slightly. Since 2008, the number of people unemployed has increased by 730,000 (350,000 women and 390,000 men); the number of inactive people wanting work has increased by 90,000 (30,000 men and 60,000 women); and there are 700,000 more part-time workers wanting full-time work (340,000 men and 370,000 women). The smaller increase in inactive people wanting work may be as a result of reforms which encourage inactive people to join the labour force; that is, become employed or unemployed rather than inactive.

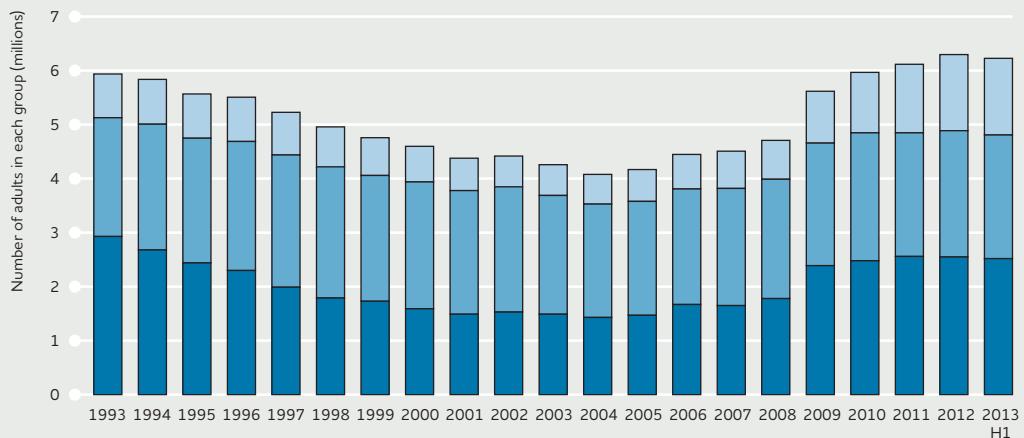
Total underemployment for women is slightly higher than for men at 3.2 million compared with just over 3 million. Within this, male unemployment was higher than female unemployment by 360,000 in the first half of 2013. The number of women lacking but wanting work was 410,000 higher than for men, and women working part-time but wanting full-time work was 130,000 higher than for men. All three types have increased for both genders when compared with both 2003 and 2008. However the increase has been smaller among the inactive population, growing by 40,000 for men and 50,000 for women over ten years.

## Underemployment

### Indicator: 10A

Underemployment has fallen since 2012 but remains at historically high levels.

- Part-time wanting full-time job
- Lacking but wanting work
- Unemployed

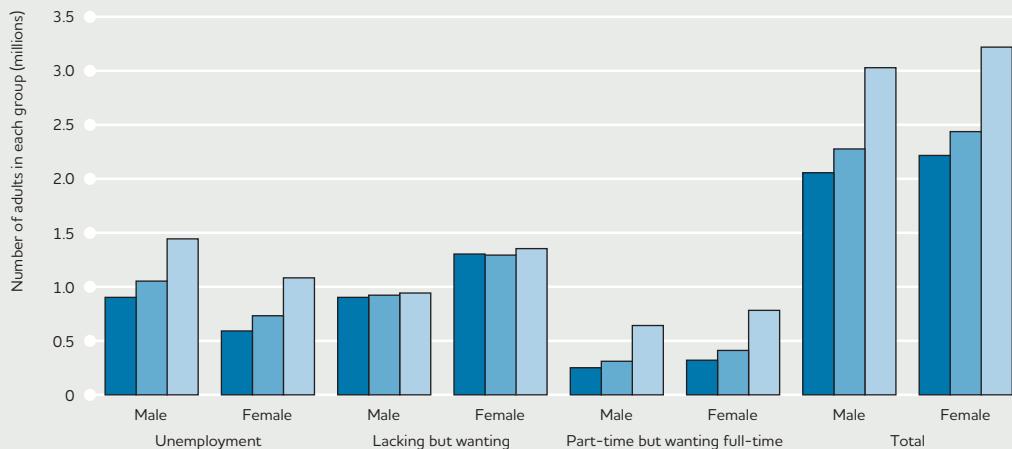


Source: Labour Market Statistics, ONS; the data is for the UK

### Indicator: 10B

Underemployment for both men and women has increased due to higher unemployment and numbers in part-time work wanting full-time work.

- 2003
- 2008
- 2013



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 2013, 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 2003, 2008, and 2013.

## 11 Unemployment by age

**The unemployment rate for young adults increased by 7 percentage points between 2007 and 2012, during which time the number of unemployed 18 to 25-year-olds increased by 290,000.**

The unemployment rate for adults aged 16–24 was 21 per cent in the first half of 2013, compared with 6 per cent for those aged between 25 and 64. These figures are almost exactly the same as the two previous years (unemployment for those aged 24–64 is down 0.2 per cent from 2011, for 16- to 24-year-olds down 0.1 per cent).

This compares with 14 per cent and 4 per cent respectively in 2007 before the onset of recession. However, even before then unemployment for under-25s was increasing, from around 12 per cent in 2004.

The unemployment rate for young adults has been higher than for those over 25 every year for which there is data. However, the gap between the unemployment rates for under- and over-25s has increased compared with the early 1990s. In 1992, the under-25s unemployment rate at 17 per cent was around twice as high as the over-25s unemployment rate at 9 per cent. In the first half of 2013, it is almost four times higher.

Changes in the number of employed and unemployed adults between 2007 and 2012 have been different for different age groups. Those over 65 are something of an exception: their unemployment rates are low because they can retire and leave the labour market. The young adult unemployment problem is reflected by the fall of more than 500,000 people under 25 in work and the 290,000 increase in unemployment. However, many of those in this age group in 2007 will be in the next age cohort of 25- to 34-year-olds by 2012.

There are almost 440,000 more people aged 25–34 in employment, though unemployment is also up almost 250,000 for this group. Those aged 50–64 are in a similar position, with an increase in both the number in employment (up 430,000) and unemployment (up 150,000).

The change for those aged 35–49 is similar to the under-25s: employment has fallen (by 360,000) and unemployment has increased (by 200,000).

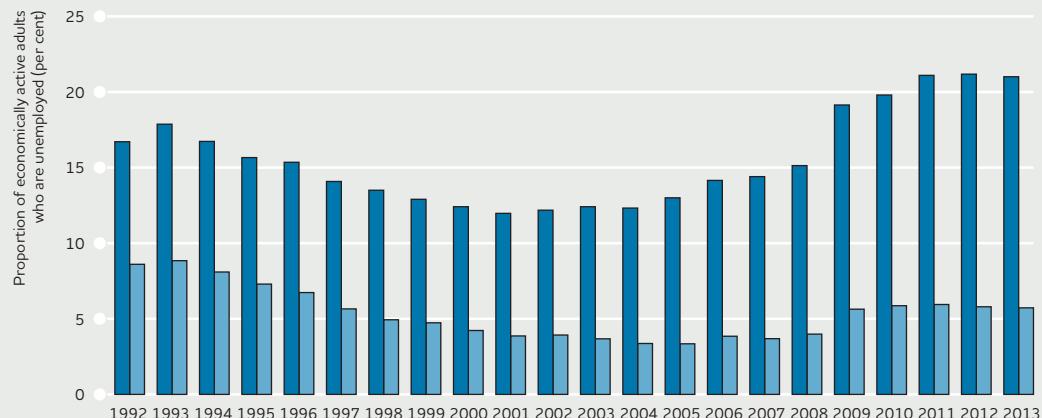
## Work

## Unemployment by age

## Indicator: 11A

Youth unemployment is more than three times as high as that for older adults but after rising sharply for several years has changed little in the last two years.

■ Aged 16 to 24  
■ Aged 25 to 64

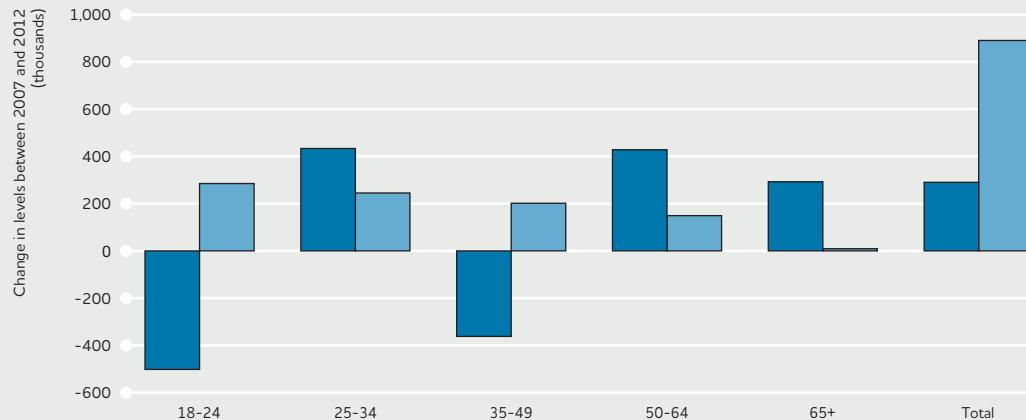


Source: Labour Market Statistics, ONS; the data is for the UK

## Indicator: 11B

Those aged 18–24 and 35–49 have seen the largest decreases in employment.

■ Employed  
■ Unemployed



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 2007 and 2012. The figures are an average of the four quarters of data for both years. A total of all age groups is also shown.

## 12 Disability and the labour market

**Disabled people have higher rates of worklessness than non-disabled people although the gap has been getting smaller. They are also more likely to be low paid when in work.**

The proportion of disabled men and women that are workless (either unemployed or economically inactive) is around twice the rate of worklessness for non-disabled men and women. In the first half of 2013, around 48 per cent of both disabled working-age men and women were workless. For non-disabled men and women, the proportions were 19 per cent and 26 per cent respectively.

Over the last 15 years, the general trend has been for worklessness rates among disabled men and women to fall. However, figures before and after 2010 are not strictly comparable due to a change in the way information on disability was collected. Worklessness rates for disabled men and women fell between 1998 and 2009 from 54 per cent to 49 per cent for men and 58 per cent to 51 per cent for women. Over the same period the rate of worklessness remained around 26 per cent for non-disabled women and increased for non-disabled men from 14 per cent to 18 per cent.

Between 2011 and 2013, all four groups have seen small decreases in worklessness. Levels of worklessness among disabled people have improved relative to non-disabled people, but still remain substantially higher.

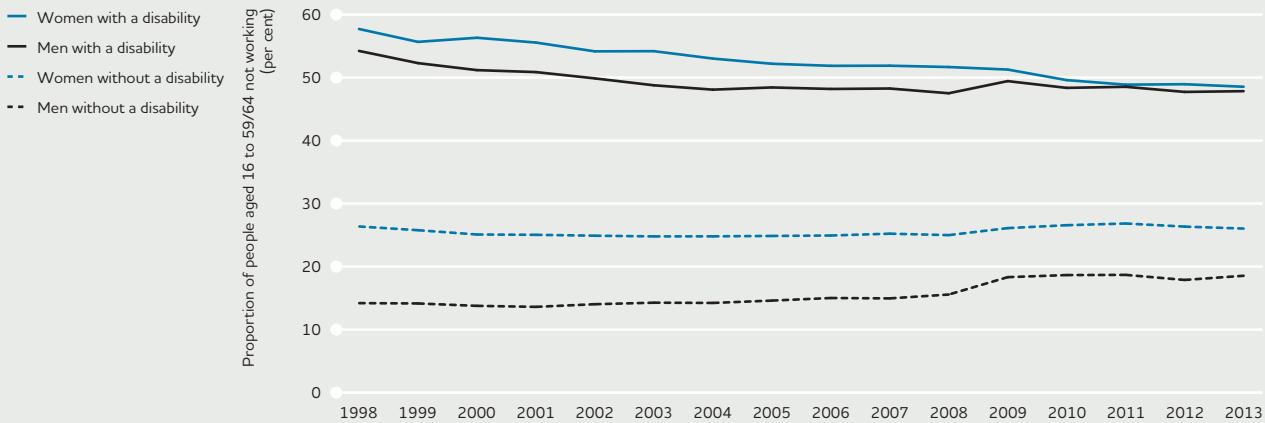
This remains the case even when qualifications are considered. Among disabled people who have a Level 3 qualification (equivalent to two A Levels or higher) 14 per cent are lacking work but wanting work. For non-disabled people with at least a Level 3 qualification, the figure is only 6 per cent. The disparity between disabled and non-disabled people is more striking for those without a Level 3 qualification, with 26 per cent of disabled people wanting but lacking work compared with 12 per cent for non-disabled people.

Some degree of labour market disadvantage is apparent among disabled people in work as well. 16 per cent of disabled people in work who have at least a Level 3 qualification are low paid, compared with a slightly smaller figure of 13 per cent for non-disabled people. The gap is again larger between those without a Level 3 qualification – 41 per cent of disabled people in work lacking this qualification level are low paid, compared with 35 per cent of non-disabled people.

## Disability and the labour market

### Indicator: 12A

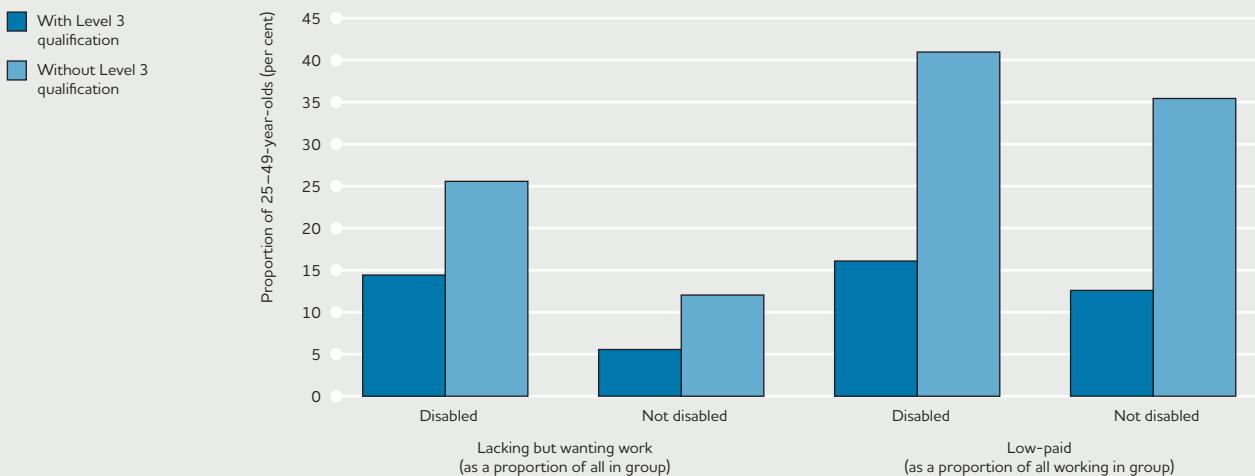
A greater proportion of both men and women with disabilities are workless compared with those without disabilities.



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

### Indicator: 12B

Disabled adults are more likely to be lacking but wanting work or to be low-paid compared with non-disabled people of the same qualification level.



Source: Labour Force Survey, ONS; the data is an average for 2010–2012 for the UK

The first graph shows the proportion of men aged 16–64 and women aged 16–59 not working between 1998 and 2013. The data is shown by gender and disability status. There was a change in the disability definition in 2010 that means comparisons before and after should be treated with caution.

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 the UK living wage (deflated by earnings for earlier years). The data is shown separately by disability status and qualification level (with or without a Level 3 qualification). The data is an average for the twelve quarters 2010–2012. People lacking but wanting work include those defined as unemployed and those that are economically inactive but want work. The age limit of 25–49 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.

## 13 Workless households

**Only a small minority of workless households are households where no adult has ever worked, and over half of people in never-worked households are aged under-25.**

In 2013, around 17 per cent of households were workless – meaning that none of the working-age adults were in work. This is the lowest proportion of workless households since 1996, when the data series started. Within this 17 per cent, 8 per cent (or 1.5 per cent of all households) were households where no members had ever worked.

The proportion of workless households has generally been falling since 1996, when around 21 per cent of households were workless (and 1 per cent had never worked). There was a rise in workless households around 2009 as the recession began. Between 2008 and 2010, the proportion of households that were workless increased from around 17 per cent to 19 per cent, before falling again. Other evidence suggests that workless households were less common in previous decades: for example, in *The Labour Market Under New Labour*, Dickens, Gregg and Wadsworth (LSE, 2003) found only 6.5 per cent of households in 1975 were workless once students and retirees were excluded (<http://cep.lse.ac.uk/state2/>).

In 2013, for the first time in this series of statistics, the total number of households actually fell. This is partly due to greater numbers of children choosing to remain with their parents rather than move out. For example, the number of lone parent households with non-dependent children grew by 39,000, and the number of one person households fell by more than 130,000. This by itself may explain some of the fall in workless households.

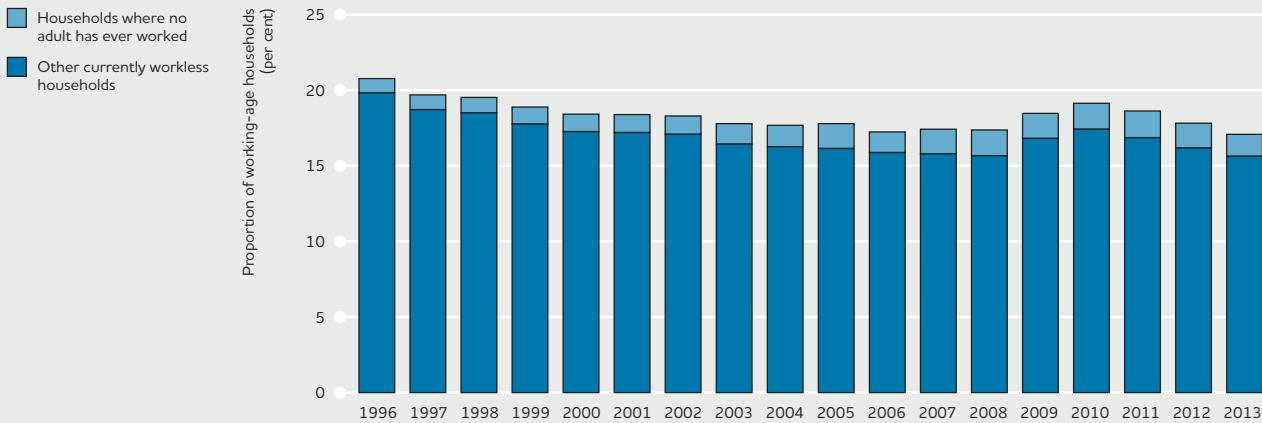
People who live in households where no adult has ever worked tend to be much younger than workless households where someone has worked previously. 55 per cent of those people in never-worked households are under 25, compared with 13 per cent in currently workless households. In currently workless households, 54 per cent are over the age of 50, compared with 9 per cent in never-worked households. This largely reflects patterns of study, sickness and disability. Statistics from the workless households data release show that 48 per cent of people living in households where no one has ever worked are students, while in currently workless households, 31 per cent are not working because of illness or disability.

## Work

## Workless households

## Indicator: 13A

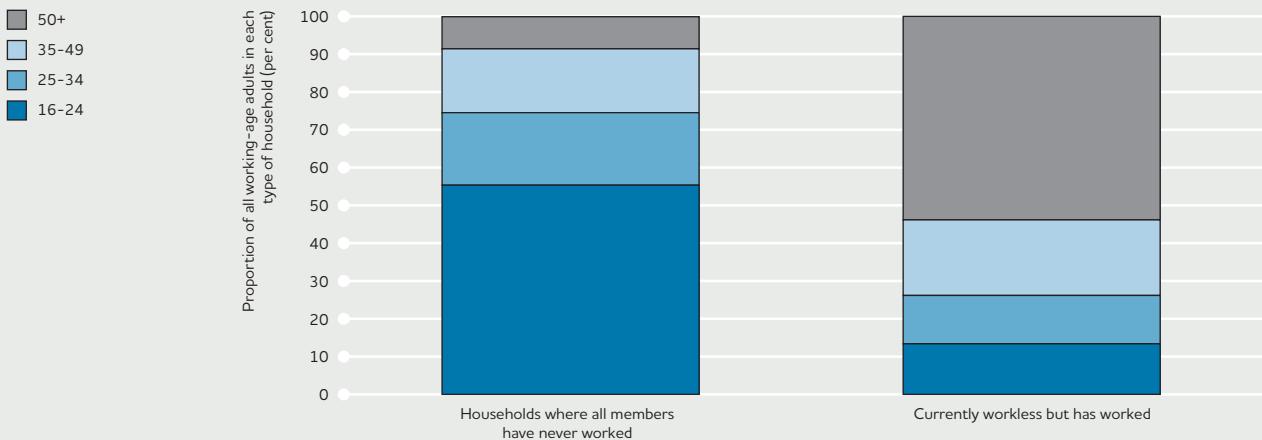
The proportion of working-age households that are workless is lower than at any other time in the series, having fallen for three consecutive years.



Source: ONS; the data is for the UK

## Indicator: 13B

The majority of people in households where no one has ever worked are under 25; the majority in other workless households are over 50.



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

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

The second graph shows the number of people in workless households by age. It is divided into those where no one has ever worked and those where at least one adult has worked.

The currently 'workless but has worked' figures are the total workless with the 'never worked' subtracted. The data for both graphs comes from the ONS publication Working and Workless Households. A household is counted as workless if none of the working-age members are in work. A household is classed as never having worked if none of the working-age members has ever worked.

## 14 Low pay

**The proportion of low-paid jobs increased in 2012, with two-fifths of them being done by the under 30s.**

In 2012, around 27 per cent of female employees and around 15 per cent of male employees were paid below the UK living wage of £7.45 an hour. This represents an increase on the previous year for women and no change for men. This is the first increase in the proportion of low-paid women since the data series began in 2001. Over the decade, the proportion of low-paid female employees has fallen steeply, from more than 35 per cent in 2001 to below 25 per cent in 2011, before increasing again. The changes for male employees are not as striking; the proportion who are low paid fell from 17 per cent in 2001 to a low of 13 per cent in 2007, before increasing again to around 15 per cent in 2012.

This may reflect changes in the minimum wage, which can have ripple effects up the pay distribution to maintain pay differentials in organisations. Between 2001 and 2004, when the low-paid numbers were falling, the minimum wage increased by 18 per cent. Between 2009 and 2012, it increased by 7 per cent. This marginal increase reflects concerns over the impact on employment levels of increasing the minimum wage.

There were around 4.6 million low-paid jobs in the UK in 2012; 1.8 million of them (39 per cent) were done by people aged under 30. Low-paid jobs have a different distribution across age groups. Low-paid jobs for those under 30 are predominantly in the hospitality sector, i.e. restaurants and hotels. The number of low-paid jobs in this sector declines as age increases.

Low-paid jobs in the wholesale, retail and transport sectors are more evenly spread, but are still more concentrated amongst those under 30. Low-paid public sector jobs, on the other hand, are more heavily concentrated in older age groups, with 57 per cent (600,000) held by employees over 40.

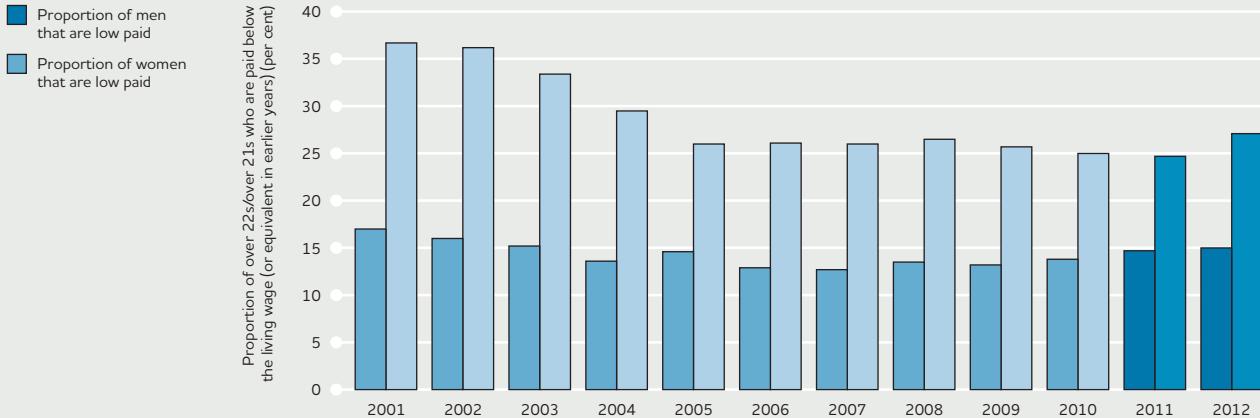
Overall, 1.4 million low-paid jobs are in the wholesale, retail and transport sectors (30 per cent of all low-paid jobs), followed by the public sector, which accounts for a further 1 million (24 per cent). Only 430,000 (9 per cent) of low-paid jobs are in manufacturing, but this is slightly misleading as the overall employment in these sectors varies hugely.

## Work

## Low pay

## Indicator: 14A

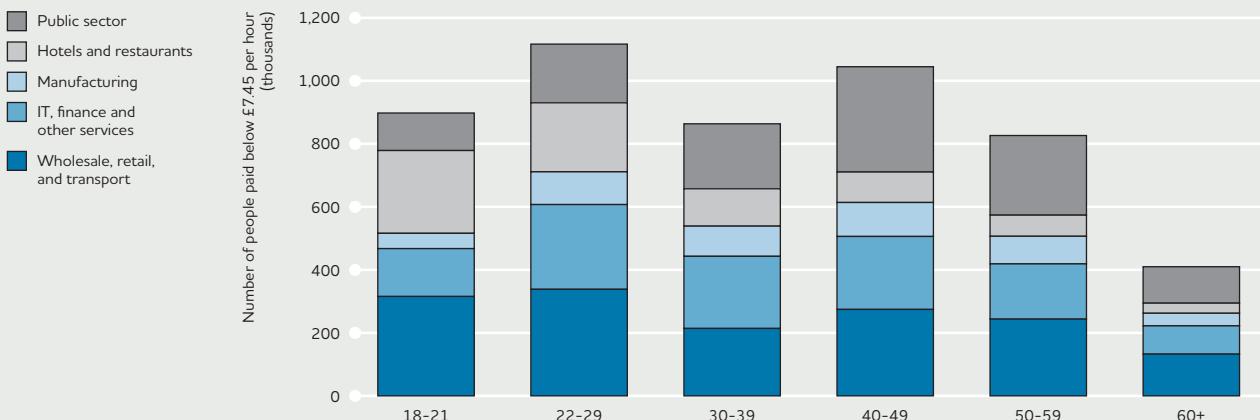
The proportion of employees that are low paid is increasing again after falling in the first half of the last decade.



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

## Indicator: 14B

Low-paid jobs in wholesale, retail and transport are spread quite evenly across the age groups, but low-paid work in hotels and restaurants is concentrated among the under-30s.



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

The first graph shows the proportion of men and women paid below a low pay threshold equivalent to £7.45 per hour in 2012, deflated by economy-wide earnings for previous years. £7.45 was chosen as it is the 2012 living wage for the UK.

The data is for people aged 22 and over until 2011, then those aged 21 and over. 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 and 2012 are differently coloured.

The second graph shows the number of people paid less than £7.45 an hour in 2012 by age and industry

## 15 Pay inequalities

**Despite an overall improvement in the gender pay gap between 2007 and 2012, men and women across the distribution are paid less now in real terms than five years earlier.**

Female employees generally earn less than their male counterparts, with the disparity growing higher up the earnings distribution. In 2012, full-time earnings at the 10th percentile (that is the level of pay required to earn more than the bottom 10 per cent earn) were £282 per week for men and £254 per week for women. This amounts to a gap of £28 a week. At the median, the gap becomes more pronounced at more than £66 a week (£498 for men and £431 for women), before growing to a difference of £230 per week at the 90th percentile (£1,054 for men compared with £824 for women).

In the cases of all these groups, real earnings (earnings after inflation) increased in the five years from 2002 to 2007, but have since declined to just above their 2002 levels. The changes have been different across genders and the earnings distribution.

Between 2002 and 2007 all groups saw increases in real earnings; at the 10th percentile and median the increase was greater for women. At the 90th percentile the increase was greater for men at £104 than for women at £85. Much of these gains was subsequently lost between 2007 and 2012, as a consequence of below inflation pay increases in these years. Comparing 2002 and 2012, full-time female earners at all three points of the distribution saw a larger increase in real earnings compared with their male counterparts, suggesting a narrowing of the pay gap over time.

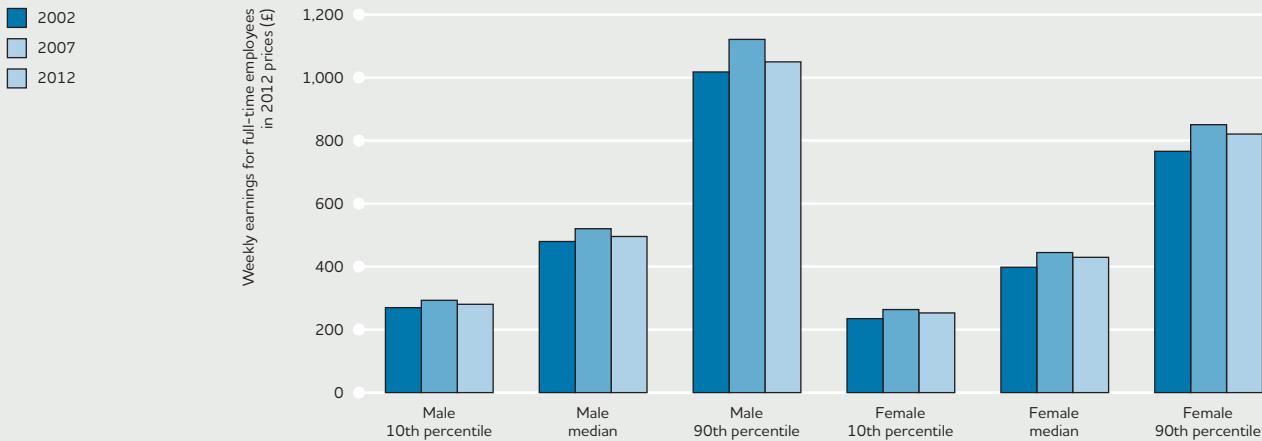
There are also differences between part-time and full-time staff. There is almost no gender gap between male and female part-time workers at the 25th, median, or 75th percentiles of the earning distribution by hourly pay rates. In fact, female part-time employees at the 25th percentile and the median earn slightly more an hour than their male counterparts at £6.60 and £6.30 respectively. This is not the case among full-time workers; at all three of these points in the distribution men earn more per hour than women.

## Work

## Pay inequalities

## Indicator: 15A

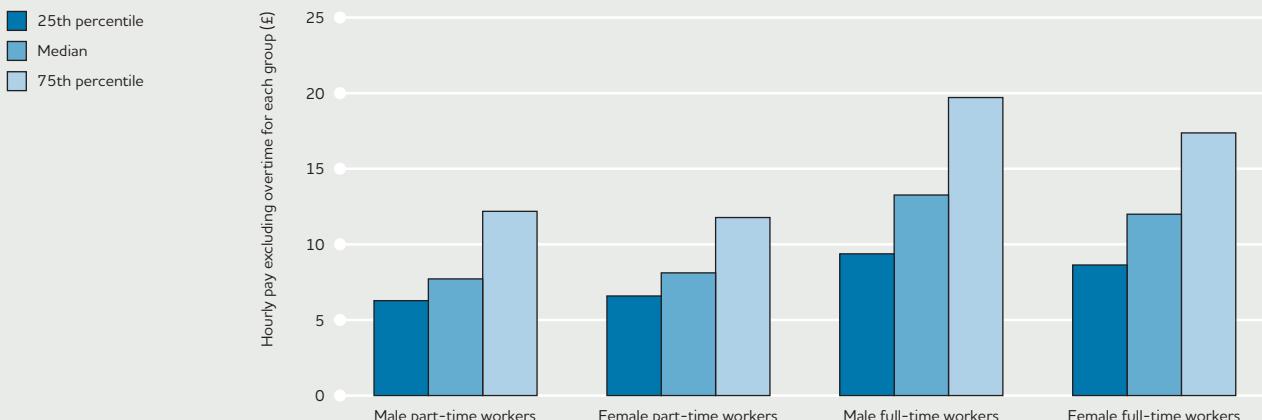
After adjusting for inflation, full-time earnings are below their 2007 levels and only slightly higher than 2002.



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

## Indicator: 15B

There is almost no hourly pay gap between male and female part-time workers, in contrast to full-time workers where men are paid more than women at all points in the distribution.



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

The first graph shows the gross weekly earnings of male and female full-time employees over time at the 10th, 50th (median), and 90th percentiles of each earnings distribution. The figures for 2002 and 2007 are adjusted for inflation using the Consumer Price Index from the ONS data tables in the Consumer Price Inflation publication.

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 the Annual Survey of Hours and Earnings via NOMIS.

## 16 Low pay and household income

**Being paid the living wage reduces the risk of being in poverty, but still two-fifths of adults in working families and in poverty were in families where the earner was paid over the living wage.**

On average between 2008/09 and 2010/11, there were 1.2 million adults paid below the living wage in the bottom 20 per cent of the household income distribution: roughly equivalent to the poverty line. This suggests that low pay alone does not guarantee poverty – there are other factors, such as the amount of in-work benefits being received by the family, the income of the spouse, family size, and housing costs. It is also possible to work enough hours at low pay rates to avoid poverty. These factors together explain why, for example, there are around 1.7 million low-paid adults in the top 40 per cent of the income distribution.

There are only 630,000 adults paid above the living wage in households in the bottom fifth of the income distribution, out of a total of 16 million paid above the living wage (4 per cent). This may be because being paid above the living wage correlates with other factors, such as working more hours, rather than specifically being lifted from poverty by higher pay (though this will of course have a role).

46 per cent of adults in working families in poverty are in families where at least one earner is paid below the living wage. This is equivalent to around 1.7 million adults. Many of these (40 per cent or 690,000) are in families where all the adults work full-time. There is little scope for these adults to work more hours to escape poverty; they will need higher pay or more generous social security.

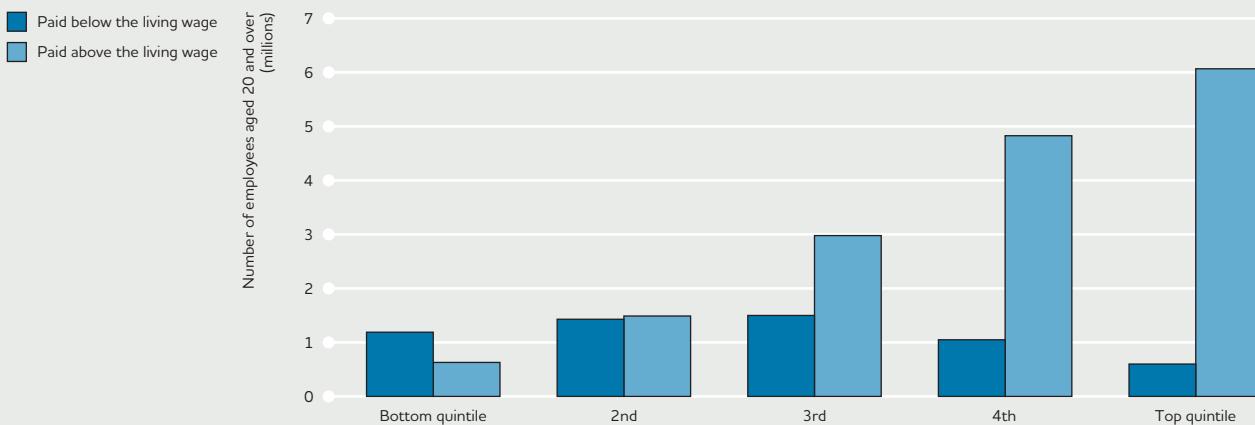
For those in poverty where all the earners in the family are paid above the living wage (1.3 million adults), almost half are working full-time with a non-working partner. Part of the reason for these people to be in poverty despite above living wage pay rates and full-time hours is that they are supporting a non-working partner. A further 27 per cent only have part-time earners (and may have a non-working partner), while the remainder (350,000) are all working full-time at or above the living wage. This shows that even working full-time with a living wage may not be enough to get a family out of poverty.

## Work

## Low pay and household income

## Indicator: 16A

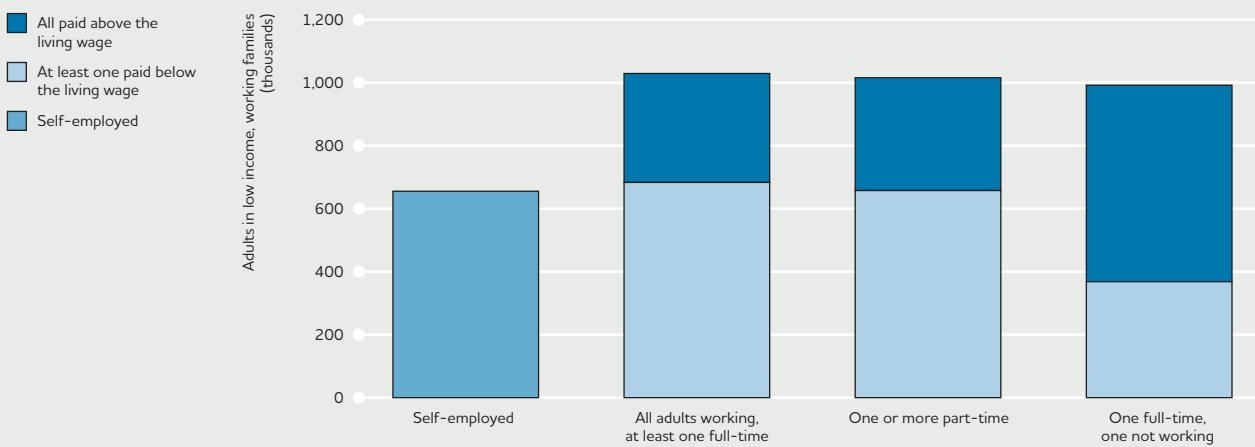
Low-paid people are spread evenly across the bottom three-fifths of the household income distribution. Very few people who are not low-paid are in the lowest fifth.



Source: Family Resources Survey, DWP; the data is for the UK

## Indicator: 16B

Excluding the self-employed, over half of adults in low-income, working households live in a family where at least one earner is paid below the living wage.



Source: DWP Family Resources Survey, 2008/09 to 2010/11; the data is for the UK

The first graph shows adult employees (i.e. excluding the self-employed) aged over 19 by their household income quintile after housing costs. The data is an average over three years from 2008–09 to 2010–11. The living wage is the 2011 living wage deflated by earnings for previous years.

The second graph presents the same data according to whether the adult works full-time or part-time. Full-time here is defined as working 24 or more hours a week.

## 17 In-work training

**People with no qualifications are much less likely to receive in-work training than those with a qualification.**

Those with qualifications are more than three times as likely to receive in-work training than those without. In 2012, 8 per cent of those without qualifications had received training compared with 27 per cent of those with qualifications.

The number of both has fallen since 2002, when 11 per cent of those without qualifications received training and 32 per cent with qualifications received training. The decline in those receiving training for both levels of qualifications appears to have stabilised since around 2009. The ratio of those without qualifications receiving training to those with qualifications receiving training has remained constant over the ten years from 2002 to 2012.

40 per cent of those with qualifications in the public sector receive training, compared with around 23 per cent of those with qualifications in the private sector. Twice the proportion of those without qualifications in the public sector receives training than in the private sector (16 per cent and 7 per cent respectively). Full-time employees are also more likely to receive training than part-time workers at both qualification levels (28 per cent compared with 25 per cent for those with qualifications, 9 per cent compared with 6 per cent for those without). Women with qualifications are more likely to receive training than men with qualifications (30 per cent of women compared with 25 per cent of men).

The difference between the proportion of public and private sector employees receiving training is the largest of the three groups shown and is not substantially different for those men and women without qualifications (at 8 per cent and 9 per cent respectively). These figures matter because training is a key part of career progression. Especially for those with no existing qualifications, in-work training can allow them to progress to better paid and more secure employment.

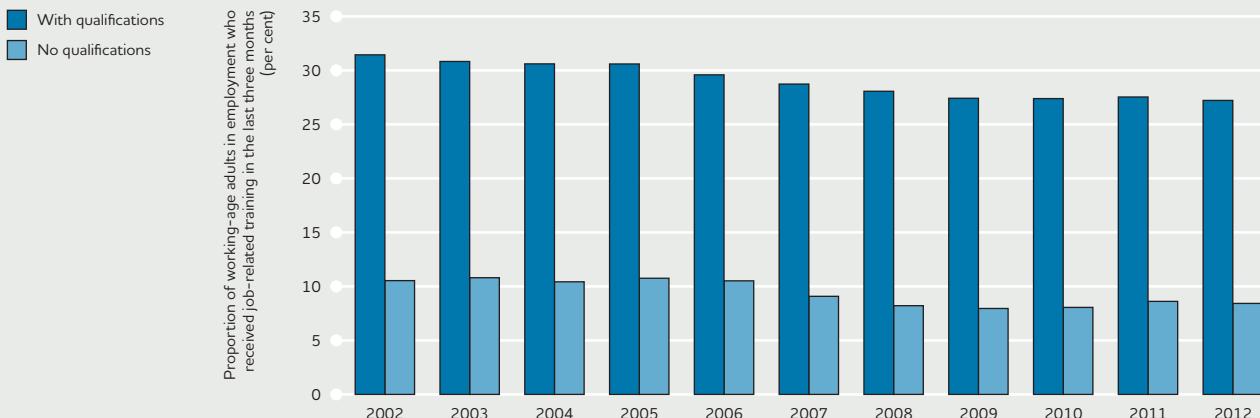
The gender difference can probably be explained by the fact that women are more likely to be in the public sector than men. Given the amount of public sector job cuts and the growth of part-time employment, the prospects for rising in-work training are unsatisfactory.

## Work

## In-work training

## Indicator: 17A

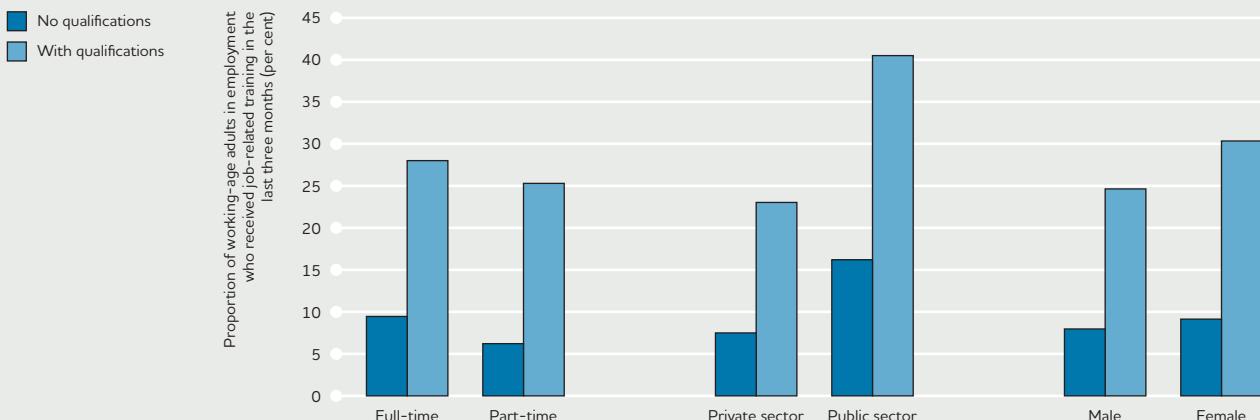
The proportion of people receiving in-work training has fallen over the last decade for those with and without qualifications. Those with qualifications are still far more likely to receive training than those without.



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

## Indicator: 17B

In-work training rates are higher for full-time employees, public sector employees and female employees regardless of qualification level.



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

The first graph shows the proportion of employees over time who received in-work training in the three months before 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 2012 survey broken down by those with and without a qualification, public and private sector, full-time and part-time, and male and female. 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.

## 18 Insecure work

**In 2012 an estimated quarter of a million people were employed on a zero-hours contract, an increase of a third since 2011.**

A phenomenon which has attracted a lot of attention recently is that of zero-hours contracts. There are concerns over the accuracy of the statistics for these measures, with the ONS expected to release a new set of estimates in 2014. The following figures are therefore only suggestive.

On the basis of these estimates, in 2012 there were around 250,000 employees in the UK on zero-hours contracts. The low point was 110,000 in 2004 and the figure had been climbing before the onset of recession. In 2000, there were 220,000 employees on zero-hours contracts.

The average number of weekly hours actually worked by those on zero-hours contracts has fallen sharply since 2000 from 28 hours per week to 21 hours per week in 2012. Over the same period, average weekly hours actually worked by all employees have fallen from around 33 hours to 32 hours. This suggests a much more rapid decline than that experienced by the labour market in general.

These figures mask one of the key criticisms of zero-hours contracts, which is the potential for variability week to week. The average of 21 hours per week will vary across people but also across time: some people may have full-time hours one week, but fewer the next.

The number of people employed on a temporary contract because they were unable to find a permanent contract has fallen slightly (around 18,000) between 2012 and the first half of 2013 to stand at around 620,000 people. This is 39 per cent of all those on temporary contracts. Between the low point in 2008 and 2013 there are over 250,000 more people employed on temporary contracts but wanting a permanent job.

The peak of this measure following the 2008 recession in 2012 remained lower than the previous peak in 1995, both in terms of numbers (680,000 compared with 640,000) and the proportion of those on temporary contracts (43 per cent compared with 40 per cent).

## Work

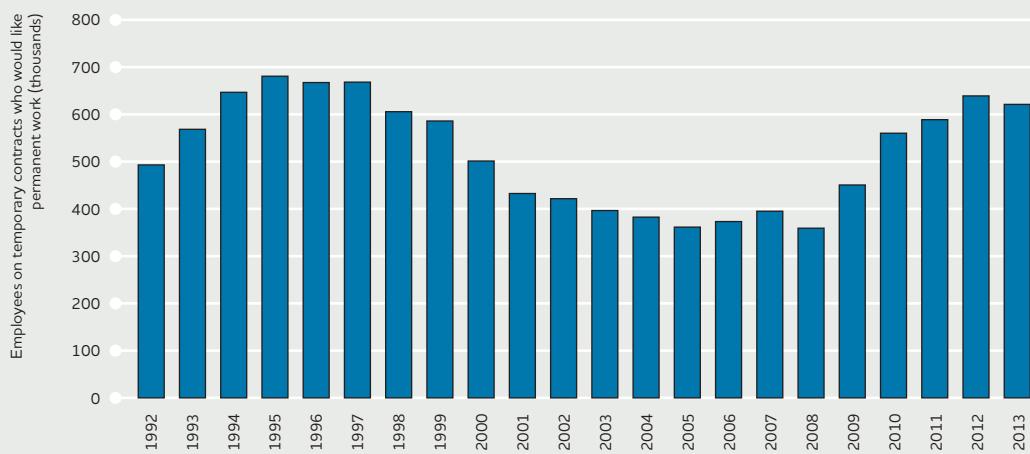
## Insecure work

**Indicator: 18A**

Source: Additional zero hours contract estimate, ONS; the data is for the UK

**Indicator: 18B**

The number of temporary employees who want permanent work has fallen for the first time in six years having risen by a quarter of a million since 2008.



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

The first graph shows the number of employees on a zero hours contract over time on the left hand axis, and the average hours actually worked per week by those on zero hours contracts on the right hand axis. This data is from a special ONS statistical release updating previous estimates. The ONS has commissioned further research into zero hours, as it is feared the current numbers may be an underestimate.

The second graph shows the number of people in temporary contracts who would like a permanent contract.

## 19 Unemployment by local authority

**Local authorities with high unemployment rates tend to be concentrated in big cities.**

**The North East also has a large number of areas with high unemployment rates.**

**Conversely, in the South East and West there are few areas with high unemployment.**

The map shows the unemployment rate in the local authorities in England, Scotland and Wales. The figure is an average of the last three years, so can be seen as a picture of unemployment across Great Britain after the crash.

High rates of unemployment can be found in almost all parts of the country. The five authorities with the highest rates of unemployment are Middlesbrough in the North East, Blaenau Gwent in Wales, Newham in London, Hull in Yorkshire and the Humber and Thanet in the South East.

But the South East and West have only one authority each with an unemployment rate over 11 per cent – far less than other parts of the country. The East of England has two. Scotland (with rather more local authorities), the North East and the West Midlands have five each.

Around half of the boroughs in London have an unemployment rate above 9 per cent, compared with around a quarter on average. This is worth bearing in mind when thinking about London as the UK's economic powerhouse – it still has high levels of unemployment and poverty. Many of the jobs in London are done by people living outside the 32 boroughs and commuting. So higher unemployment in London is the price of lower unemployment in the South West, but especially the South East and East of England.

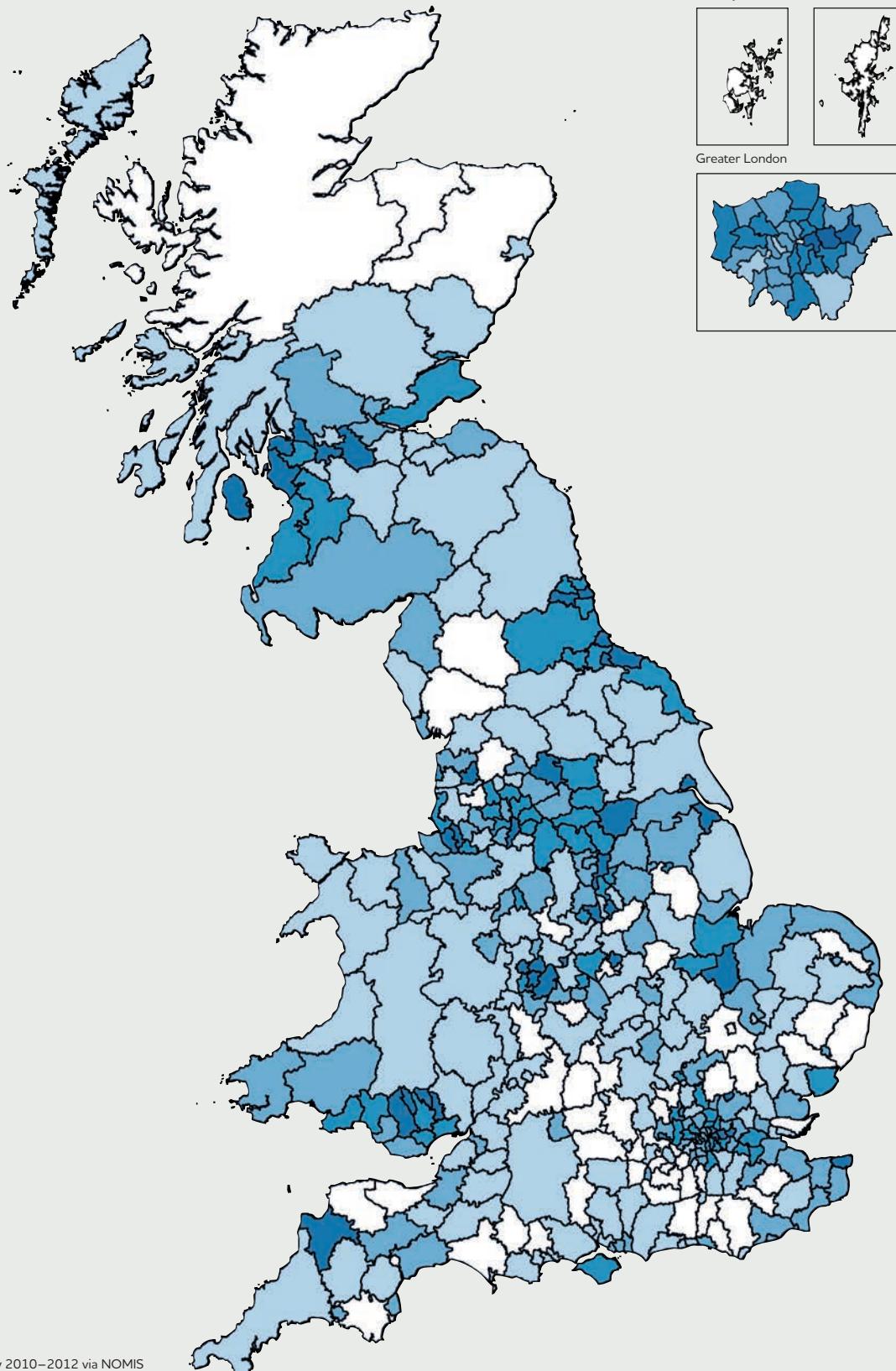
Still it is the North East that stands out most. Eleven of twelve local authorities have an unemployment rate above 9 per cent.

The map shows the unemployment rate in different local authorities in Great Britain. This rate is derived by dividing the number of people who are unemployed by the number who are either employed or unemployed. For greater accuracy, a three-year average is used.

Work

## Unemployment by local authority

Indicator: 19



Source: Annual Population Survey 2010–2012 via NOMIS

## Commentary

It is in some sense the conventional wisdom that the labour market is doing well, or rather doing well given a lack of growth. It certainly no longer appears to be getting worse – unemployment and underemployment have both stopped rising, and the number of people in workless households has fallen. Government ministers have referred to the highest ever number of people in employment as evidence of winning the 'global race' for competitiveness ([www.gov.uk/government/news/welcome-fall-in-long-term-unemployment](http://www.gov.uk/government/news/welcome-fall-in-long-term-unemployment)), though the rising population makes this boast rather empty.

But it is correct that unemployment has not increased as much as in previous recessions: those in the 1980s and early 1990s saw unemployment rates frequently over 10 per cent, whereas since 2008 they have remained around 8 per cent. Labour market problems are now appearing in different ways, such as the still record high number of people who are underemployed, large levels of youth unemployment, and real wages that have fallen almost every month for over three years.

These are essentially problems of inadequate demand. The demand for labour is currently insufficient to reduce unemployment and increase real wages. Numerous researchers have been extolling the benefits of full employment; the idea of an employment rate sufficiently high that effectively everyone who wants a job can get one. The operational definitions of full employment vary between proponents, but some of the possible benefits are increasing real wages (as argued by American economists Jared Bernstein and Dean Baker ([www.epi.org/publication/books\\_full\\_employment/](http://www.epi.org/publication/books_full_employment/)) and greater sensitivity to those currently excluded from the labour market such as the disabled (as argued by the IPPR in a recent report ([www.ippr.org/publication/55/11002/a-job-for-everyone-what-should-full-employment-mean-in-21st-century-britain?](http://www.ippr.org/publication/55/11002/a-job-for-everyone-what-should-full-employment-mean-in-21st-century-britain?))). It might also help resolve other labour market problems; if you want secure employment, why would you take a zero-hours contract when there are alternatives? The current problem is a lack of alternatives.

Given that work is an important route out of poverty, and the benefits of higher real wages and employment would be felt by more than just the direct beneficiaries, ensuring the maximum level of employment consistent with non-accelerating inflation should be a much higher – if not the highest – priority for government.

## Chapter 3

# **Education**

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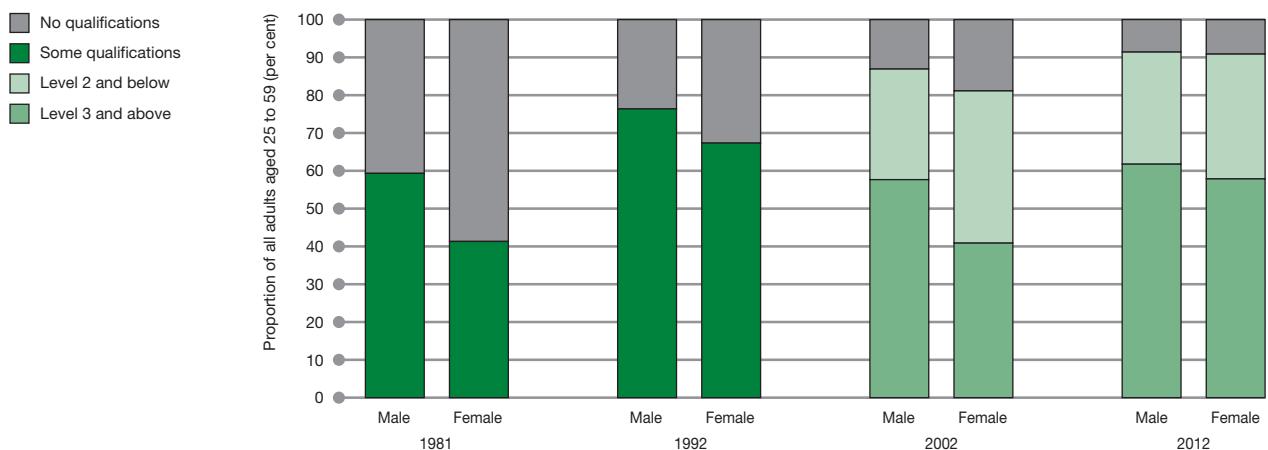
## Introduction

The background to this chapter is the huge change in the overall level of qualifications in the working-age population. The graph below takes a long-term view, starting in 1981, and looks at how the composition of working-age qualifications has changed over the last 30 years.

Due to the type of data available, we can only look at certain types of qualifications from 1981 and 1991. What we can say is that in 1981, around 40 per cent of men and 60 per cent of women aged 25–59 had no qualifications at all. By 1991, this had fallen to 25 per cent and 30 per cent; note the fall in the gap between men and women.

If we look over the last ten years, the proportion lacking any qualification fell from 15 per cent for men and 20 per cent for women to around 10 per cent for both. We can break these figures down further, by looking at those who have qualifications of below Level 2 (5 GCSEs) and those above this level. The change there has been just as pronounced, particularly for women. In 2002, just over 40 per cent of women had qualifications above Level 2. Now it is just under 60 per cent, a rise of 17 percentage points. Over the same period the level for men rose by 4 percentage points to just over 60 per cent.

### The proportion of adults lacking qualifications



Source: LFS, ONS; the data is for the UK

As overall levels of qualifications rise the gaps between those with and without qualifications matter even more. Following on from this, this chapter will focus largely on the persisting gaps in educational attainment.

## Choice of indicators

This chapter focuses on education and qualifications. The links between poverty and educational attainment are clear. A basic level of educational attainment is necessary in order to gain well-paid work, without which one is likely to be at risk of poverty. Meanwhile, growing up in poverty tends to impact negatively upon a child's ability to attain the expected educational standards, which in turn impedes access to well-paid work later in life. In this way, poverty risk is often transferred from one generation to the next.

This chapter begins by looking at **educational attainment at age 11 and 16**. The analysis considers differences in attainment by gender, subject or region and is typically broken down by free school meal (FSM) status.

We then go on to analyse the **performance of schools** with high proportions of FSM students to determine the impact of a higher intake of poor students 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 indicator on **qualifications among young adults** is especially topical given that young adult unemployment is at a record high. We therefore look at underachievement at age 19 and the breakdown of those going on to higher education following completion of second level education. The final indicator looks at the **relationship between the level of qualifications and risk of unemployment and low pay**.

## 20 Attainment at age 11

**Following four years of little progress in reducing educational under-attainment at age 11, there have been noticeable decreases in the last year. However, gaps persist between pupils receiving free school meals and other pupils.**

In 2012, 15 per cent of 11-year-olds did not attain Level 4 or above (the expected standard) in English and 16 per cent did not achieve this level in maths. These figures were down 10 and 11 percentage points respectively on ten years earlier.

While the proportion of pupils not attaining Level 4 at the end of Key Stage 2 had been steadily decreasing since 2002, from 2008 onwards this downwards trend stalled. In the case of English the fall reversed as there was a slight increase in the proportion of students not attaining the expected standard.

However, between 2011 and 2012, the proportion of 11-year-olds not attaining these expected standards dropped by 3 percentage points for English and 4 percentage points for maths. These decreases are notable both in that they signal the end of the almost flat trend of the last few years and represent the largest year-on-year decrease in under-attainment at age 11 in the last decade.

Those receiving free school meals are twice as likely to lack Level 4 or above in English and maths. This is true for both boys and girls. In 2012, 37 per cent of boys in receipt of free school meals did not attain Level 4 or above, compared with 19 per cent for other boys. Similarly, 31 per cent of girls receiving free school meals did not attain Level 4 or above, compared with just 15 per cent for girls not receiving free school meals. The FSM 'gap' is therefore bigger for boys than girls.

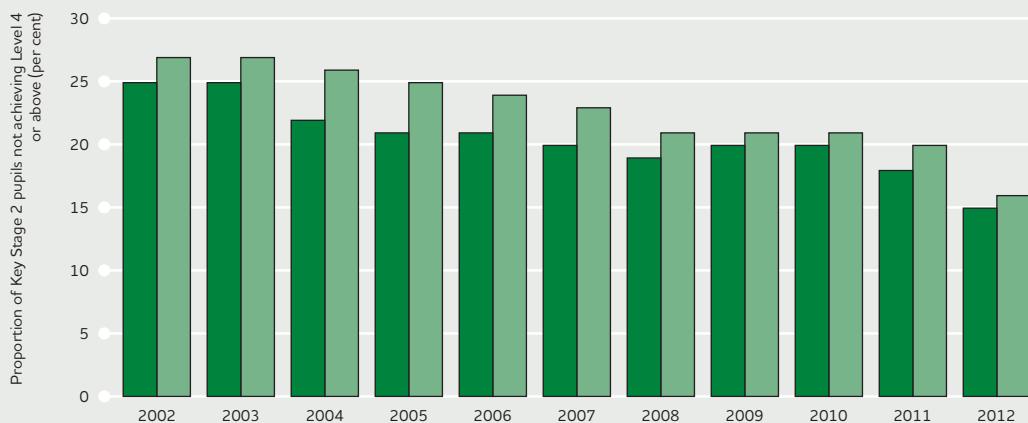
Indeed, the statistics show a clear gender attainment gap which is apparent among both FSM and non-FSM students: this gap is 6 percentage points among FSM students and 4 percentage points among their non-FSM peers.

## Attainment at age 11

### Indicator: 20A

Following four years of little change, 2012 saw the biggest year-on-year decrease in the proportion of 11-year-olds failing to meet the expected standards in the last decade.

English  
Mathematics

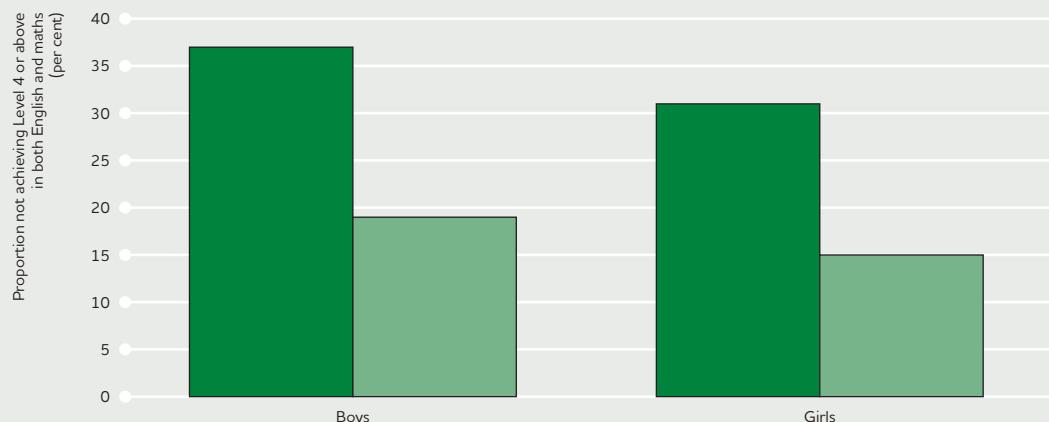


Source: National Student Database, National Curriculum Assessments at Key Stage 2 in England, DFE

### Indicator: 20B

Pupils in receipt of free school meals are twice as likely to not achieve Level 4 or above in English and maths.

Free school meals  
Non-free school meals



Source: National Student Database, National Curriculum Assessments at Key Stage 2 in England, DFE, 2012

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

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 means-tested out-of-work benefits, i.e. they have to be workless. While this is the best available proxy measure, it excludes children in low-income working families – around half of the children in low-income households – and also excludes those who are eligible for but don't claim free school meals.

## 21 Attainment at age 16

**Differences in attainment at age 16 among pupils receiving free school meals (FSM) and other pupils are striking. While national level data appears to show a fairly constant FSM gap, this gap varies a lot by ethnicity.**

There are significant differences in the proportions not attaining at least five GCSEs A\*– C (including English and maths) by free school meal (FSM) status. In 2011/12, under-attainment on this measure was 64 per cent for those pupils receiving free school meals compared with 37 per cent of students not in receipt of free school meals.

Since 2006/07, there has been a fall in the proportion of students in receipt of free school meals not attaining at least five GCSEs A\*– C (15 percentage points). However, this drop is not significantly larger than the drop among students not in receipt of free school meals (13 percentage points). Rather, the free school meal ‘gap’ has remained relatively constant in recent years, falling only 2 percentage points over a six-year period.

Progress in reducing the proportion of students not achieving the expected standards at age 16 has slowed for both FSM and non-FSM students. Since 2006/07 the proportion of students not attaining at least five GCSEs A\*– C fell by between 3–5 per cent each year, while in 2011/12 the drop was less than 2 percentage points. Recent changes to exam marking aimed at ending ‘grade inflation’ are likely to be responsible for this slowdown, rather than any fall in teaching standards.

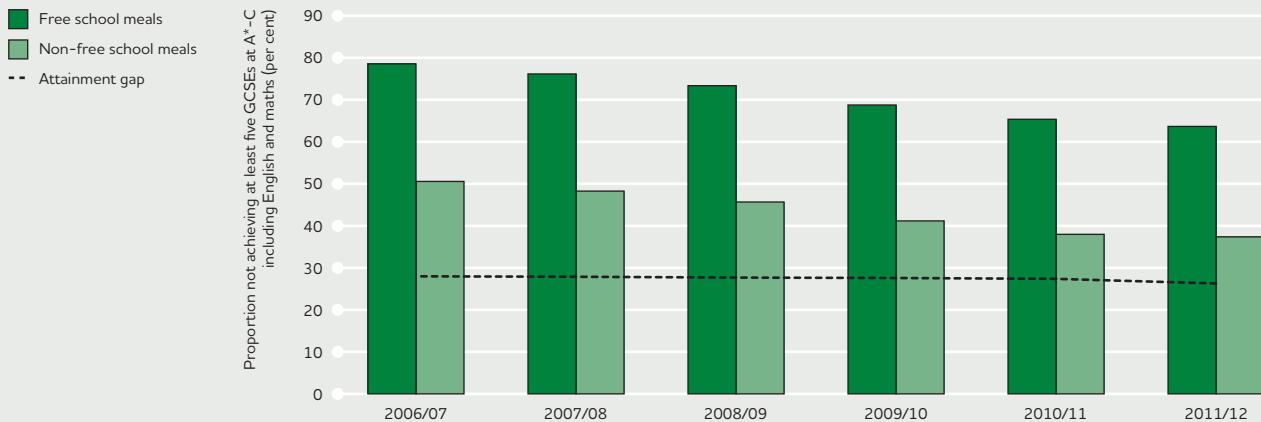
Looking at this same data broken down by ethnicity, the difference in the proportions not attaining at least five GCSEs A\*– C (including English and maths) is even more striking. Among students not receiving free school meals the range is from 23 per cent for Chinese pupils to 47 per cent for Black Caribbean pupils. There is considerably more variation, however, among students who are in receipt of free school meals, with the lowest proportion of under-achieving students again from a Chinese background, compared with 70 per cent of White British FSM students failing to achieve five good GCSEs.

In 2012, the biggest gap in attainment based on free school meal status was among White British pupils (32 percentage points) followed by Indian pupils (18 percentage points). The attainment gap was smallest among Bangladeshi pupils (6 percentage points) and Chinese pupils (9 percentage points).

## Attainment at age 16

### Indicator: 21A

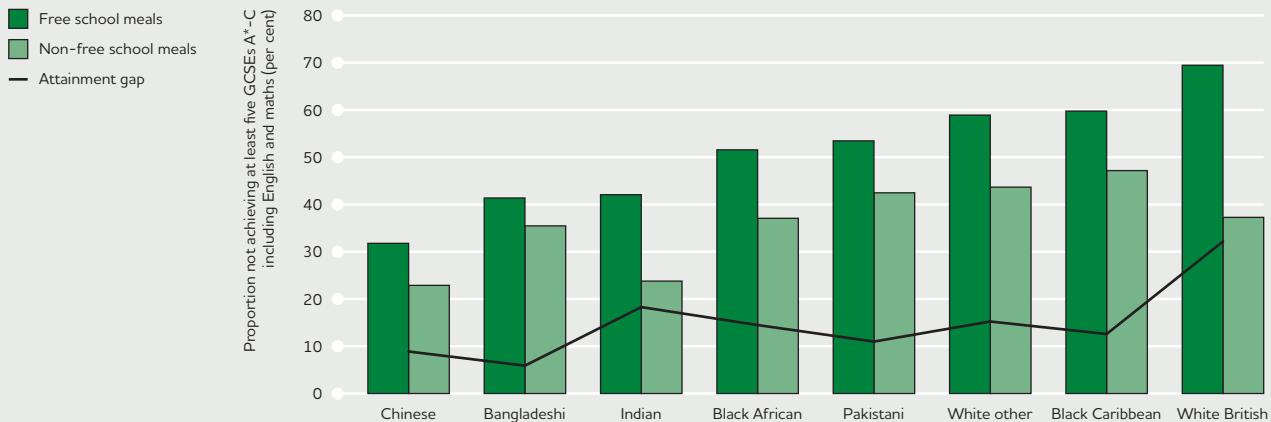
While the proportion of students receiving free school meals but failing to meet expected standards has steadily decreased, the free school meals 'gap' has remained almost constant.



Source: GCSE and equivalent attainment by pupil characteristics in England, DFE

### Indicator: 21B

More than two-thirds of White British students in receipt of free school meals lack five good GCSEs, higher than any other ethnic group.



Source: Department for Education, 2011/12; the data is for England

The first graph shows the proportion of 16-year-old pupils lacking 5 GCSEs at A\*- C including English and maths.

The second graph shows, for the latest year, the proportion of pupils failing to achieve 5 A\*- C grades including English and maths by ethnicity and broken down by whether or not they receive free school meals.

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

To receive free school meals, parents have to receive means-tested out-of-work benefits, i.e. they have to be workless. While this is the best available proxy measure, it excludes children in low-income working families – around half of the children in low-income households – and also excludes those who are eligible for but don't claim free school meals.

## 22 School performance at GCSE

**The likelihood of a school falling below the floor standard is much higher when it has a higher proportion of students in receipt of free school meals. Schools in London are the exception to this rule.**

There is considerable variation in the proportion of schools failing to reach the floor standard by the proportion of students receiving free school meals (FSM). The floor standard refers to the performance threshold for mainstream maintained secondary schools set out by the Department for Education. In schools where FSM pupils made up less than 10 per cent of the total pupils at GCSE, less than 1 per cent failed to reach the floor standard. The proportion of schools failing to meet the floor standard increases to 6 per cent among schools with between 21 and 30 per cent of FSM students and 13 per cent among schools with between 31 and 40 per cent of FSM students. 16 per cent of schools with more than 40 per cent of FSM pupils failed to reach the floor standard.

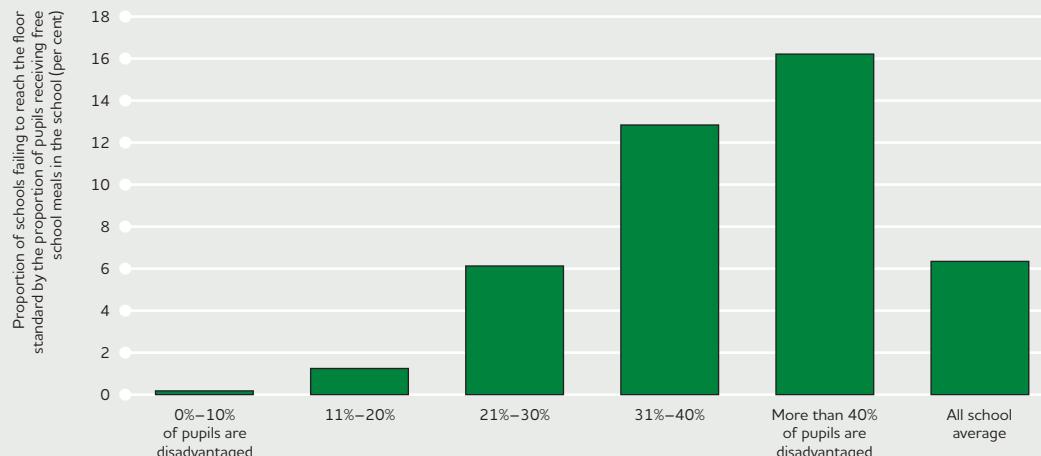
A more detailed look at this same data suggests, however, that the relationship between the proportion of FSM students and the success of a school is not a straightforward one: where a school is located may also play a role.

Most strikingly, London, which has the highest average proportion of disadvantaged pupils of all regions (38.5 per cent), has the lowest proportion of failing schools (3 per cent). Conversely, the East Midlands has the highest proportion of failing schools in England (11 per cent) and yet it has the sixth lowest average proportion of FSM students (21.5 per cent). Furthermore, even when regions differ little on one measure, there may be considerable differences between the given regions on the other: for example, despite the FSM intake being about the same, the proportion of failing schools in the South West is less than half that of the East Midlands.

## School performance at GCSE

### Indicator: 22A

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

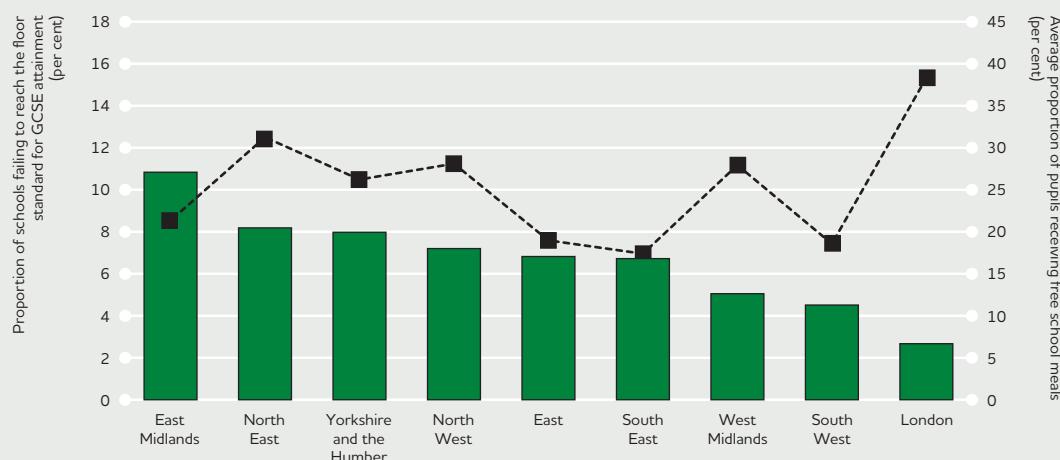


Source: Department for Education; the data is for England

### Indicator: 22B

Despite having the highest proportion of students receiving free school meals, London has the lowest proportion of schools below the floor standard.

■ Proportion of failing schools (left-hand axis)  
- - - Average proportion of disadvantaged pupils (right-hand axis)



Source: Department for Education, 2011-12; the data is for England

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

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

For 2011/12, 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 40 per cent of pupils at the end of Key Stage 4 (KS4) achieving five or more GCSEs A\*– C (or equivalents) including English and maths GCSE; or a below average proportion (median for 2010 was 70 per cent) of pupils at the end of KS4 making expected progress in English; or a below average proportion (median was 70 per cent) of pupils at the end of KS4 making expected progress in maths. The vast majority of schools not reaching the floor standard fail to meet the first of these criteria.

## 23 Looked-after children

Looked-after children are twice as likely as their peers to lack five good GCSEs, while over a third are not in education, employment, or training (NEET). Since 2004 the proportion staying in contact with services has fallen significantly.

The proportion of children in the care system (looked-after children) who do not obtain five good GCSEs A\*– C is far higher than for children on average. In 2012, about 85 per cent of looked-after children did not reach this threshold. This compares with about 42 per cent for all children.

While the percentage of looked-after children not reaching this standard has fallen gradually over the period 2008 to 2012, the progress was greater for children in general. For looked-after children, the number who did not obtain five good GCSEs fell 4.4 percentage points, compared with 11.5 percentage points for all children.

However, as the fall in the proportion of looked-after children failing to achieve five good GCSEs in 2012 was higher than the fall for all children, for the first time in five years there is some indication that the attainment gap may be closing.

In the period 2004 to 2009, the number of looked-after children who have left care but remained in contact with services declined from around 15 per cent to 6 per cent and has remained around this level.

Meanwhile, the proportion of care leavers who are not in education, employment and training (NEET), which had remained around 29 per cent in the five years up to 2008 has been increasing. While in 2008, 29 per cent of care leavers were NEET, this figure had risen to 37 per cent by 2012, with the largest year-on-year increase between 2011 and 2012 (4 percentage points).

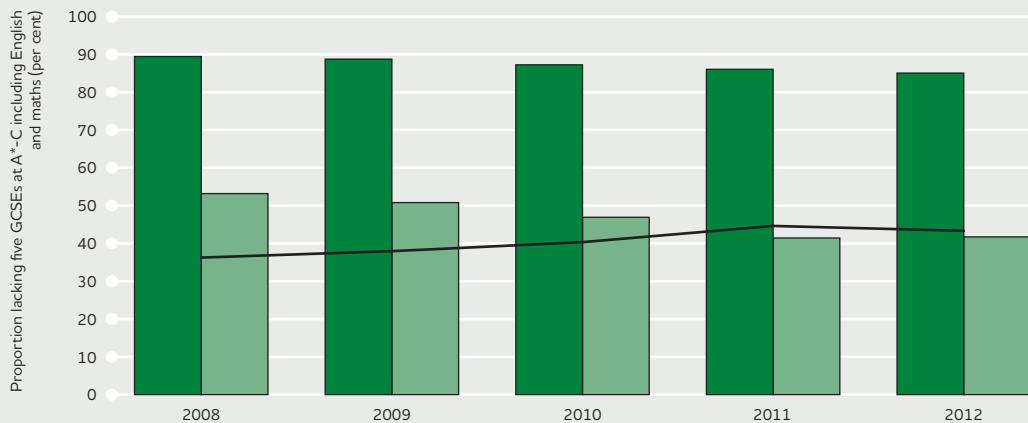
The total figure includes those who are NEET for reasons of illness and disability and those who are NEET for other reasons. However the increase from 2008 consists entirely of a rise in the second of these categories.

## Looked-after children

### Indicator: 23A

85 per cent of looked-after children lack five good GCSEs, twice the average. The gap between care leavers and other pupils is growing.

█ Looked-after children  
█ All children  
— Attainment gap

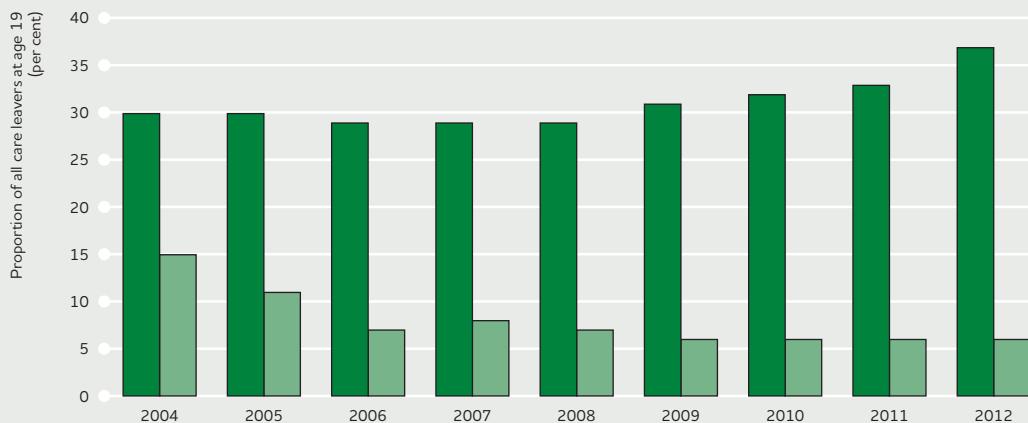


Source: Department for Education; the data is for England

### Indicator: 23B

The proportion of care leavers not in education/training/employment rose sharply in the last year.

█ Not in education/  
training/employment  
█ Not in touch with  
services



Source: Department for Education; the data is for England

The first graph shows the performance of children who have been looked after continuously for at least twelve months. It shows the proportion of looked-after children who obtained fewer than five GCSEs at A\*- C including English and maths as well as the figure for all children – the national average.

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 or not in touch 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 either so a decrease in the level losing touch should be considered an improvement.

## 24 Attainment at age 19

**The attainment gap between pupils receiving free school meals and other pupils has closed for Level 2 but not Level 3 qualifications. The proportion of students going on to higher education is considerably higher in London, both for FSM and non-FSM students.**

In 2012, 31 per cent of 19-year-olds eligible for free school meals (FSM) in Year 11 lacked a Level 2 qualification (GCSEs graded A\*– C and equivalents) and 66 per cent did not have a Level 3 qualification (AS/A levels and equivalents). This compares with 14 per cent of non-FSM 19-year-olds lacking a Level 2 qualification, less than half the FSM level. Similarly a total of 42 per cent of non-FSM students lacked a Level 3 qualification, 24 percentage points lower than among FSM students.

Since 2005, the proportion of FSM students without a Level 3 qualification has decreased by about 14 percentage points. This, coupled with the same decrease in the proportion of non-FSM students lacking a Level 3 qualification, has meant that the Level 3 attainment gap has remained around 25 per cent.

There has however been some progress in reducing the Level 2 attainment gap. This gap has narrowed by 11 percentage points over the period, primarily due to significant decreases in the proportion of FSM students lacking Level 2 qualifications.

There is considerable regional variation in the proportion of students going on to higher education aged 18 in 2009/10 or 19 in 2010/11. This ranged from 34 per cent in the South West to 48 per cent in Outer London for students not in receipt of free school meals, while this variation is much more pronounced among FSM students where it ranged from under 13 per cent in the South West and North East to 38 per cent in Inner London.

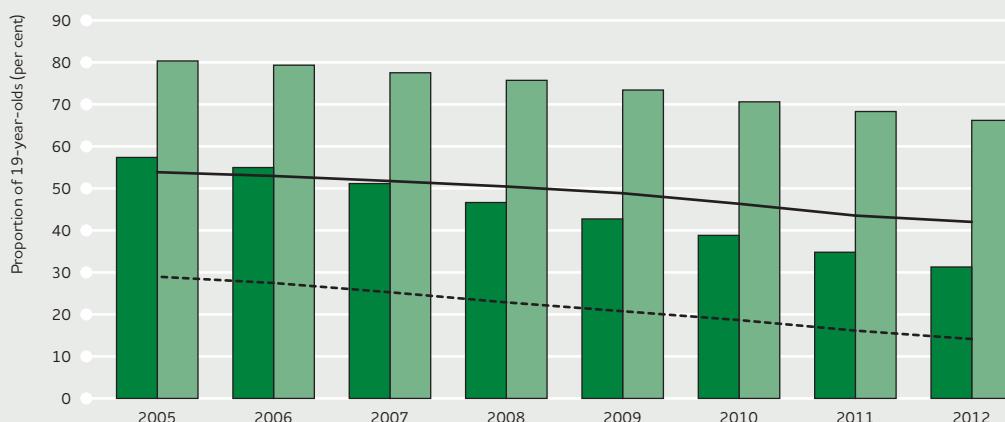
Students in London schools are more likely than elsewhere to go on to higher education. This is true within FSM categories – as FSM and non-FSM students outperform their respective peers outside of London – as well as across them. For instance, students in receipt of free school meals in Inner London are more likely to go on to higher education than non-FSM students in all regions outside of London.

## Attainment at age 19

### Indicator: 24A

31 per cent of 19-year-olds who had been eligible for free school meals (FSM) in Year 11 lacked a Level 2 qualification, more than double the non-FSM level.

- Free school meals without Level 2
- Free school meals with Level 2, without Level 3
- Average without a Level 3 qualification
- Average without a Level 2 qualification

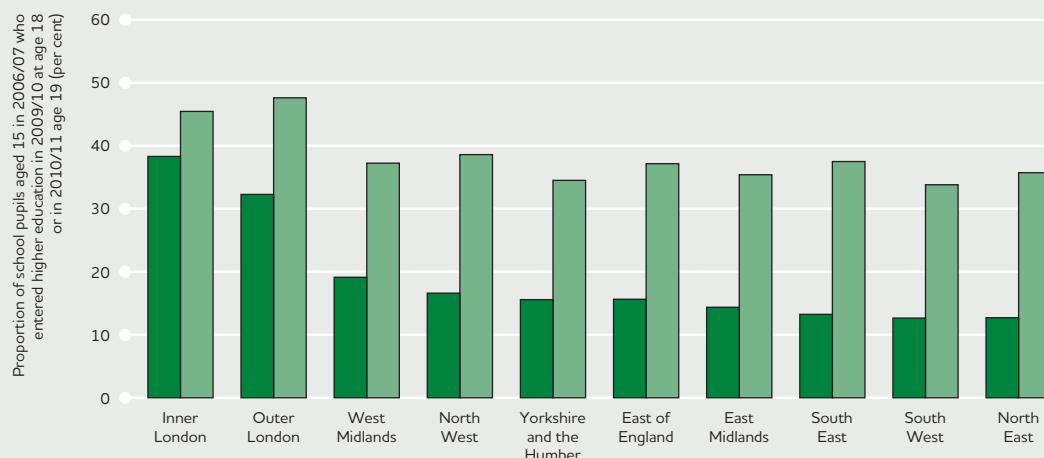


Source: Department for Education; the data is for England

### Indicator: 24B

Students in receipt of free school meals in Inner London are more likely to go on to higher education than non-FSM students in all regions outside of London.

- Students eligible for free school meals
- Students not eligible for free school meals



Source: Department for Education; the data is for England

The first graph shows the proportion of 19-year-olds that 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 the proportion of pupils going on to higher education by region and free school meal status.

Level 2 qualifications include GCSEs grades A\* – C and equivalents. Level 3 qualifications include A Levels and equivalents.

## 25 Qualifications and employment

**The risk of lacking but wanting work is higher and has increased more for those with lower qualifications, but in 2012/13 a fifth of the unemployed had a higher education qualification.**

In 2012/13, more than one in five people with no qualifications lacked or wanted work. This level falls as qualification level rises; one in twenty people with a degree lacked and wanted work.

For each level of qualification the proportion of adults lacking but wanting work was higher in 2012/13 than ten years earlier. Those with no qualifications and those with only GCSEs saw the biggest growth with the proportion lacking but wanting work increasing by 5 percentage points. The group with the smallest increase were those with a degree, increasing by 1 percentage point.

In 2002/03 there was almost no difference in the risk of lacking but wanting work for those with some form of higher education and those with a degree, but in 2012/13 there was a 2 percentage point gap. The difference between those with GCSEs only and those with an A Level has also grown. In 2002/03 the gap was 2 percentage points; by 2012/13 this had widened to 4 percentage points.

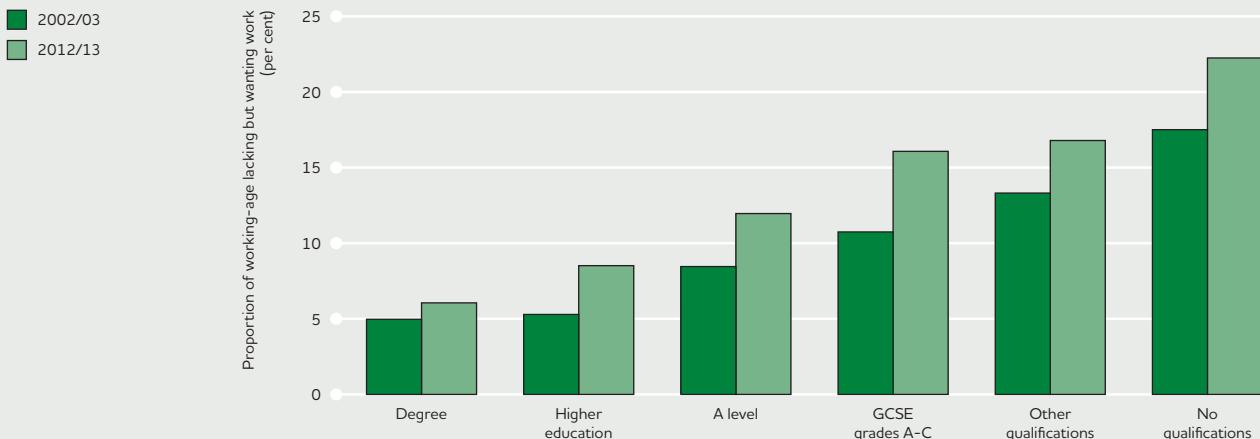
In 2012/13 an average of around 2.3 million people aged 18–64 were unemployed. Almost 800,000 people aged 18–24 were unemployed (a third of the total). The number of unemployed adults aged 25–34 is much lower at 550,000 which in turn is higher than the number aged either 35–44 or 45–54, both at around 400,000.

Around a fifth of the unemployed have some form of higher education (around half a million). This rises to at least a quarter for those aged 25–34 and 35–44.

## Qualifications and employment

### Indicator: 25A

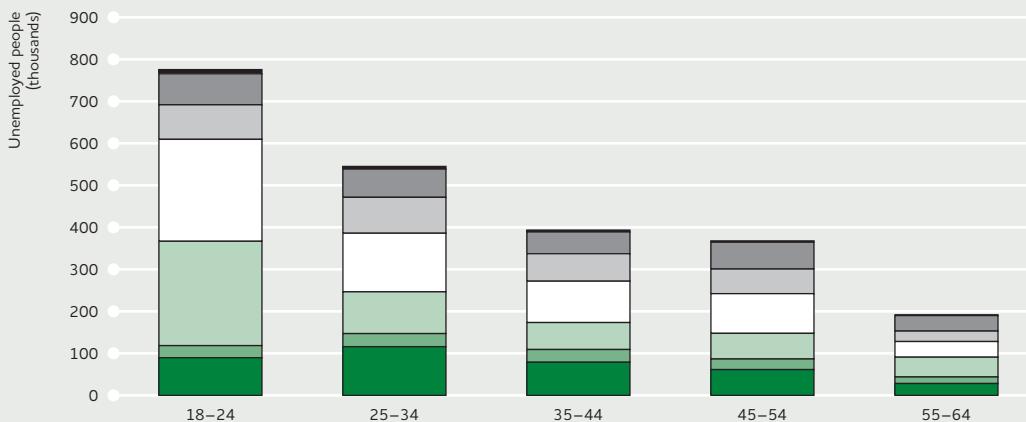
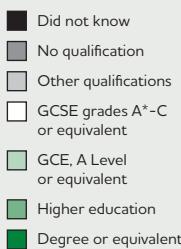
For every level of qualification the proportion of people lacking but wanting work has increased in the last ten years, but the growth has been bigger for those with lower qualifications.



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

### Indicator: 25B

Almost 800,000 people aged 18–24 were unemployed in 2012/13, 200,000 higher than any other age group, and half of them have a post-16 qualification.



Source: Labour Force Survey, ONS; the data is for 2012/13

The first graph shows the proportion of working-age people lacking but wanting work in 2002/03 and 2012/13. The level is shown separately depending on the highest qualification of the individual.

Lacking but wanting work includes the officially unemployed and those wanting work but not counted as unemployed (as they are not immediately available to start work and/or are not actively seeking work).

For the 2002/03 data working-age refers to men aged 16–64 and women aged 16–59. For the 2012/13 data working-age refers to anyone aged 16–64.

The second graph shows the number of people that are unemployed in each age group by their highest level of qualification. The qualification levels include those listed and the equivalent levels of alternative qualifications.

## 26 Attainment among disadvantaged students by local authority

**Many of the local authorities with the lowest proportion of disadvantaged students not attaining the expected standards at age 16 are in London. Conversely, the South East, South West and Yorkshire and the Humber have the worst attainment rates for disadvantaged students.**

There is significant local variation in the proportion of students in receipt of free school meals (FSM) not attaining at least five GCSEs A\*– C including English and maths.

81 per cent of students in receipt of free school meals fail to achieve these expected standards. Peterborough in the East of England has the worst attainment rate of all local authorities in England, followed by West Berkshire in the South East and Barnsley in Yorkshire and the Humber.

On average, the region with the highest proportion of FSM students lacking five good GCSEs is the South East, closely followed by South West and Yorkshire and the Humber.

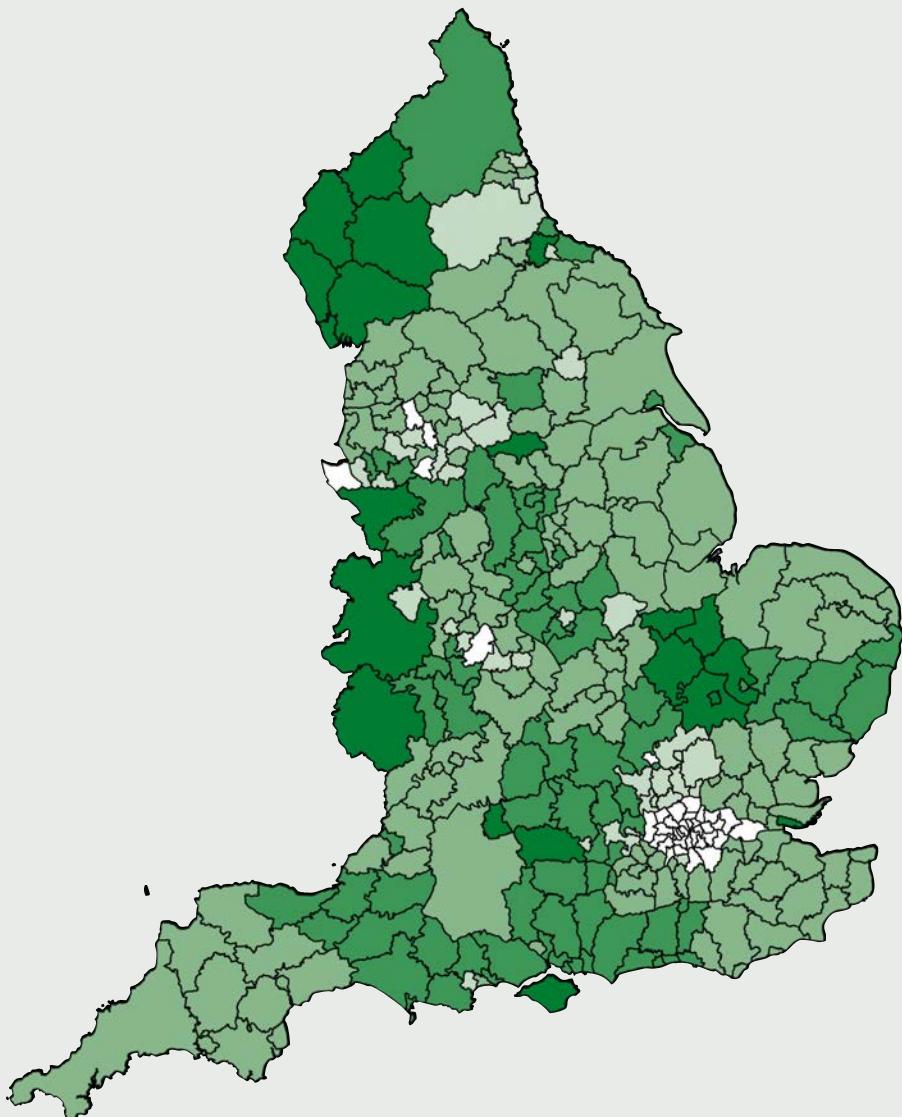
In contrast, the best performing local authority in England was Kensington and Chelsea with 23 per cent of FSM students failing to meet the expected standards. The next best performing authorities were Westminster (35 per cent), Tower Hamlets (41 per cent) and Lambeth (44 per cent). Indeed, 27 of the 30 local authorities with the lowest numbers of FSM students failing to achieve five good GCSEs are in London, with 19 of these in the top 20 best performing authorities.

The best performing local authorities on this measure outside of London were Birmingham in the West Midlands, followed by Trafford and Bury in the North West.

## Attainment among disadvantaged students by local authority

Indicator: 26

- Over 75%
- 70%–75%
- 65%–70%
- 60%–65%
- Under 60%



Source: DFE, GCSE and equivalent attainment by pupil characteristics

This map shows the proportion of children on free school meals who do not attain five GCSEs at A\*– C. The map shows these proportions, for England only, for upper tier local authorities. Here, free school meals are used as a proxy for poverty. A child receives free school meals if their parent(s) receives an out-of-work benefit or child tax credit but not the working tax credit component. As such, children in low-income, working families are not included in this analysis.

## Commentary

The proportion of students failing to reach expected standards has steadily decreased in recent years. This is true for both Key Stage 2 and Key Stage 4 (GCSE) pupils. Indeed, there is a very clear long-term trend in which the population as a whole has become more qualified.

But the differences in attainment due to low income are striking. 'Poor' children (i.e. children receiving free school meals – the best available proxy for low income in education statistics) are consistently outperformed by their 'non-poor' counterparts and progress in reducing this gap has been negligible. However, location also appears to play an important role. London merits particular mention in this respect as its schools/pupils perform better than the rest of the country on a series of measures.

Not only does London have the lowest proportion of underperforming students (27 of the 30 local authorities with the lowest numbers of poor students failing to achieve five good GSCEs are in London), but the educational attainment gap between poor and non-poor students is also significantly smaller in London.

Unsurprisingly, this smaller attainment gap also manifests itself in the proportion of students going on to higher education. This attainment gap is about a third of what it is elsewhere. Indeed, not only are poor students in London more likely to go on to higher education than their peers elsewhere in England, but they are also more likely to go on to higher education than their non-poor counterparts in all regions outside of London.

The successes of state schools in London may be attributable to improvements in leadership and teaching through initiatives such as the London Challenge Programme and Teach First, as well as the presence of many successful academy chains in London. As such, these achievements in London inevitably call into question the recent charges of grade inflation. London saw its grades rise further and faster than any other part of the country and a narrowing of the attainment gap between poor and non-poor students, yet no one argues that these changes were not real.

The challenge for other parts of the country, and indeed other public services, is how to copy this success. Effective public services, that work for those on lower incomes as well as those in the middle, are essential for tackling poverty. London's schools are an example of how professional leadership, funding and sharing good practice can drive up standards for everyone.

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## Introduction

Table 3 shows the major welfare changes since the start of 2012, which is close to when the latest available income data ends (a full table can be found in the appendix). We will not therefore see the impact of these reforms for at least another year, and they include some of the more notable changes. Both the numbers of people or families affected, and the average loss varies widely. In general, the more people affected by a change, the smaller the average affect. For example, 9.6 million people are affected by 1 per cent increases in benefits, and face a relatively small loss of £3 a week (small relative to the other changes). At the other end of the scale, there are 40,000 households losing an average of £93 a week as a result of the overall benefit cap. These changes affect both people in and out of work.

**Table 3: Welfare changes since 2012**

Date	Change	Numbers affected	Average weekly loss
January 2012	Under 35s only eligible for shared room rate of housing benefit	62,500	£41
April 2012	Couples with children need to work 24 hours with at least one working 16 to qualify for working tax credits	212,000 families	Up to £75
May 2012	One year time limit on contributory ESA	700,000 by 2015/16	£36
April 2013	Under-occupancy penalty ('bedroom tax')	660,000	£14
April 2013	Local Housing Allowance uprated by CPI rather than rents	There were 1.39 million LHA claimants in April 2013	Notional loss
April 2013	Council Tax Benefit replaced with local Council Tax Support schemes	2.4 million	£2.65
April 2013	Disability Living Allowance replaced by Personal Independence Payment	450,000 lose existing entitlement by 2018, 607,000 fewer than if DLA had remained	Average amount of DLA received was £78.27 in February 2013
April 2013	Benefits increased by 1% rather than CPI inflation	9.6 million	£3
April 2013	Overall benefit cap (£350 for singles, £500 for others)	40,000 households	£93 (mean), £62 (median)

Note: All reforms apply to Great Britain except the reform of Council Tax Benefit which is England only.

## Choice of indicators

Many social security benefits are means-tested: they top up the income of poorer families (although some benefits are provided regardless of income, such as the state pension and Disability Living Allowance). Most households in poverty will claim or be entitled to some kind of social security benefit.

This chapter explores data on benefit claims which tell us a lot about low-income households. It also looks at how these benefits are changing, as they will inevitably have a direct impact on poverty.

The first indicator puts this discussion of benefits into context by looking at the **value of benefits** in terms of individual claimants and the Treasury, and how this has changed over time.

The following three indicators (**out-of-work benefits, claimant count flows and intervals between claims**) explore the different ways of looking at benefit claims: the overall number of claimants, the duration of claims and the 'churn' in the benefit system.

The next indicator on **tax credits** explores to what extent this benefit, targeted at low-income families with children, has played a role in reducing poverty.

The chapter then focuses on how social security has changed under the current government, first by looking at **changes to benefits in 2013** and then by looking at subtler changes to the conditions for claiming Jobseeker's Allowance in terms of **sanctions** and the **work programme**.

Lastly we look at the overall **benefit claims across the UK**, which shows how these changes to benefits affect some areas more intensely than others.

## 27 Value of benefits

**The value of means-tested benefits has fallen for all groups in real terms in the last three years. The longer term trend is one of increasing expenditure on pensioners and housing benefits.**

Following below inflation rises in three of the last four years, the value of means-tested benefits for pensioners and working-age adults is now 7 per cent lower than five years ago in real terms. The fall for children is less pronounced, at 4 per cent.

A pensioner couple claiming the state pension and full Pension Credit are now entitled to £222.05 per week, down from £238.70 in 2008 (adjusted for inflation). This comes at a time when pensioner incomes are assumed to be protected by the 'triple lock' uprating (whichever is the greatest of consumer price inflation, earnings or 2.5 per cent). But that only applies to the state pension – Pension Credit is not uprated as generously. A working-age couple, in comparison, receives £112.55 – just over half the amount of a pensioner couple.

Despite being lower than inflation, increases in means-tested benefits in 2010 and 2011 were greater than increases in average income (see indicator 1A). These increases helped to keep relative poverty down.

The longer term trend is for pensioner and child benefits to rise and working-age benefits not to rise at all. In fact, the value of benefits for a working-age couple in 2013 is the same, in real terms, as in 1979. Over the same period, pensioner benefits rose by 50 per cent and benefits for children more than trebled. So whereas in 1970 pensioner couples and working-age couples received the same amount of means-tested benefits and both received more than two children did, working-age couples now receive far less than either of the other groups.

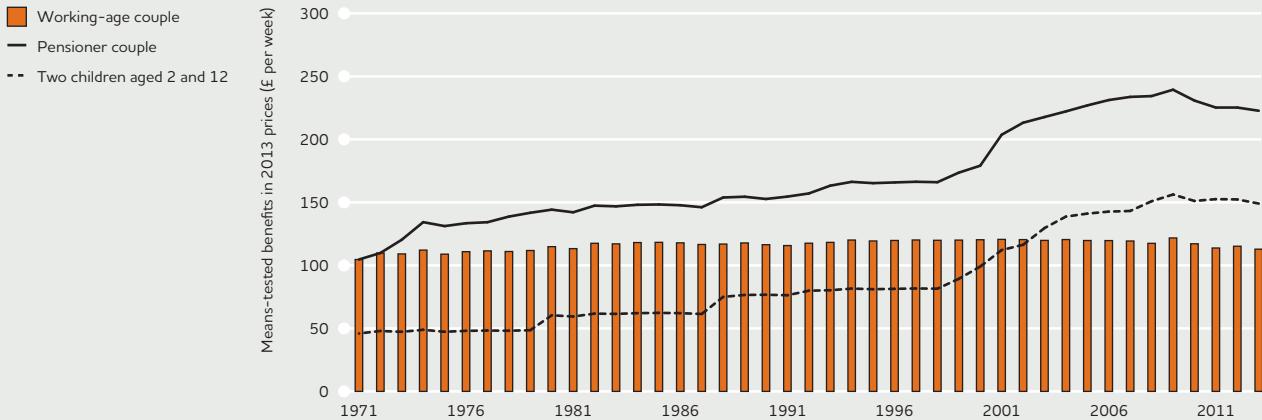
These individual changes can be seen again in the aggregate expenditure. Between 2002/03 and 2012/13, spending on benefits rose from £161 billion to £223 billion (after adjusting for inflation). Of this £63 billion rise, £30 billion is accounted for by the increase in pensioner benefits, which now total £100 billion per year.

Other increases are more modest in comparison, but still substantial. Spending on family benefits (which include Child Tax Credits and Child Benefit) rose from £33 billion to £48 billion. Spending on disability and incapacity-related benefits rose from £28 billion to £36 billion. The housing benefits bill rose from £17 billion to £26 billion, an increase of more than 50 per cent in ten years.

## Value of benefits

### Indicator: 27A

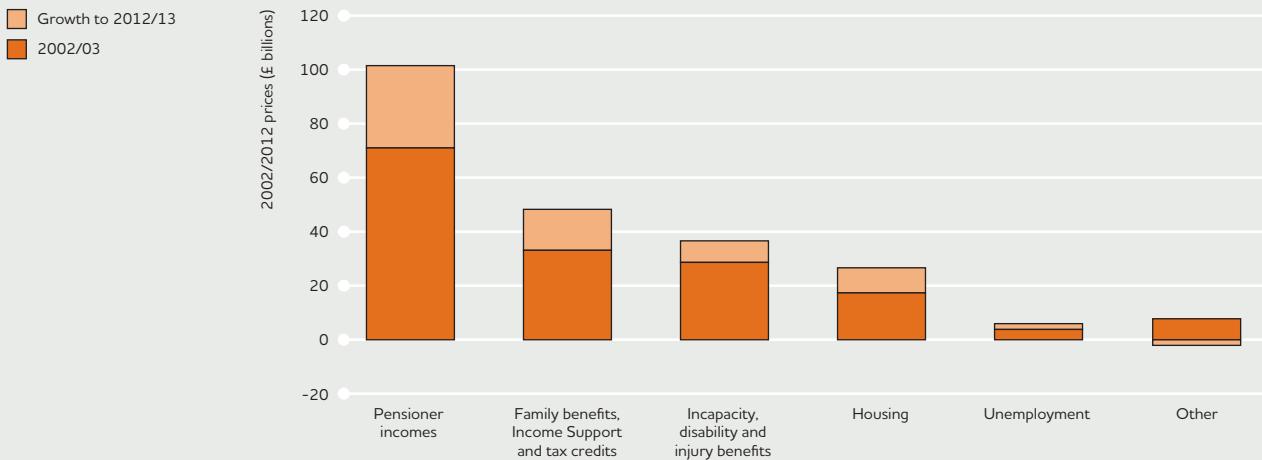
The value of all means-tested benefits has fallen in real terms in the last four years. The longer-term trend is one of rises for children and pensioners, while working-age benefits are back at their 1980 values.



Source: DWP Summary Benefit Expenditure, HMRC receipts; the data is for the UK

### Indicator: 27B

Almost half of the growth in benefit expenditure over the last decade is accounted for by pensioner benefits.



Source: HM Treasury Public Expenditure Analysis 2008 and 2013; the data is for the UK

The first graph shows the real (inflation-adjusted) values of the principal means-tested benefit each year, separately for a working-age couple; a pensioner couple; two dependent children aged two and twelve.

The second graph shows the level of spending in each of the main categories of social security spending in 2002/03 and the growth (after discounting the effects of inflation) between then and 2012/13.

'Pensioner incomes' includes the state retirement pension, Pension Credit and other benefits paid to pensioners on the grounds of their age.

The spending figures are for Great Britain (with component UK data being reduced by 3 per cent to exclude Northern Ireland).

## 28 Out-of-work benefits

**The number of jobseekers claiming an out-of-work benefit is 560,000 higher than a decade ago; the number of claims for incapacity is 300,000 lower.**

In February 2013, some 5.2 million people in Great Britain were claiming an out-of-work benefit. This is around 50,000 lower than a year earlier, but 400,000 higher than five years earlier.

The number of people claiming an out-of-work benefit was on a general downward trend between 2003 and 2008; falling from 5.1 million to 4.7 million, but then increased to 5.3 million in 2009. Almost all of that increase was among jobseekers, the number of which grew from 800,000 to 1.4 million between 2008 and 2009.

Those claiming for incapacity reasons made up the largest share of all claims at 2.5 million in 2013 – a fall of 11 per cent since 2003 when it was 2.8 million. Meanwhile, the number of jobseekers claiming in 2013 at 1.5 million was 60 per cent higher than ten years earlier (950,000).

The number of claimants eligible as lone parents has fallen every year between 2003 and 2013 and now stands at 500,000. Between 2003 and 2008 it fell by 110,000 but between 2008 and 2013 it fell by more than double that at 240,000. This is in part the result of a change in the eligibility criteria to claim an out-of-work benefit as a lone parent rather than as a jobseeker.

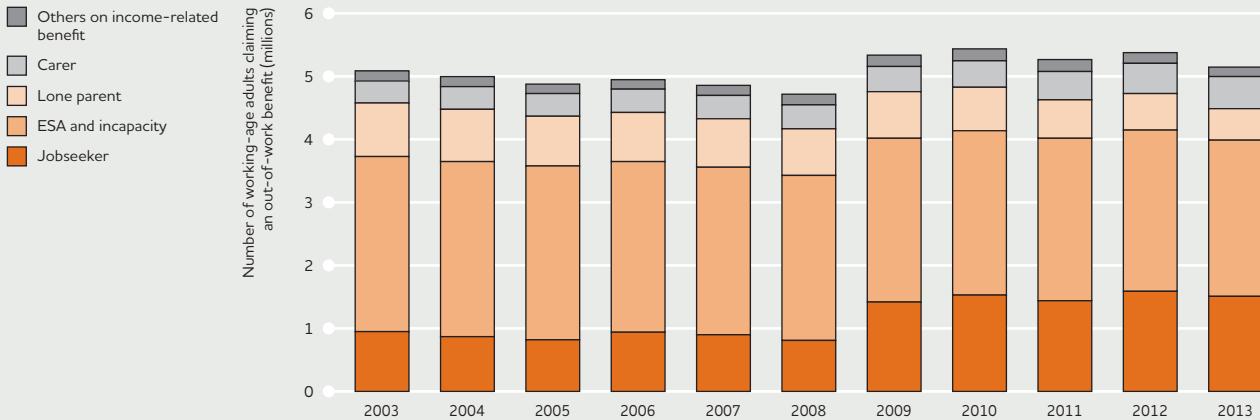
Around a quarter (24 per cent) of out-of-work benefit claimants in 2013 had only been claiming for less than six months, a further tenth had been claiming for more than six months but less than a year.

Overall 37 per cent had been claiming for five years or more. The vast majority of this group were claiming for reasons of incapacity. Only 1 per cent of people claiming an out-of-work benefit were jobseekers claiming for more than five years.

## Out-of-work benefits

### Indicator: 28A

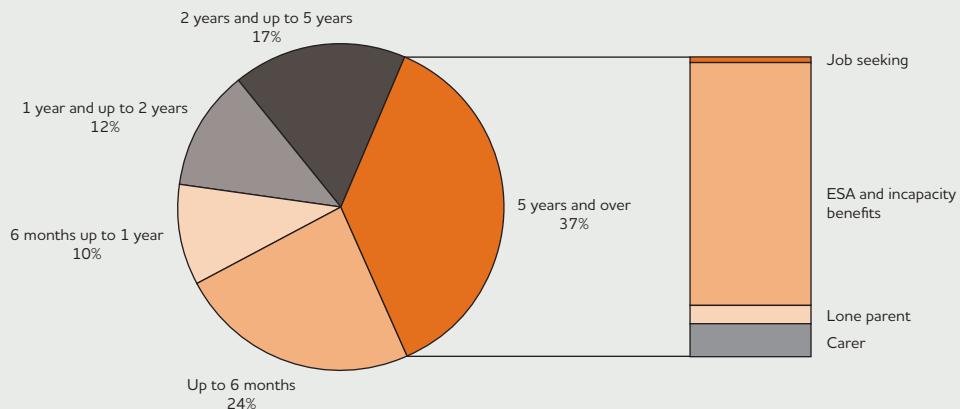
The number of people claiming an out-of-work benefit fell in 2013 for most of the main benefit types but total claims are still half-a-million higher than in the mid-2000s.



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

### Indicator: 28B

Of those claiming an out-of-work benefit for more than five years, most are claiming Employment Support Allowance or other incapacity benefits.



Source: DWP Benefit Caseloads National Statistics (WPLS); the data is for February 2013, for Great Britain

The first graph shows the number of working-age adults in Great Britain claiming out-of-work benefits each year from 2003 to 2013. The numbers are broken down by the reason for claiming, rather than the benefit claimed.

The second graph shows the proportion of working-age adults in Great Britain claiming an out-of-work benefit in 2013 by the duration of their current claim. The group claiming for five years and over is also broken down by the reason for claiming.

A person claiming for multiple reasons appears in the first category for which they are eligible, the order being Jobseeker's Allowance, Employment and Support Allowance and Incapacity Benefit, lone parents, carers and others on income-related benefit. The graph does not include Disability Living Allowance claimants as they can be in work as well.

## 29 Claimant counts and flows

**The overall number of Jobseeker's Allowance claimants is higher than the pre-recession levels but the overall turnover is much higher too.**

Over the twelve months to June 2013, 3.5 million new claims for Jobseeker's Allowance were made and 3.6 million claims ceased. This compares with a total 'stock' of people claiming Jobseeker's Allowance of around 1.5 million. The flow of claims made over a year is more than double the number of claims at any one point.

Half of claimants in June 2013 (720,000) had been claiming for less than six months; an additional 20 per cent (290,000) had been claiming for less than a year; 30 per cent had been claiming for more than a year (430,000).

In 2009, the number of new claims made for Jobseeker's Allowance increased by 1.3 million to reach 3.8 million, the biggest year-on-year increase in the series. The number of people claiming JSA for less than six months increased by 510,000 in the same period.

In later years the number of people claiming for over a year increased. In June 2013, 430,000 people claimed jobseeker's Allowance for more than a year, 290,000 higher than in 2009.

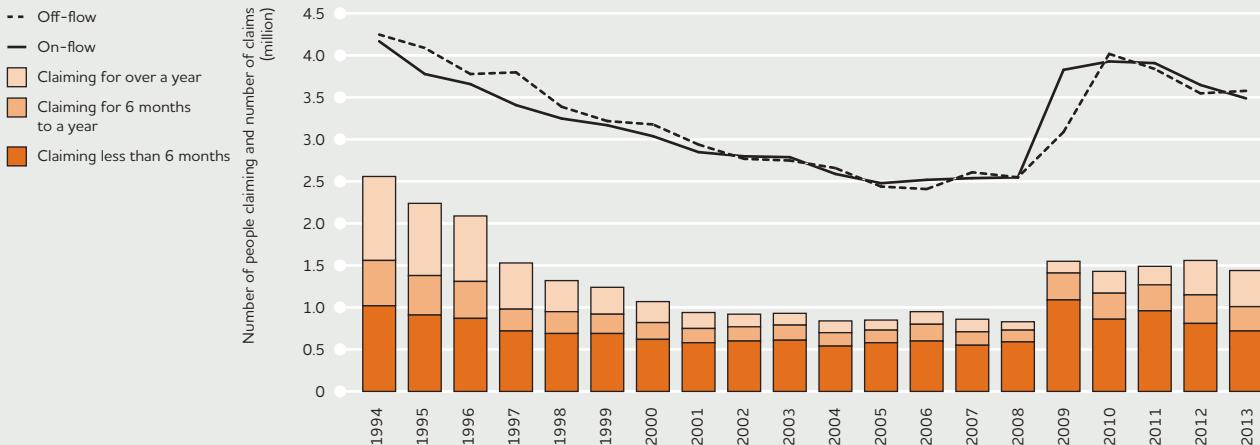
Of the 3.6 million JSA claims that ended in the year to June 2013, three quarters (2.7 million) were claims of less than six months. Around 1.5 million claims ended because the claimant found work or increased the amount of work done, but a further 1.6 million claims ceased for unknown reasons.

The proportion of claims ending because of a move into work was the same (47 per cent) for both those who had been claiming for one to three months, and those who had been claiming for over a year.

## Claimant counts and flows

### Indicator: 29A

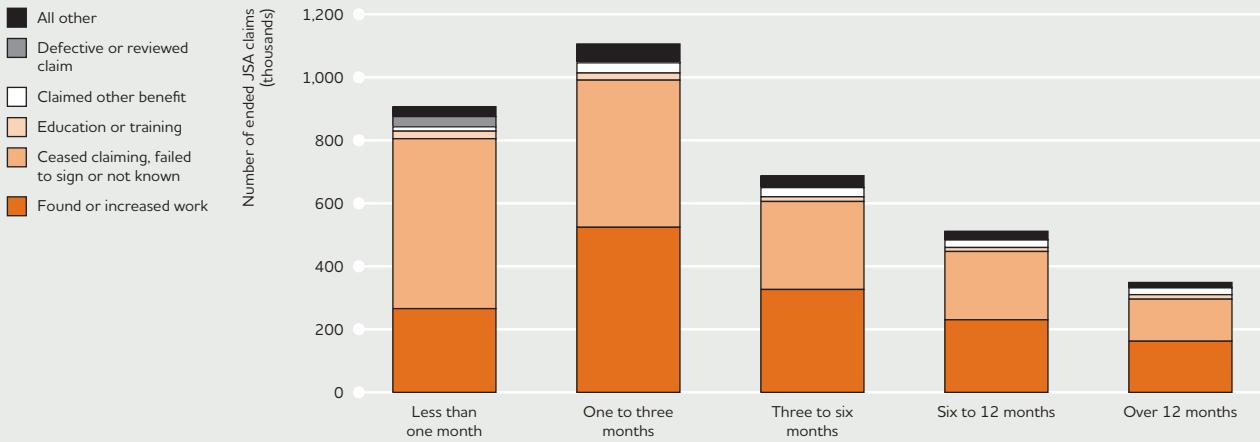
The flow of claims on and off Jobseeker's Allowance in the last year is 1 million higher than five years ago and more than twice the number claiming at any one time.



Source: NOMIS; flows measured as the year to June, number claiming as at June each year; the data is for the UK

### Indicator: 29B

Most of those ending a JSA claim were on the benefit for less than three months, but the reason for over half of these off-flows is unknown.



Source: NOMIS, 12 months to June 2013; the data is for the UK

The first graph shows two things – the bars show the average number of people claiming Jobseeker's Allowance (JSA) in each year and the lines show the total number of new claims or inflows in each period.

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 say January, then finds work, then claims again within six months.

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 for i) work, ii) full-time education or training, iii) to transfer to another benefit, iv) moving abroad or other reasons (like person retired, was in prison, had a defective claim, deceased), v) reason not known because failed to sign or reason not known.

## 30 Interval between JSA claims

**The overall level of churn in jobseekers is substantial, particularly in the years following the recession.**

Of the 230,000 claims for Jobseeker's Allowance made by men in the first quarter of 2013, almost half (47 per cent) were made within six months of a previous claim ending. Of the 88,000 new claims by women, a third (34 per cent) were within six months of a previous claim ending.

Throughout the late 1990s and 2000s, this level fluctuated but did not vary by much until 2009. In 2009 the proportion of new claims made by men of women dropped by 9 percentage points for men and 7 for women. In the same year there was an overall increase in the number of new claims. Much of this increase was among people who had not made a claim for at least six months.

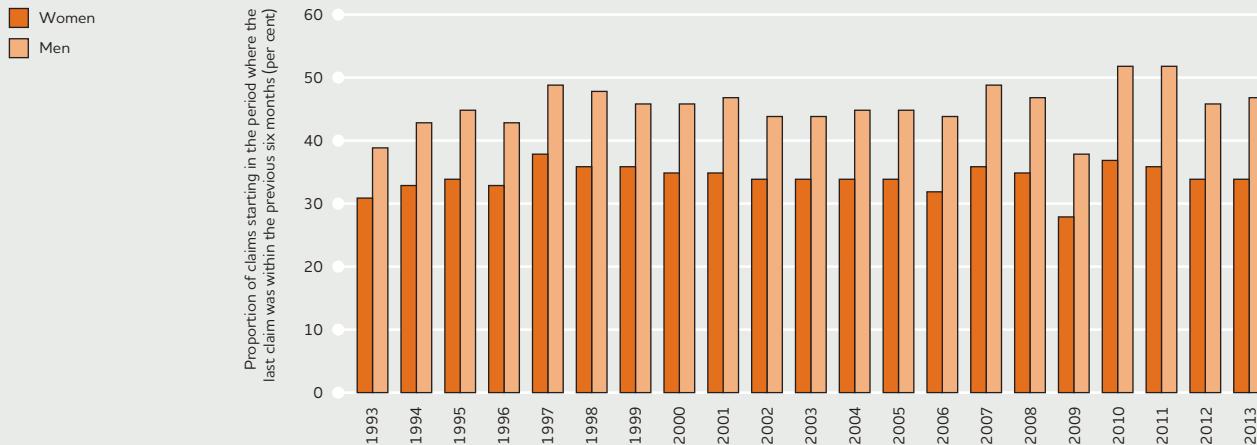
But in 2010 and 2011, the proportion of new claims made by men whose last claim had ceased within six months peaked at 52 per cent. This suggests that following the increase in claims in 2009 many of the men who stopped claiming did not secure long-term employment and were claiming again within six months. By 2012 and 2013 this level had fallen back again to the level typical of the mid-2000s. The change was similar for women; a fall in 2008 then a rise in 2009/10 before settling back to around 30 per cent this year.

Between April 2011 and April 2013 an estimated 4.8 million adults claimed Jobseeker's Allowance. Of these 1.5 million were claiming at the start of the two-year period (March 2011). So a further 3.3 million more people started to claim Jobseeker's Allowance between April 2011 and 2013. Of these new claims, most (1.8 million) had not claimed Jobseeker's Allowance before, while the remaining 1.5 million had.

## Interval between JSA claims

### Indicator: 30A

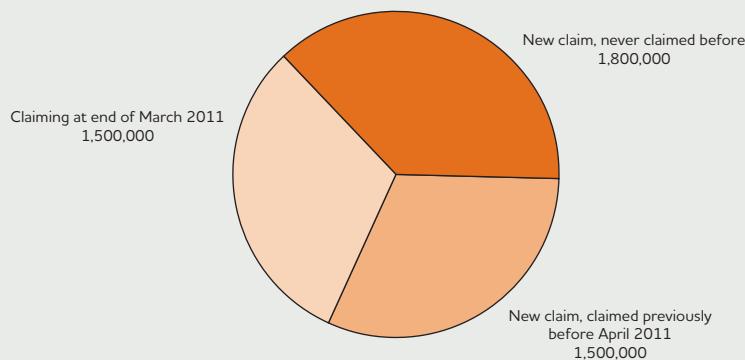
Half of men and a third of women making a new claim for JSA were doing so within six months of their previous claim.



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

### Indicator: 30B

4.8 million adults had claimed JSA at some point in the two years to April 2013, of which two-fifths had never claimed before.



Source: JUVOS cohort data from Labour Market Statistics, ONS, and claimant count data from NOMIS; the data covers the period from April 2011 to April 2013; the data is for Great Britain

The first graph shows the likelihood that someone making a new claim for Jobseeker's Allowance (JSA) was last claiming the benefit less than six months previously, for men and women.

The second graph shows the total number of people who claimed JSA in the period between April 2011 and April 2013. It shows three separate elements: those who made a new claim for JSA between the second quarter of 2011 and the first quarter of 2013 having never claimed JSA before, those who made a new claim between the second quarter of 2011 and the first quarter of 2013, having claimed in the past but whose previous claim had ended by the second quarter of 2011 and the numbers already claiming at the beginning of the second quarter of 2011.

This graph shows the number of people not claiming. We have made estimates of the number of people making multiple claims and removed these from the total to avoid double counting.

## 31 Disability benefits

**Although the focus of many cuts and changes, the number of working-age people claiming disability benefits has changed little over the last decade.**

In 2013, around 5 per cent of working-age adults were claiming Disability Living Allowance (DLA), up from 4.6 per cent a decade earlier. Over the same period, the proportion of under-16s receiving DLA rose from 2.3 per cent to 3.1 per cent.

The proportion of over 65s receiving DLA rose much faster, from 6.3 per cent to 8.8 per cent. The reason for this is not necessarily increased need, however. When DLA was introduced in 1992, it was only available to people of working age while attendance allowance was paid to those past retirement age. But on retirement, the DLA claim would remain live, so the proportion of over 65s was bound to rise initially. With that in mind it is interesting to note that the rise appears to have slowed in the most recent year.

In graph 28A we showed that the number of people claiming out-of-work benefits for reasons of incapacity or disability has fallen over the last decade. So in total, there is no evidence that more working-age people are claiming disability benefits now than previously.

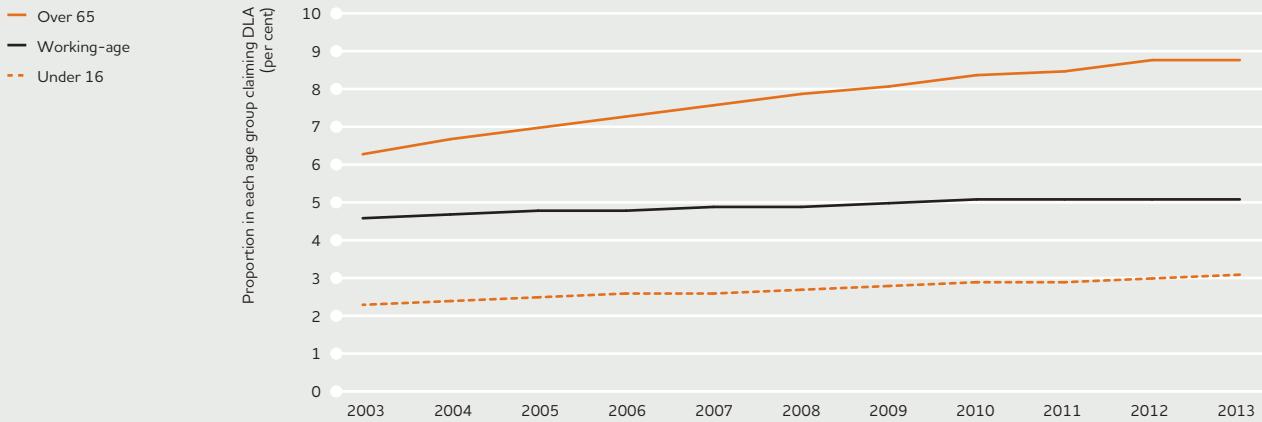
There is a range of cuts that will impact on the incomes of disabled people. Some of them relate directly to their disability, for example the time limitations to Employment and Support Allowance (ESA) will affect 700,000 people, all of whom are disabled. Likewise the reassessment of incapacity benefits and the replacement of DLA with personal independence payment will affect around 600,000 people.

But disabled people will also be affected by the cuts to non-specific benefits. So the single largest impact in terms of numbers affected has been the change in uprating of all benefits. This will reduce the incomes (compared with the previous system) of around 3.7 million disabled people. Some 1.4 million disabled people will be affected by the localisation of Council Tax.

## Disability benefits

### Indicator: 31A

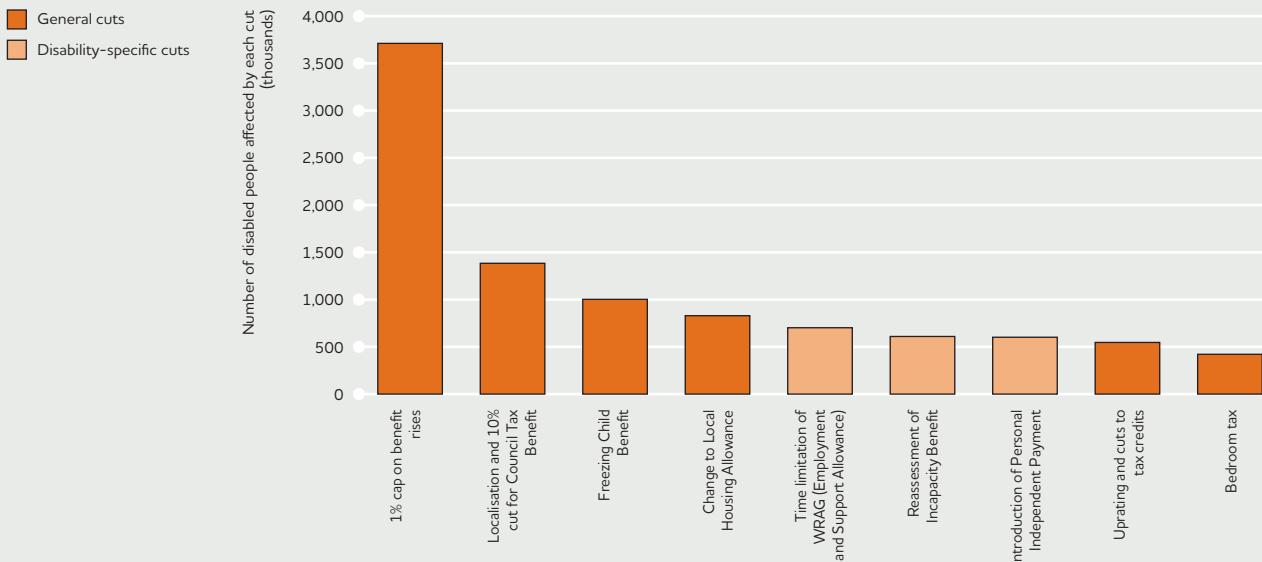
While the proportion of children and over-65s receiving DLA has risen significantly over the last decade, the proportion of working-age people receiving it has risen only slightly, and not at all since 2009.



Source: DWP statistics via NOMIS; the data is for Great Britain

### Indicator: 31B

Disabled people will be affected by both disability-related benefit cuts and more general benefit changes.



Source: DEMOS analysis of DWP impact assessments; the data is for Great Britain

The first graph shows the proportion of people receiving Disability Living Allowance, broken down by age group. Proportions are shown separately for children, working-age adults and pensioners.

The second graph shows the number of disabled people affected by a range of different benefit cuts. The data comes from a report by Demos, Destination Unknown, in which the various impact assessments of different changes are compiled. Not all changes are included, as some affect numbers of people too small to show on this graph. Often these changes, such as the household benefit cap, will affect a small number of people by a large amount of money.

## 32 Tax credits

**The number of children in poverty who get tax credits has been increasing, but so has the number dependent on tax credits to lift them out of poverty.**

In 2011/12 around 1.4 million children were 'lifted out of poverty' by tax credits. So for these children, the income provided by tax credits moves their household from below the poverty line to above it.

There were also another 1.5 million children in families that received tax credits but were still in poverty, so while their household income was increased by tax credits, it did not push them over the poverty line. A further 700,000 were in poverty in the UK and did not receive tax credits. The number of these children has been on a general downward trend, falling by 110,000 over five years, while the number in poverty receiving tax credits has increased by 120,000. So while there has been only a slight change in the overall number of children in poverty over the last five years, more of these children are benefiting from tax credits.

The biggest change in the last five years has been the number of children requiring tax credits to lift them out of poverty, increasing by a third (345,000) in five years.

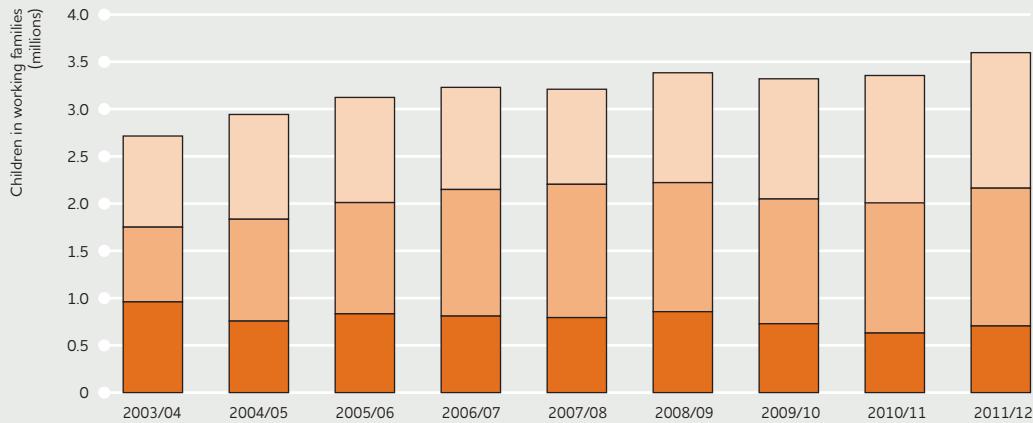
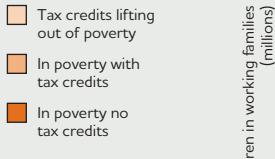
In 2013 around 2.7 million families with children were in work and receiving tax credits. Most of them (1.6 million) were couple families. Of the 1.2 million lone parents in work and in receipt of tax credits, most work part-time with 550,000 working between 16 and 23 hours per week. A quarter (550,000) were work full-time (at least 35 hours a week).

72 per cent (1.1 million) of couple households did more than 35 hours of work per week, but this may mean that both adults are working part-time.

## Tax credits

### Indicator: 32A

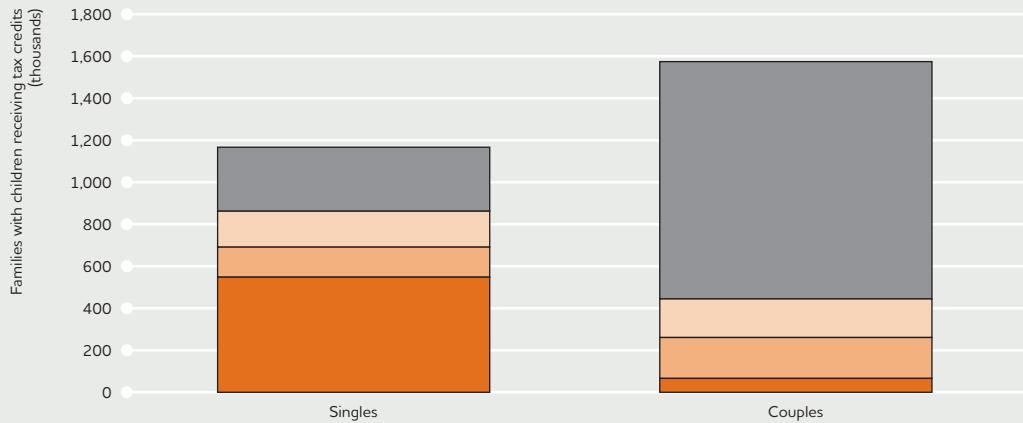
By 2011/12, tax credits lifted around 1.4 million children out of poverty, but another 1.5 million were still in poverty despite receiving tax credits.



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

### Indicator: 32B

There are 400,000 more working couples receiving tax credits than lone parents and 800,000 more doing at least 30 hours of work per week.



Source: HMRC Child and Working Tax Credit statistics, 2013; the data is for the UK

The first graph shows 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 on a low income and in receipt of tax credits and, as a result, no longer in low income.

The second graph shows the proportion of families with children that were in work and in receipt of work working tax credits in 2013. The data is broken down to show lone parent families and couple families and by the number of hours worked in the family per week.

## 33 Changes to benefits in 2013

**The benefit cut which affected the most families in April 2013 was the change to Council Tax Support. Most of those affected were already living in poverty.**

In the financial year 2013/14, an estimated 2.6 million families (8 per cent of families in the UK) saw their benefit entitlement cut as the result of three welfare reforms. The change from Council Tax Benefit to Council Tax Support, the under-occupation penalty and the overall benefit cap were all absolute cuts introduced from April 2013.

Around 440,000 families were affected by more than one of these cuts: the under-occupation penalty and Council Tax Support. These families lost on average £16.90 a week. This compares with £14 less a week for those affected only by the bedroom tax and £2.60 for those only affected by Council Tax Support.

Two million families saw only a reduction to their Council Tax Support. This is the largest group affected by only one benefit loss. Of the 660,000 families hit by the bedroom tax, most of them (440,000) have also had their Council Tax Support cut.

The household benefit cap is the change that affected the smallest number of families at 40,000. This group is so small that it is not possible to analyse the overlap with the other benefit cuts. However, the average cut to these families is estimated at £93 per week.

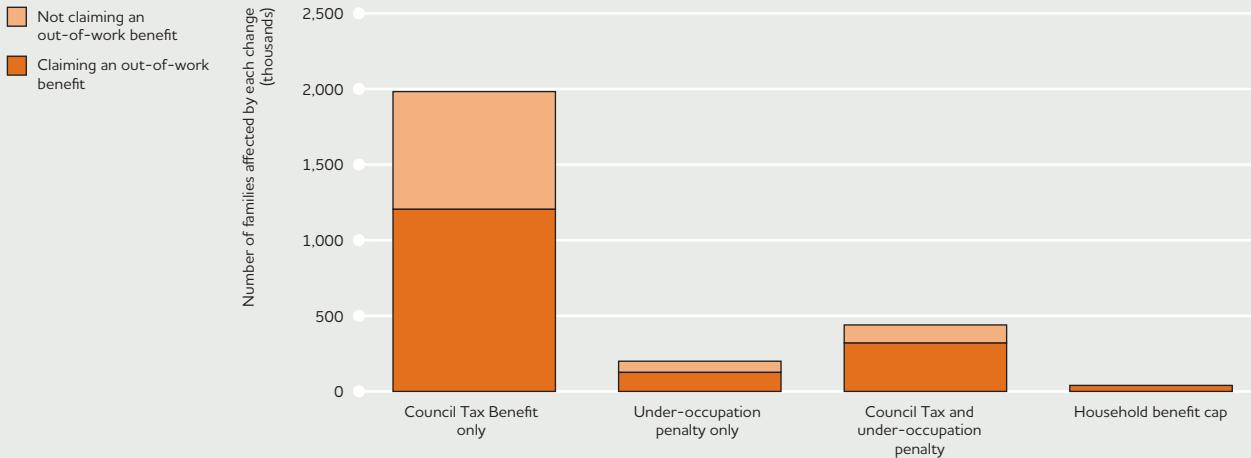
Almost two-thirds (63 per cent) of the 2.6 million families affected by an absolute cut also claim an out-of-work benefit. In April these families also experienced a fall in real terms in the value of their other benefits as they were uprated by 1 per cent when inflation was 2.2 per cent.

There were around 2.9 million working-age claimants of Council Tax Benefit in England at the start of 2013 (of which 2.4 million would have seen their benefit cut in April 2013). Most of these families were in poverty with a household income of less than 60 per cent of the median after housing costs. Around 1.5 million of these families were in deep poverty with an income below 50 per cent of the median.

## Changes to benefits in 2013

### Indicator: 33A

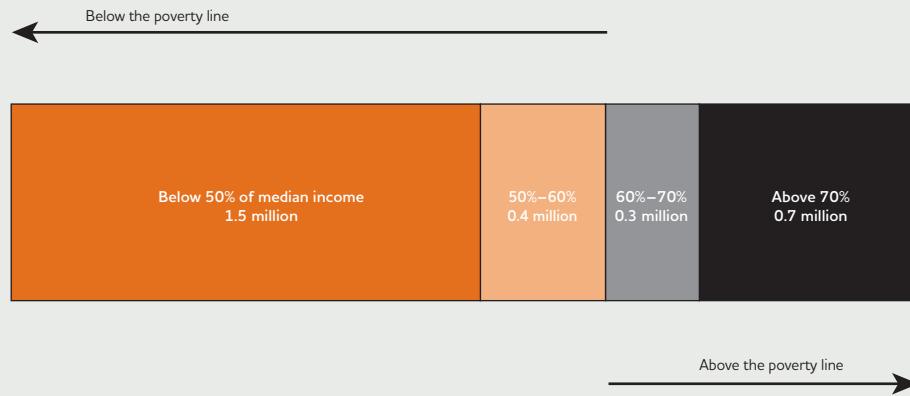
The change to Council Tax Benefit reduced the incomes of around 2.5 million families. Around one-fifth of these were also affected by the under-occupation penalty.



Source: NPI analysis of Family Resources Survey, 2008/09 to 2010/11, except for the benefit cap which is from the DWP impact assessment; the data is for the UK

### Indicator: 33B

2 million of the working-age families that claimed Council Tax Benefit were already in poverty and three-quarters of these were in deep poverty.



Source: NPI analysis of FRS 2009/10 and 2010/11 and DWP benefit caseload data; figures are for England

The first graph shows the number of families affected by any of the three absolute benefit cuts introduced from April 2013. These are: the replacement of Council Tax Benefit with Council Tax Support (which only applies in England), the under-occupation penalty (commonly referred to as the bedroom tax), and the overall benefit cap. It also shows the number of these families in receipt of certain out-of-work benefits (Income Support, income-based Jobseeker's Allowance, and income-based Employment Support Allowance).

It was not possible to identify the correct number of families affected by the household benefit cap using the Family Resources Survey as estimated by the DWP. As such they were excluded from our overlap analysis and the DWP estimate is used.

The second graph shows working-age families estimated to have been in receipt of Council Tax Benefit at the start of 2013. The data is broken down to show where the family lies in the income distribution relative to the after housing costs poverty line (60 per cent of median income).

## 34 JSA sanctions

**The number of sanctions of Jobseeker's Allowance claimants has continued to grow despite the overall number of claims being flat; a disproportionate share of these sanctions are levied on the under 25s.**

There were 1.6 million referrals and 800,000 actual sanctions of Jobseeker's Allowance claimants in the 12 months to October 2012. Both of these figures have risen year-on-year since 2006, when the numbers stood at 540,000 and 290,000 respectively.

But the level of increase has not been the same year-on-year. The biggest increase was between 2009 and 2010, when the number of referrals increased by 480,000 (up 57 per cent) and the number of actual sanctions increased by 220,000 (up 54 per cent). This rise coincides with the change in government, and the introduction of a harsher interpretation of the existing sanction rules.

As we noted earlier, the level of Jobseeker's Allowance claims in 2013 was higher than in the mid-2000s, which could account for some of this recent increase in sanctions. But while the number of claimants increased in 2009 and has since remained quite flat, the number of sanctions has continued to rise.

The dip in 2011 coincides with the introduction of the Work Programme. As this new welfare-to-work scheme was being introduced, it took time to become a source of new sanctions. Once the scheme was established, sanctions rose to and eventually exceeded their previous levels.

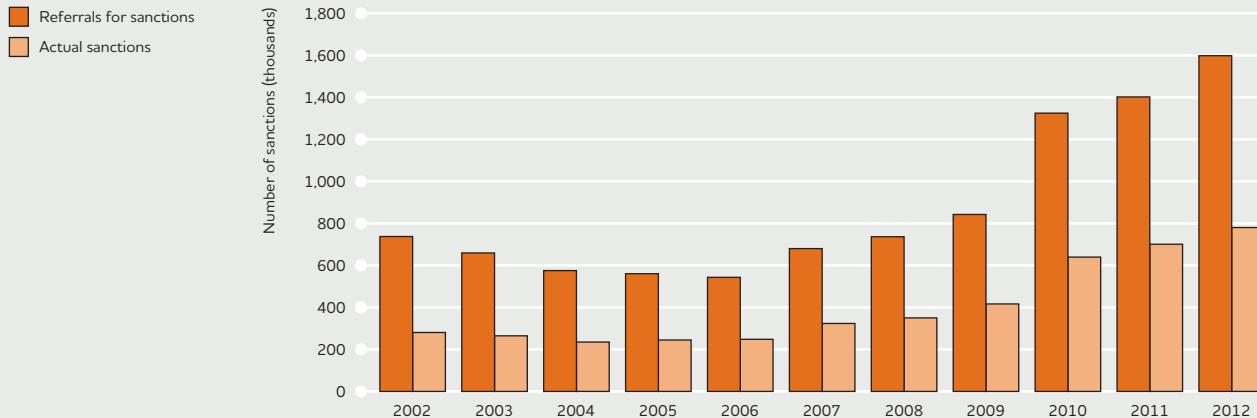
A disproportionate share of these sanctions are being levied on those aged under 25. They accounted for just over a quarter (27 per cent) of Jobseeker's Allowance claimants in November 2012. But they accounted for almost half (47 per cent) of all sanctions between January and October 2012.

The data in this indicator (the most recent available), only goes up to October 2012, when a new sanctions regime came into place. This new regime is intended to be harsher than its predecessor, so it is likely that the number of sanctions will increase further.

## JSA sanctions

### Indicator: 34A

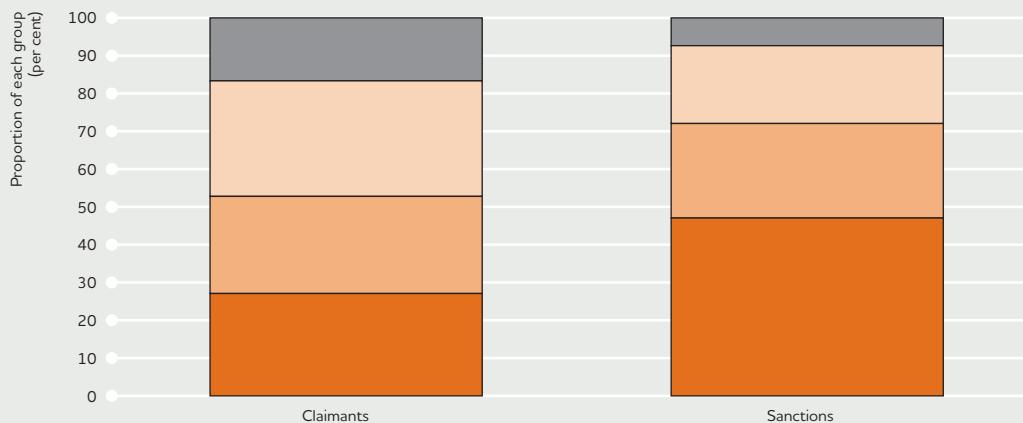
Around 800,000 JSA claimants received some sort of sanction in the last year. Both the number of referrals for sanctioning and the actual number of sanctions have doubled since 2009.



Source: DWP tabulation tool; years are the 12 months to October; the data is for Great Britain

### Indicator: 34B

Under-25s make up around a quarter of JSA claimants but around a half of those are sanctioned.



Source: DWP tabulation tool; JSA statistics are for November 2012, sanctions statistics are for the year to October 2012; the data is for Great Britain

The first graph shows the number of referrals of Jobseeker's Allowance claimants for sanctions and the number where the referral resulted in a sanction. The data shows the total number of sanctions in the 12 months ending in October of the given year.

The second graph shows two things. The bar on the left shows the age distribution of Jobseeker's Allowance claimants as a snapshot in November 2012. The bar on the right looks at the total number of sanctions of Jobseeker's Allowance claimants between January and October 2012 and shows the distribution of these sanctions by the age of the claimant. It is possible for one jobseeker to be sanctioned more than once.

## 35 The Work Programme

**Many providers are struggling to meet even the minimum targets for job outcomes through the Work Programme. After a year of operation, more jobseekers have been sanctioned for not attending the Work Programme than have found a job through it.**

The first graph looks at the three main customer groups on the work programme – young JSA claimants (aged under 25), other long-term JSA claimants and ESA claimants. It shows the proportion of ‘job outcomes’ for each group. A job outcome is someone being placed in paid work that lasts at least six months.

The target for younger JSA claimants in the second year of operation of the Work Programme was for 33 per cent of participants to find sustained work. Just under half of providers hit this minimum target. The lowest performing provider achieved this outcome for 25 per cent of its participants. The best performing provider did so for 42 per cent of participants.

Job outcomes for older JSA claimants were not quite as good, though the targets themselves are lower. In this group, half of the providers reached the target of 27 per cent job outcomes. The lowest performing provider achieved 16 per cent, and the highest 45 per cent – a wider range of outcomes.

Both JSA groups fared much better than ESA claimants. Even the best performing provider failed to reach the minimum target of 16 per cent job outcomes, only achieving round half this rate. Half of providers achieved job outcomes of 5 per cent or less and the poorest performing provider did not achieve a single job outcome.

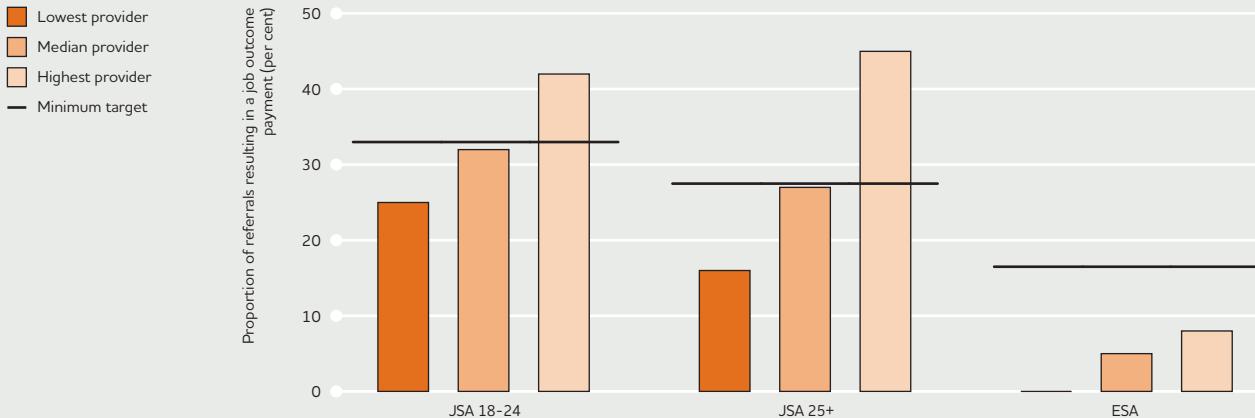
This disappointing performance is worth contrasting with the sanctions numbers in indicator 34. Not attending a Work Programme appointment is sufficient reason for a JSA claimant to be sanctioned. Since the Work Programme began, more people have been sanctioned for not participating in it than have found a job through it.

As the Work Programme was getting established both the number of sanctions and the number of job outcomes were low. It takes six months to achieve a job outcome whereas a sanction can be applied straight away, but even if we compare sanctions to job outcomes six months later it is still the case that more people got sanctions than found work.

## The Work Programme

### Indicator: 35A

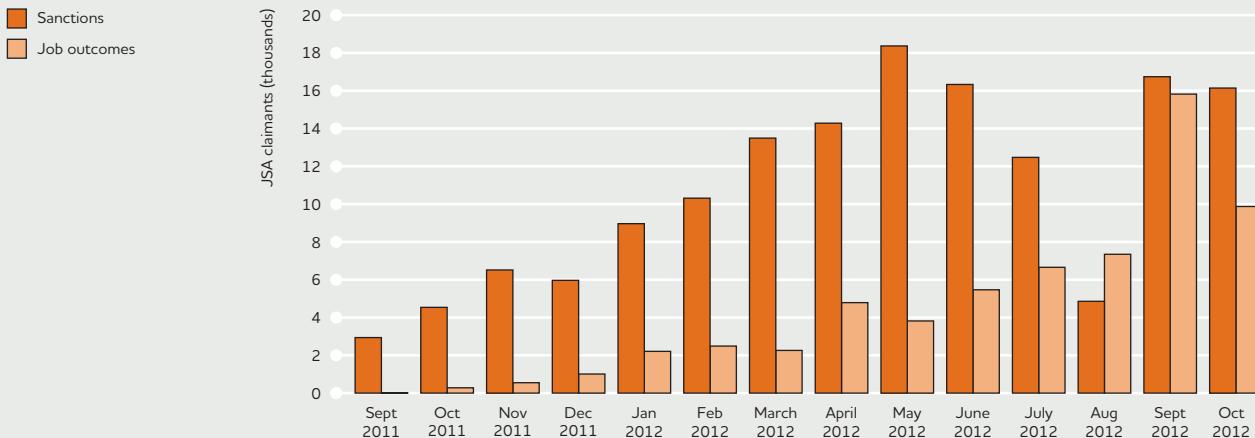
Around half of providers meet the minimum targets for job outcomes for JSA claimants. Not one provider met the minimum target for ESA claimants.



Source: DWP Information, Governance and Security Directorate, inclusion calculations; the data is for April 2012 to March 2013 for Great Britain

### Indicator: 35B

The number of people sanctioned for not attending the Work Programme is greater than the number of people who find work through it.



Source: DWP tabulation tool; the data is for Great Britain

The first graph shows the performance of different Work Programme providers for three different client groups – Jobseeker's Allowance (JSA) claimants under 25, JSA claimants over 25 and ESA claimants. The lowest, highest and median performers are shown for each group, and compared with the minimum target set by the DWP.

The second graph shows the number of job placements for JSA claimants through the Work Programme and the number of JSA claimants sanctioned through the Work Programme month by month. The data only runs to October 2012, after which the Work Programme did become more effective, but it is likely the sanctions regime also became more punitive.

## 36 Out-of-work benefits across the UK

**Within England there is a clear north/south difference in out-of-work benefit claims, but claim rates in Northern Ireland are higher than anywhere else in the UK.**

In February 2013, around 13 per cent of working-age people across the UK claimed an out-of-work benefit. The map shows, however, that in some areas the rate was very much higher. In 59 out of a total of 406 local authorities, at least 18 per cent of working-age people claimed.

The map highlights the half of local authorities with the highest rate of out-of-work benefit claims (the 202 local authorities where at least 12 per cent of working-age people claimed). It shows that in Northern Ireland every local authority was in this half. In fact the four local authorities with the highest rate in the UK are in Northern Ireland (Derry, Strabane, Belfast and Limavady and all had rates of at least 25 per cent).

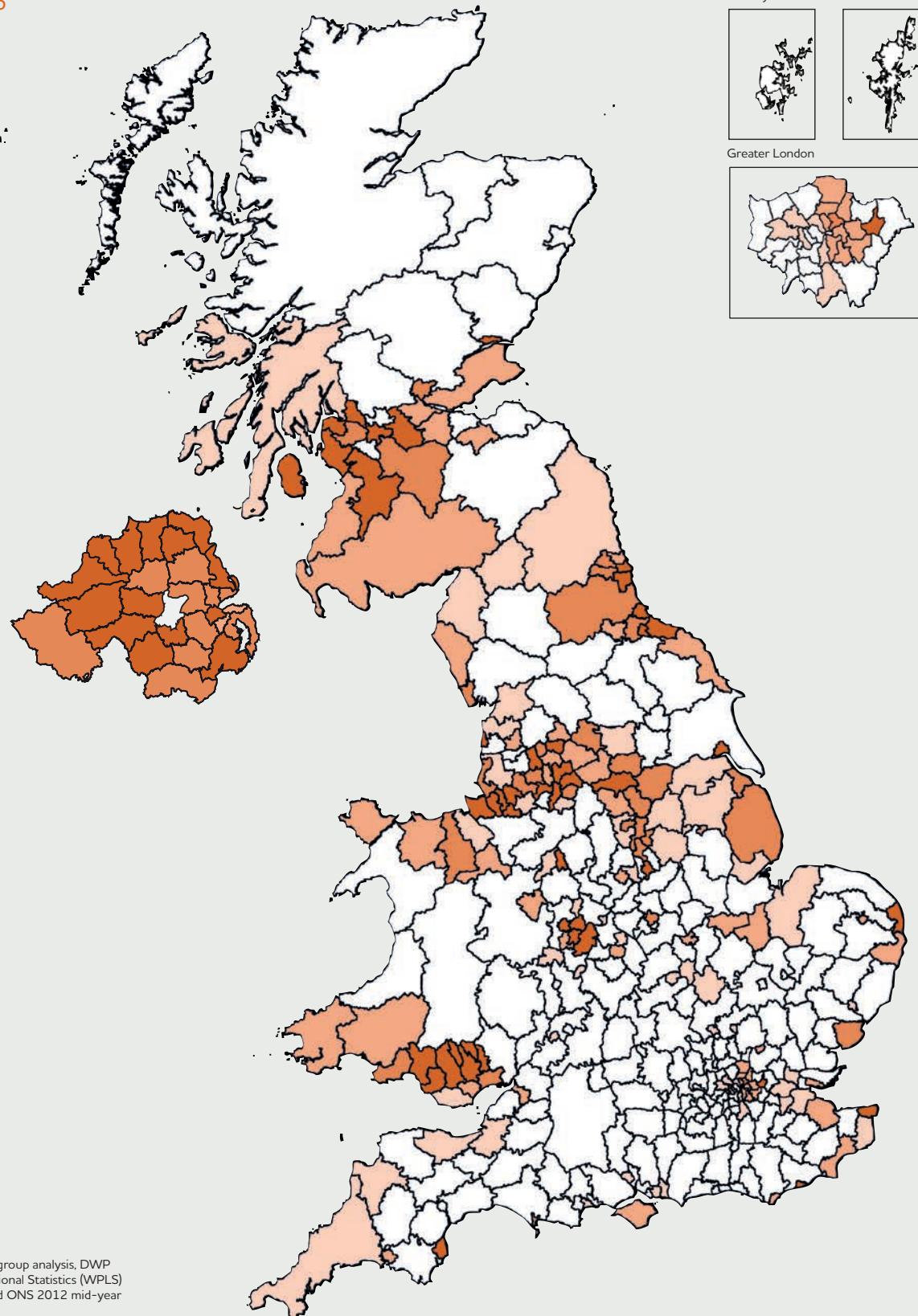
All of the local authorities in the North East also rank in the bottom half of the UK on this measure. While in five of its twelve local authorities more than 18 per cent of working-age people claimed an out-of-work benefit, unlike Northern Ireland none of them were above 25 per cent.

Within England there is a clear north/south divide. The north had much higher rates, the Midlands about average and only isolated areas of London and the south had a particularly high rate of claims. There were only seven local authorities in the south and east where more than 16 per cent of working-age people claimed an out-of-work benefit. Excluding the two in London, the rest were coastal.

The pattern in Wales is broadly similar to that in the North of England. Scotland fared slightly better with around half of its areas in the bottom half for the UK and half in the top, much like the levels in the Midlands.

## Out-of-work benefits across the UK

Indicator: 36



## Commentary

Welfare reform has been a major preoccupation of governments for some time. There were substantial changes under the previous Labour Government, such as introducing working and child tax credits, and replacing Incapacity Benefit with Employment and Support Allowance. The Coalition has introduced a wide range of changes: the glossary at the end of this report details more than 20. These reforms affect people both in and out of work. As a package, the reforms so far (excluding the limited introduction of Universal Credit) alter or at least challenge long-standing principles of the social security system.

Benefits, which in the past have increased in line with either earnings (up until 1980) or inflation, are now being arbitrarily increased by a rate of 1 per cent for three years. The concept of a basic personal allowance for benefits, the amount of money set aside for subsistence, has been challenged by the localisation of Council Tax Support. In some local authorities, claimants are required to pay part of their Council Tax out of this subsistence amount. These are large changes in principle to the operation of the welfare state, and may turn out to be more significant than Universal Credit.

The relationship between claimants and the state may also be changing. It is now expected that the 'claimant commitment' part of Universal Credit (UC) (what a claimant agrees to do in exchange for receiving the benefit) will be brought in regardless of whether UC itself is. Part of this 'cultural change' is that people in work are not exempt. Those who work but do not earn enough (equivalent to 35 hours at the minimum wage) are subject to requirements to look for more work or better-paid work.

Clearly, the social security system is a key tool in tackling poverty, but it cannot be the only one. The focus on its reform as the only way, or even the main way, to improve low household incomes is misplaced. Moreover, what we have seen in the last 18 months is not real reform, but simply cuts.

# Chapter 5 **Housing**

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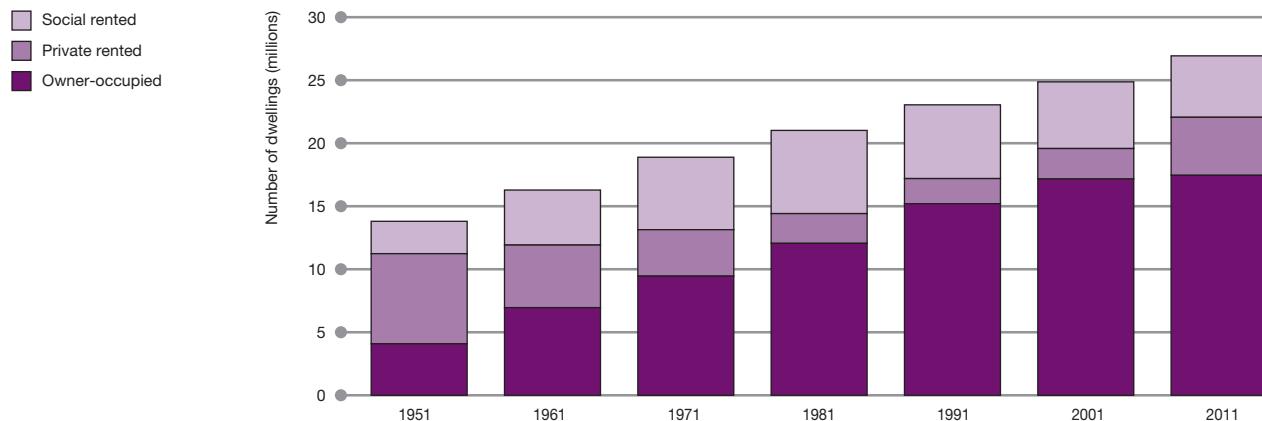
## Introduction

In 2011 there were 27 million dwellings in Great Britain; 17 million were owner-occupied (65 per cent) and the remaining were split fairly evenly between the social (4.9 million) and private (4.6 million) rented sector.

Although the private rented sector is the smallest tenure it is the only tenure to have experienced any real growth in the last ten years: the stock of social rented housing fell by 400,000 between 2001 and 2011, the owner-occupied stock increased by 300,000 but the private rented sector almost doubled, increasing by 2.2 million.

Looking further back, this is not the largest that the private rented sector has ever been. In 1951 7.1 million homes were privately rented accounting for about half of the stock. But the ten years to 2011 marked the first time since then that private renting has seen any major growth and the first time since then that growth in owner-occupation has stalled. Meanwhile the social rented stock continued its 30-year contraction.

### Long-term view of tenure



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

But it is the more recent changes that this report is concerned with. The huge growth in the private rented sector is the point at which our analysis begins.

## Choice of indicators

For many people housing costs are the largest basic living expense, and this can have a dramatic effect on disposable income. The first indicators explore this by looking at the relationship between **tenure and poverty** and how this links to the **affordability** of housing costs.

The next two indicators look at how the **housing benefits** caseload and values have changed. As housing benefits are provided to renters deemed to not have enough income to meet their basic housing costs, these indicators consider a group at the bottom of the income distribution for whom housing costs are problematic.

The chapter then looks at the consequence of not being able to afford housing. It looks at the extreme case of homes being **repossessed** by a county court bailiff. But the indicator on **overcrowding** looks at a subtler measure of housing problems when the lack of housing either through cost and/or supply means that families live in overcrowded conditions.

Finally we look at **homelessness** where a family's situation is so severe that they are unable to secure any form of suitable housing and the local authority is legally obliged to house them.

## 37 Poverty and tenure

**A fall in the poverty rate and the overall size of the social rented sector means it is no longer the dominant tenure for people in poverty. With an increase of 1.7 million in poverty in the private rented sector over ten years, there are almost as many private as social renters in poverty.**

In 1996/97 each tenure type had a distinct poverty rate: the highest was 56 per cent for people living in the social rented sector, followed by private renters at 43 per cent, 17 per cent among those who own outright and 12 per cent for those with a mortgage.

Over the following 15 years the poverty rate in the social rented sector saw a steady decline, falling to reach a low of 43 per cent in 2010/11 and 2011/12. The poverty rate among those who own outright has also slowly fallen to reach a low of 12 per cent in 2010/11 and 2011/12 (this trend is closely linked to the fall in pensioner poverty).

The poverty rate for private renters fell towards the end of the 1990s but has fluctuated since: in 2011/12 it was 37 per cent. For owners with a mortgage it has remained the same at 12 per cent. As a result, there has been a convergence in the poverty rate for social and private renters and a convergence for outright and mortgaged owners. But the poverty rate for renters in 2011/12 was still at least three times that of owners.

The overall number of people in poverty at 13 million in 2011/12 is not much different to that in 2001/02. But within this there has been considerable change by tenure. This is the result of changes to the poverty rate but also the number of households overall in each tenure.

The number of owners with a mortgage and those that own outright in poverty was slightly lower in 2011/12 than in 2001/02. But most of the change has been among renters. The number of social renters in poverty fell by 1.5 million and the number of private renters in poverty increased by 1.7 million.

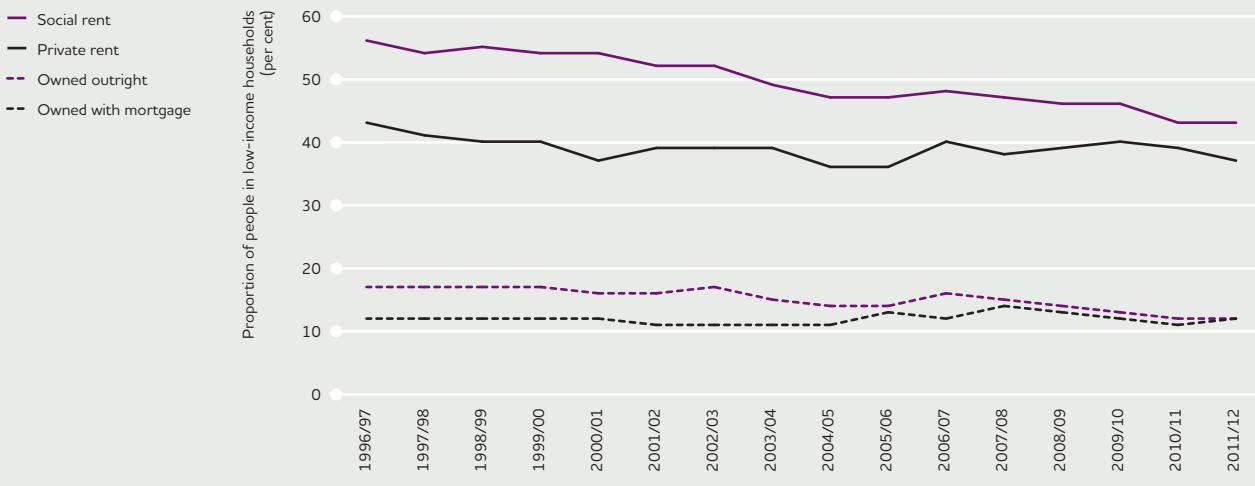
In 2001/02 the number of social renters in poverty was 2.5 million higher than any other tenure. But by 2011/12 there were almost as many private renters in poverty at 3.9 million as social renters at 4.2 million.

## Housing

## Poverty and tenure

## Indicator: 37A

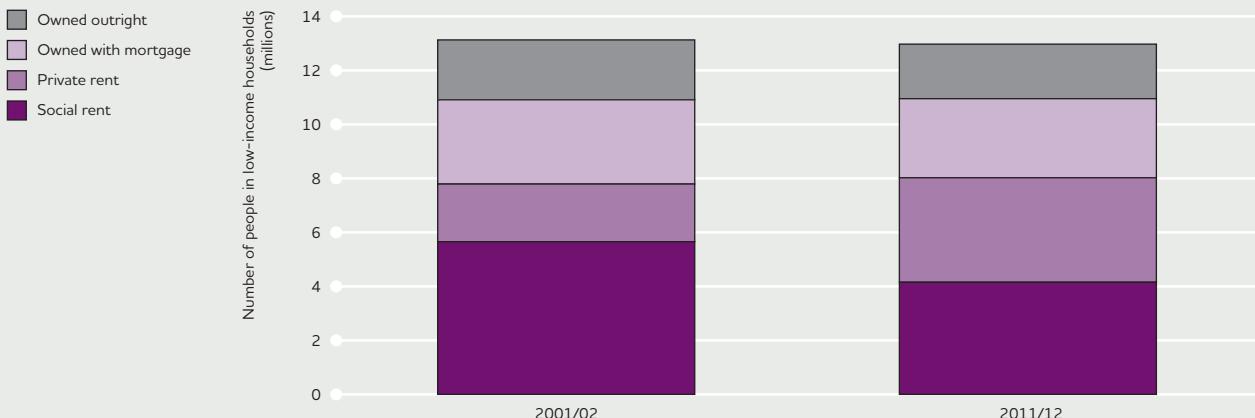
Fifteen years ago the poverty rate for social renters stood out as much higher than all other tenures. Now the poverty rate for all renters stands out compared with the much lower rate for owners.



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

## Indicator: 37B

Although the total number in poverty has barely changed over ten years, there have been big changes by tenure. The number of private renters in poverty increased by 1.7 million but for social renters it fell by 1.5 million.



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

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 2001/02 and 2011/12.

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 2001/02 has been adjusted from GB to UK to make it comparable with the 2011/12 figure.

## 38 Affordability

**The poorest households typically spend more than a quarter of their net income on housing. Poor private renters spend even more.**

In 2011/12 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 all income groups, housing costs as a proportion of income rose from 2002/03 to 2008/09. The poorest fifth saw the biggest increase, of around 6 percentage points. By 2010, they were spending, on average, 30 per cent of their income on housing costs. Increases elsewhere in the income distribution were more modest – 3 percentage points for the middle fifth and 2 percentage points for the richest fifth.

The reason for the fall in 2009/10 was due to a fall in the housing costs for owner-occupiers with a mortgage as a result of record low interest rates. The proportion of income spent on housing remained at the 2008/09 levels for renters and those who own outright. It follows, then, that the fall should be greatest among the richest fifth, who are the most likely to be mortgage holders.

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.

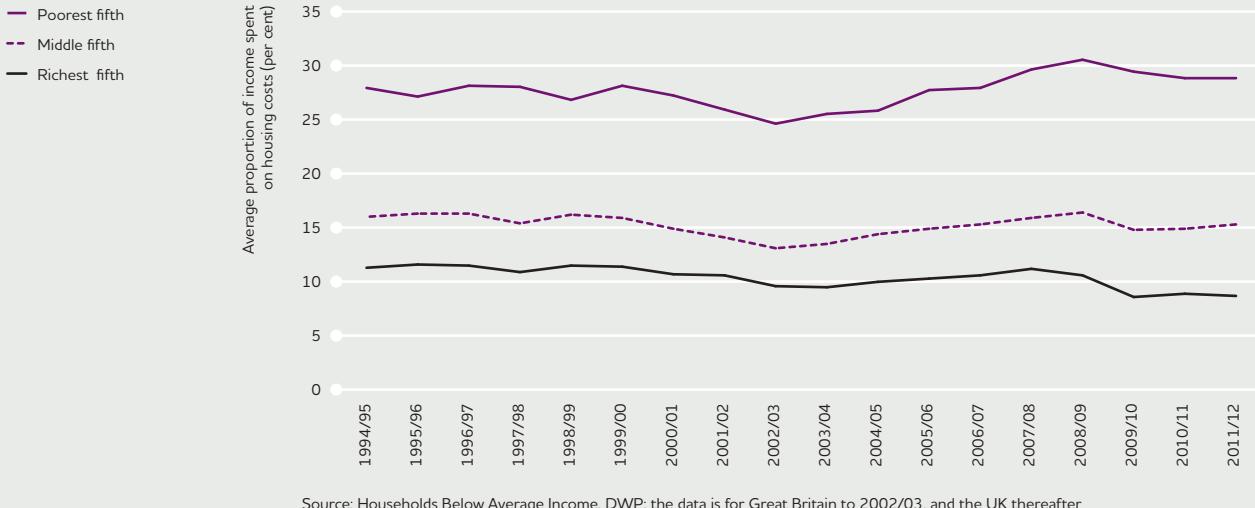
Private renters in the bottom fifth of the income distribution spend on average 56 per cent of their income on housing. The next highest group is owners with a mortgage in the poorest fifth at 34 per cent and social renters in the poorest fifth at 33 per cent. Owner-occupiers without a mortgage had the lowest housing costs as a proportion of their income; never more than 3 per cent regardless of where they were in the income distribution.

## Housing

## Affordability

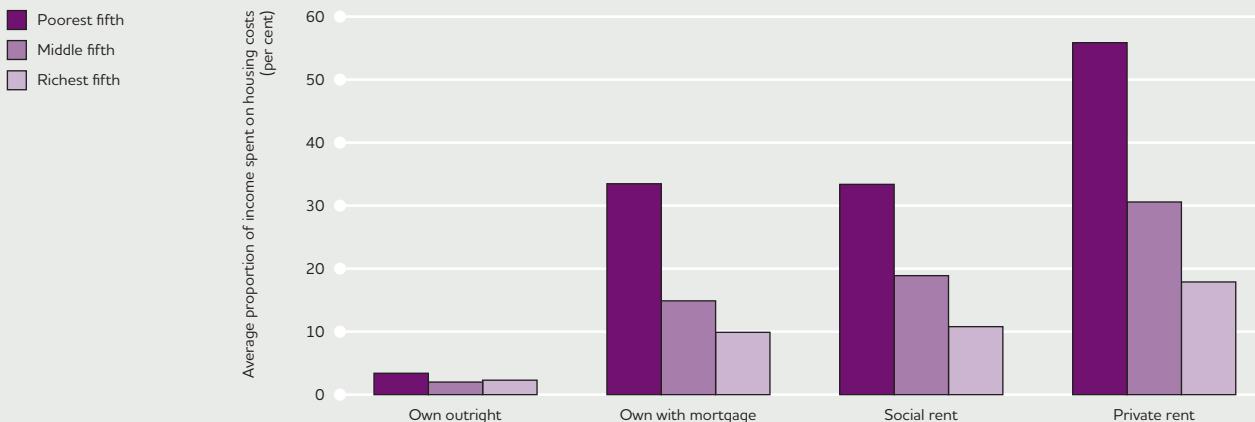
## Indicator: 38A

The poorest households spend on average a quarter of their income on housing costs.



## Indicator: 38B

For every income group, private renters spend a greater share of their income on housing and for each tenure the poorest spend a greater share.



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 housing benefits, 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.

## 39 Housing benefit claims

**After increasing by 1 million between 2007 and 2012 the growth in the number of housing benefit claims slowed in 2013. Much of this was due to a fall in claims by younger single adults.**

In 2013 there were 5 million housing benefit claimants; 3.4 million in the social rented sector and 1.7 million in the private rented sector.

In the five years to 2012 the number of housing benefit claims grew by 1 million; most of the growth was among claimants in the private rented sector (up by 740,000). As a result the proportion of all housing benefit claimants living in the social rented sector has fallen from more than three-quarters (77 per cent) in 2007 to two-thirds (67 per cent) in 2012.

Between 2012 and 2013, the number of housing benefit claims grew by only 40,000, compared with increases of more than 100,000 in each of the preceding three years. But almost all of this growth (35,000) was in private rented sector claims.

However, in the year to May 2013 the number of single adults under 35 claiming housing benefit fell by 19,000 in the private rented sector and 7,000 in the social rented sector. For all other family types the number of claims in the private rented sector grew. The number of claimants aged 60 and over in the social rented sector also fell; this was almost entirely among those aged 70 plus.

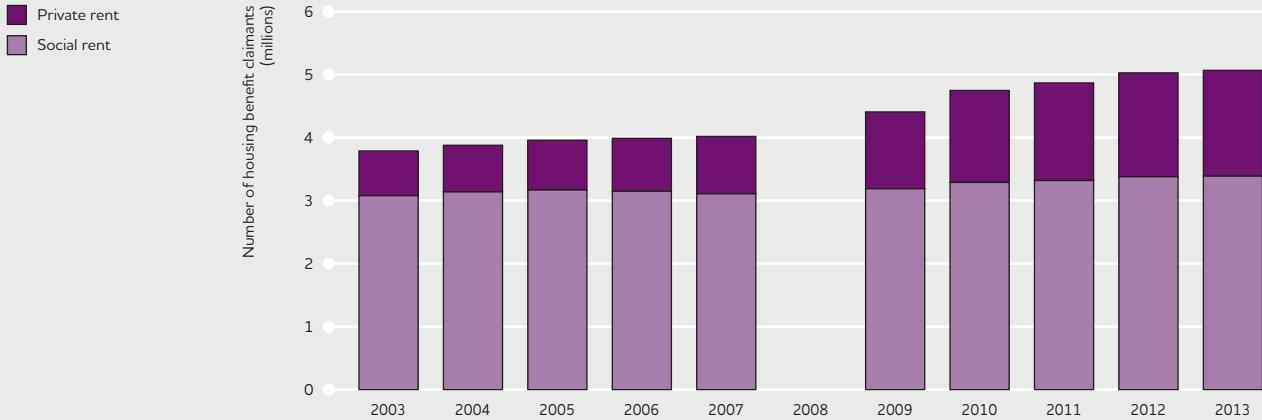
Given that there has been a number of changes to Local Housing Allowance (LHA – the name for housing benefit for people living in the private rented sector) introduced under the current government it is not surprising that growth in housing benefit claims has slowed. But it appears that the change that has made the biggest impact is lowering the bedroom entitlement of single people aged 25 to 35, from a one-bedroom property to a single room in a shared house.

## Housing

## Housing benefit claims

## Indicator: 39A

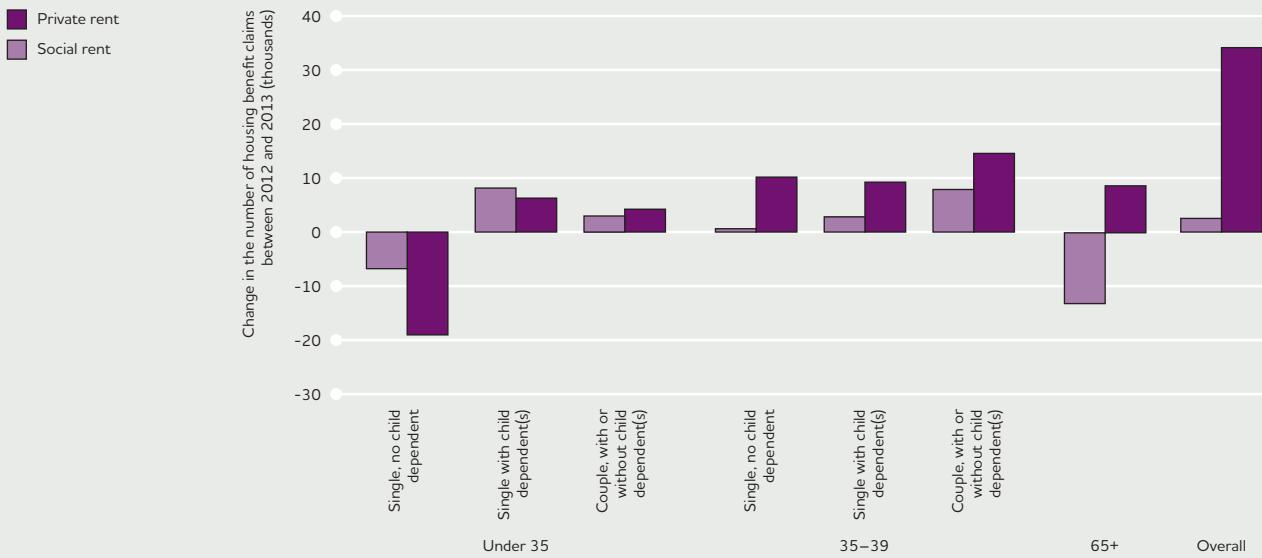
The number of housing benefit claims was around one million higher in 2013 than 2007. Most of this increase was in the private rented sector.



Source: Housing Benefit Statistics, DWP; the data is for Great Britain

## Indicator: 39B

Overall housing benefit claims by private renters grew by 35,000 between 2012 and 2013, but there was a fall in claims by single younger adults.



Source: Stat-Xplore, DWP; the data is for May 2013 for Great Britain

The first graph shows the number of people claiming a housing benefit in the private and social rented sectors. There is no data for 2008 when Local Housing Allowance was introduced to replace Housing Benefit in the private rented sector. 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 change in the number of housing benefit claims made by different family types and age groups.

## 40 Housing benefit values

**Many factors have contributed to the increase in spending on housing benefit in the last ten years: an increase in claimants, the increase in rent levels and the shift of claimants from the social to private sector.**

The average housing benefit claim in 2013 was £90 per week. Housing benefit values were 30 per cent higher in the private rented sector at £106 per week than in the social rented sector at £82 per week.

As the social rented sector is regulated and subsidised the rents charged to tenants are restricted; 70 per cent of housing benefit claims in the social rented sector in 2013 were for between £50 and £100 per week. In the private rented sector there is no such regulation – landlords are free to set the rent levels. Only 47 per cent of private rented housing benefit claims were for £50 to £100 per week, a further 40 per cent were for claims of more than £100 per week, twice the level of the social rented sector (19 per cent).

Between 2003 and 2013 the average benefit amount in the private rented sector grew 48 per cent (up by £34) and in the social rented sector it grew by 57 per cent (up by £30). This is not surprising: the amount of housing benefit claimed will generally increase in line with rents.

But the overall housing benefit amount claimed grew by 61 per cent over ten years, higher than either sector. This is because there has been a shift in the proportion of claimants living in the more expensive private rented sector.

In the last two years the average value of housing benefit in the private rented sector fell, by £5 in 2012 and £1 in 2013, despite rising rents. This is probably mainly due to the changes to Local Housing Allowance entitlement (housing benefit for private renters) from April 2011, which included capping the amount that can be claimed to the cost of the cheapest 30 per cent of properties in an area and limiting growth in claims to the lower of either average market rent growth or the consumer price index.

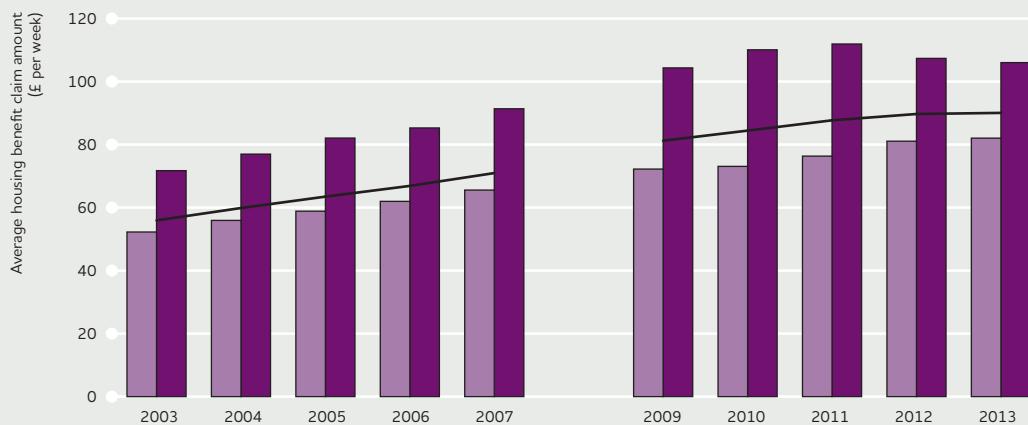
## Housing

## Housing benefit values

## Indicator: 40A

Since 2011 the average amount of housing benefit paid to private renters has fallen, but for social renters it continues to increase.

■ Private rent  
■ Social rent  
— All tenures

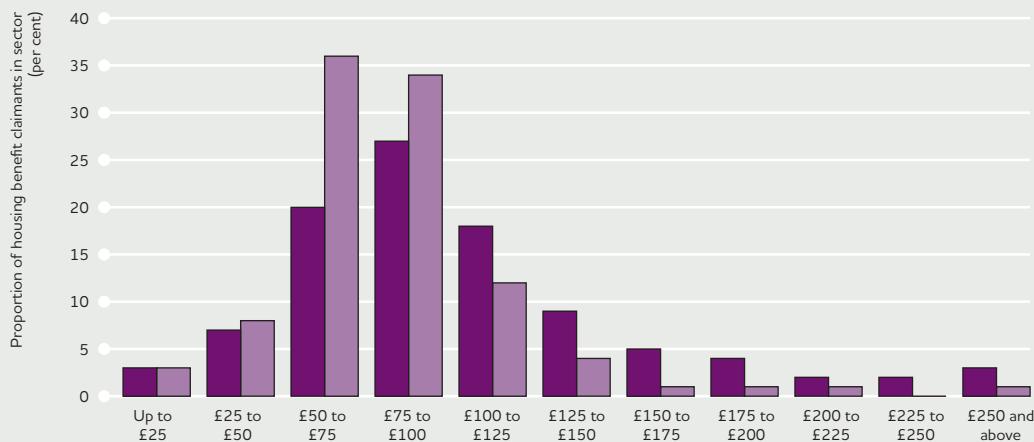


Source: Housing Benefit Statistics, DWP; the data is for Great Britain

## Indicator: 40B

Around 70 per cent of housing benefit claims in the social rented sector are for between £50 and £100 per week; claims in the private rented sector are on average much higher and more widely spread.

■ Private rented sector  
■ Social rented sector



Source: Stat-Xplore, DWP; the data is for May 2013 for Great Britain

The first graph shows the average housing benefit claim amount in pounds per week each year from 2003 to 2007 and 2009 to 2013. It also shows the values for the social rented sector and the private rented sector separately.

There is no data for 2008 when Local Housing Allowance was introduced to replace Housing Benefit in the private rented sector. 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 proportion of housing benefit claimants in the social and private rented sectors, by the amount of housing benefit claimed per week in £25 bands.

## 41 Repossessions

**Mortgage repossession are on a general downward trend and landlord repossession are an upward one, but the landlord repossession problem is dominated by London whereas mortgage repossession is still a bigger problem in the North of England.**

County court bailiffs repossessed around 18,000 mortgage-holding homes in 2012/13, but the number of landlord repossession was almost double at 33,000.

After increasing over a period of five years, the level of mortgage repossession peaked in 2008/09 when just under 37,000 homes were repossessed by a county court bailiff. Four years later this number had halved, although the fall has not been consistent year-on-year.

From the mid-2000s the number of landlord repossession was on a downward trend, falling from 33,000 in 2005/06 to a low of 25,000 in 2009/10, but since then the number has risen. Excluding 2008/09 and 2009/10 the number of landlord repossession has been higher than the number of mortgage repossession.

In Wales and every region in England the rate of landlord repossession was higher in 2012/13 than it was in 2010/11. London has by far the highest rate at 8.5 per cent, more than double any other region. It has also seen the biggest growth, up from 5.6 per cent. But the rate in the South and East, although much smaller, has almost doubled from 1.7 per cent, to 2.9 per cent.

In every area shown in the graph the rate of mortgage repossession has fallen. The North of England had the highest rate of mortgage repossession at 3.3 per cent, closely followed by Wales at 3.2 per cent. These are the only two areas where the rate of mortgage repossession is higher than that for landlords.

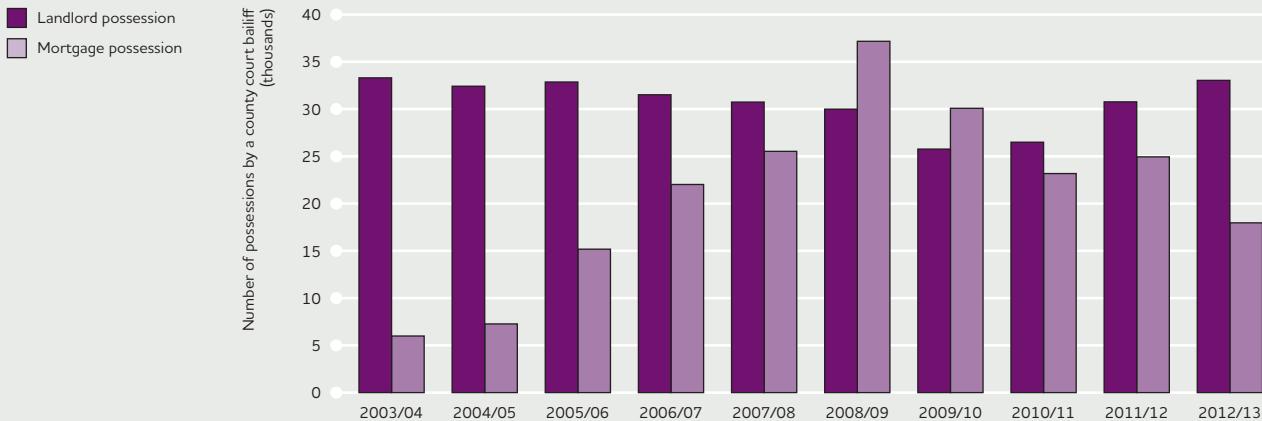
The data points to a north/south divide: mortgage repossession being the bigger issue in the North and Wales, and landlord repossession being a big and growing issue in London and even the South and East.

## Housing

## Repossessions

## Indicator: 41A

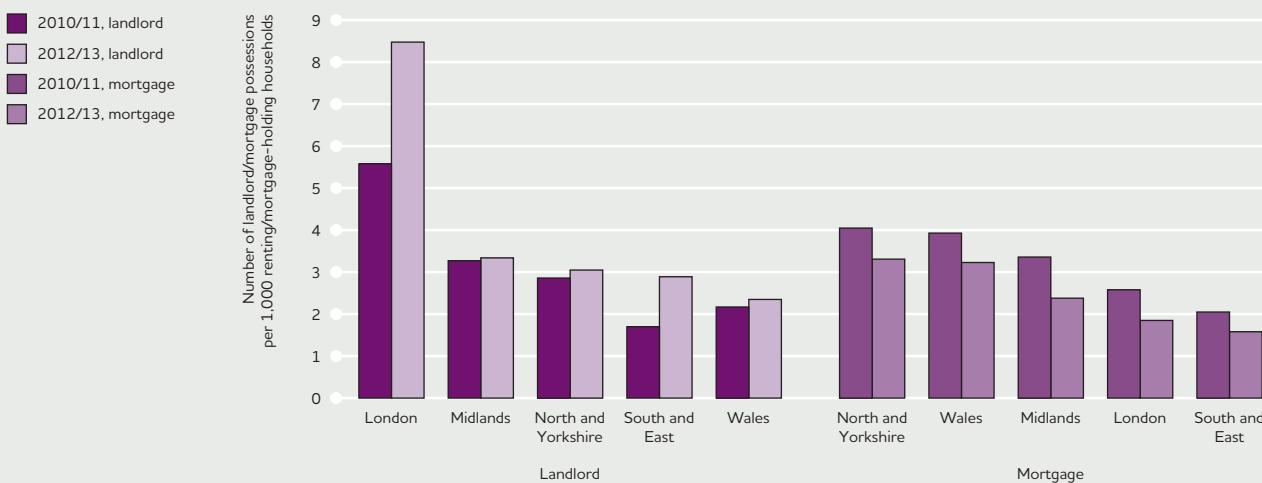
The number of mortgage possessions has exceeded the number of landlord possessions in only two of the last ten years.



Source: Mortgage and landlord possession statistics, Ministry of Justice; the data is for England and Wales

## Indicator: 41B

In London the rate of landlord orders is twice that of any other region. The north of England has an average level of landlord orders but the highest level of mortgage orders.



Source: Mortgage and landlord possession statistics, Ministry of Justice and English Housing Survey, DCLG

The first graph shows the number of mortgaged homes and rented homes that were repossessed by a county court bailiff in each financial year from 2003/04 to 2012/13.

The second graph shows the number of landlord repossession per 1,000 renting households and the number of mortgage repossession per 1,000 mortgage-holding households. This rate is given for 2010/11 and 2012/13 across different parts of England and Wales.

## 42 Overcrowding

**Overall levels of overcrowding have hardly changed, but this masks the increase in the overcrowding rate in rented households and the high level in cities.**

The social rented sector is the most overcrowded tenure, followed by the private rented sector and then owner-occupiers. In 1996/97 4.9 per cent of social rented households were overcrowded. The rate for private renters was 3.1 per cent and for owners it was 1.7 per cent.

But in the following 15 years the proportion of private rented homes that were overcrowded increased almost every year to reach 5.7 per cent in 2011/12. In the last ten years the rate of overcrowding in the social rented sector has also increased, but in the last year it has fallen to 6.6 per cent. So the rate of overcrowding in both rented tenures has risen and converged.

Conversely in the owner-occupied sector the level of overcrowding has fallen slightly each year and reached a low of 1.3 per cent in 2011/12.

The level of overcrowding is generally higher in cities. London is the most overcrowded city in England and Wales: in 2011, 12 per cent households in London were overcrowded, the only city where the level of overcrowding was above 10 per cent. 18 per cent of London's renting households were overcrowded.

As the level of overcrowding is so much higher in the social and private rented sectors, the overall level in an area depends in part on what proportion of all households are rented.

Bristol, Sheffield and Cardiff rank fifth to seventh in terms of overall level of overcrowding at 5 per cent. But they rank third to fifth in terms of overcrowding in the social rented sector, at 8 to 10 per cent. This is because the social rented sector makes up a smaller share of their housing than in other cities.

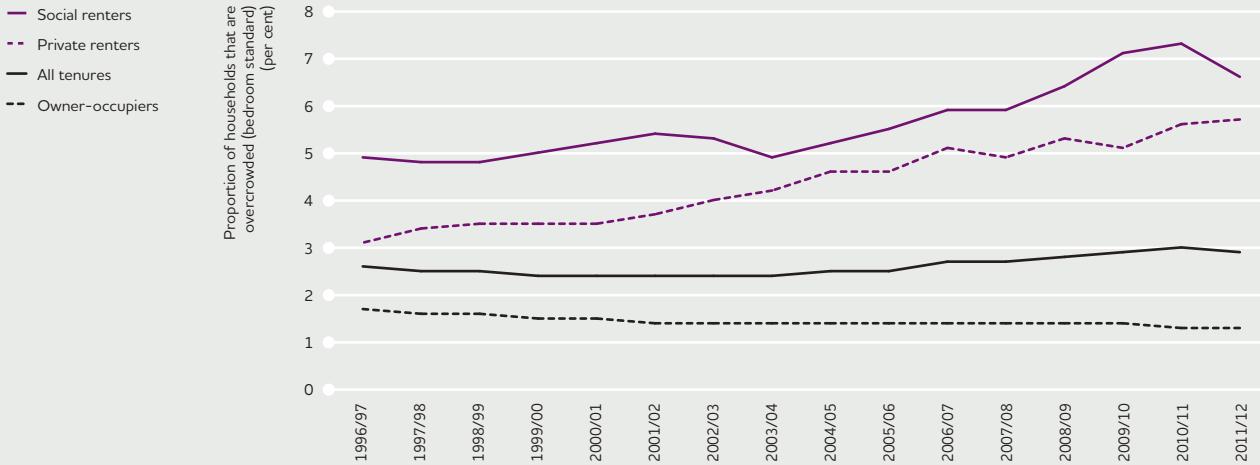
The level of overcrowding in Manchester, Nottingham and Newcastle is notably higher in the private rented sector than in the social rented sector (by at least 2 percentage points).

## Housing

## Overcrowding

## Indicator: 42A

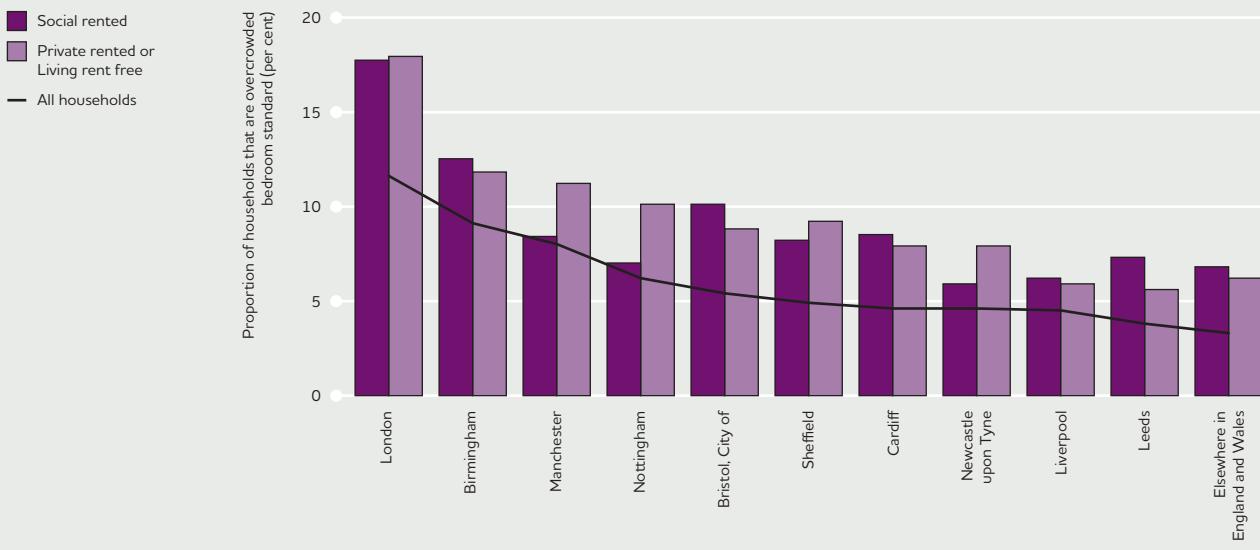
Around 6 per cent of renting households were overcrowded in 2011/12, more than four times the level for owner-occupiers.



Source: Survey of English Housing up to and including 2007/08, English Housing Survey 2008/09 onwards, DCLG; the data is a three-year moving average for England

## Indicator: 42B

The level of overcrowding in the private rented sector is just as high or higher than in the social rented sector in some cities.



Source: Census 2011 via NOMIS

The first graph shows the proportion of households that were overcrowded by tenure for each year from 1996/97 to 2011/12. The data is a three-year rolling average ending with the year labelled on the axis.

The second graph shows the proportion of households that were overcrowded in 2011 in different urban areas and for the rest of England and Wales. The rate is shown separately for social rented households, private rented households or those that live rent free, and for households of any tenure (including owner-occupation).

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.

## 43 Homelessness

**Homelessness acceptances have been increasing since 2009/10 and households in temporary accommodation have been increasing since 2010/11. But there has also been a disproportionate growth in households placed outside their borough and those becoming homeless following a shorthold tenancy.**

After increasing for three consecutive years, the number of households accepted as homeless in England reached 53,000 in 2012/13. But this is still much lower than its peak of 135,000 in 2003/04.

The number of homelessness acceptances fell sharply between 2003/04 and 2009/10 and the subsequent increase has been much more gradual. But the increase has been consistent and given that the steps taken to reduce homelessness in the mid-2000s cannot be repeated, the rise should be of real concern.

The number of households living in temporary accommodation as the result of being homeless shows a similar trend to homelessness acceptances but lags about a year behind. It peaked at 101,000 in 2004/05 and reached a low point six years later at 48,000 in 2010/11. It is also now increasing and reached 55,000 in 2012/13.

Most households in temporary accommodation were located within the local authority in which they lived previously. Over the last ten years between 5,000 and 12,000 households have been placed outside their area. This number has grown at a faster rate than households placed within their area. At the end of 2012/13 16 per cent of households in temporary accommodation were living outside of their area (9,000 households) compared with 11 per cent (5,400 households) in 2009/10.

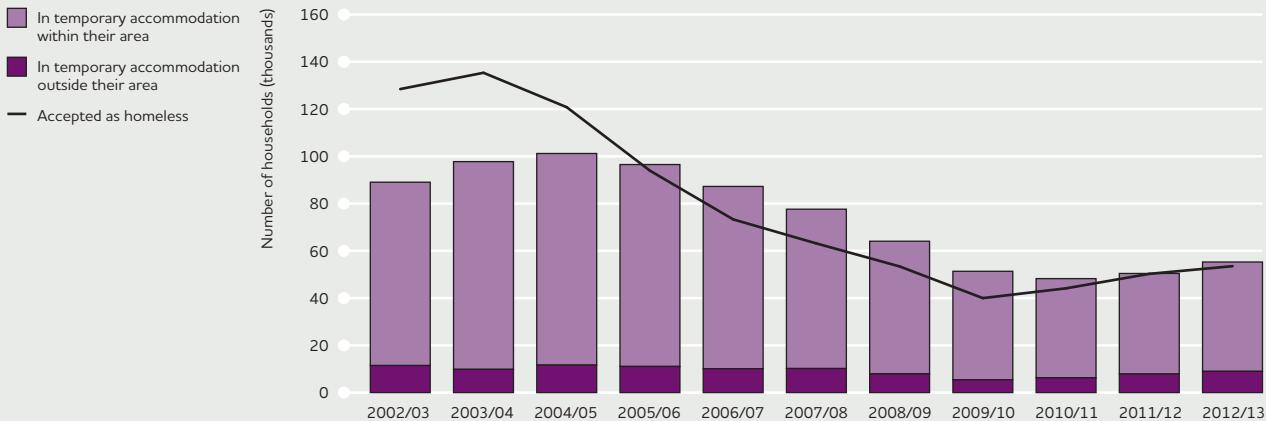
Between 2009/10 and 2012/13 the number of homelessness acceptances rose from 40,000 to 53,000 (up by 34 per cent). The most common reason for homelessness in 2012/13 was that relatives/friends were no longer willing to provide accommodation. This accounted for 17,000 homeless households, up by 3,000 since 2009/10.

But households becoming homeless because of the end of a shorthold tenancy more than doubled over three years to reach 12,000 in 2012/13. This reason alone accounts for more than half of the growth in homelessness acceptances since 2009/10.

## Homelessness

### Indicator: 43A

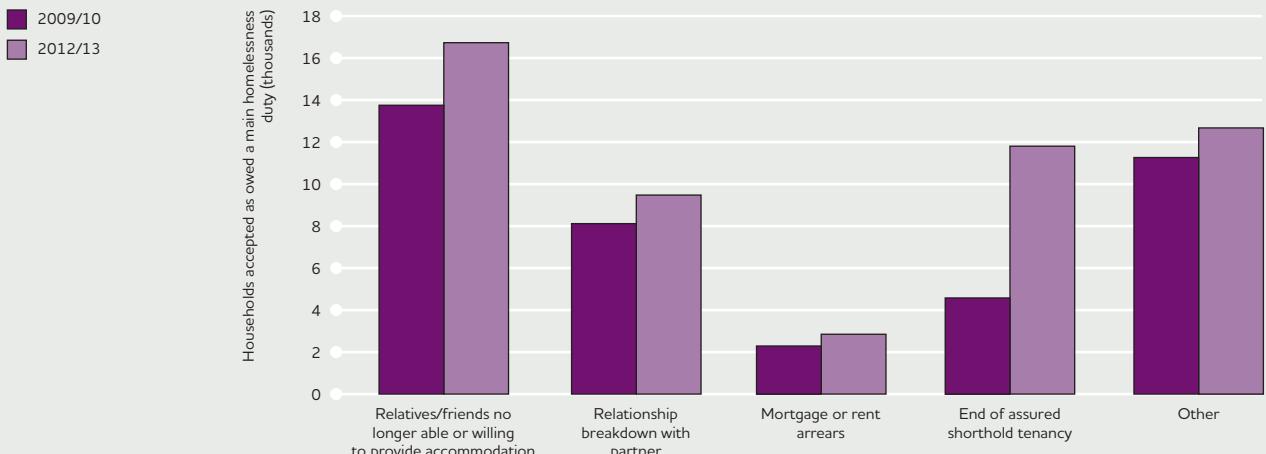
Despite rising in recent years, the number of households accepted as homeless is still much lower than its 2003/04 peak.



Source: Quarterly P1(E) returns, DCLG; the data is for England

### Indicator: 43B

Much of the growth in homelessness is due to tenancies being ended. The number has more than doubled in three years.



Source: Quarterly P1(E) returns, DCLG; the data is for England

The first graph shows the number of households newly accepted by their local authority as 'unintentionally homeless and falling within a priority need group' each year. The bars show the number of people living in temporary accommodation under homelessness provision at the end of the financial year. It is split to show whether or not the accommodation is within the local authority area in which they were originally accepted as homeless.

The second graph shows those newly accepted as unintentionally homeless and falling within a priority need group in 2009/10 and 2012/13 by their reason for homelessness.

It is important to note that the measures in the first graph are different types. The number of people newly accepted as homeless is cumulative over the period while the number of people living in temporary accommodation is a point-in-time number at the end of the year.

## 44 Housing benefits across Great Britain

**There are high levels of housing benefit claims across London and the North East but there are still isolated areas where there are high levels across the South of England.**

In May 2013 around 20 per cent of households relied on housing benefit to cover some or all of their housing costs. But in just over half of local authorities in Great Britain (194 out of 379) less than 17 per cent of households claimed housing benefit. The average of 20 per cent, despite the majority of local authority areas having a rate below this, can be explained by the much higher rates in some local authority areas.

In 50 local authorities at least a quarter of households claimed housing benefit. The highest rates tended to be in London; 8 of the 10 highest local authorities, where at least a third of households claimed housing benefit, were in London.

London's high rate of housing benefit claims is linked to the high proportion of people who rent their homes generally. Housing benefit can only be claimed by those who pay rent, so an area with a high proportion of renters will have higher proportion of households that might claim. But a high level of renting does imply an issue of housing costs generally as fewer households are able to access home ownership.

While London contains the areas with the very highest rates of housing benefit claimed, every local authority in the North East is in the top half. In 6 of the 12 local authority areas in the North East more than 25 per cent of households claimed housing benefit.

Alongside London and the North East, Wales, the North West, Yorkshire and the Humber and Scotland all have more than half of their local authorities in the bottom half of the distribution (i.e. more than their fair share).

Within England, and excluding London, there does seem to be a north/south divide with many more areas with high housing benefit claims in the north, fewer areas in the south and an average amount in the midlands. But there are also a number of isolated areas in the South and East of England with high levels of housing benefit claims, often, but not exclusively, in larger urban centres or coastal towns.

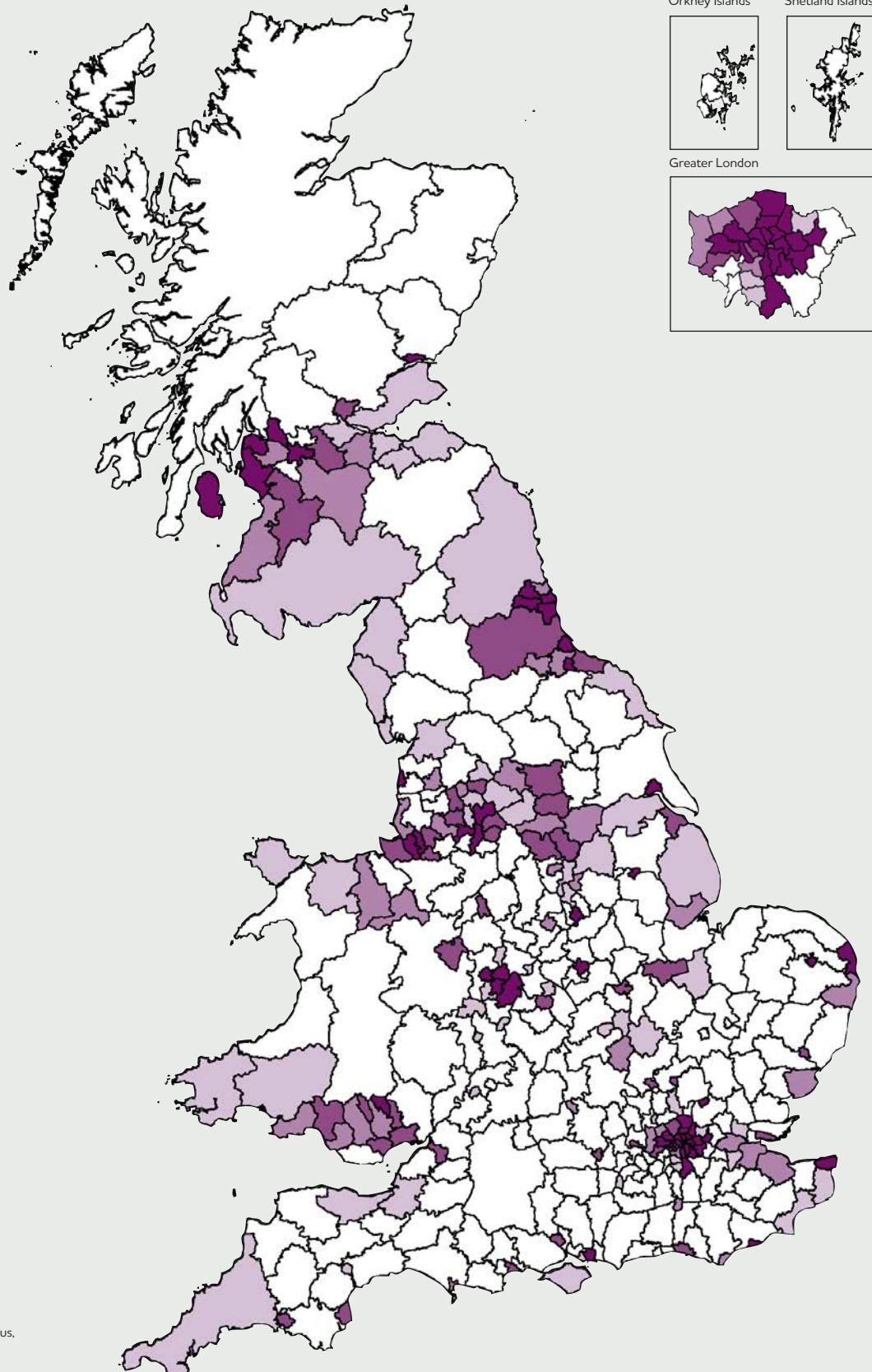
The map shows the proportion of households that rely on housing benefit to cover their housing costs in each local authority area in Great Britain.

Local authorities have been split into five groups based on the proportion of housing benefit claimants in that area: the lowest half of authorities, and the remaining half split into four broadly equal size groups.

The data is derived by dividing the number of housing benefit claimants in May 2013 by the number of households in the local authority area according to the Census.

## Housing benefits across Great Britain

Indicator: 44



## Commentary

In the last ten years the private rented sector was the only growing tenure. Private renting need not be linked to poverty, but at the moment it clearly is.

Accepting that the sector is now a major share of the housing stock, making improvements within it is a sensible approach. In 2012 and 2013 the Communities and Local Government Committee conducted an inquiry into the private rented sector. The result was a list of sensible if predictable measures: clearer regulation, flexibility for councils, clamping down on rogue landlords, longer tenancies, and a more systematic approach to rent levels.

However there was no mention of poverty in the report. This chapter has shown a rising inequality between renters and owners. For owners the situation is fair or improving (lower housing costs and overcrowding levels, falling reposessions). For renters the situation is bad or worsening (high poverty rates and housing costs, increasing homeless acceptances).

In addition, through changes to housing benefit (LHA caps, the under-occupation penalty and the overall benefit cap) the government is exacerbating the problem. As the impact is felt solely on renters towards the bottom of the income scale, not only will the gap between renters and owners grow but so will the gap between the higher and lower income renters.

This shift in poverty from the social rented sector to the private rented sector (see indicator 37B) raises another issue for policy. The social rented sector has regulated rents and large registered landlords, so the cost of housing is contained and landlords have to visibly meet their obligations to the tenant. In the private rented sector no such systems are in place.

The increasing number of low-income families living in the tenure with the fewest rights, the highest mobility and with no obvious channel of engagement poses a new challenge for tackling poverty.

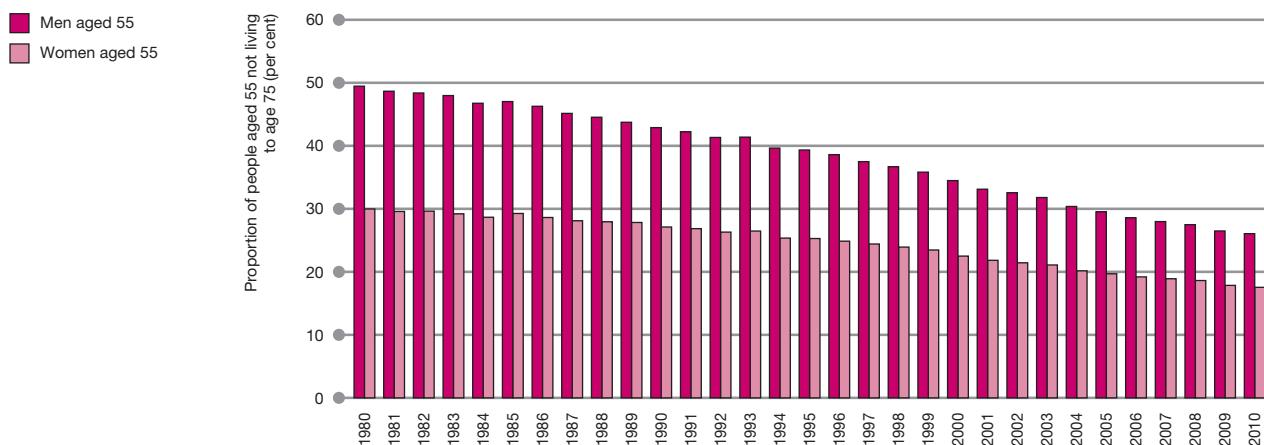
# Chapter 6 **Health**

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## Introduction

The overall trends in health across the UK over the medium term are very positive. People live longer and are in better health today than ever before. The graph below shows one aspect of that; the proportion of people aged 55 who do not live to age 75. The graph goes back to 1980, when 50 per cent of men aged 55 would not live for 20 more years. That figure is now 24 per cent. For women, the proportion fell from 30 per cent to 18 per cent, a smaller fall in both absolute and proportionate terms.

### Proportion of men and women aged 55 not living to age 75



Source: ONS life tables; the data is for the UK

This is one of the recurring patterns of these indicators – that overall levels of health are improving, and at a faster rate for men than for women, closing the overall gap in outcomes between them. But inequalities between genders are only part of the picture. This chapter looks in more depth at inequalities by income, from infants to older adults. Those gaps are not closing as consistently, and that is where the challenge for policy-makers lies.

## Choice of indicators

This chapter takes a life-course approach, beginning with an indicator on **infant mortality**. This analysis gives us a starting point for the chapter, and shows how health inequalities are established early.

The next indicator looks at slightly older children, aged 4 and 11, and looks at rates of **obesity** for boys and girls. Again, the inequalities by income are stark.

**Under-age pregnancy** does have implications for the health of the mother and child, but it is often seen as indicative of some other form of exclusion or deprivation. The trends and geographical patterns form the analysis here.

Completing the life course approach we look at **premature death**, that is death before the age of 65, and **inequalities in life expectancy**. This indicator more than any other shows how health outcomes have improved for all, but not at the same rate, meaning inequalities are widening.

The final pair of graphs in this chapter look at **the number of people with caring responsibilities** – a different aspect of poor health. The link with poverty here is the high proportion of carers who are not in paid work, simply because their caring responsibilities come first.

The chapter ends with a map of life expectancy across the local authorities of England, Scotland and Wales.

## 45 Infant mortality

**Although inequalities remain, rates of infant mortality have fallen for all social groups and in all parts of the country.**

Between 2001 and 2011, the rate of infant mortality (deaths among children aged under one, excluding stillbirths) fell among all social classes. The lowest rate remains among children born to parents in managerial and professional jobs, at just under 3 per 1,000 live births in 2011. In 2001, the rate was 3.7 per 1,000.

The highest rates are found among babies born to parents in routine and semi-routine jobs, although this group has also seen the largest fall in the infant mortality rate. In 2011, 4.8 babies per 1,000 live births died before the age of one, compared with 6.9 a decade earlier. So the gap in the rate between the routine and semi-routine classes and the managerial and professional classes has narrowed from 3.2 to 2.7 deaths per 1,000 live births. The rate of infant mortality of babies born to parents in routine and semi-routine jobs is now around the level of those born to parents in intermediate jobs a decade ago.

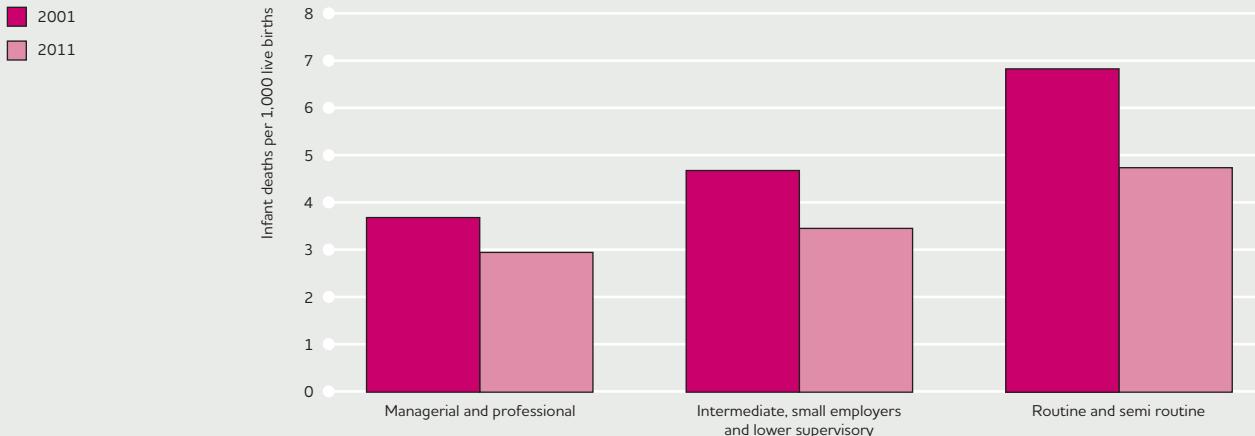
Though less eye-catching, there has also been a fall in the infant mortality rate for babies born to parents in intermediate professions, from 4.7 in 2001 to 3.5 in 2011. This, again, has closed the gap on the managerial and professional social class, from 1 death per 1,000 to 0.5. The rate of infant mortality among the intermediate social class is now around where the managerial social class was a decade ago.

Similarly, there have been falls in infant mortality across all regions of England and Wales. The region with the highest level is the West Midlands, with an infant mortality rate of 5.8 per 1,000. Yorkshire and the Humber is the only other region with a rate above 5 per 1,000. The lowest rates are found in the South East and South West; 3.7 and 3.6 respectively. In fact, the rate in the West Midlands and Yorkshire are, despite recent falls, higher than the rate in the South East and South West ten years ago.

## Infant mortality

### Indicator: 45A

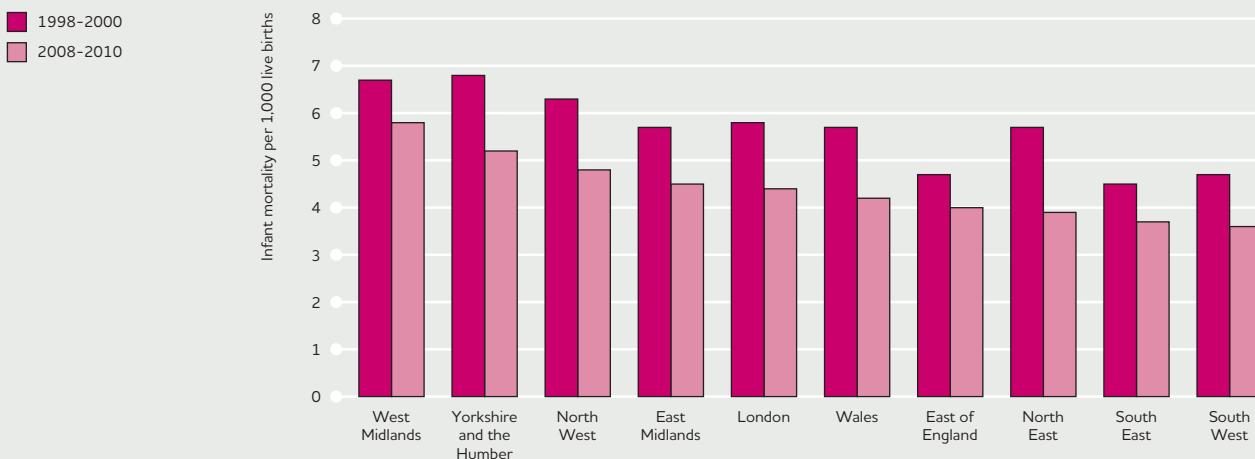
Despite falling in the last decade, the rate of infant mortality for babies whose parents work in routine jobs is almost double that for those whose parents are in the managerial or professional class.



Source: Infant and perinatal mortality in England and Wales by social and biological factors, ONS; the data is for 2011

### Indicator: 45B

While infant mortality has fallen in all regions, the overall pattern remains the same, with the higher rates in the West Midlands and Yorkshire and the lowest rates in the South East and South West.



Source: Neighbourhood Statistics, ONS; the data is for England

The first graph shows a breakdown of infant mortality by the social class of the father. Births outside marriage where the father is not present at the birth are not included. The class 'Never worked and long-term unemployed' is also excluded for reasons of small numbers.

Infant mortalities are deaths before the age of one and exclude stillbirths. They are expressed as a proportion of live births.

The second graph shows changes over time in England's regions and Wales. Figures are three-year averages.

## 46 Childhood obesity

**The level of obesity is rising, if slowly, among teenagers. There are significant differences in rates by gender and, particularly, income.**

Over the five years from 2006/07 to 2011/12 there was little change in the proportion of reception-aged children (four-year-olds) who were obese. Over this period, a fairly constant 10 per cent of boys and 9 per cent of girls were obese. It is possible to discern a slight fall in the level among boys, but it is a fall of less than 1 percentage point.

Among children in Year 6 (10- to 11-year-olds) not only is the level of obesity higher, but it is rising. Roughly twice as many Year 6 boys as reception-aged boys are obese – 21 per cent in 2011/12 compared with 10 per cent. For girls, the difference between age groups is also double – 18 per cent compared with 9 per cent. This also means that the gap between boys and girls is greater among Year 6 than reception-age children.

Among those in Year 6, the level of obesity has grown in the last five years by 2 percentage points for both boys and girls. However, most of that growth was earlier in the series. It may be that the trend has now flattened.

As well as differences by gender, there are stark differences by deprivation – rates of obesity rise in direct proportion to the level of deprivation. Some 12 per cent of reception-age children living in the most deprived decile of areas are obese, compared with 7 per cent of children in the least deprived areas and 10 per cent of children on average.

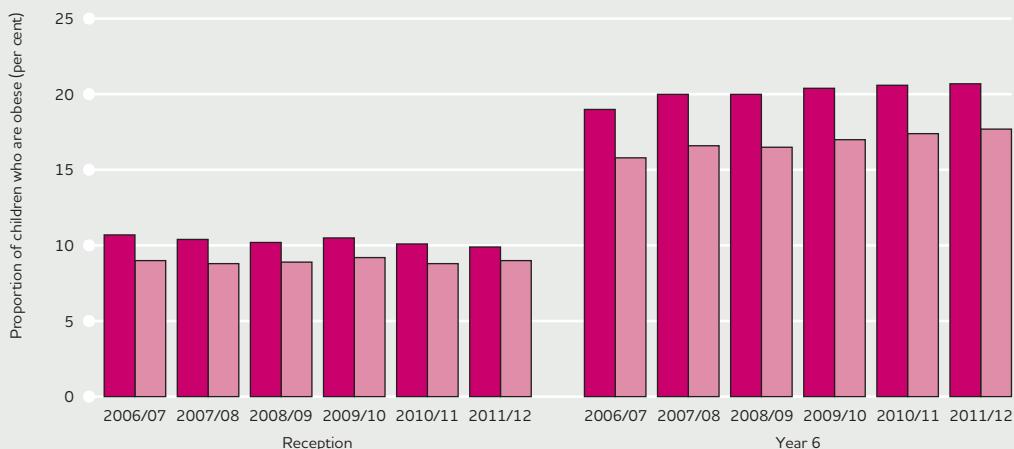
In Year 6, the proportion of obese children in the most deprived areas reaches 24 per cent compared with 14 per cent in the least deprived areas and 20 per cent on average. So not only is obesity more common among older children, but the gap between deprived and non-deprived areas grows.

## Childhood obesity

### Indicator: 46A

In the last five years there has been a small increase in levels of obesity among Year 6 pupils but no increase among reception-age pupils.

Boys  
Girls

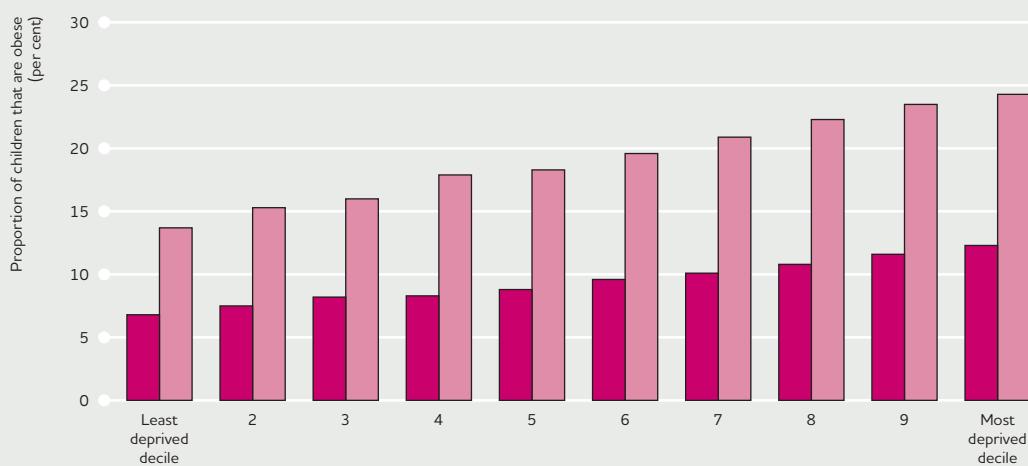


Source: Health and Social Care Information Centre, Department of Health; the data is for England

### Indicator: 46B

The proportion of children who are obese in both Reception and Year 6 rises with the deprivation of the area they live in. Children in the most deprived decile are almost twice as likely to be obese as those in the least deprived decile.

Reception  
Year 6



Source: Health and Social Care Information Centre, Department of Health; the data is for 2011/2012 for England

The first graph shows levels of obesity among boys and girls at two different ages – age 4 (Reception) and age 11 (Year 6). Childhood obesity is measured relative to the height and weight of the child population in that age group, rather than using the fixed threshold used for adults.

The second graph shows levels of obesity for two age groups according to the deprivation of the area in which the school is located according to the Indices of Multiple Deprivation.

## 47 Under-age pregnancy

**Long seen as emblematic of the problem of child poverty in the UK, the rate of under-age pregnancy has fallen significantly in recent years, and every part of the country has seen a fall.**

In 2011, the rate of under-age conceptions (including births and abortions) fell to just over 6 per 1,000 girls aged 13–15. This is the lowest level over the period for which we have data, and compares with a rate of 9 per 1,000 in 1998. In 2011, both births (2.4 per 1,000) and abortions (3.7 per 1,000) were at their lowest level over this period.

This fall is part of a broader trend in teenage (not necessarily under-age) pregnancies, which in 2011 reached their lowest level since the 1960s.

As recently as 2007, rates of under-age conception were around 8 per 1,000 girls aged 13–15, the same level as 1999. Having barely fallen at all for eight years, they have fallen steeply and consistently in the four years since, births falling by 0.7 per 1,000 and abortions by 1.3 per 1,000. Over the longer term, though, births have fallen by more than abortions.

The differential fall in rates of under-age pregnancy across regions may help explain the overall fall. In some areas, such as the North East and North West, there has been little or no change in the rate, remaining at 9.5 and 8 per 1,000 respectively.

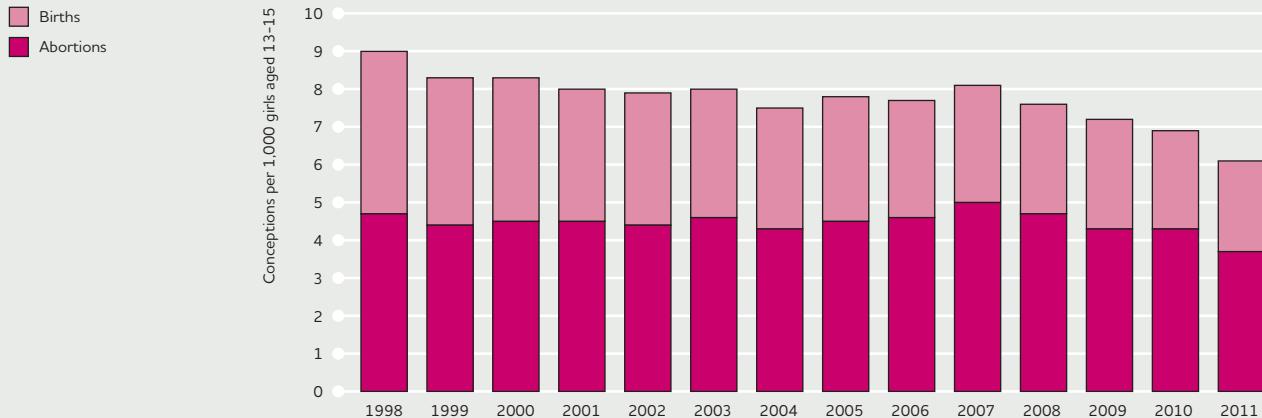
In London, however, the fall has been much more pronounced. From 10 per 1,000 in 2001–2003, the highest rate in the country, the rate of under-age pregnancy fell to just under 7 per 1,000, almost exactly the national average.

It is worth noting that although the rates of change may be different between English regions, not one region saw a rise in under-age conceptions over the course of the last decade. The fall in Wales was also notable, from 8 per 1,000 to 7 per 1,000.

## Under-age pregnancy

### Indicator: 47A

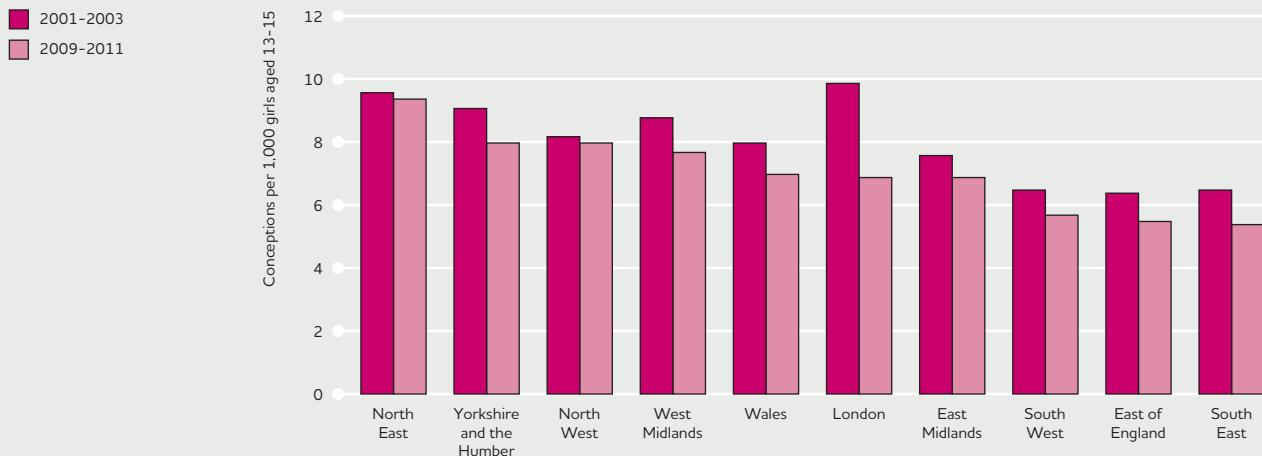
The rate of under-age pregnancy is now at its lowest in at least 13 years. After years of little change both births and abortions have been falling since 2007.



Source: Teenage conception and outcome, ONS; the data is for England and Wales

### Indicator: 47B

Under-age conceptions have fallen throughout England and Wales. The biggest fall was in London, which used to have the highest rate and is now at the average level.



Source: Under-16 conception numbers and rates by area, ONS; the data is for England and Wales

The first graph shows the number of conceptions to girls aged under 16 as a proportion of the 13- to 15-year-old population. The second graph shows the levels of under-age conception in England's regions and Wales. A three-year average is used to make the statistic more reliable.

## 48 Premature death

**Overall improvements in health mean that the rates of premature death have fallen substantially over the last two decades. As the gap closes between male and female health outcomes, the gap between deprived and non-deprived areas gets wider.**

In 2011, the rate of premature death – that is, the number of deaths under the age of 65 – fell to 202 per 100,000 for men and 132 per 100,000 for women. Twenty years ago, the figures were 322 and 191 respectively. This means the rate for men has fallen much more quickly than for women, though from a much higher starting point. In fact, the rate for men in 2011 is around the same as the rate for women in 1991.

The second graph looks at life expectancy, again analysing changes for men and women over time. It also looks at differences by the deprivation of the area.

Men in less deprived areas have longer life expectancies than men in areas of average deprivation. In the least deprived fifth, male life expectancy is 2.7 years higher than the male average. It is 1.3 years higher in the next least deprived fifth. Both these figures are very slightly higher than at the beginning of the last decade.

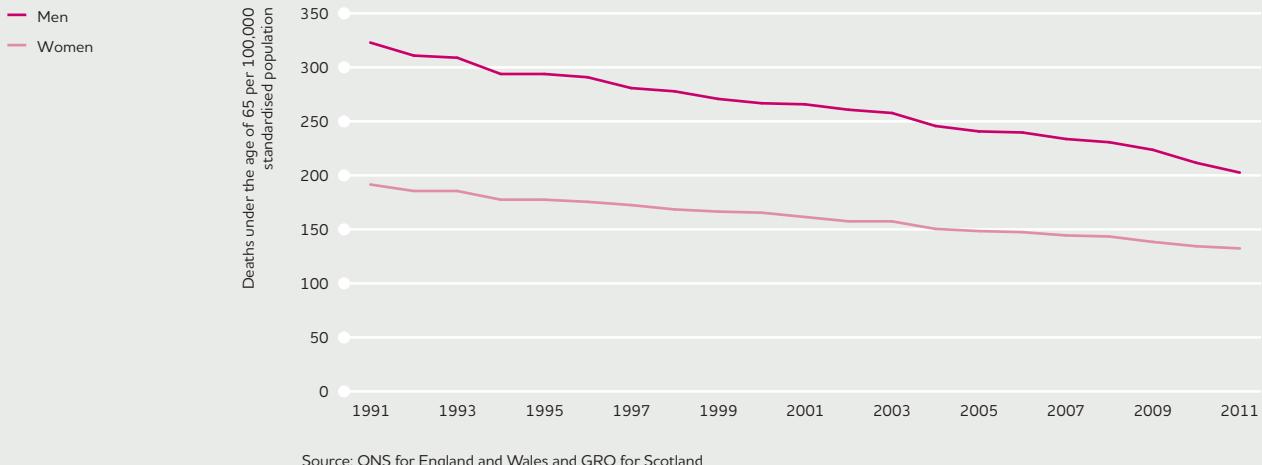
In more deprived areas life expectancy is lower than the average, and this gap is growing. Male life expectancy is now 5.5 years below average in the most deprived fifth, compared with 5.2 years in 2004. So the gap between the middle and the bottom is greater than the gap between the middle and the top, and it is growing faster.

Women's life expectancy is longer than men's for any given level of deprivation but this gap is closing. This is most notable among women in the most deprived fifth of areas. Whereas between 2001 and 2004 their life expectancy was 0.7 years above the male median, it is now the same. So the average male can now expect to live as long as the poorest fifth of women. Men in the least deprived fifth now have a life expectancy above women in the poorest two-fifths. This was not the case at the beginning of the 2000s.

## Premature death

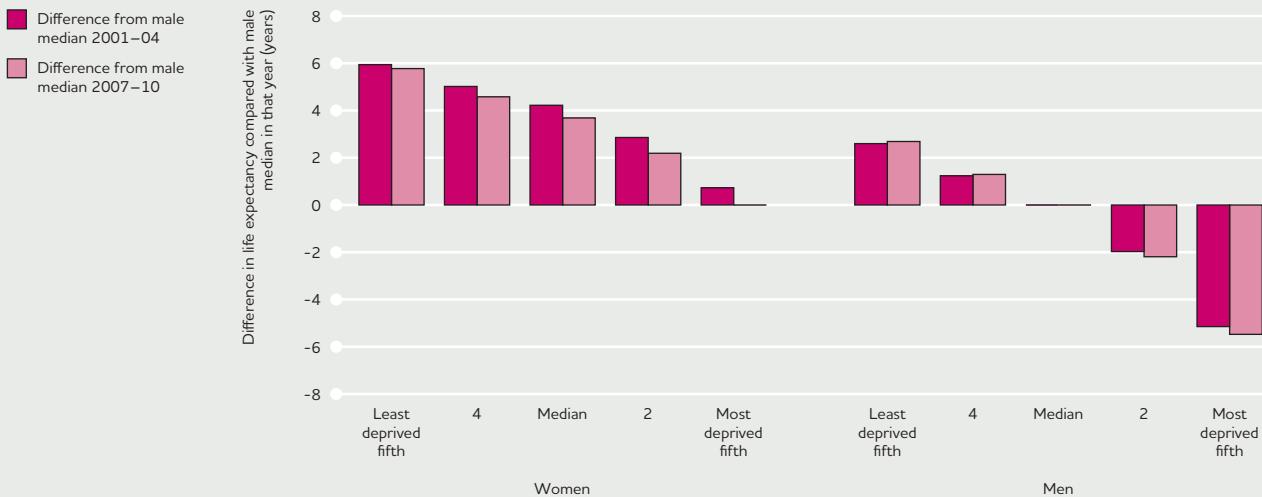
### Indicator: 48A

The risk of premature mortality has fallen substantially over the last 20 years. The risk for men has fallen fastest, closing the gap between men and women.



### Indicator: 48B

Health inequalities have declined between men and women but have grown between deprived and non-deprived areas. Average male life expectancy is now the same as that for women in the most deprived areas.



The first graph shows the rate of premature deaths for men and women. Premature deaths are deaths before the age of 65. Changes in the age profile of the overall population will increase or decrease the number of premature deaths, so to calculate the rate the population is standardised to make year-on-year comparisons possible.

The second graph shows life expectancy for men and women compared with the male median. The graph shows the difference between the life expectancy of each group – men and women, by the deprivation of the area they live in – and the life expectancy of a man in an area of average deprivation (essentially, the male average). If the bar is above the line, then that group has a greater life expectancy than the male average. Below the line means the life expectancy is less than the male average. The bars show the difference in 2001–04 and the difference in 2007–10.

## 49 Unpaid caring responsibilities

**Although those most likely to provide 20 hours of care are not working-age, over a third of carers are also in work.**

In 2011, 3.9 per cent of people in England and Wales provided at least 20 hours of unpaid care per week. The proportion of people providing unpaid care was lowest among younger age groups and increases with age. For those aged 25–34, 2.3 per cent provided care, rising with each age group to 7.2 per cent for those aged 75–84.

In 2001, 3.4 per cent of people in England and Wales provided at least 20 hours of unpaid care, so there has been a small increase – 0.3 percentage points over ten years – but for different age groups the direction of change has varied.

Among those aged 44 and under the level has hardly changed since 2001. Meanwhile for those aged 45–64 the level has gone down; the biggest fall was of a percentage point for those aged 55–64 to 5 per cent. But for those aged 75 and over the level has increased by 2 percentage points.

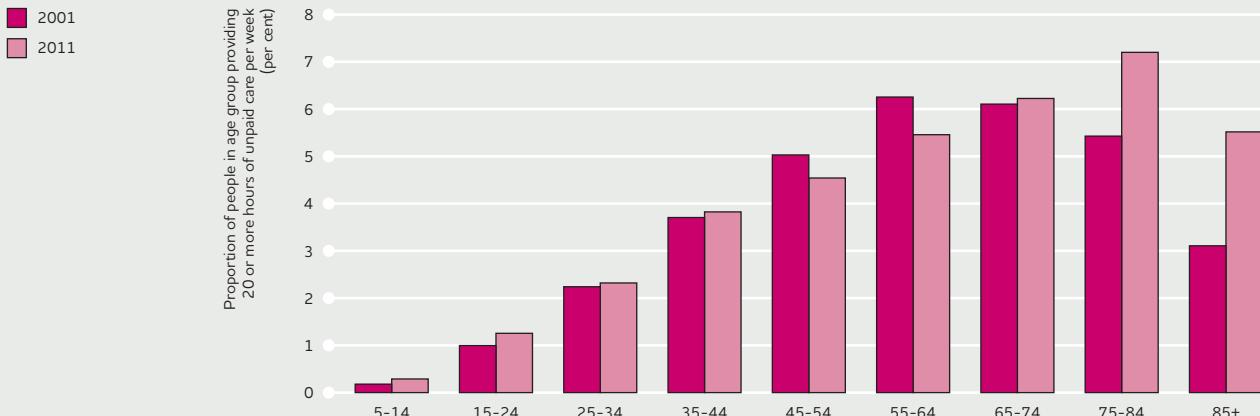
Over a third of people who provide at least 20 hours care per week were also in work in 2011: 22 per cent were in full-time work and 14 per cent were in part-time work. Although this is lower than the average for people who do not provide unpaid care (62 per cent are in work), it is high given that this work is done alongside providing at least 20 hours of unpaid care. Also many of the rest are not of working-age: 36 per cent are retired.

The work rates for adults who provide 1 to 19 hours per week of care are very similar to those that do not provide care at 66 and 62 per cent respectively. Although, for those providing care, a greater share of the work done is part-time; 22 per cent of these carers work part-time compared with 16 per cent of non-carers.

## Unpaid caring responsibilities

### Indicator: 49A

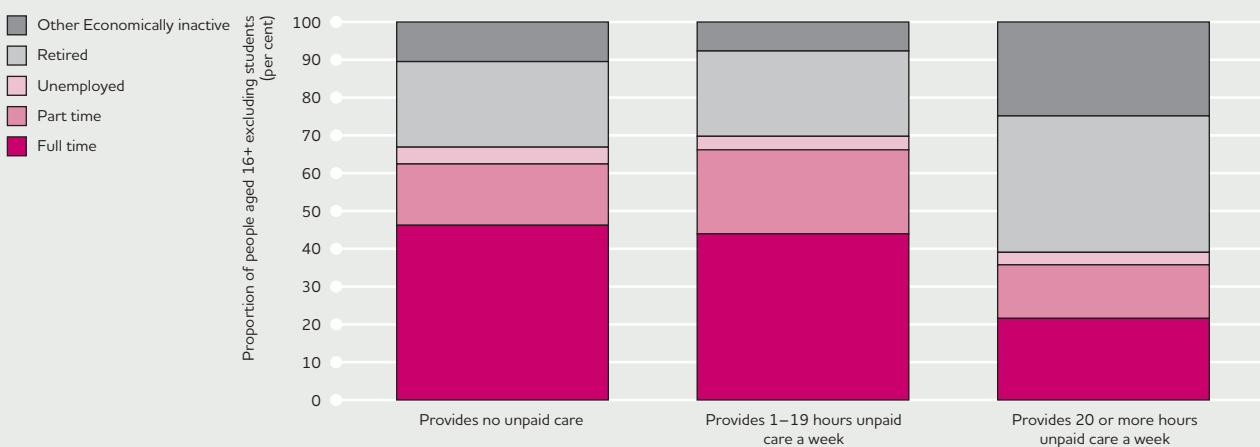
The proportion of people with unpaid caring responsibilities has risen for all age groups with the exception of those aged 45–64.



Source: Census 2001 and 2011; the figures are for England and Wales

### Indicator: 49B

Over half of those who provide over 20 hours care per week are either retired or economically inactive. Still, however, around 20 per cent are in full-time work.



Source: Census 2011, via NOMIS; the data is for England and Wales

The first graph shows the proportion of people in different age groups that provided 20 or more hours of unpaid care per week in 2001 and 2011.

The second graph shows the economic activities breakdown of people aged 16 and over. The data is shown separately for those who do not provide unpaid care, those who provide 1–19 hours of unpaid care per week and those who provide at least 20 hours of unpaid care per week.

Full-time students have been removed from the second graph.

A person is a provider of unpaid care if they look after or give help or support to family members, friends, neighbours or others because of long-term physical or mental ill-health or disability, or problems related to old age. This does not include any activities as part of paid employment. The care can be provided within or outside their own household.

## 50 Life expectancy by local authority

**Below average life expectancy is most common in the North of Britain, which can in part be explained by the number of large cities in the North. Above average life expectancy is concentrated in the rural south.**

There is a clear north/south divide in life expectancy in Great Britain. Of the ten local authorities where male life expectancy is below 75, seven are in Scotland and the remaining three are in the North West. Almost every single local authority where male life expectancy is over 81 is in the South of England.

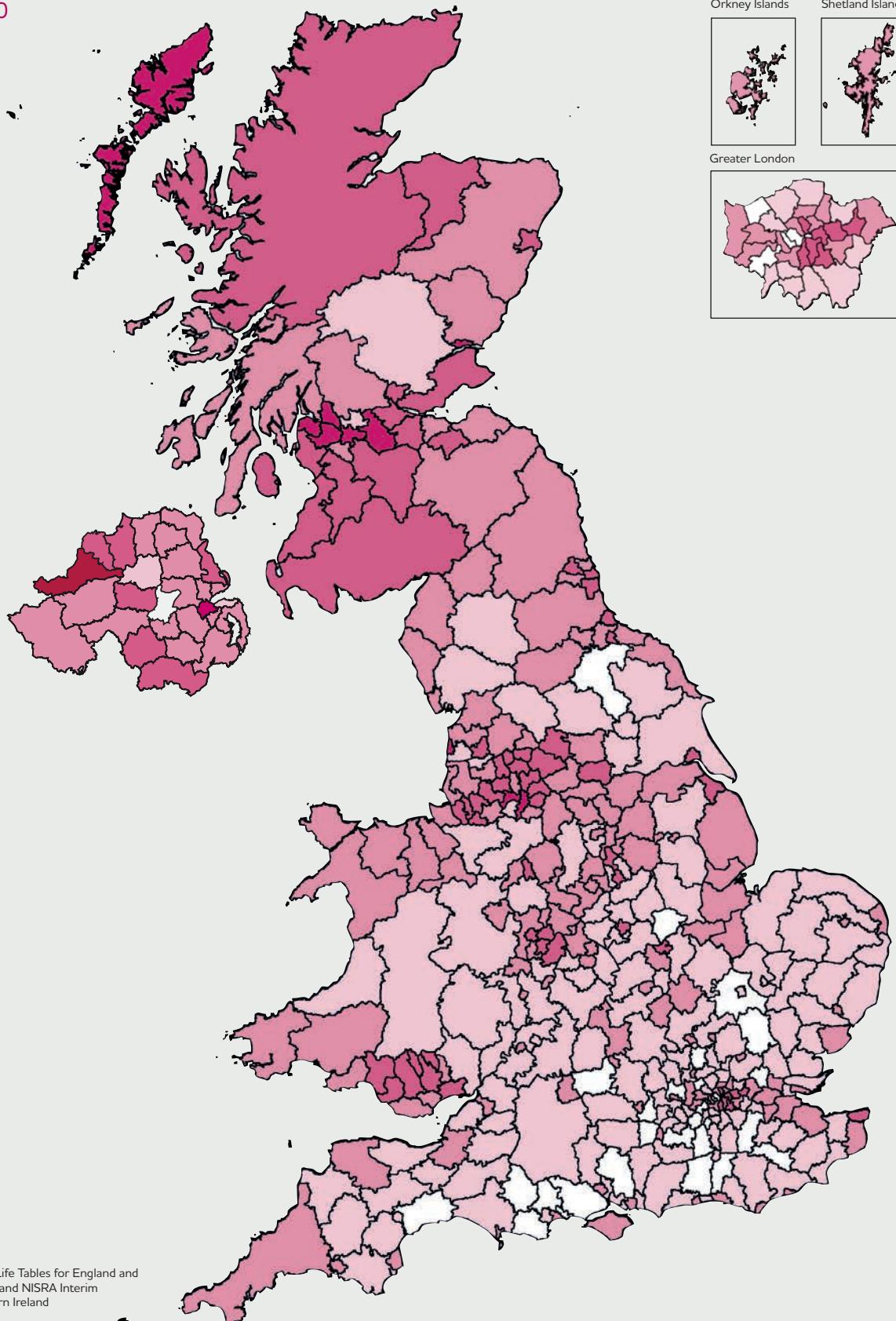
Part of the north/south split is explained by a significant urban/rural difference. The north has more large cities, and places like Birmingham, Manchester, Liverpool, Glasgow, Sheffield and Newcastle all have life expectancies well below the average. Most of the areas with high life expectancies are more rural areas in the south, but rural areas in the north also have longer average life expectancies than urban areas.

But while the north/south urban/rural differences do matter, the most striking difference is between Scotland and elsewhere. All of Scotland bar one local authority is below the national average for life expectancy, and Glasgow stands out, with a life expectancy of 71.6, almost seven years below the national average. The gap between Glasgow and Manchester, the English local authority with the lowest life expectancy, is 2.1 years. That range covers the 15 local authorities in England with the lowest life expectancies.

The map shows life expectancy for all local authority areas across the UK. It uses a three-year average of 2008–2010 as this is the most recent available for all four countries.

## Life expectancy by local authority

Indicator: 50



## Commentary

The approach taken in this chapter is to look at health outcomes through different stages of life, from infant deaths through childhood obesity and ending with life expectancy and premature deaths. This is just a quick take on a wide range of possible indicators but it does present a couple of patterns.

Firstly, inequalities appear to be closing at younger ages but opening up later on. So we see the gap in infant mortality closing between babies born to parents in professional jobs and those born to parents in routine jobs. The gap still exists, but closing it entirely is difficult when health outcomes for all improve.

Contrast that with life expectancy. Again, this indicator has improved for everyone – life expectancy has risen for men and women in deprived and non-deprived areas. But the gap between men on average and men in more deprived areas has grown over the last ten years. The gap between women on average and women in more deprived areas has also grown.

There could be any number of reasons for this, and early life outcomes may not yet have trickled through to later life. But this difference does speak of the difficulty in tackling health inequalities across the whole life course – the number of different services and potential interventions is vast.

There was a concerted effort to reduce health inequalities (in England) under the last government. Towards the end of its term, the Marmot Review (<http://bit.ly/OUGse3>) set out a range of ways in which health inequalities could be tackled, but the issue has slipped back down the health agenda as the focus moves to reorganisations and cuts. What is clear from the analysis above, though, is that without plans to reduce them, health inequalities in later life will only grow.

# 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.

Time	Change	Estimate of numbers affected	Average loss to those affected	Source
<b>Changes to sickness- or disability-related benefits</b>				
October 2008	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.	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.	Not applicable.	Parliamentary briefing available at: <a href="http://www.parliament.uk/briefing-papers/SN05574">www.parliament.uk/briefing-papers/SN05574</a>
May 2012	A time limit for claiming contribution-based ESA of one year was 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.	The policy is expected to affect around 700,000 people in total by 2015/16. These people will lose their entitlement to contributory ESA.	On average the net income of all those affected is estimated to be reduced by around £36 per week. This average includes those that are not expected to lose anything as they become entitled to means-tested ESA.	DWP impact assessment, available at: <a href="http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175000/esa-time-limit-wr2011-ia-revised-apr2011.pdf">www.gov.uk/government/uploads/system/uploads/attachment_data/file/175000/esa-time-limit-wr2011-ia-revised-apr2011.pdf</a>
2013	Disability Living Allowance (DLA) for working-age people will be replaced by Personal Independence Payment (PIP). Migration of existing DLA cases will be completed by the end of 2017.	It is expected that there will be around 607,000 fewer individuals in receipt of PIP compared with those who would have received DLA by May 2018. 450,000 of those currently on DLA are expected to lose entitlement.	In August 2012, the average value of DLA claimed in Great Britain was £78.10 per week.	DWP reassessments, available at: <a href="http://www.dwp.gov.uk/docs/PIP-reassessments-and-impacts.pdf">www.dwp.gov.uk/docs/PIP-reassessments-and-impacts.pdf</a>
<b>Changes to housing benefits</b>				
April 2011	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.	21,000 households in Great Britain were expected to have their LHA benefit cut (around 2 per cent of LHA claimants). 80 per cent of the total affected live in London.	It's estimated that those affected will lose on average £74 per week.	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>
April 2011	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).	775,000 households in Great Britain are expected to have their LHA benefit cut (around 83 per cent of LHA claimants).	It's estimated that those affected will lose on average £9 per week. Larger households will experience greater losses.	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>

Time	Change	Estimate of numbers affected	Average loss to those affected	Source
<b>Changes to housing benefits continued</b>				
April 2011 through next 3 years	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.	300,000 housing benefit and Council Tax Benefit customers 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.	Unknown.	DWP impact assessment, available at <a href="http://www.dwp.gov.uk/docs/ea-ndd-2011.pdf">www.dwp.gov.uk/docs/ea-ndd-2011.pdf</a>
January 2012	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).	Estimates based on the March 2010 LHA caseload suggest that 62,500 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.	Those affected are expected to receive, on average, £41 per week less benefit than under the current rules.	DWP impact assessment, available at: <a href="http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175083/ea-hb-shared-accommodation-age-threshold.pdf">www.gov.uk/government/uploads/system/uploads/attachment_data/file/175083/ea-hb-shared-accommodation-age-threshold.pdf</a>
April 2013	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.	It is expected to affect an estimated 660,000 Housing Benefit claimants living in the social rented sector in GB at the time of its introduction in 2013/14.	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.	DWP impact assessment, available at: <a href="http://www.dwp.gov.uk/docs/ea-social-sector-housing-under-occupation-wr2011.pdf">www.dwp.gov.uk/docs/ea-social-sector-housing-under-occupation-wr2011.pdf</a>
April 2013	Local Housing Allowance rates will be increased in line with the Consumer Prices Index rather than in line with market rents.	It is estimated that there will be around 1.4 million claimants under the new Local Housing Allowance arrangements in 2013.	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.	DWP impact assessment, available at: <a href="http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/138017/social-sector-housing-under-occupation-wr2011-ia.pdf">www.gov.uk/government/uploads/system/uploads/attachment_data/file/138017/social-sector-housing-under-occupation-wr2011-ia.pdf</a>
April 2013	Council Tax Benefit has been replaced by locally devised Council Tax Support schemes. Pensioners have been protected from the change.	2.4 million Council Tax Benefit recipients will lose out.	The average extra Council Tax increase is £138 in 2013/14, though 1 million face a less than £100 increase and 150,000 face a £300 increase.	NPI research for JRF on impacts, available at: <a href="http://www.jrf.org.uk/publications/impact-localising-council-tax-benefit">www.jrf.org.uk/publications/impact-localising-council-tax-benefit</a>

Time	Change	Estimate of numbers affected	Average loss to those affected	Source
<b>Changes to tax credit system</b>				
April 2011	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.	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.	Unknown.	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>
April 2011	The percentage of childcare costs eligible to be paid through tax credits has been reduced from 80 per cent to 70 per cent.	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 429,800. This was the first time ever since tax credits were introduced in 2003 that this number had fallen.	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 £59 per week in December 2012.	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>
April 2012	Higher earners stop getting Child Tax Credit (CTC) where earnings/joint earnings reach £41,300 (reduced from £50,000).	On April 1 2011, there were around 1.5 million in-work families receiving CTC at or below the family element. By April 1 2012, this number was reduced to 1 million.	The family element of CTC amounts to £10.50 per week (£545 annually).	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>
April 2011	The baby element of Child Tax Credit was abolished.	470,000 families were claiming this element on 1 April 2011.	The baby element amounted to £10.50 per week (£545 annually).	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>
April 2011	The basic and 30-hour element of Working Tax Credit (WTC) will be frozen for three years.	Around 2.4 million families were receiving WTC in December 2012, and 2.3 million were receiving the 30 hours element.	In 2011, the basic rate was £1,920 per year and the 30-hour element was £790. Had these increased by the Consumer Price Index (CPI), they would be £208 and £88 higher respectively this year (2013/14).	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>
April 2012	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.	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.	Maximum loss could be around £75 per week (£3,900 annually).	Parliamentary question answer 88172, available at: <a href="http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120110/text/120110w0003.htm">www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120110/text/120110w0003.htm</a>

Time	Change	Estimate of numbers affected	Average loss to those affected	Source
<b>Other changes</b>				
April 2011	Sure Start maternity grant of £500 restricted to first child.	Around 150,000 families a year will no longer be eligible for a second or a subsequent child.	£500 one-off grant no longer available.	DWP impact assessment, available at: <a href="http://www.dwp.gov.uk/docs/eia-sure-start-maternity-grant-restrictions.pdf">www.dwp.gov.uk/docs/eia-sure-start-maternity-grant-restrictions.pdf</a>
May 2012	Beginning in 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 Jobseeker's Allowance.	In August 2012 over 150,000 lone parents with children aged 5+ were claiming Income Support.	Not applicable.	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>
January 2013	Child Benefit reduced for households where the highest earner's income exceeds £50,000, and will fall to zero for those with more than £60,000.	Around 1.2 million families will see some reduction in their Child Benefit payments. 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.	The value of child benefit in 2012 was £20.30 per week for one child and £13.40 for each additional child.	HMRC impact assessment, available at: <a href="http://www.hmrc.gov.uk/budget2012/tin-0620.pdf">www.hmrc.gov.uk/budget2012/tin-0620.pdf</a>
April 2013	Abolition of the discretionary Social Fund, which includes Community Care Grants and Crisis Loans.	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.	In 2009/10, the average award was £82.	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>
April 2013	No working age family can receive more than £500 per week in benefits (or £350 for single adult households).	40,000 households are expected to be affected.	The average loss for those affected will be £93 per week.	Original 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>
April 2013	For three years (2013/14, 2014/15, 2015/16) certain benefits will only be uprated by 1 per cent a year, rather than CPI.	9.6 million households will be affected by lower than inflation increases.	The average loss is £3 per week.	Impact Assessment, available at: <a href="http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175019/welfare-benefits-up-rating-bill-ia.pdf">www.gov.uk/government/uploads/system/uploads/attachment_data/file/175019/welfare-benefits-up-rating-bill-ia.pdf</a>



# Glossary

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## 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 dependents 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 below.

Person	BHC equivalisation	AHC equivalisation
First adult	0.67	0.58
Spouse	0.33	0.42
Other second adult	0.33	0.42
Third adult	0.33	0.42
Subsequent adults	0.33	0.42
Children under 14	0.2	0.2
Children 14 and over	0.33	0.42

## 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, cohabitantes or same sex partners and any dependent children).

## Housing benefit

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(s) 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.

## Living wage

The living wage is based on the amount an individual needs to *earn* to cover the basic costs of living. The living wage is £8.55 an hour in London and £7.45 an hour in the rest of the UK. The living wage is an informal benchmark, not a legally enforceable minimum level of pay, unlike the national minimum wage. The national minimum wage is significantly lower. From 1 October 2013 the national minimum wage is £6.31 an hour for adults, and £5.03 for those aged 18 to 21.

The living wage is currently calculated by the Centre for Research in Social Policy at Loughborough University, while the London living wage has been calculated by the Greater London Authority since 2005.

## 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/1bEycK4>).

## Minimum Income Standard

The Minimum Income Standard (MIS) is an ongoing programme of work carried out by the Centre for Research in Social Policy at Loughborough University, and published by the Joseph Rowntree Foundation.

It is based on findings from facilitated discussion groups on what people think constitutes a minimum standard of living in the UK today. It is not just a survival level income; rather it is the minimum income that would allow an individual to participate in society. So it includes food and heating, personal and household goods as well as social participation and travel. MIS is updated annually, at least with inflation, with new research every two years ensuring that it reflects changing social norms.

## 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/LEf0JU](http://bit.ly/LEf0JU).

## 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.

## Sanctions

A sanction is a reduction in or suspension of Jobseeker's Allowance (JSA) on account of a breach of the terms of a Jobseeker's Agreement. Someone might be sanctioned if they:

- left their job voluntarily or lost their job due to misconduct
- failed to apply for or accept a job that is offered to them
- failed to show that they are available for, and actively seeking, work
- failed to attend a compulsory training or employment scheme
- failed to carry out a direction from a Jobcentre Plus adviser.

Sanctions vary in length depending on the nature of the breach of a Jobseeker's Agreement.

## 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.

## Zero-hour contracts

A zero-hour contract is a contract of employment which creates an 'on call' arrangement between employer and employee. Under the provisions of this contract the employer is not obliged to provide work for the employee, nor does it oblige the employee to accept the work offered.



***Monitoring poverty and social exclusion is a regular, independent assessment of progress in tackling poverty and other types 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.

This year's report examines in greater detail the geographical distribution of disadvantage across the United Kingdom, with each chapter containing a map of a particular indicator. Different indicators reveal different patterns, allowing us to get a better understanding of the contemporary nature of poverty and exclusion.

This report is the sixteenth in the series. It is a valuable resource for researchers and policy-makers alike. By looking at recent trends, it aims to better illuminate the challenges of tackling poverty in the coming years.

