

Monitoring poverty and social exclusion 2011

Findings
Informing change

December 2011

This study by the New Policy Institute presents the legacy that was left to the Coalition Government by its predecessor, and examines the current Government's priorities for action.

Key points

- In the year to 2009/10, the child poverty rate fell to 29%, the second fall in two years. Child poverty fell by around one-seventh under the previous Labour Government.
- The poverty rate for working-age adults without dependent children rose both in 2009/10 and over the last decade. It now stands at 20%.
- The pensioner poverty rate, at 16%, is now around half the rate it was in 1997.
- By mid-2011, six million people were unemployed, lacking but wanting work or working part-time because no full time job was available. Though no higher than the previous year, this was 2 million higher than in 2004.
- On a range of education indicators at ages 11, 16 and 19, more pupils are reaching expected standards than in previous years, continuing long-term positive trends. Although closing slowly, the gaps between attainment levels of those on free school meals and other children are smaller than in previous years.
- The proportion of households in fuel poverty has risen significantly in the last few years. Almost all households in the bottom tenth by income are in fuel poverty, as are half of households in the second bottom tenth.
- Changes to the tax credit system mean that an additional 1.4m working households on low incomes now face marginal effective tax rates of over 70%.
- The number of households accepted as homeless in England rose in 2010/11 for the first time since 2003/04 and now stands at 65,000. The number of court orders for mortgage repossessions in England and Wales rose to 21,000 in the first half of 2011, the first significant rise for three years.

The research

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The Coalition's inheritance

Table 1 summarises the changes over time in the indicators that form the subject of the main report. It looks at changes over the last five years and the last decade, where sufficient data is available to make a comparison. The results assess whether the indicators have improved, worsened or stayed the same.

Over the last decade, 26 of the measures in the table have improved and 14 have got worse. Over the last five years, 13 have improved and 20 have got worse.

So the Coalition's inheritance was mixed. Many of the improving measures are in education and health and represent long-term positive trends. Conversely, almost any measure of labour market participation would show a worse picture now than five years ago.

Low income

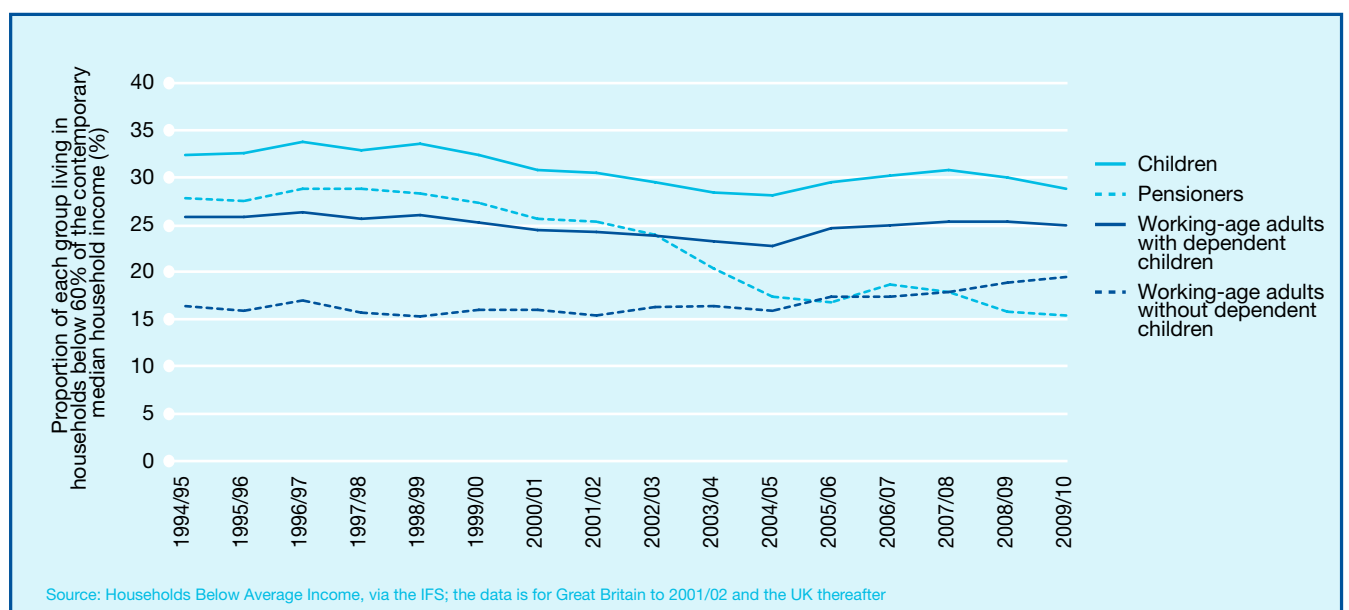
A household is deemed to be in poverty if its income is less than 60% of median (average) household income for the year in question. The value of this poverty line in terms of pounds per week depends on the number of people in the household, reflecting the fact that larger households need more money (although not proportionately more) than smaller ones in order to achieve the same standard of living.

In the most recent year, 2009/10, 60% of median income, measured after taxes and housing costs have been deducted, was worth:

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

Theme	Change in last decade			Change in last five years		
	Better	No change	Worse	Better	No change	Worse
Low income	2	1	5	1	1	7
Children	7	0	0	6	1	0
Young adults	3	0	1	1	2	1
Work	5	2	4	1	5	5
Older adults	7	1	1	3	2	0
Housing	2	1	3	1	1	7
Total	26	5	14	13	12	20

Figure 1: Low income by age



- £124 per week for a single adult;
- £210 per week for a lone parent with two children under 14;
- £214 per week for a couple with no children;
- £300 per week for a couple with two children under 14.

In 2009/10, 29% of children lived in poverty, compared with 25% of working-age adults with dependent children, 20% of working-age adults without dependent children and 16% of pensioners.

The poverty rate for working-age adults without dependent children is now 20%, the highest since 1997, and an increase of 5% in a decade. Not only is this proportion increasing at a faster rate than for the rest of the population, but those in poverty tend to be in deeper poverty than other population groups. More than half of working-age adults without children who are in poverty have incomes below 40% of the median.

The fall in pensioner poverty over the last decade and more has been substantial. The rate is now around half what it was in the 1990s. Previously more likely than other adults, pensioners are now less likely to be in poverty.

The poverty rate for people aged 55–64 is 20%, little changed from a decade ago. But over that period, the rate for people aged 65–74 has fallen from 25% to 15%. For some older working-age adults, the best hope of escaping poverty is to wait for state retirement age, an age which is set to rise steadily.

A significant factor in this continues to be the low level of benefits paid to out-of-work families. The Minimum Income Standard, calculated by asking members of the public what they think is an essential minimum standard of living, provides a guide here. Out-of-work benefits cover 60% of the minimum income standard for couples with children and 40% for single adults.

Unemployment and underemployment

In the first half of 2011, some 6 million people in the UK were underemployed. This had changed little from 2010. Underemployment had not been this high since 1993.

Of this 6 million, 2.5 million people were unemployed; 2.3 million people, 550,000 of whom were students, were defined as economically inactive but wanting paid work; and 1.2 million were working part-time but wanted full-time jobs.

Compared with the low point in 2004, both unemployment and the number of economically inactive students wanting work was up by around two-thirds. The number working part-time who wanted full-time work had doubled.

These figures, specifically the huge rise in people working part-time instead of full-time, indicate that the issue is the lack of jobs, not an unwillingness to look for work. Policies that focus solely on changing incentives to find work via benefit reform cannot solve this problem.

Figure 2: Underemployment

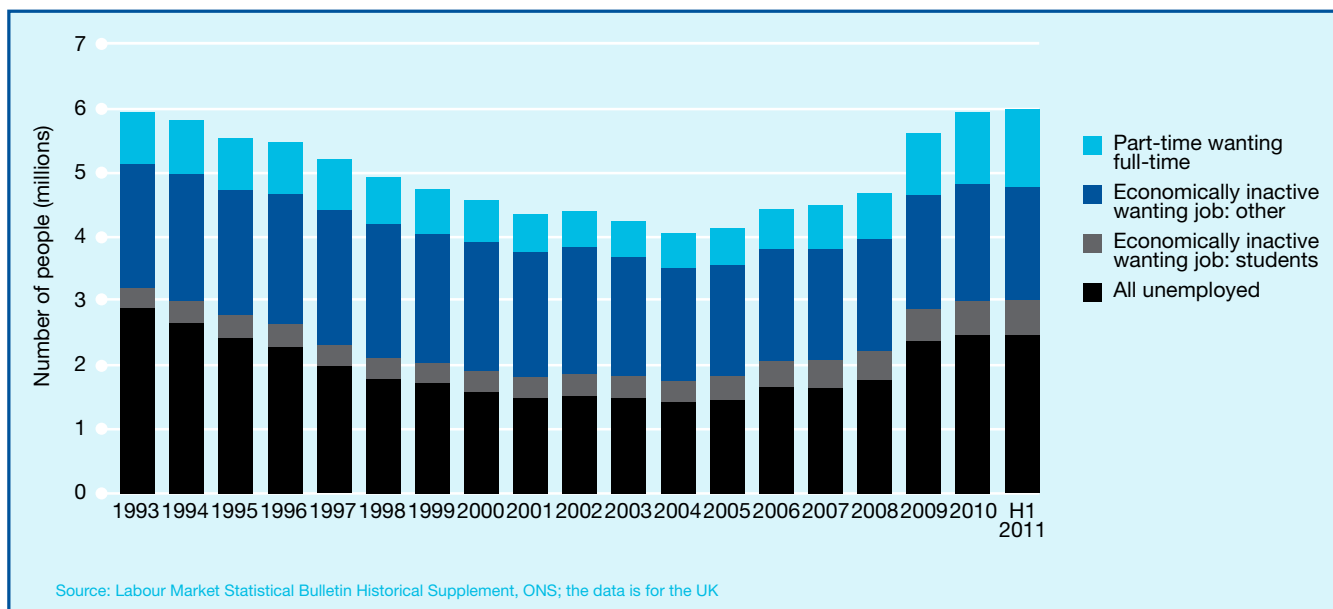
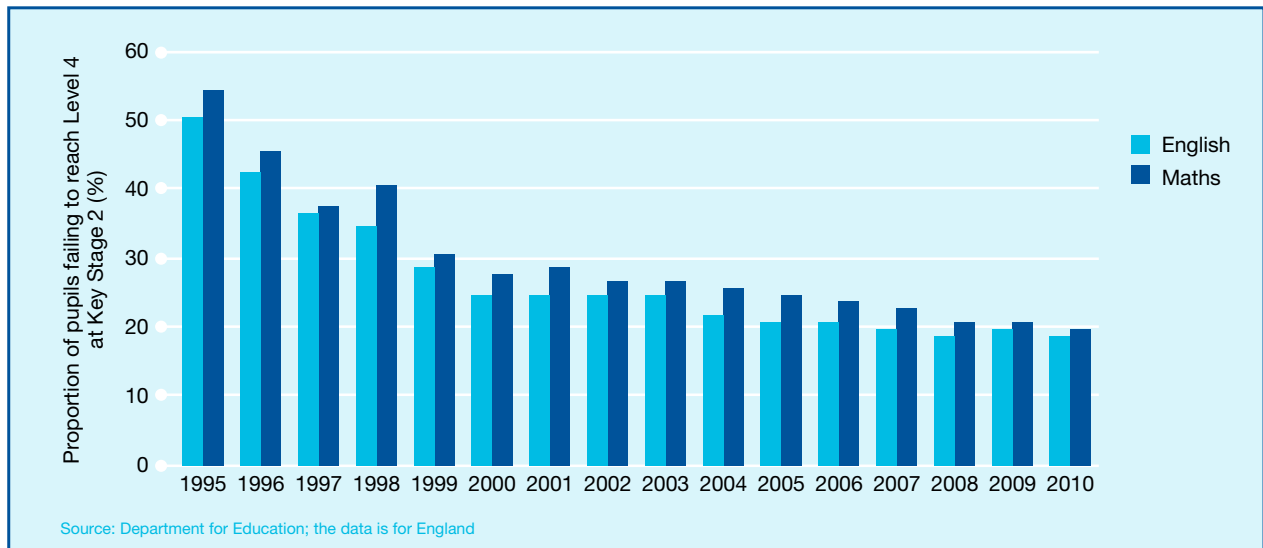


Figure 3: Educational attainment at age 11



The problem of unemployment is most acute among young adults. By the middle of 2011, the unemployment rate – those unemployed as a proportion of those in work or unemployed – among 16- to 24-year-olds was 20%, around three times that of the rest of the population.

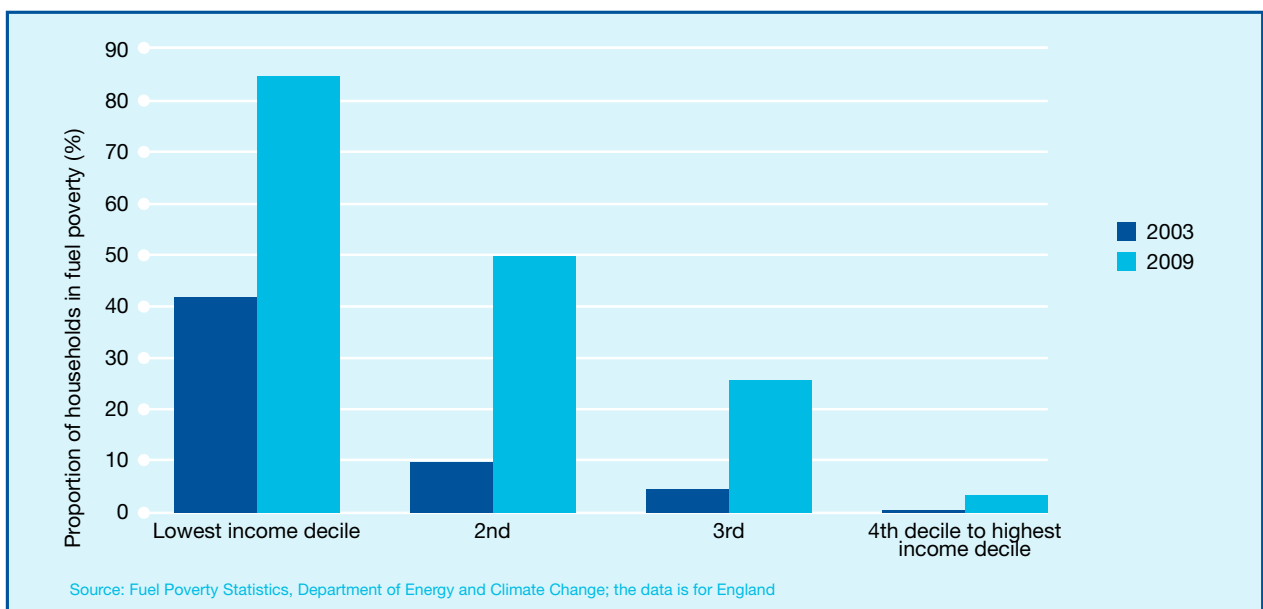
Education

In 2010, 19% of 11-year-olds assessed at Key Stage 2 did not reach the expected standard of Level 4 in English. This is down from 25% in 2000. A similar proportion lacked Level 4 in maths in 2010 as 2009, down from 28% a decade earlier.

There has been a steady downward trend in the proportion of 11-year-olds failing to reach Level 4 at Key Stage 2. The fastest progress was made in the mid- to late-1990s. In the five years between 1995 and 2000, the proportion not getting Level 4 in English and maths each dropped by 23 percentage points. In the ten years since, the proportion has further declined by ten percentage points.

Substantial inequalities in attainment still persist between poorer children (those receiving free school meals) and other children. For instance, in 2010, 40% of boys receiving free school meals did not reach Level 4 for English compared with 20% for other boys. There are some signs that the gaps might be closing slightly – at the very least, the improvements seen in Figure 3 above have been seen among deprived and non-deprived students alike.

Figure 4: Fuel poverty



To varying extents, these patterns are evident at ages 16 and 19 as well. Certainly, in absolute terms, the proportion not attaining expected standards has fallen quite steadily over time.

Fuel poverty and housing

Recent rises in fuel prices have led to a huge increase in fuel poverty, particularly among those on lower incomes. In 2009, 85% of households in the lowest tenth of the income distribution were in fuel poverty, as were 50% of those in the second lowest tenth. In both cases, these rates represent increases of at least 40 percentage points since 2003.

This is not the only instance of rising prices causing increasing hardship for low income families. The proportion of children living in low income households that were going without 'essential' items for reasons of cost was higher in 2009/10 than in 2005/06 across a range of items.

In addition to fuel poverty, other indicators on housing adequacy also show worrying trends.

The number of households in England accepted as homeless rose in 2010/11 for the first time in eight years. Some 65,000 households were accepted by local authorities as homeless in 2010/11, compared with 56,000 the previous year. The coming together of a range of factors, including falling incomes and high unemployment, may cause homelessness to rise further in the near future.

The number of court orders for mortgage repossessions rose for the first time in three years, though it is still below its peak in the second half of 2008. The number of actual repossessions also rose slightly, to 18,000 in the first half of 2011.

The Child Poverty Strategy 2011 and assessment of the Government's goals

The Government's Child Poverty Strategy, published in 2011, sets out its priorities for tackling child poverty. It includes a range of indicators against which progress should be measured, shown in Table 2.

All but four of these indicators appear regularly in the *Monitoring Poverty and Social Exclusion* series. The list is headed by the low-income indicators that between them form the basis for the 2020 target in the 2010 Child Poverty Act: poverty as measured by relative low income therefore remains central to the Government's conception of what matters. There is an indicator on 'in-work' poverty, which is both necessary and welcome.

Besides low income, there is a strong emphasis on education, with the focus on the gap in achievement between those eligible for free school meals and other pupils. This is another important inclusion, although gaps alone are not enough – gaps and absolute levels of attainment at the bottom need to be looked at together.

Strikingly, almost all the measures show improvement compared with ten years earlier. It is not just child poverty that has fallen. Gaps in educational attainment between students receiving free school meals and other students have fallen; the rate of teenage pregnancy has fallen; the number of under-17s committing a criminal offence has fallen. One can argue that any of the numbers are still too high. But most trends have been positive.

While these are welcome as measures of what the Government wants to achieve, there is no sense of how they are to be achieved. The concern is that the policies to support these goals, especially those relating specifically to low income, rely too heavily on the tax and benefit system – in this case the reform that is Universal Credit – as a panacea. In so doing, this Government repeats the mistakes of the last one, which came to rely on tax credits to tackle child poverty.

The fact that there is a strategy for child poverty but not one for working-age adults repeats another error. The rise in working-age poverty, among those in work and not in work, represents one of the previous Government's biggest failures. The lack of recognition of this problem is therefore a major gap in the current Government's programme.

Table 2: Measures used in the Child Poverty Strategy

Indicator	Latest figure	Comparison over time
Relative low income (before housing costs, BHC)	20% in 2009/10	26% in 1999/2000
Absolute low income (BHC)	19% in 2009/10	23% in 1999/2000
Low income and material deprivation (BHC)	16% in 2009/10	17% in 2004/05
Persistent poverty (BHC)	12% in 2005 to 2008	17% in 1997 to 2000
Severe child poverty (BHC)	6% in 2009/10	7% in 2004/05
Children in workless households	16% in 2010	16% in 2000
Children in in-work poverty	21% in 2007/08 to 2009/10	20% in 1997/98 to 1999/2000
18- to 24-year-olds participating in part-time or full-time education or training	44% in England 2010	44% in 2006
18- to 24-year-olds not in full-time education or training who are not in employment	18% in England 2010	14% in England in 2000
Low birth weight – gap between social classes	7% for social classes 5–8 and 6% for 1–4 in 2009	8% and 6% in 1999
Early years child development	N/A	N/A
Gap in attainment between free school meals (FSM) and non-FSM children at age 11	22% FSM gap in 2009/10	25% gap in 2005/06
... At age 16	28% FSM gap	29% gap in 2002/03
... At age 19	24% FSM gap	26% in 2004/05
Progression to higher education aged 19	FSM gap 18% in 2008/09	20% in 2005/06
Teenage pregnancy	38.3 conceptions to women aged under 18 per 1,000 women aged 15–17 in 2009	44.8 in 1999
Young offending	14,700 first offenders aged 10–17 in 2009	16,900 in 2000
BHC child poverty in:		
... couples who are married/in a civil partnership	16%	N/A
... cohabiting couples	22%	N/A
... lone parents	28%	N/A

For further information

The full report, **Monitoring poverty and social exclusion 2011** by Hannah Aldridge, Anushree Parekh, Tom MacInnes and Peter Kenway, is published by the Joseph Rowntree Foundation. It is available as a free download from www.jrf.org.uk

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