

# UK Poverty 2022: The essential guide to understanding poverty in the UK

This is the first issue of our new-style UK Poverty report, which looks comprehensively at trends in poverty across all its characteristics and impacts.

It gives a clear statement, agreed by our Grassroots Poverty Action Group (GPAG), that we need coordinated commitment, effort and action on the intersecting issues and challenges identified in this report. This can turn back the tide of poverty, and offer security for the many people experiencing hardship across the UK.

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# Background

What is the picture of poverty at the start of 2022, coming up to two years after a global pandemic struck? To an extent the picture is unclear: we don't yet have official poverty data covering the pandemic period, and we know that the quality of the very surveys we rely on for this information were affected by the onset of the pandemic.

But many sources make it clear that while some groups have been well supported and face better prospects as we enter 2022, others face deep and persistent poverty. In a way this is much better than might be expected given the economic and social shock the country has been through.

We know poverty at any stage in life can lead to negative impacts and so it is critical to scrutinise the data thoroughly to work out who is worst affected, determine how trends are changing over time and see what future prospects are.

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## **Better prospects for some, but for others poverty is proving deep and persistent**

On the upside, gross domestic product (GDP) is projected to recover to its pre-pandemic level by the start of 2022 and the rise in unemployment has been much smaller than the dire initial forecasts, and is projected by the Office for Budget Responsibility (OBR) to peak at less than 5.5% and to improve over its forecast period, thanks in part to measures brought in to support the labour market, such as:

- the Coronavirus Job Retention Scheme (furlough) and the Self-Employment Income Support Scheme
- increases in the National Living Wage towards its two-thirds of median target
- changes to the taper rate and work allowance strengthening Universal Credit support for in-work families.

Alongside these changes, housing support in the welfare system was re-linked to housing costs following a freeze in rates over several years. Other temporary changes to the benefits system, including the temporary increase to Universal Credit and Working Tax Credit, will have supported living standards for families receiving these benefits, while eviction freezes and actions on homelessness during the pandemic will also have provided temporary respite.

But looking at who has been left behind, some patterns stick out.

- The £20 uplift to Universal Credit has now been withdrawn, offering no additional support to those who are not able to work or are looking for work.
- Those on 'legacy' benefits (excluding Working Tax Credit) pre-dating Universal Credit received no increased support at all.

Families receiving these benefits have very high levels of poverty, with more than half of individuals in families in receipt of Universal Credit and its predecessor legacy benefits being in poverty, with 43% of households in receipt of Universal Credit being food insecure. This has meant the basic rate of out-of-work benefits is at its lowest for 30 years after adjusting for inflation, while earnings have risen by more than a quarter over the same period.

## Benefits system increasing poverty for some

There are also some elements of the benefits system that increase poverty, including:

- the two-child limit in income-related benefits
- the benefit cap
- the five-week wait for the first Universal Credit payment
- unaffordable debt deductions from benefits
- Local Housing Allowance rates (frozen since April 2020) again breaking the link between housing costs and benefits.

There have been piecemeal (but relatively large) amounts of local welfare support funding for councils, but the suspicion is that this has not reached many hundreds of thousands of struggling families left behind in receipt of legacy benefits or out-of-work Universal Credit.

## Concerns for the future

Another negative effect that is new from late 2021 is the rise in inflation, which is forecast by the OBR to be above 3% until April 2023. The increases in prices will not be uniform, with much of the initial increases being due to rising energy costs, but everyone will feel the effect of rising prices, including in housing costs with the prospect of rising interest rates directly feeding into mortgage costs and indirectly into rents. Social renters have the highest rate of poverty at 46% reflecting their comparatively lower incomes, while a third of private renters are in poverty.

Low-income households have less of a buffer against rising costs or any unexpected expenses, given they are less likely than other households to have savings, with just over a third of people in the poorest fifth of households having liquid savings of less than £250 compared with 1 in 6 of the overall population. People in the poorest fifth of households are more likely to say that they are finding their existing debt a burden, with around half of people in the poorest fifth of households describing their debt in this way compared with just under 1 in 3 overall.

In terms of how all this plays out for future poverty levels, it seems clear that out-of-work families will fare worse than low-income families in work. There is already a large existing gap in the latest data, with only 6% of working-age adults in families where all adults are in full-time work being in poverty compared with almost half of working-age adults in workless families. It is worth stating that many of the out-of-work families at risk of being left behind are not expected to work due to their disability or caring responsibilities, factors in themselves increasing the likelihood of poverty, with a gap of around 12 percentage points in poverty rates between disabled and non-disabled people.

Broadly speaking, there seems little prospect of reversing the trends since around 2012/13 of rising child poverty (which rose by four percentage points to almost a third of children by 2019/20) and rising pensioner poverty (which has risen by five percentage points to almost a fifth of pensioners by 2019/20). Larger families and single-parent families have particularly high poverty rates at almost half for both single-parent families and for families containing three or more children. We are likely to see individuals in Bangladeshi, Pakistani and Black families continuing to have higher poverty rates (over 40% for individuals in households headed by someone of each of these ethnicities) and worse outcomes across many areas. Most worryingly, our latest data showed a big rise in destitution with more than a million households (containing 2.4 million people, including 550,000 children) experiencing destitution in 2019, a rise of 35% since 2017, with modelling suggesting further increases during the pandemic.

While being in a working family (especially one where there is a full-time worker and all adults are in work) does reduce the risk of being in poverty, and this will be supported by recent changes to the benefits system, it is by no means a guarantee, especially if that work is part-time or in self-employment, in a low-paying sector or if there is a single earner in the household. Around a third of working-age adults in families where there is only part-time work are in poverty, as are almost a quarter of people working in the administrative and support service sector.

Another worrying element of the pandemic is how it is likely to have increased existing educational inequalities. We also know that the Covid-19 pandemic has widened the attainment gap between most and least disadvantaged pupils in the UK. This is due to a range of factors including the digital divide, home learning environments and potentially deepening poverty over the pandemic.

A final worrying prospect for the future is the evolution of the coronavirus pandemic itself. Our final update of analysis in this report was completed in mid-December, at the same time as a further coronavirus wave has started because of the Omicron strain, which could negatively affect much of the future prospects we describe. It is critical that the Government acts to mitigate impacts on those affected, ensuring there is no trade-off between health and economic wellbeing.

## Nations divided

One final element of the pandemic response has been variations in responses between the countries of the United Kingdom, with a far greater visibility of leaders in Scotland, Wales and Northern Ireland.

The benefit systems in Scotland and Northern Ireland are increasingly different from each other and from the rest of the UK, with mitigations against some of the most poverty-increasing welfare reforms of the last decade and, for Scotland, a new Scottish Child Payment which will be doubled from April 2022 and will help make progress towards its Child Poverty Act target. While JRF modelling suggests more action is needed to reach that target, it is noteworthy that these are the two countries with the lowest poverty rates in the United Kingdom, at 18% for Northern Ireland and 19% for Scotland compared with 22% for England and 23% for Wales.

Within England, there are also huge variations: London has the highest poverty rate at 27%, with the tenure mix and high cost of housing a significant driver of poverty. The North East (25%), West Midlands (25%) and Yorkshire and the Humber (24%) have comparatively high poverty rates: poverty there is driven by higher rates of worklessness and the higher proportions of adults in lower-paid 'routine' occupations.

Typically metropolitan, urban and suburban areas have much higher poverty rates than local authorities classified as being rural or countryside areas. We will need to see whether the much talked about levelling up agenda goes beyond infrastructure to improving actual living standards in left-behind areas.

## For further information

The full report, **UK Poverty 2022: The essential guide to understanding poverty in the UK**, is published by the Joseph Rowntree Foundation. It is available as a free PDF at [www.jrf.org.uk](http://www.jrf.org.uk)

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