

# Monitoring poverty and social exclusion 2007

Findings  
Informing change

December 2007

The New Policy Institute has produced its tenth annual report of indicators of poverty and social exclusion in the United Kingdom, providing a comprehensive analysis of trends and differences between groups. Its principal conclusion is that the strategy against poverty and social exclusion pursued since the late 1990s is now largely exhausted.

## Key points

- Overall poverty levels in 2005/06 were the same as in 2002/03. Child poverty in 2005/06 was still 500,000 higher than the target set for 2004/05.
- The unemployment rate among the under-25s has been rising since 2004, while the rate for those over 25 stopped falling in 2005.
- Half the children in poverty are still in working families.
- The number of children in working families where earnings and Child Benefit are insufficient for them to escape poverty goes on rising.
- Overall earnings inequalities are widening.
- At least a quarter of 19-year-olds lack minimum levels of qualification.
- Not all those who want to work can do so, and disability rather than lone parenthood is the factor most likely to leave a person workless.
- The value of social security benefits for working-age adults falls ever further behind earnings.
- Half the poorest households lack home contents insurance, the same as in the late 1990s when first identified by the government as a priority.
- 1½ million children in poverty belong to households that pay full Council Tax.
- The public sector is the largest employer of low-paid workers aged 25 or over.

## The research

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**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>Low income</b>		
1. Numbers in low income	Improved	Worsened
2. Low income by age group	Mixed	Mixed
3. Children in low-income households	Improved	Worsened
4. Low income and disability	Steady	Steady
5. Low income and ethnicity	Improved	Worsened
6. Income inequalities	N/a	N/a
7. Low income and work	Steady	Worsened
8. In receipt of tax credits	Mixed	Mixed
9. Low income and Council Tax	Worsened	Worsened
10. Adults in low-income households by gender	N/a	N/a
11. Single adults in low-income households by gender	N/a	N/a
12. Working age composition	N/a	N/a
13. Low income by detailed age bands	N/a	N/a
<b>Lacking work</b>		
14. Workless households	Improved	Steady
15. Children in workless households	Improved	Steady
16. Not in education, employment or training	Steady	Steady
17. Young adult unemployment	Steady	Worsened
18. Wanting paid work	Improved	Steady
19. Work and disability	Steady	Steady
20. Benefit levels	Mixed	Worsened
21. Concentrations of low income	Steady	Steady
<b>Disadvantage in work</b>		
22. Numbers in low pay	Improved	Steady
23. Low pay by age and gender	N/a	N/a
24. Low pay by industry	N/a	N/a
25. Pay inequalities	Mixed	Mixed
26. Insecure at work	Steady	Worsened
27. Lacking support at work	N/a	N/a
<b>Education</b>		
28. Low attainment at school – 11-year-olds	Improved	Improved
29. Low attainment at school – 16-year-olds	Steady	Steady
30. Without a basic qualification at age 19	Steady	Steady
31. Working-age adults without qualifications	Improved	Improved
32. School exclusions	Steady	Steady
33. Looked-after children	Steady	Steady
34. Underage pregnancies	Steady	Steady
35. Children with a criminal record	Steady	Worsened
36. Impact of qualifications on work: young adults	N/a	N/a
37. Impact of qualifications on work: disabled adults	N/a	N/a
<b>Ill-health</b>		
38. Long-term recipients of out-of-work benefits	Steady	Steady
39. Long-standing illness or disability	Steady	Steady
40. Mental health	Steady	Steady
41. Child deaths	Improved	Improved
42. Premature death	Improved	Improved
<b>Housing and exclusion</b>		
43. Unmet housing need	N/a	N/a
44. Newly homeless	Improved	Improved
45. In temporary accommodation	Worsened	Improved
46. In mortgage arrears	Mixed	Mixed
47. Access to services with and without a car	N/a	N/a
48. Anxiety	Improved	Steady
49. Without a bank account	Improved	Improved
50. Without home contents insurance	Steady	Steady

N/a shows that the indicator is either not about change over time, or that a change in a particular direction is neither incontrovertibly good or bad.

Source: [Monitoring poverty and social exclusion 2007](#)

# Key points from the indicators

## Poverty in the whole population

The number of people living in poverty rose between 2004/05 and 2005/06 by around three-quarters of a million, to almost 13 million (see figure 1). As this is the only occasion on which the number has risen since 1996/97, it is premature to conclude that poverty is now on a rising trend. But with poverty in 2005/06 at the same level as it was 2002/03, it is clear that progress on poverty reduction has stalled.

Over the last decade, the proportion of both children and pensioners in poverty has fallen, while the proportion of working-age adults in poverty has remained unchanged. As a result, the pensioner poverty rate is now lower than the poverty rate for working-age adults – an historic shift – and more than half of the people now in poverty are working-age adults.

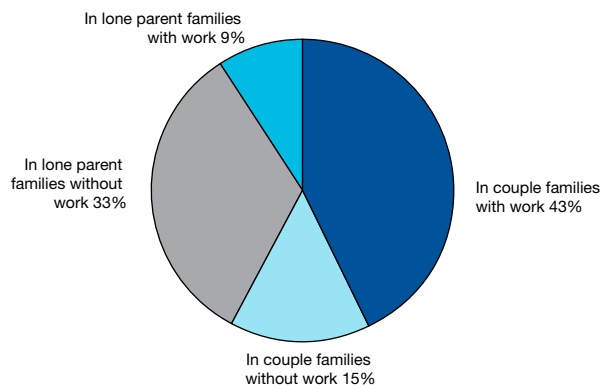
## Child poverty

3.8 million children were living in poverty in 2005/06. This fall, of some 600,000 compared with the Government's 1998/99 baseline, leaves the overall number of children still 500,000 above the Government's 2004/05 target.

Among children in poverty in 2005/06, half live in working families and half in workless ones (see figure 2). Three-fifths live in couple families while two-fifths live with a lone parent.

1½ million young adults aged 16 to 24 were in poverty in 2005/06. Most of them were children when the Government first pledged to abolish child poverty in 1999. Two-thirds of them are single and without dependent children, many still living at home with their parents.

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



Source: Households Below Average Income 2005/06, DWP; UK

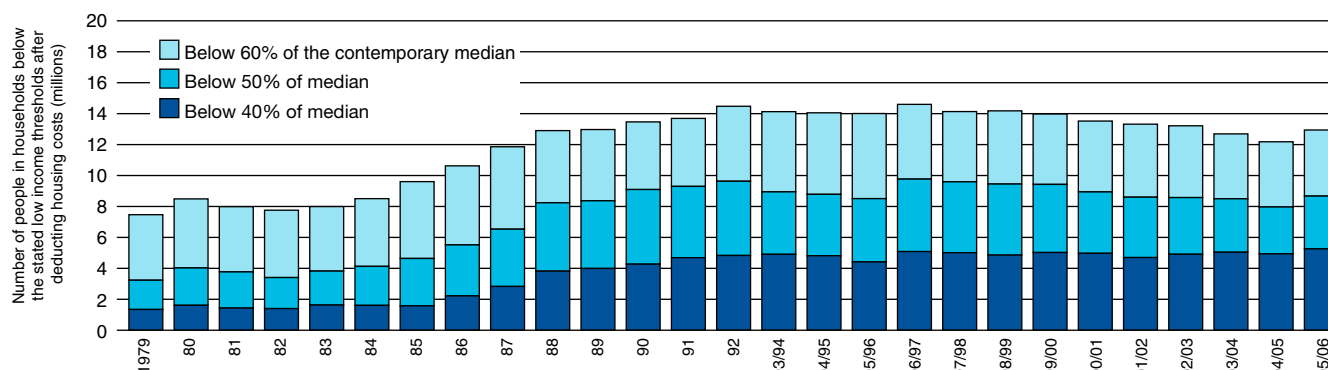
## Lone parent poverty

Lone parents under the age of 25 account for just one in eight of all young adults in poverty and just a fifth all the lone parents in poverty (see figure 3). The stereotypical image of a lone parent in poverty as a young, even teenaged, mum, is quite wrong. Rather, most lone parents in poverty are aged 25 or over and there are as many over 40 as under 25.

## The gender poverty 'gap'

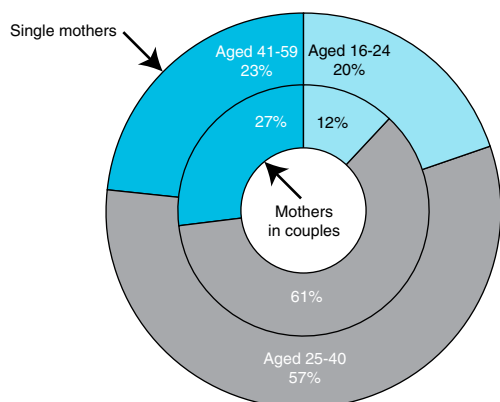
Some five million women (20%) and four million men (18%) belong to households in poverty. This gap of two percentage points is half what it was in the mid-1990s. The fall between then and now reflects the decline in the poverty rates for two kinds of single adult households in which women predominate, namely single pensioners and lone parents. (Note that it is possible that the distribution of resources between the adults within a household could be so uneven that one would be in poverty if they lived alone, while the others would not. There are, however, no authoritative statistics on this.)

**Figure 1: The number of people on low incomes rose in 2005/06 following falls in each of the six previous years.**



Source: Households Below Average Income, DWP (1994/95 onwards) and the IFS (earlier years); UK

**Figure 3: Four-fifths of lone parents in low-income households are aged 25 or older.**



Source: Household Below Average Income, DWP; the data is the average for 2003/04 to 2005/06; UK

## Poverty and disability

At 30%, the poverty rate among those aged 25 to retirement who are disabled is twice the rate for those who are not disabled. This 'excess' poverty risk for disabled people is larger than it was a decade ago.

Three-quarters of those who have been receiving out-of-work benefits for two years or more are sick or disabled. Of these 2.2 million people, the largest category are the nearly one million with mental or behavioural disorders. With only a third of the total being aged 55 to retirement, long-term disability is by no means confined to older working-age adults.

## Poverty and tax credits

In each of the last three years, around a million children were in working families whose income exceeded the poverty line by less than the tax credits they received. In the early years of the decade, the comparable figure was 0.6 million; in the late 1990s, with Family Credit, it was 0.3 million.

At the same time, however, the number of children in working families who need tax credits to avoid poverty has risen steadily, from around 2 million in the mid 1990s to around 3 million in 2005/06. So, as the number of children helped by tax credits to escape poverty has increased, so too has the number needing tax credits to do so. The net result is that the number of children who are both in working families and in poverty is similar to a decade ago.

## Poverty and Council Tax

In 2005/06, some 6 million people in England and Wales belonged to households in poverty which paid full Council Tax. Nearly half of all children in poverty were in households paying full Council Tax.

## The overall distribution of income

With the exception of the top and bottom tenths of the income distribution, the percentage rises in incomes for households in the lower half of income distribution from 1996/97 to 2005/06 were greater than the rises for those in the upper half. In terms of the amount of extra 'cake' received, however, three-quarters went to households with above-average incomes – and one-third to the richest 10%.

## Unemployment and worklessness

At 11½% in 2006, the unemployment rate for young adults has been rising since 2004, when it stood at 9½% (see Figure 4). The recent rise in the rate for young adults has exceeded the smaller rise in the rate for adults aged 25 and over. As a result, the young adult rate is now three times the rate for older adults.

Over the last decade, the number of unemployed adults aged 25 and over has almost halved, from 1.6 million in 1996 to 0.9 million in 2006, with particularly large falls in long-term unemployment. The number of economically inactive people wanting work has also fallen but much more slowly, from 1.8 million in 1996 to 1.5 million in 2006. 'Unemployment' is therefore now only a small part of the overall picture of worklessness.

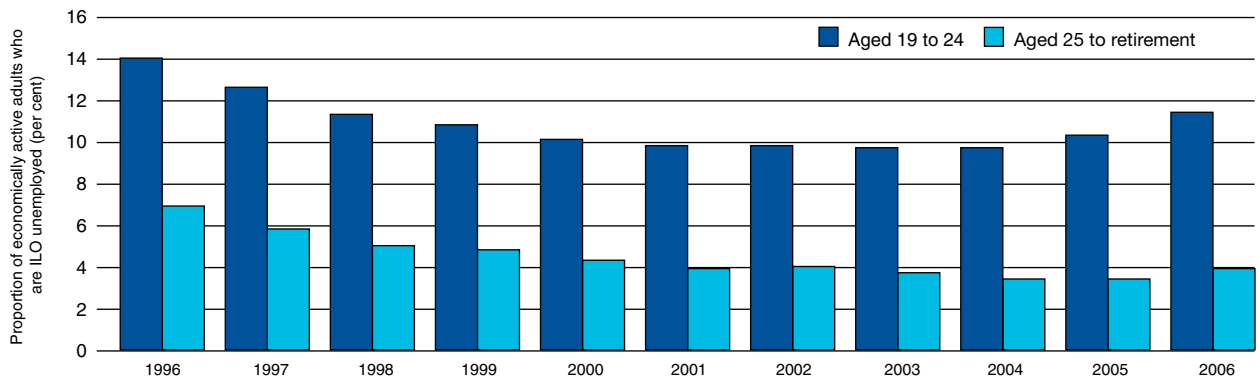
Almost half of all those aged 25 to retirement who are not in work have a working-limiting disability.

## Work, disability, lone-parenthood and gender

Since the late 1990s, the work rate for people aged 25 to retirement with a work-limiting disability has risen only slightly, from just below to just over 40%. By contrast, the work rate for (non-disabled) lone parents has risen considerably, from around 55% in the mid-late 1990s to just under 70% in 2006.

Among those aged 25 to retirement, around 80% of women and 90% of men who are neither lone parents nor disabled have jobs. 65% of (non-disabled) female lone parents also have jobs. By contrast, work rates for disabled people are about 40%, for men and women who are not lone parents,

**Figure 4: The unemployment rate for 19- to 24-year-olds has been rising since 2004 and is now three times the rate for older workers.**



Source: Labour Force Survey, ONS; UK

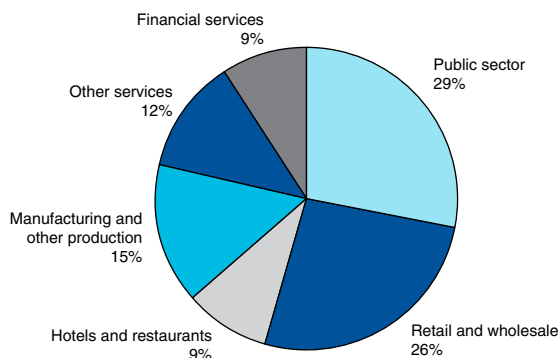
and around 25% for disabled female lone parents. So disability is a much greater risk factor for worklessness than lone parenthood.

### Low pay

Since 2000, the proportion of both men and women who are low paid has come down, with the decrease for women much larger than the decrease for men. Despite this, many more women than men are low paid. Half of people paid less than £6.50 per hour in 2006 were full-time employees and half part-time employees. The proportion of part-time employees who were paid less than £6.50 per hour in 2006 was, at just over 40%, the same for both men and women.

Over the past decade, the gap between low-paid full-time employees and the male median has stayed the same for men and has reduced for women. By contrast, the gap between high-paid full-time employees and the male median has increased for both men and women.

**Figure 5: There are more workers aged 25 to retirement earning less than £6.50 per hour in the public sector than in retail and wholesale.**



Source: Labour Force Survey, ONS; the data is for 2006; UK

Thanks to its size, the public sector is now the largest direct employer of low-paid workers aged 25 or over, accounting for more than a quarter of all such low-paid employees (see figure 5).

### Lacking minimum qualifications

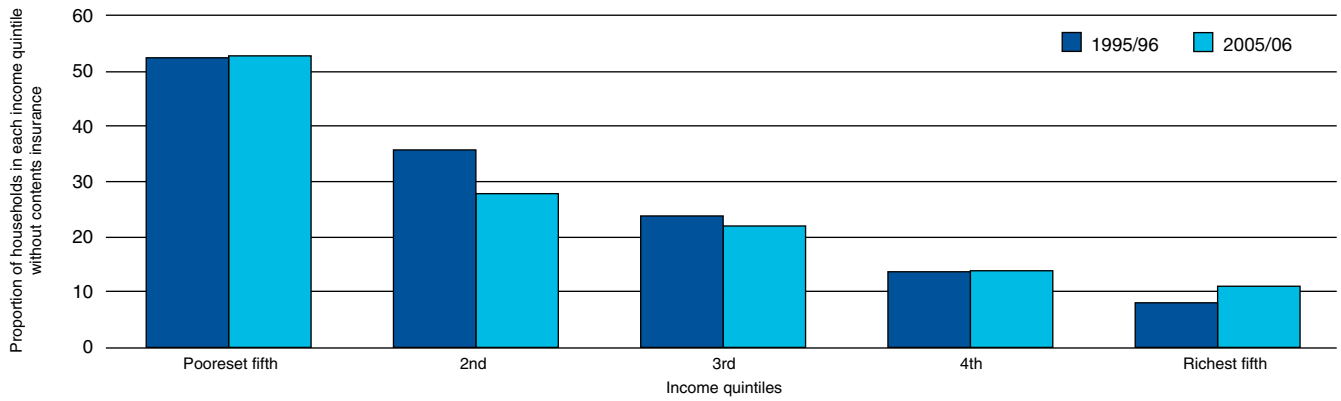
In 2005/06, 11% of 16-year-olds in England and Wales obtained fewer than five GCSEs, the same as in 1999/2000. This lack of progress is in contrast to the continued progress on the 'headline' measure of five GCSEs at grade C or above, the proportion failing to reach that level having come down from 50% in 1999/00 to 42% in 2005/06

Throughout the past decade, around a quarter of 19-year-olds have not been qualified at NVQ2 level or above. If people have not reached NVQ2 by age 19, they are unlikely to go on to do so in the next few years.

### Health inequalities

Where data exists, it shows substantial inequalities in health between income levels. For example, among those aged 45 to 64, 45% of men and 40% of women in the poorest fifth report a limiting longstanding illness or disability, compared with 10% and 15% respectively for those in the richest fifth. The rate of infant death among social classes 1 to 4 is around 4 per 1,000 live births, compared with 5.5 for those in social classes 5 to 8.

**Figure 6: Half of the poorest households do not have home contents insurance, the same as a decade ago.**



Source: The Family Expenditure Survey (1995/96) and The Expenditure and Food Survey (2005/06), ONS; UK

## Households newly classified as homeless

The number of households newly recognised as homeless in England has fallen sharply in recent years, down from 200,000 in 2004 to just over 100,000 in 2006, well below the level in the late 1990s. By contrast, the number of homeless households placed in temporary accommodation has doubled over the last decade.

## Access to services

Households without a car are much more likely to report difficulties accessing local services than households with one. In 2006, 15% of men and 20% of women lived in households that did not have a car. A quarter of men and two-fifths of women either lack a car in their household or do not have a driving licence.

## Feeling unsafe walking alone at night

In 2005/06, 25% of women aged 60 and over reported feeling very unsafe walking alone at night, four times the figure for men. In lower-income households, 30% of women and 10% of men reported feeling very unsafe walking alone at night.

## Financial exclusion

In recent years, the proportion of households without a bank account has come down sharply, to just 6% for households in the poorest fifth and 3% for households with average incomes. By contrast, 50% of households in the poorest fifth lack home contents insurance, nearly three times the level for households with average incomes and the same as a decade ago (see Figure 6).

## For further information

The full report, **Monitoring poverty and social exclusion 2007** by Guy Palmer, Tom MacInnes and Peter Kenway, is published by the Joseph Rowntree Foundation (ISBN 978 1 85935 620 3, price £17.95). It is available as a free download from [www.jrf.org.uk](http://www.jrf.org.uk) or [www.poverty.org.uk](http://www.poverty.org.uk).

Separate reports by the same team, looking specifically at ethnicity (2007), Scotland (2006), Northern Ireland (2006) and Wales (2005) are also available from [www.jrf.org.uk](http://www.jrf.org.uk). All the indicators and graphs can be viewed at [www.poverty.org.uk](http://www.poverty.org.uk) where they are updated as new data becomes available. An email alerting service is available for people who would like to be informed about updates.

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