

## Monitoring poverty and social exclusion in the UK 2005

The New Policy Institute has produced its seventh annual report of indicators of poverty and social exclusion. Whilst comprehensive in its analysis, a particular theme this year relates to issues concerning disabled people.

- The numbers living in income poverty continue to fall, but only among families with children and pensioners.
- Almost a third of working-age disabled adults live in income poverty. This is higher than a decade ago, now double the rate for working-age non-disabled adults and higher than the rates for either pensioners or children.
- For any given level of qualification, disabled people are both much more likely to lack work or be in low-paid work.
- Half of all children living in income poverty live in households where someone is in paid work, most of them in two-adult rather than one-adult families.
- 5 million employees aged 22 and over are low paid. Half of part-time workers currently earn less than £6.50 an hour, three-quarters of them women.
- The proportion of children living in workless households in the UK is the highest in Europe. This is mainly due to the high number of workless lone-parent households and, as a result, half of all children living with one parent are in income poverty.
- Both lack of work and low pay are strongly related to educational qualifications. Those 19-year-olds who have not achieved five 'good' GCSEs or NVQ2 are very unlikely to gain more qualifications in later years.
- Many deep, persistent health inequalities remain. For example: infant deaths are one-and-a-half times as likely among those from manual than non-manual backgrounds; deaths under 65 from heart disease and lung cancer are twice as likely.
- The incidence of burglary and violence with injury is half that of 1995. Unemployed people are three times more likely than average to be victims of violent crime. Lone parents are more than twice as likely as average to be burgled.
- The number of people accepted as homeless has risen by a fifth since 1999, to stand at around 200,000 households each year. Most of this rise has been among households without dependent children, these households now forming two-thirds of the total.



**Table 1: Summary of the poverty and social exclusion indicators**

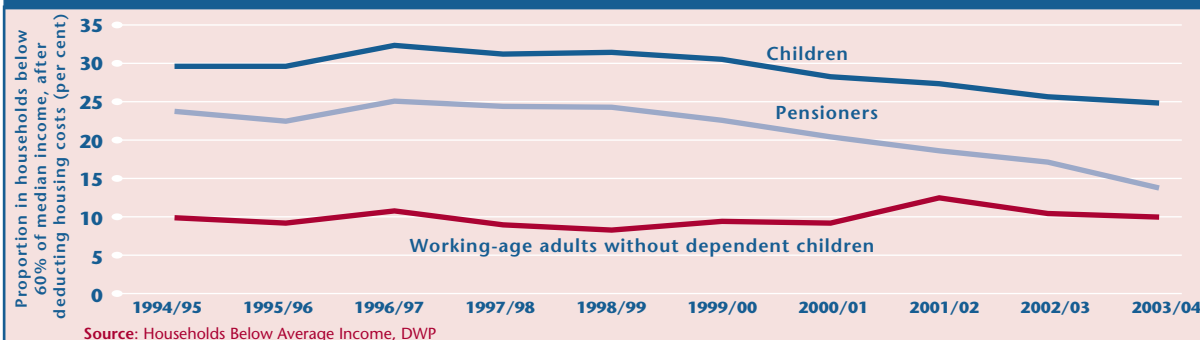
| Indicator                                       | Trends over time                          |                                    |
|---|---|------------------------------------|
|   | Over the medium term (last 5 years or so) | Over latest year of available data |
| <b>Income</b>                                   |   |                                    |
| 1. Numbers in low income                        | Improved                                  | Improved                           |
| 2. Low income by age group                      | Mixed                                     | Mixed                              |
| 3. Low income by family type                    | Improved                                  | Mixed                              |
| 4. Out-of-work benefit levels                   | Mixed                                     | Mixed                              |
| 5. Long-term recipients of out-of-work benefits | Steady                                    | Steady                             |
| 6. In receipt of tax credits                    | N/A                                       | N/A                                |
| <b>Children</b>                                 |   |                                    |
| 7. In low income households                     | Improved                                  | Improved                           |
| 8. In workless households                       | Improved                                  | Improved                           |
| 9. Concentration of poor children               | Steady                                    | Steady                             |
| 10. Low birthweight babies                      | Worsened                                  | Steady                             |
| 11. Child health and well-being                 | Steady                                    | Steady                             |
| 12. Underage pregnancies                        | Steady                                    | Steady                             |
| 13. Low attainment at school (11-year-olds)     | Improved                                  | Improved                           |
| 14. Low attainment at school (16-year-olds)     | Steady                                    | Steady                             |
| 15. School exclusions                           | Worsened                                  | Worsened                           |
| <b>Young adults</b>                             |   |                                    |
| 16. Without a basic qualification               | Steady                                    | Steady                             |
| 17. School leavers                              | Steady                                    | Steady                             |
| 18. With a criminal record                      | Improved                                  | Improved                           |
| 19. In low income households                    | Steady                                    | Steady                             |
| 20. Unemployment                                | Steady                                    | Steady                             |
| 21. Low pay                                     | Steady                                    | Steady                             |
| <b>Working-age adults aged 25+</b>              |   |                                    |
| 22. Low income and work                         | Worsened                                  | Mixed                              |
| 23. Low income and disability                   | Steady                                    | Steady                             |
| 24. Wanting paid work                           | Improved                                  | Steady                             |
| 25. Work and disability                         | Improved                                  | Improved                           |
| 26. Workless households                         | Steady                                    | Steady                             |
| 27. Low pay by gender                           | Steady                                    | Improved                           |
| 28. Low pay by industry                         | N/A                                       | N/A                                |
| 29. Low pay and disability                      | N/A                                       | N/A                                |
| 30. Insecure at work                            | Steady                                    | Steady                             |
| 31. Support at work                             | Improved                                  | Steady                             |
| 32. Premature death                             | Improved                                  | Improved                           |
| 33. Limiting longstanding illness or disability | Steady                                    | Improved                           |
| 34. Mental health                               | Steady                                    | Improved                           |
| <b>Pensioners</b>                               |   |                                    |
| 35. In low income households                    | Improved                                  | Improved                           |
| 36. No private income                           | Improved                                  | Steady                             |
| 37. Non-take-up of benefits                     | Worsened                                  | Steady                             |
| 38. Excess winter deaths                        | Steady                                    | Steady                             |
| 39. Limiting longstanding illness               | Steady                                    | Improved                           |
| 40. Help to live at home                        | Worsened                                  | Worsened                           |
| 41. Anxiety                                     | Steady                                    | Improved                           |
| <b>Communities</b>                              |   |                                    |
| 42. Polarisation of low income                  | Improved                                  | Improved                           |
| 43. Concentrations of low income                | N/A                                       | N/A                                |
| 44. Victims of crime                            | Improved                                  | Improved                           |
| 45. Transport                                   | Steady                                    | Steady                             |
| 46. Without a bank account                      | Improved                                  | Improved                           |
| 47. Without home contents insurance             | Improved                                  | Improved                           |
| 48. Without central heating                     | Improved                                  | Improved                           |
| 49. Homelessness                                | Worsened                                  | Improved                           |
| 50. In mortgage arrears                         | Improved                                  | Improved                           |

Source: Monitoring poverty and social exclusion in the UK 2005

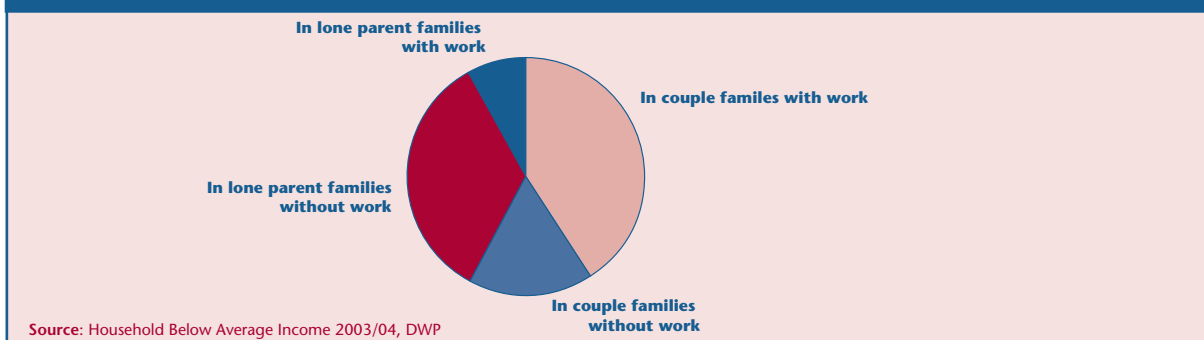
## Box 1: Measuring poverty

The main measure of 'income poverty' used is a household income 60 per cent or less of the average (median) household income in that year. The latest year for which data is available is 2003/04. In that year, the 60 per cent threshold was worth £180 per week for a two-adult household, £100 per week for a single adult, £260 per week for two adults living with two children, and £180 per week for a single adult living with two children. (This is after deduction of income tax and national insurance from earnings and after payment of council tax, rent, mortgage and water charges.)

**Figure 1: The proportion of children and pensioners who live in low income households has been falling. In contrast, the proportion for working-age adults without dependent children has remained broadly unchanged.**



**Figure 2: Two-fifths of the children in low income households live in couple households where at least one of the adults is in paid work.**



## Overall numbers in poverty

In 2003/04, 12 million people – about one in five – in Britain were living in income poverty (note: the figure is for Britain only, not for the whole of the UK). This is nearly 2 million below its peak in the early 1990s, lower than at any time since 1987 but still nearly twice what it was at the end of the 1970s.

Of this 12 million, 3½ million are children, just over 2½ million are adults living with those children, 2 million are pensioners and just over 3½ million are working-age adults without any dependent children.

Since the mid-1990s, the proportion of pensioners in income poverty has fallen from 27 to 22 per cent; that of children from 32 to 29 per cent. By contrast, the proportion of working-age adults without dependent children in income poverty (17 per cent) is, at best,

unchanged. Since the number of working-age adults without dependent children is itself growing, the number of this group in income poverty is actually up by 400,000 since the late 1990s (see Figure 1).

## Child poverty

### *The 2004/05 child poverty target*

The latest figures, for 2003/04, show child poverty standing at 3.5 million. The Government aims to reduce child poverty by a quarter from 4.1 million in 1999 to 3.1 million in 2004/05. Child poverty is down 600,000 over the period so far, leaving a further 400,000 before figures for that final target year are published (March 2006).

### *Employment and poverty*

The principal reason why poverty among households with children has come down is because some previously workless households now have someone doing some

paid work. Unemployment as a cause of working-age poverty has come down particularly sharply.

Despite employment's importance in reducing poverty, it does not guarantee an income above the poverty line: indeed, the proportion of working households in income poverty has, if anything, risen over the last decade. The working households most at risk are those where the only work being done is part-time work or where one adult is not working at all.

As a result, half of all children living in income poverty live in households where someone is in paid work, most of them in two-adult rather than one-adult families (see Figure 2).

Low pay is the main reason for so much 'in work' poverty: 5 million employees aged 22 and over were paid less than £6.50 per hour in 2005. Part-time work is especially likely to be low paid: half of all of part-time workers earned less than £6.50 an hour, three-quarters of them women. Taking part- and full-time jobs together, two-thirds of all low-paid workers are women. Of low-paid workers aged 25 and over, 30 per cent are employed by the public sector.

#### *The high level of worklessness among lone-parent families*

The UK stands out in Europe for the proportion of children living in workless households. At 17 per cent, the UK rate is 4 per cent higher than the next highest countries (Belgium and Hungary), almost twice that in France and three times that in Denmark. This is due to the high number of lone-parent households without work.

Over the last decade, the employment rate among lone parents has risen, from around 45 per cent to around 55 per cent, while the number of lone parents reliant on social security benefits for two years or more has declined. However, although the number of children in workless households has fallen by about half a million since 1996, most of this has been among children in two-parent families.

As a result, whereas most children suffering from 'in-work' poverty are in two-adult households, most of

those in 'out-of-work' poverty live with one parent. Despite steady progress, the scale of worklessness among lone-parent households remains the principal reason why around half of all children living with just one parent are in income poverty.

### **Poverty and work for disabled people**

#### *The meaning of 'lacking but wanting work' and its relationship with disability*

Unemployment in the UK is now much lower than in many other EU countries. But those officially defined and counted as 'unemployed' do not account for all those who would like a job. A second, larger, group is those wanting work but who are not available either to start work in the next two weeks or who have not been actively seeking work in the last four weeks. Such people are termed 'the economically inactive who want work'.

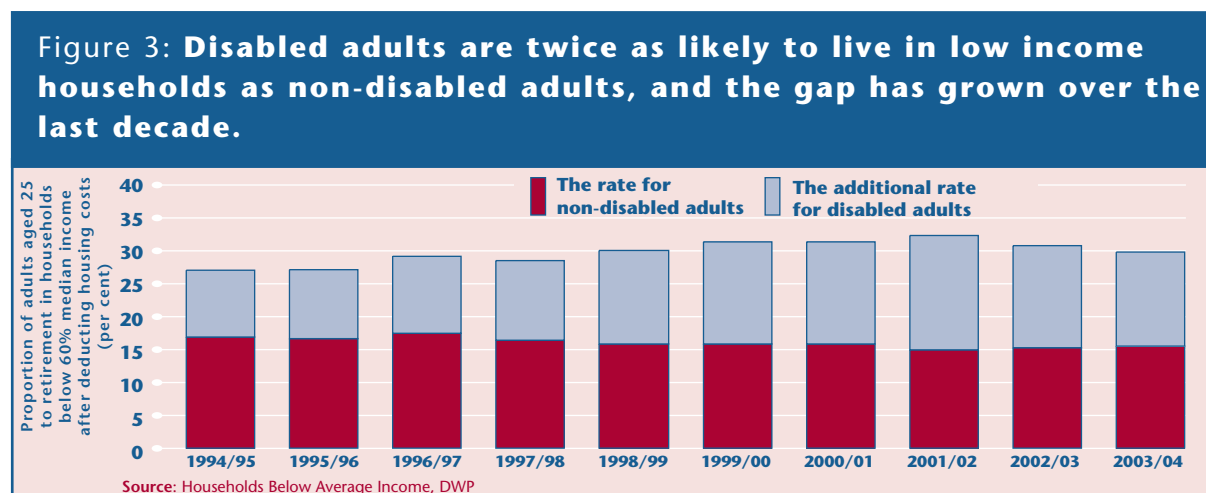
There are currently around 1.5 million people aged 25 to retirement age in this group compared with around 0.8 million 'unemployed'. Furthermore, their numbers have fallen much more slowly than those 'unemployed': the number 'unemployed' has halved over the last decade, the number of 'economically inactive but want work' has fallen by a seventh.

Around 800,000 disabled people aged 25 to retirement age are 'economically inactive but want work', a much higher figure than the 200,000 'unemployed' disabled people. In other words, the numbers of disabled adults who lack but want work is five times the number included in the official unemployment figures.

#### *The extent of disability and its link with low income*

Of working-age disabled adults, 30 per cent live in income poverty, more than the 27 per cent of a decade ago and double the rate for working-age non-disabled adults. This is also higher than the rates for either pensioners or children (see Figure 3).

Working-age disability is widespread and its link to low income clear-cut. Overall, 25 per cent of people aged 45 to 64 have either a disability or a long-standing illness that limits activity. While this group is



represented at every income level, the rate is almost double the average for people in the poorest fifth of the population but only half the average for people in the richest fifth.

Some 13 per cent of adults aged 25 to retirement age are judged to be at risk of developing a mental illness. Among the poorest fifth of the population, however, the proportion, at around 25 per cent, is twice the rate for people on average incomes.

#### *Dependence on social security benefits*

Three-quarters of all working-age people who receive one of the key, out-of-work benefits for two years or more are sick or disabled. The number of sick and disabled people in this position has been rising slowly over the last decade and now stands at 2.1 million. One-third are aged 55 to retirement, one-third are aged 45 to 54 and one-third are aged under 45.

This growth in long-term dependence on benefits has come about despite the fact that, for someone of working-age without dependent children, the value of benefits has declined relative to average income by 20 per cent since the mid-1990s.

#### **Disability, work and pay**

Since the late 1990s, the proportion of people aged 25 and over with a work-limiting disability who are either unemployed or 'economically inactive but wanting work', has come down from 25 to 20 per cent. This fall of a fifth is similar to that for people without a work-limiting disability, where it is down from 9 to 7 per cent. The key question is why this 'lacking but wanting work' rate for people with a work-limiting disability is nearly three times as high as it is for people without such a disability.

The fact that disabled people have lower levels of qualifications on average than non-disabled people is one factor. Limited qualifications increase the risk of not having a job whether disabled or not and the proportion of disabled people with either no qualification or nothing higher than the equivalent of a grade C is twice that for non-disabled people.

However, this is not the whole story. First, for any given level of qualification, a disabled person is between two and three times as likely as a non-disabled person to be lacking but wanting work. The additional risk that a disabled person faces is considerable, to such an extent that the 'lacking but wanting work' rate of 14 per cent for a disabled person with higher education is actually higher than the 'lacking but wanting work' rate for a non-disabled person with no qualifications.

Second, again for any given level of qualification, a disabled person is more likely than a non-disabled person to be low paid. The additional risk that a disabled person faces of low pay is smaller than that of lacking but wanting work. Nevertheless, that extra risk is present at every level of qualification, and after taking account both of gender and whether the job is full- or part-time.

The finding that, at every level of qualifications, disabled people are both more likely to be low paid and more likely to be lacking but wanting work is evidence that the labour market in effect discriminates against disabled people.

#### **Other issues**

##### *Educational qualifications*

The proportion of 11-year-olds in England and Wales failing to reach level 4 at Key Stage 2 in both English and Maths has continued to come down, albeit much more slowly since 1999 than in previous years. Even so, 40 per cent of children in receipt of free school meals did not reach this level in 2004, twice the rate for other children.

The proportion of 16-year-olds who obtained fewer than five GCSEs in 2005 (12 per cent) was the same as in 1998/99. Three-quarters of 16-year-olds in receipt of free schools meals failed to get five 'good' GCSEs (grade C or above), one and a half times the rate for other children.

As Figure 4 shows, 19-year-olds whose highest qualification falls short of five 'good' GCSEs or its vocational equivalent (NVQ2) are very unlikely to gain further qualifications by age 25. By contrast, those who have made this level by 19 are likely to continue to progress, either academically or vocationally. The proportion of 19-year-olds failing to reach this critical level has remained at 25 per cent since 1999/2000. The economic fortunes of people in their late 20s show the consequences of different qualifications for both work and pay. People in their late 20s with no qualifications face a far higher risk than their peers of unemployment: 18 per cent compared with an average of 5 per cent. Anyone possessing at least A-levels or their nearest vocational equivalent (NVQ3) faces a below-average risk of being unemployed in their late 20s. By contrast, only graduates face a below-average risk of still being low paid by their late 20s: 10 per cent compared with an average of 25 per cent. The risk for those with no qualifications is more than 50 per cent.

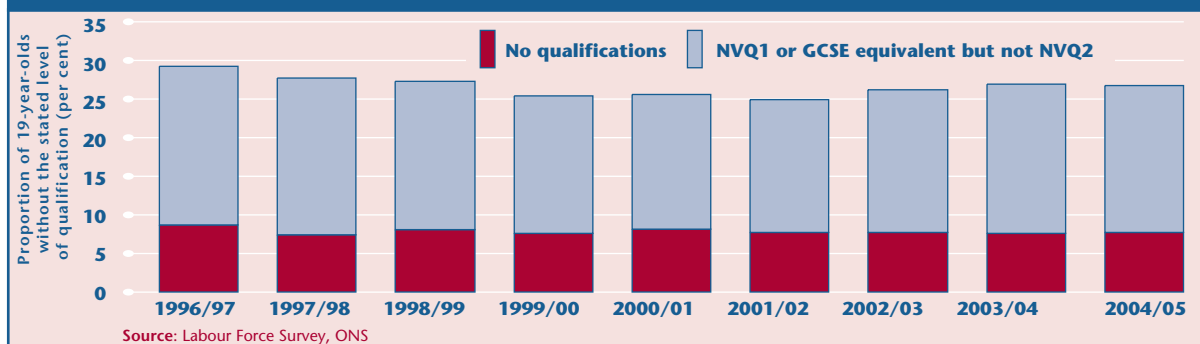
##### *Health inequalities*

In many areas of health, inequalities are both deep and persistent. For example: babies born to parents from manual backgrounds are 25 per cent more likely to have a low birthweight than those born to parents from non-manual backgrounds; infant deaths are 50 per cent more likely among those from manual backgrounds than among those from non-manual backgrounds; and death rates from heart disease and lung cancer (the biggest causes of premature death) for people aged 35 to 64 are around twice as high among those from manual backgrounds as from non-manual backgrounds.

##### *Crime and its consequences*

The incidence of both burglary and violence with injury is half what it was ten years ago. While the rate of decline has slowed in recent years, both forms of crime are continuing to fall. Similarly, the number

**Figure 4: One in four 19-year-olds still fail to achieve a basic level of qualification. One in thirteen have no qualifications at all.**



of 18- to 20-year-olds found guilty of an indictable offence is also down, by a fifth since 1999.

Unemployed people are three times as likely as average to be the victims of violent crime. Lone parents are more than twice as likely as average to be burgled.

Households without home contents insurance are three times more likely to be burgled than households with insurance. Such households are predominantly poor: 50 per cent of those in the poorest fifth lack such insurance, compared with 10 per cent in the richest fifth.

Fear of crime is also greater for people with lower incomes. Among those aged over 60, for example, 36 per cent of women from low-income households – and 12 per cent of men – report being likely to feel very unsafe out at night, one-and-a-half times the percentage for both men and women over 60 from higher income households. Furthermore, the proportion feeling very unsafe has not fallen over time.

### Housing quality and availability

Although poorer households remain more likely to lack central heating, the *proportion* is now actually less than that for households on average incomes just five years ago, having halved over the last decade.

The number of people accepted by their local authority as homeless has risen by 20 per cent over the same period and now stands at around 200,000 households each year. Just about all of this rise has been among households without dependent children, these households now forming two-thirds of the total.

### About the project

The study has involved drawing together data from a wide range of sources, including government-funded surveys, some administrative data and some local and health authority returns.

### For further information

All the indicators and graphs can also be viewed on the [www.poverty.org.uk](http://www.poverty.org.uk) website. Graphs are updated as and when new data becomes available.

The full report, **Monitoring poverty and social exclusion 2005** by Guy Palmer, Jane Carr and Peter Kenway, is published by the Joseph Rowntree Foundation (ISBN 1 85935 397 5, price £16.95).

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