

Monitoring poverty and social exclusion 2011



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Monitoring poverty and social exclusion 2011

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As always, the responsibility for the accuracy of this report, including any errors or misunderstandings, lies with the authors alone.

Introduction

This report comes at a time when the UK government has outlined its main policy intentions and its strategy to reduce poverty. Although the statistics presented in this report still almost entirely reflect the policies of the previous government, the Labour record is the Coalition inheritance. This commentary discusses the implications of that record for the current government in the light of its commitments on child poverty and social mobility set out in strategy documents published in 2011.

The main conclusion is that in two key respects, the Coalition is repeating Labour's mistakes with adverse consequences both for people experiencing poverty and for the climate of political and public opinion that makes action on poverty possible.

Five- and ten-year summary

Table 1 summarises this report. It brings together all the indicators that have a medium and long-term focus to them, showing changes over the last five and ten years.

It covers far more than the child poverty strategy, but there are overlaps. Some of the measures look similar, but actually measure different things so may give different results. For example, we may choose to measure *absolute* numbers where the child poverty strategy measures *proportions*.

The judgements in the last two columns are subjective. Where there is some doubt, we tend to err towards 'no change'. Where comparisons are not possible, the column is blank.

Over the last decade, 26 of the measures in the table have improved and 14 have got worse. But over the more recent past, 13 have improved and 20 have got worse. Many of the improving measures are in education and health, and represent long-term positive trends. Conversely, many of the measures on low income and work would show a worse picture now than five or ten years ago.

Table 1: The five- and ten-year record of change in the statistics

Chapter	Theme	Indicator	Change in last decade	Change in last 5 years
Low income	Low income	Child poverty	Better	No change
		Pensioner poverty	Better	Better
		Working-age adults with children poverty rate	No change	Worse
		Working-age adults without children poverty rate	Worse	Worse
		Proportion of population in deep poverty (40% of median)	Worse	Worse
	Inequality	Income inequality 50:10	Worse	Worse
	Benefits and tax credits	Children needing tax credits to escape low income	Worse	Worse
		Number of people receiving out-of-work benefits	Worse	Worse
Spending and debt	Material deprivation		Worse	
Children	Education	11-year-olds not attaining expected standards	Better	Better
		16-year-olds not attaining five GCSEs at A*-C	Better	Better
		Looked-after children not attaining five GCSEs	Better	Better
		School exclusions	Better	Better
	Ill-health	Infant mortality	Better	Better
		Under-age pregnancy	Better	No change
Low birth-weight babies		Better	Better	
Young adults	Employment	Unemployment	Worse	Worse
	Education	Lacking qualifications at 19	Better	Better
	Exclusion	Victims of crime (all ages)	Better	No change
		With a criminal record	Better	No change
Work	Lacking paid work	Unemployment and underemployment	Worse	Worse
		Total JSA claimants	Worse	Worse
		Rate of worklessness for lone parents	Better	No change
		Rate of worklessness for disabled people	Better	No change
		Number of children in workless households	No change	Worse
		Households who have never worked	Worse	Worse
	Disadvantage in work	Proportion of employees who are low-paid	Better	No change
		Pay inequalities between low-paid men and average	No change	No change
		Pay inequalities between low-paid men and average	Better	Better
		Re-occurring unemployment (% starting new JSA claim within six months)	Worse	Worse
	Disability and disadvantage	Proportion of workless disabled people	Better	No change
Older adults	Low income	Poverty rates for ages 55-64	No change	
		Poverty rates for ages 65-74	Better	
		Poverty rates for ages 75+	Better	
		Non-take-up of benefits by pensioners	Worse	No change
		Number of pensioners with no private income	Better	No change
	Ill-health	Premature deaths in deprived areas	Better	Better
		Disability-free life expectancy	Better	
	Exclusion	Fear of crime (all ages)	Better	Better
		Digital exclusion (all ages)		Better
Lack of car by 'in deprived areas'		Better		
Housing	Economic circumstances	Social housing poverty risk	Better	No change
		Private rental poverty risk	No change	Worse
		Housing costs as a proportion of income for low-income households	Worse	Worse
		Number of loans in arrears		Worse
		Number of mortgage repossessions		Worse
		Number of household receiving HB or LHA	Worse	Worse
	Housing adequacy	Risk of overcrowding in social or private rented accommodation	Worse	Worse
		Rate of fuel poverty		Worse
		Number of households accepted as homeless	Better	Better

Commentary

The record on child poverty and the Coalition response

The latest year for which there is poverty data is 2009/10, almost to the very end of the last government's term but not beyond.

In that year, some 3.8 million children were in poverty in the UK, where 'poverty' is measured by relative low income adjusted for household size and after housing costs have been deducted. This compares with 4.4 million children (34 per cent) in 1996/97 [graph 10A]. So the Coalition inherited a level and a rate of child poverty about one-seventh lower than the level in 1997. This reduction is a significant improvement but it fell far short of the original aspiration for 2010 of a reduction of one-half.

In most respects, the outline of the last government's poverty record has been clear for several years. What is new in the latest figures is that 2008/09 and 2009/10 are confirmed as years in which child poverty fell slightly. Even to have held the child poverty level during the worst recession in more than 60 years would have been a striking outcome. Sizeable increases in Child Benefit and child tax credits in 2008 and 2009 (plus changes to other benefit rules e.g. housing benefit) played a large part in this. These would have increased household incomes even among those families who were not 'lifted out' of poverty.

The fall in child poverty during the recession contrasts with the rise in the poverty rate among adults without dependent children [graph 3A].

This does not mean that the former strategy for ending child poverty was anywhere near sufficient. If the positive outcome of the last two years is testimony to the effectiveness of tax credit and benefit change as a palliative, the long-term record – notably, the long-term rise in the number of children whose families *need* tax credits to avoid poverty [graph 9A] – is testimony to its limitations as a basis for sustained progress.

The current government's priorities in this area are expressed in the indicators in its child poverty strategy. This selection can also be seen as reflecting its underlying analysis of the problem. Table 2 sets out these indicators along with the latest value of each statistic, its value (where available) a decade earlier and whether it appears (or usually appears) in this report.

All but four of the indicators appear regularly in this report. All except one are well-established. The list is headed by the low income indicators that between them form the basis for the 2020 target in the last government's 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. Besides low income, there is a strong emphasis on education where the focus is on the *gap* in achievement between those eligible for free school meals and other pupils.

Table 2: Measures used in the child poverty strategy

Indicator	In MPSE?	Latest figure	Comparison over time
Relative low income (before housing costs, BHC)	Yes	20% in 2009/10	26% in 1999/00
Absolute low income (BHC)	Yes	19% in 2009/10	23% in 1999/00
Low income and material deprivation (BHC)	Not specifically though both low income and material deprivation are covered	16% in 2009/10	17% in 2004/05
Persistent poverty (BHC)	No	12% in 2005 to 2008	17% in 1997 to 2000
Severe child poverty (BHC)	No, but children in households with incomes under 50% and 40% of the median AHC are included	6% in 2009/10	7% in 2004/05
Children in workless households	Yes	16% in 2010	16% in 2000
Children in in-work poverty	Yes	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	Not in 2011 but has been included in previous years	44% in England 2010	44% in 2006
18- to 24-year-olds not in full-time education or training who are not in employment	Not in 2011 but has been included in previous years	18% in England 2010	14% in England in 2000
Low birth-weight – gap between social classes	Yes	7% for social classes 5–8 and 6% for 1–4 in 2009	8% and 6% in 1999
Early years child development	Not yet available	N/A	N/A
Gap in attainment between free school meals (FSM) and non-FSM children at: ... age 11	Yes	22% FSM gap in 2009/10	25% gap in 2005/06
... age 16	Yes	28% FSM gap	29% gap in 2002/03
... age 19	Yes	24% FSM gap	26% in 2004/05
Progression to higher education aged 19	No	FSM gap 18% in 2008/09	20% in 2005/06
Teenage pregnancy	No, but conceptions among girls under 16 is included	38.3 conceptions to women aged under 18 per 1,000 women aged 15–17 in 2009	44.8 in 1999
Young offending	Yes	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 ... cohabiting couples ... lone parents	No	16% 22% 28%	N/A N/A N/A

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 pupils receiving free school meals and other pupils have fallen; the rate of teenage pregnancy has fallen; the number of under-17s committing a criminal offence has fallen. One can argue that the numbers are still too high. But the trends are almost all positive. With the exception of in-work poverty, the underlying movement has been in the right direction.

Against this background, what lessons does the Labour record offer to those devising a new way forward on poverty?

Key stats

- The fall in the last ten years in the number of pensioners in poverty:
1 million.
- The increase since 2001/02 in the number of working-age adults in poverty:
2 million.
- The poverty rate for 16- to 19-year-olds not in full-time education:
33 per cent.

Lessons from the Labour record

Poverty is not just a condition that afflicts children or pensioners

In the mid-1990s, the sheer scale of child and pensioner poverty was reason enough to begin an assault on poverty within these groups.

The importance once attached to children was expressed explicitly through the commitment to end child poverty within a generation. The importance attached to pensioner poverty was revealed through the substantial increase to means-tested benefits when the Pension Credit Guarantee was first introduced.

It is still the case that child poverty is higher than for adults, but with pensioner poverty down by a third to below that of working-age – a historical reversal – and with working-age poverty rising, poverty among working age adults can no longer be ignored. [\[graph 3A\]](#).

Two groups at either end of the working-age population give particular cause for concern. The higher child poverty rates do not end at 16 or 18 but persist through young adulthood. A very high proportion of 16- to 19-year-olds not in full-time education are in poverty [\[graph 19A\]](#). At the other end, those approaching retirement (age 55 to 64) contain high proportions of both poor and rich [\[graph 35A\]](#) in comparison with older age groups. The best hope for these older people has been to wait for pension age when more generous state support is available. Yet as the state pension age increases, this prospect recedes. Here is an aspect of poverty that a government policy is making worse.

It is not only the extent of poverty but also of its depth: among those in poverty, adults without dependent children are more likely to be in 'deep' poverty than others [\[graph 1B\]](#). This reflects the fact that working-age benefits have long been uprated only in line with inflation, whereas child and pensioner benefits went up under the last government by larger amounts.

The trouble with this approach is that it leaves a system of benefits that bears no consistent relationship to what people need. A comprehensive and principled review of the value of the benefits provided by social security is long overdue and would be a fitting accompaniment to Universal Credit. If at some point in the next few years money were to be put into the economy to help stimulate growth, improved social security benefits for working-age adults would be one way of doing it.

Poverty is not just about income

Statistics on household income only need to be adjusted for inflation and household size in order to measure poverty both over time and between different groups in the population. While the choice of any particular low-income threshold to denote poverty is arbitrary, any analysis can be conducted using different thresholds in order to test the robustness of findings. External yardsticks such as the Minimum Income Standard can be used to assess the reasonableness of particular thresholds. While low-income measures of poverty using official statistics may be crude, they are also powerful and – at least up until recently – transparent.

Restrictions on poverty statistics

Attempts to reduce poverty have long been ill-served by the routine delay (of around one year) in publishing even headline statistics. Recent curtailments in the breadth and depth of the information made available is much more serious.

Over the last year, several data sources used for previous versions of this report have been discontinued. They include: labour market data on people making repeated claims for JSA, and the Citizenship Survey which monitored volunteering and participation in local politics. More seriously – since it relates directly to all the core low-income measures – neither the *Households Below Average Income* dataset for 2009/10 nor its ‘parent’ *Family Resources Survey* dataset for the same year have been released to independent researchers (despite having been in use within government for several months).

The failure to release these key datasets greatly damages transparency and is at odds with the greater openness around, for example, public expenditure. If government commitments on poverty and social mobility are to be taken seriously, it is essential that reliable and timely data continue to be available both to monitor progress against published objectives and to investigate what lies behind the headlines.

The need to look beyond income is never greater than when certain costs that particularly affect low-income households are rising fast. For example, thanks to rising energy bills, almost all households in the poorest fifth of the income distribution now also suffer from fuel poverty. Half of those in the second fifth of the income distribution are in fuel poverty compared with just one in ten in the early 2000s [graph 49B].

Housing costs for low-income households have been rising steadily as a proportion of income over the last decade [graph 44A]. Households in the bottom fifth now spend twice as high a proportion of their income on housing costs as those on average incomes, and three times as much as those in the richest fifth. The increasing number of low-income households in more expensive privately rented accommodation makes this problem worse. There is also a strong regional dimension to this: poverty rates in London are higher than elsewhere largely because housing costs – across the board – are higher.

Key stats

- The proportion of households in the bottom fifth in fuel poverty in 2009:
85 per cent.
- Housing costs as a proportion of post-tax income for households in the bottom fifth:
30 per cent.

Unlike fuel costs, information on housing costs is available within the official low-income datasets. There are, routinely, two measures of poverty published, both before housing costs (BHC) have been deducted and after (AHC). Since the targets in the Child Poverty Act are set in BHC terms, they have to be monitored. But the BHC measure is flawed because by including housing benefits as part of income, a rise in housing cost (if it leads to higher housing benefits) apparently causes poverty to fall. This nonsensical result does not happen on the AHC measure which is why it is used here except when discussing official targets. It is, however, still far from perfect: for example, it includes nothing for repairs and does, therefore, underestimate the extent and depth of problems faced by low-income owner-occupiers.

Poverty is not just a result of being workless

Against a background where at least half of all children in poverty are in working households [graph 11A], and where the number of such children has been on a rising trend since at least the late 1970s, the child poverty strategy's explicit recognition of 'in-work' child poverty is fully justified and an important step forward.

Among working-age adults in poverty, 53 per cent live in working families (that is, either they or their partner are working); again, the long-term trend has been upward.

Yet in-work poverty, in which low rates of pay combine with too few hours of, often insecure, paid work, is a more tangled problem than out-of-work poverty. Unlike the latter, which is concentrated in lone parent families (three-quarters of children in out-of-work poverty are in lone parent households), in-work child poverty is concentrated in two-parent families (three-quarters of children in in-work poverty are in couple households). Such families usually only have one adult working. If both are working then it is usually in part-time jobs only. The range of factors that influence in-work poverty means that there is no magic bullet. It also means that policies across government, not just those for which the Department for Work and Pensions is directly responsible, are relevant here.

Policy towards low wages is one of these. The traditional discussion around the minimum wage is concerned with whether a higher wage discourages job creation. Once there is a commitment on in-work poverty, this is not enough. Labour's record included a period in the early 2000s when in-work child poverty was falling. During this period, the minimum wage was rising sharply, the proportion of low-paid jobs was falling [graph 30A] while the earnings of low-paid women workers were improving relative to those of low-paid men, and men on average [graph 31A].

Workplace training is another relevant factor. If training is one of the ways by which low-paid workers can advance, thereby easing and even escaping in-work poverty, the longstanding fact that lower paid workers tend to get less training than higher paid ones is a poverty issue [graph 32B]. What both wages and training point to is that in-work poverty requires an engagement with, and a responsibility upon the shoulders of, employers.

Key stats

- Children in working families in poverty:
2.1 million.
- Working-age adults in working families in poverty:
4.0 million.
- Families facing an effective marginal tax rate on earnings of more than 70 per cent:
1.4 million.

One factor influencing in-work poverty that is the direct responsibility of the DWP is the ‘taper’ on benefits. The combination of income tax, National Insurance and the benefit taper means that someone in work and getting tax credits faces an effective tax rate on any extra earnings of 73 per cent, way above the so-called ‘top’ rate of 50 per cent [graph 9B]. With such a rate, extra work brings scant reward: someone in this situation on the minimum wage has to put in six hours overtime in order to make themselves £10 better off overall. Universal Credit is going to make this worse, putting the rate up to 76 per cent. Until 2010, the rate was ‘only’ 69 per cent.

Once again, if money is to be put into the economy over the next few years to stimulate growth, ‘cutting taxes at the bottom’, which could be done by reducing the taper on Universal Credit, would be a way of doing it. A cut of at least 10 pence would be needed if it is to do more than offset recent and forthcoming rises.

Better incentives cannot make up for a lack of jobs

The reform of out-of-work benefits centred on Universal Credit attaches great importance to incentives. While the social security system does give some workless households little incentive to enter work for just a few hours a week, such disincentives have little relevance to those who are unemployed – who have to be actively seeking work and ready to start straightaway – or to those currently in a part-time job because they cannot find a full-time one. Including all those lacking but wanting work, total ‘underemployment’ has risen by 50 per cent since 2004 [graph 25A]. This increase is confined entirely to the unemployed (as opposed to the economically inactive wanting work) and those in involuntary part-time work.

Demographic and social change also plays a part. Compared with 2001, the population of 16- to 24-year-olds has grown by 13 per cent even while the number in employment has fallen. Over the same period, the rise in the number working beyond the state retirement age is bigger than the fall among the under 25s. None of the measures of worklessness in this report have reduced significantly since the recession technically ended.

Against these bigger forces, welfare reform’s role is limited. In particular, it cannot be a substitute for economic policy: if the work is not there, increased incentives can do little. Within the social security system, better incentives to enter work must be balanced against other goals, including provision of a minimum adequate standard of living. As we have already argued, the last government’s uprating policies for different social security benefits damaged this balance. Reformed or not, an over-emphasis on social security in general and incentives in particular represents a continuation of the last government’s approach rather than a break with it.

It is also important not to over-emphasise the significance of particular segments of the working-age population without work. For example, households where no-one has ever worked make up 10 per cent of all workless households. The adults in these ‘never worked’ households also make up 10 per cent of all workless adults. Official statistics on the number of families who have been workless over several generations do not appear to exist and academic research is limited.

Key stats

- People unemployed or otherwise lacking but wanting work:
4.8 million.
- People in part-time jobs who want full-time jobs:
1.2 million.
- Increase in the overall number of 16- to 25-year-olds since 2001:
0.9 million.

This 10 per cent is still a big number: more than a third of a million households (twice as many as in 1997) and more than half a million individuals [graphs 29A and 29B]. But it must be seen in the wider context, in particular the long-term rise in young adult unemployment. For example, over half of the adults in these households are aged under 25.

One in six are long-term sick or disabled aged 25 and over. Excluding those who are unemployed or are looking after the home, just 10 per cent of this 10 per cent – that is, just 1 per cent of all workless adults – belong to ‘never worked’ households without any obvious reason within these statistics [graph 29B]. It is a serious mistake to proceed as if this 1 per cent is somehow the essence of the problem of worklessness.

Gaps matter, but so do absolute levels of attainment

While there is always room to debate standards and levels, educational attainment has been rising steadily for as long as the data is available (sometimes back to the early 1990s). This is particularly the case for 11-year-olds reaching expected levels in English and maths [graph 12A]. But it is also true for 16-year-olds and GCSEs [graph 13A] and (more recently only) for 19-year-olds and Level 2 qualifications [graph 21A]. It applies to children receiving free school meals as well as children on average, and also for children in care [graph 14A].

One of the consequences of this is the far higher level of qualifications of young adults where nearly four in ten aged 25 to 29 have a Level 4 or above (degree or equivalent), up from one quarter ten years earlier. But this may be squeezing the additional advantage to those with only middling qualifications in terms of the likelihood of their being in employment and/or not in low pay [graphs 22A and 22B].

The Coalition’s response to this, in both its child poverty and social mobility strategies, is to emphasise the *gap* in achievement between those in lower income households and others. Within the education sphere, this is a new focus. In the last few years, for all age groups, this attainment gap has closed, if only by a percentage point or two. But in a time of rapidly rising attainment across the board, even a small reduction in the gap is noteworthy.

If what matters is not the absolute level achieved but how much of an advantage a qualification confers over others, the emphasis on gaps make sense. But this cannot be the whole story because there are certain minimum standards that have to be reached, especially at age 11 and 19 (beyond which, the evidence seems to suggest, little further progress is made) [graph 21B].

Key stats

- Proportion of 11-year-olds not reaching Level 4 at Key Stage 2:
20 per cent (maths);
19 per cent (English).
- Proportion of 16-year-olds achieving fewer than five GCSEs at any level:
6 per cent.
- Additional risk of premature mortality in the most deprived fifth of local areas compared to the average:
33 per cent.

The government's new indicator on the proportion of 16-year-olds getting five GCSEs including maths and English at C or above illustrates the point clearly. Between 2002/03 and 2009/10, the gap between the average proportion reaching this level and the proportion of pupils receiving free school meals fell slightly, by one percentage point. But over this period, the proportion of pupils receiving free school meals who attained this level actually doubled from 15 per cent to 30 per cent. Though no doubt still far too low, this must be judged a substantially improved outcome for those pupils receiving free school meals (and a substantial achievement on the part of many of their schools too), even if the gap with pupils on average has not narrowed. Both the absolute level of attainment of pupils, in terms of the difference it makes to those pupils' life chances, *and* the gap, matter.

The Coalition's commitment to closing the gap both in education and in low income (that is, poverty measured by relative low income) raises the question of whether it should not develop a similar outlook in other areas, notably health in general and mortality in particular. For while rates of premature mortality have long been falling [graph 38A], the gap between deprived and non-deprived areas has grown. The statistical connection between local authority areas with high proportions of working-age adults receiving out-of-work social security benefits and high rates of premature death is disturbingly close to being perfect. This should be a cause of great concern.

Conclusion

Eighteen months into its term of office, the UK government's priorities for poverty and its approach to combating it are now clear. In itself, this is welcome. But viewed through the lens of the last government's record, what is striking is how *little* its approach differs from its predecessor's. Aspects of this continuity are, moreover, a source of weakness.

The first is an over-reliance on the social security system as the principal tool for addressing poverty. While the details differ – mainly tax credits with the last government, Universal Credit with this one – both proceed as if this system is the key to the problem. No social security system can solve the problem of poverty at a time of mass underemployment.

The second is that the efforts on poverty are restricted, as before, to children and pensioners. Again, the policies towards children are made explicit through the child poverty strategy. Those towards pensioners are implicit, for example through the uprating of the state pension in line with earnings. Working-age adults are left out. By ignoring working-age adults on low incomes, the harm that government policy may do to this group, for example by both national and local taxation, is overlooked. The consequences of the abolition of the 10p tax band are a salutary reminder of what can happen when working-age adults on low incomes get forgotten.

Background

Some background trends

The only statistics that appear in this report as ‘indicators’ are ones where a change in a particular direction is unambiguously either a good or a bad thing. Obvious examples of this (where, in each case, an increase would be bad) include the number in low-income households, the number in arrears with bills, and the proportion lacking certain key services.

One limitation with this rule is that it leaves no room for statistics which are in themselves neither good nor bad. Over a fairly short period, this may not matter very much. But over the timeframe of this report – typically now up to two decades – slow but steady trends (and sometimes reversals of those trends) eventually mean that certain underlying aspects of the situation are now very different from what they used to be. This can matter a lot.

To address this, four graphs are presented here, each highlighting one such changing background factor. The key points that each is making, are:

Graph 1: *The age mix of the population:* the growth in the number of 16- to 24-year-olds over the last decade is in sharp contrast to the late 1980s and the 1990s when this young adult population was shrinking. Despite the increased population, young adult employment has fallen.

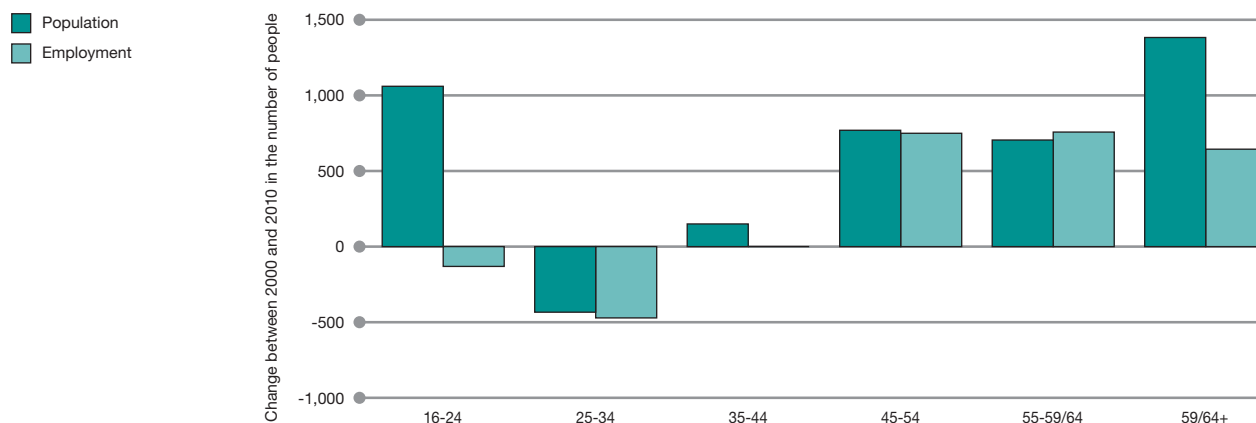
Graph 2: *The mix of housing tenures:* while the growth in the total number of dwellings since 2000 has been in line with long-term trends, the concentration of that growth within the private rented sector is unprecedented within living memory.

Graph 3: *Welfare spending:* over the ten years to 2010/11, public spending on benefits grew more than twice as fast after inflation as the economy as a whole. Almost all of this growth was in spending on pensioner incomes, benefits for families with children, and housing benefits.

Graph 4: *Working-age qualifications:* in 2010, there were almost twice as many 25- to 50-year-olds with degree-level qualifications as with no or only low qualifications; in 2000, the two groups had been equal in size. Among 25- to 50-year-olds in employment, the number qualified to degree level now exceeds the number qualified only to Level 2 or Level 3. While the falling number without any qualifications at all is a positive thing, it is not clear that increasing the number of people with degree-level qualifications necessarily is.

Graph 1: The age mix of the population

The change between 2000 and 2010 in the number of people, both in total and in employment, by age band



Source: Labour Force Survey, ONS; data is for 2000 and 2010, UK

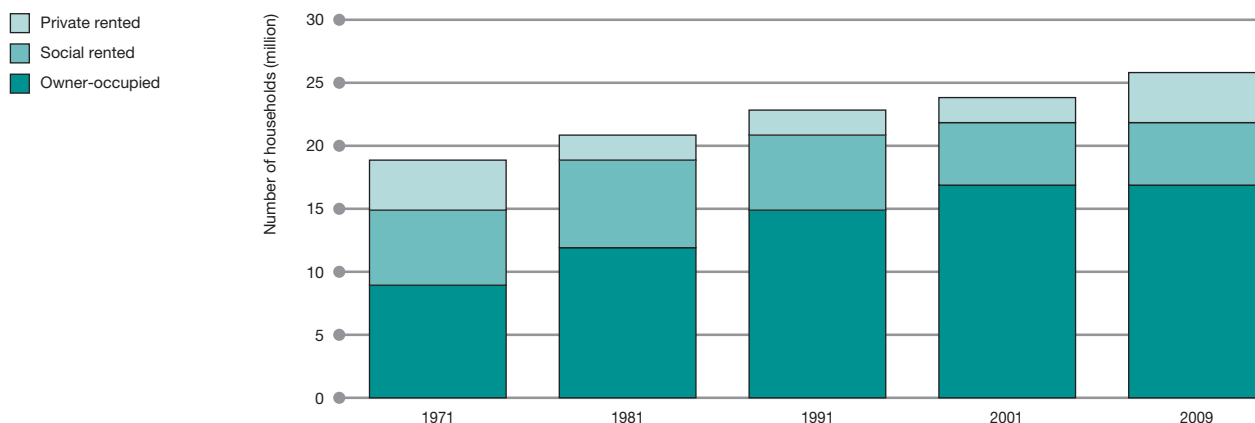
Between 2000 and 2010, the number of people in the UK aged 16 or over grew by 3.7 million, from just over 46 million to just under 50 million. Although most of that growth (nearly three million) was among those aged 45 and above, the number of 16- to 24-year-olds also rose by one million, offset by a reduction in the number aged 25 to 44.

Between 2000 and 2010, the number of people in the UK in employment also grew, by 1.6 million. This growth, however, was exclusively among those aged 45 and above (more than two million). All age groups among the over-45s saw increases. In particular, the number of people in employment beyond the state retirement age rose, by more than half a million, to almost 1.5 million in 2010.

By contrast, the number in employment among those aged under 35 fell by more than half a million over the ten years. Although most of the fall was among those aged 25 to 34, the employment fall among 16- to 24-year-olds is the more striking since it came about despite a large rise in the 16 to 24 population. As a result, the young adult employment rate fell sharply, from 63 per cent to 52 per cent.

Graph 2: The mix of housing tenures

The number of dwellings in Great Britain by tenure: selected years



Source: Table 102, Dwelling stock by tenure GB (historical series); Housing Statistics, Department for Communities and Local Government

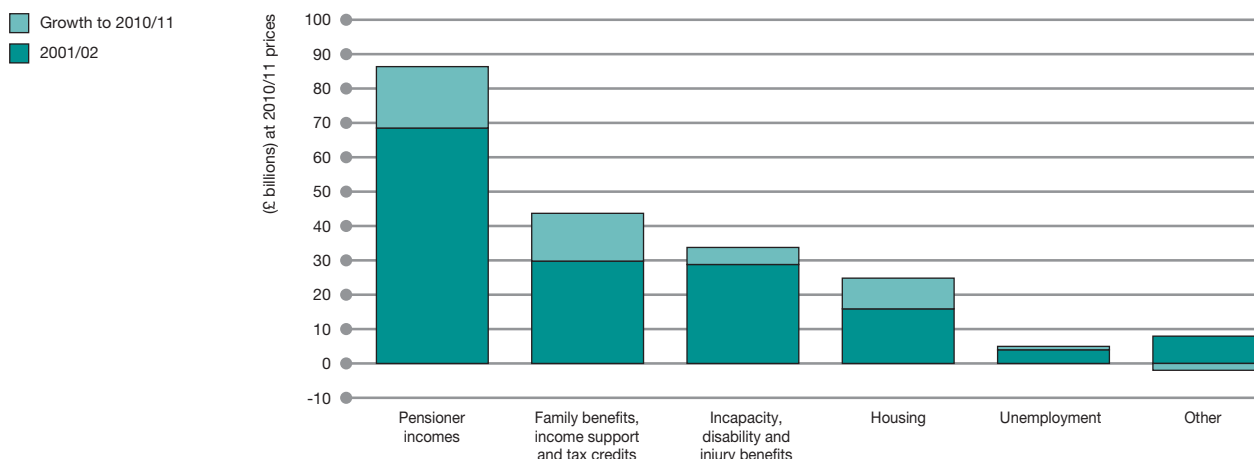
Over the last 40 years, the number of dwellings in Great Britain has grown by about two million every decade, resulting in a cumulative increase of about 40 per cent over the period. In the last three decades of the twentieth century, almost all of the increase took place in the number of owner-occupied dwellings. At the end of the century, both the number of private rented and social rented dwellings was lower than 30 years earlier.

While the growth in overall numbers continued uninterrupted in the first decade of the twenty-first century, its distribution between tenures was completely different. Between 2001 and 2009, the number of private rented dwellings grew by 1.7 million, to reach a total of 4.1 million. The number of social rented dwellings continued to fall, to 4.8 million.

Although owner-occupation was higher in 2009 than 2001, its share was still down, from 69 per cent to 66 per cent. The 2009 social rented share of 18 per cent compares with a high of 31 per cent in 1981. The private rented share of 16 per cent compares with a low of 9 per cent in 1991. While owner-occupation continues to dominate, the other two sectors have been converging rapidly and must now be seen as equally important.

Graph 3: Welfare spending

Spending on social security by the principal categories, 2010/11, and growth in spending (after inflation) from 2001/02



Source: Table 5.2, Public Expenditure Statistical Analyses, 2007 to 2011, HM Treasury

In 2010/11, public spending on the income elements of what is classified as 'social protection' stood at £201 billion. Over the ten years from 2001/02 (the first year for which this presentation of data is available), spending in this area grew by £45 billion after inflation, a rate of growth of 29 per cent and more than twice the 12 per cent rate at which the economy as a whole grew.

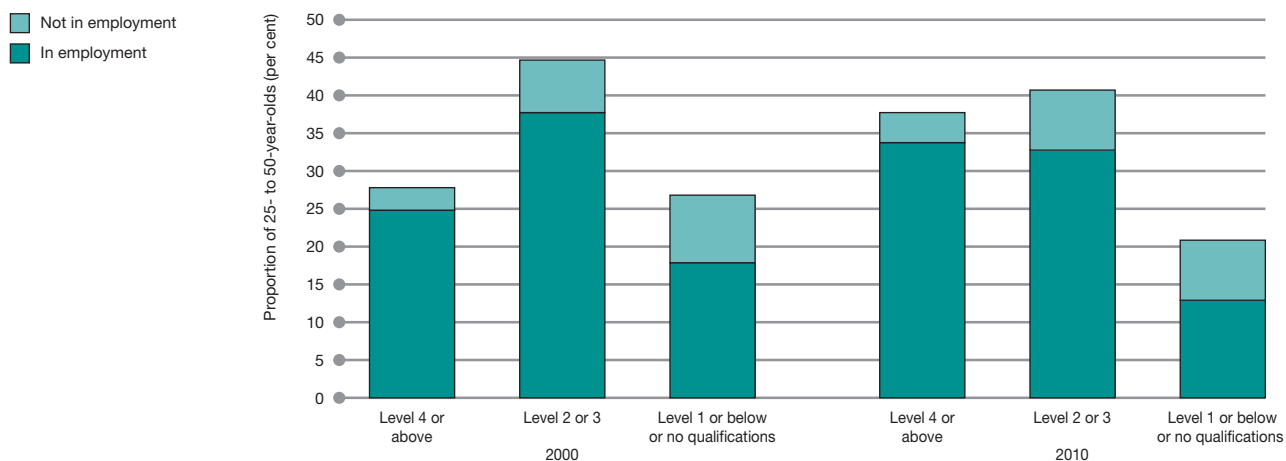
Of the £201 billion, 43 per cent (£87 billion) went on pensioner incomes, including the state retirement pension, Pension Credit and the winter fuel payment; 22 per cent (£45 billion) went on family benefits, including Income Support for lone parents, but mainly Child Benefit and child and working tax credits. Incapacity, disability and injury benefits, and housing benefits, account for most of the rest.

Nine-tenths of the £45 billion growth in spending since 2001/02 is accounted for by the growth in spending on pensioner incomes, family benefits, and housing. Pensioner incomes took the largest share of this (£19 billion), reflecting their size within the budget. Spending on family benefits and on housing grew at the fastest rate, by 47 per cent and 55 per cent respectively.

Adding in the disability and housing benefits received, pensioners as a group absorbed just over half (£104 billion) of total welfare spending. Income replacement benefits for workless, working-age households – for unemployment, lone-parenthood, disability and child tax credits (£37 billion) and housing benefits (£13 billion) absorbed one quarter of total spending. The remainder was divided almost equally between universal child benefit and needs-based disability benefits, and means-tested benefits for working households (tax credits and housing benefits).

Graph 4: Working-age qualifications

25- to 50-year-olds by highest level of qualification and whether employed or not: 2000 and 2010



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

In 2000, the highest qualification of nearly half of 25- to 50-year-olds was either Level 2 ('five good GCSEs or equivalent') or Level 3 (A levels or craft level qualifications). Those with low or no qualifications (Level 1 or below) were just as numerous as those with degrees (Level 4 or above).

In 2010, while the proportion with either Level 2 or Level 3 was little changed, the proportion with a degree was almost twice as high as the proportion with low or no qualifications. Roughly speaking, the shape of the distribution had moved from 25-50-25 ten years ago to 40-40-20 now.

Among those in employment in 2010, those with a degree slightly outnumbered those with Level 2 or Level 3. This reflects the fact that the employment rate is higher for those with degrees (89 per cent in 2010) than for those with Level 2 or Level 3 (81 per cent) or for those with low or no qualifications (62 per cent). While the differences between these employment rates are marked, all three are lower than they were ten years earlier.

Chapter 1 **Income and spending**

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About this chapter

Income, and low income in particular, is the basis for almost all the analysis in this report. In a market society such as ours, the ability to participate is determined to a great extent by the income one has. The report as a whole covers education, work, housing and services, but their analysis is either carried out by income or because the topic itself, in the case of work or pay, determines an individual's or a household income.

This chapter covers a range of measures of low income, reflecting the ongoing discussion regarding what 'low' income really is and how it is experienced. It looks at inequality across the income spectrum, but focuses in the main on those people at the bottom. Variations across age groups and parts of the country are analysed, as well as the trends over time.

Low income and inequality

Measuring low income

The most common measure of low income compares the income of individual households to the national average. This is frequently referred to as 'poverty' or 'relative poverty'. A household has a low income (or is in poverty) if its income after tax is less than 60 per cent of the average (median) household income for that year. This threshold is sometimes referred to as the 'poverty line'.

The level of 60 per cent of the median is largely arbitrary. It is a useful benchmark from which to define poverty but masks much complexity. While it is clearly beneficial to have greater amounts of income, the life of someone at 61 per cent of the median is not fundamentally different to someone with an income of 59 per cent of the median. Further, the level of 60 per cent does not directly reflect rising costs of living.

Measured relative to the average, poverty is a type of inequality. It is the inequality between those on lowest incomes and what might be considered the norm. While increasingly referred to as 'relative poverty' it is in fact no more relative than any other measure currently in use. Poverty is inherently relative. It is about lacking things that the majority of the population take for granted and regard as normal.

As it is measured relative to contemporary median income, the threshold rises with the income of the rest of the population. Ostensibly this could make it more difficult to reduce poverty in periods of strong economic growth. Yet over the last 15 years, reductions in poverty have been largest when median income has risen the most.

The income level required to exceed the poverty threshold varies according to the number of adults and children in the household. For example, the income required by a couple to reach a defined standard of living is greater than, but not double, the amount required by a single adult. The poverty thresholds per week of different types of household are as follows:

Table 1: Low-income thresholds in 2009/10

	Low-income threshold before housing costs (BHC)	Low-income threshold after housing costs (AHC)
Single adult	£166	£124
Couple with no children	£248	£214
Lone parent with two children under 14	£265	£210
Couple with two children under 14	£347	£300

Source: Households Below Average Income, Department for Work and Pensions, 2009/10

Household income can be measured before or after housing costs and is measured net of taxes (including Council Tax). Housing costs are rent, mortgage interest (but not capital repayment), water charges, service charges and buildings insurance. The national child poverty target in the 2010 Child Poverty Act measures poverty BHC.

Choice of indicators

Low income forms the core of our analysis of poverty. While no single income threshold can properly be called ‘the’ poverty line, ‘low income’, measured in several different ways, is at the very heart of poverty in any society in which market relations dominate.

This chapter looks at long-term trends in low income as well as variations by family type and region. There are different ways of measuring low income, which are considered in this chapter.

- 1 **Proportions in poverty:** proportion of people in low-income households, showing the change over time. This is supplemented by the number of people in low income for each age group.
- 2 **The impact of housing costs:** proportion of people in poverty before and after housing costs are deducted, and how these two proportions have changed over time. It also shows how the two measures vary across UK countries and English regions.
- 3 **Low income by age:** trends in poverty for different age groups, comparing the change for children, pensioners and working-age adults with and without children. The rates are shown as well as the change in absolute numbers.
- 4 **Inequality:** income inequality, as measured by the ratio of the income of the middle of the population and the bottom tenth (the 50:10 ratio) and the top of the distribution and the middle (90:50) and the Gini coefficient. Additionally, analysis of what proportion of the total income, property and financial asset wealth of the country is held by each tenth of the population.

Key points

1 Proportions in poverty

In 2009/10, 22 per cent of the population in the UK were in poverty after housing costs, unchanged from the previous year. The overall proportion of the population who are living in poverty has been flat for four years now. The proportion of people in poverty is now half way between the peak level in 1996/97 (25 per cent) and lowest level (in recent years) of 2004/05 (20 per cent).

In the last year the proportion of people with between 50 per cent and 60 per cent of the median income increased and the proportion between 40 per cent and 50 per cent fell, while the proportion in deep poverty (under 40 per cent of the median income) remained the same.

Although pensioners made up the smallest group of people in poverty they were the biggest group of people on the cusp of poverty (between 60 per cent and 70 per cent of the median household income) at 1.2 million people.

Working-age adults without dependent children represent the largest group of people living in the deepest poverty. Some 2.5 million live in households with incomes below 40 per cent of the median. This is the only group for whom 'deep' poverty makes up more than 50 per cent of all poverty.

2 The impact of housing costs

In 2009/10, 17 per cent of the population were in poverty on the BHC measure compared to 22 per cent on the AHC measure. This gap, of five percentage points, is the largest for over a decade, and the fourth largest in the series shown.

In 1980, the difference between the proportion of the population living in poverty AHC and BHC was less than a percentage point. This gap grew somewhat in the decade that followed. The greatest divergence came in the 1990s and has not been reversed despite success in reducing both measures of poverty in the early 2000s.

In the last two years, BHC poverty has fallen, albeit by just over one percentage point, and AHC income has remained unchanged. So the gap is now larger than it has been since the late 1990s.

Across the UK the proportion of people in poverty AHC is at least as high as BHC in every region and country. This difference is greatest in the southern and eastern parts of England (East, South East and London).

The proportion of people in poverty in London increases by 11 percentage points when the AHC measure is used (28 per cent compared to 17 per cent). This means that London has an average level of BHC poverty but a very high level of AHC poverty.

Northern Ireland is the only region where there is no difference between the proportion of people in poverty AHC and BHC, as both stand at 22 per cent. This means that Northern Ireland has an average level of AHC poverty but a rather high level of BHC poverty.

3 Low income by age

Despite a reduction in child poverty over the last decade, children are still more likely to live in low-income households than working-age adults or pensioners. In 2009/10, 29 per cent of children lived in poverty on the AHC measure, compared to 25 per cent of working-age adults with dependent children, 20 per cent of working-age adults without children and 16 per cent of pensioners.

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. From being more likely to be in poverty than other adults, pensioners are now less likely to be, both for adults with and without dependent children.

The risk of poverty for working-age adults without dependent children has risen steadily since the beginning of the last decade. Even in the last year the risk rose slightly while it fell for children, pensioners and parents with dependent children.

In the decade to 2009/10, the number of working-age adults without children living in poverty rose by one million, from 3.3 million to 4.3 million. There are now more working-age adults without dependent children living in poverty than pensioners, parents or children.

The number of pensioners in poverty is now below 2 million, having fallen by around 1 million in the decade to 2009/10. Over the same period, the number of children in poverty fell by around 500,000. The number of parents in poverty remained unchanged.

4 Inequality

In 2009/10, on a range of measures, the level of income inequality in the UK was as high as it had been at any time in the previous three decades. The Gini coefficient stood at 0.40, the same as the previous two years. For comparison, the coefficient was as low as 0.27 in 1980 and was 0.39 in 2000.

The ratio of incomes between the median and the bottom ten per cent (the 50:10 ratio) was 247 per cent, meaning that the income of the average UK households was at least two-and-a-half times that of the poorest tenth. This figure was broadly unchanged over the last three years, but higher than it was 10, 20 or 30 years ago.

The income of the top ten per cent was almost 220 per cent of the median. While no higher than the previous year, this ratio was a little higher than five years earlier.

Putting to one side year on year differences, the broad trends in the three measures (Gini, 50:10 and 90:50) are quite similar. There was a rise in inequality from 1980 to the mid-1990s on all three measures. There then followed a decade in which inequality was either stable or declining slightly. Then, in the mid 2000s, all three measures rose.

It is possible that the few years since the start of the recession represent a new flat period. But what is most striking about the trends is that while they may occasionally stop rising, any actual falls are always small and not sustained. In fact, looking at the Gini coefficient, the early 2000s are the only period where this measure falls for three successive years.

While differences by income are stark, differences by wealth, whether property (housing) wealth or asset wealth, are much more pronounced. The top decile by income accounts for 30 per cent of all income. The bottom decile accounts for 1 per cent.

The top decile by property wealth has 40 per cent of all property wealth and 60 per cent of asset wealth. The bottom three deciles do not own any property. The bottom two deciles have either zero assets or debts that are larger than the assets they own.

Comment

The growing gap in the proportion of people living in poverty AHC and BHC is, from a measurement perspective, a concern. AHC is the preferred measure in this report since a major limitation of the BHC measure is that housing benefits are counted as income. Currently, if a household claiming housing benefits sees its rent increase, its housing benefits also increase. Under the BHC measure its income has increased, despite the fact that this increase in income goes entirely to the landlord of the property.

It is perverse that under the BHC measure, a low-income household could be lifted out of poverty if its housing costs actually increased despite there being no change in the amount of money they are able to spend on material goods or activities.

The concern, therefore, is that the above is precisely what has happened in recent years. Rents have increased relative to mortgage costs. The number of housing benefit recipients has also risen substantially (see indicator 47).

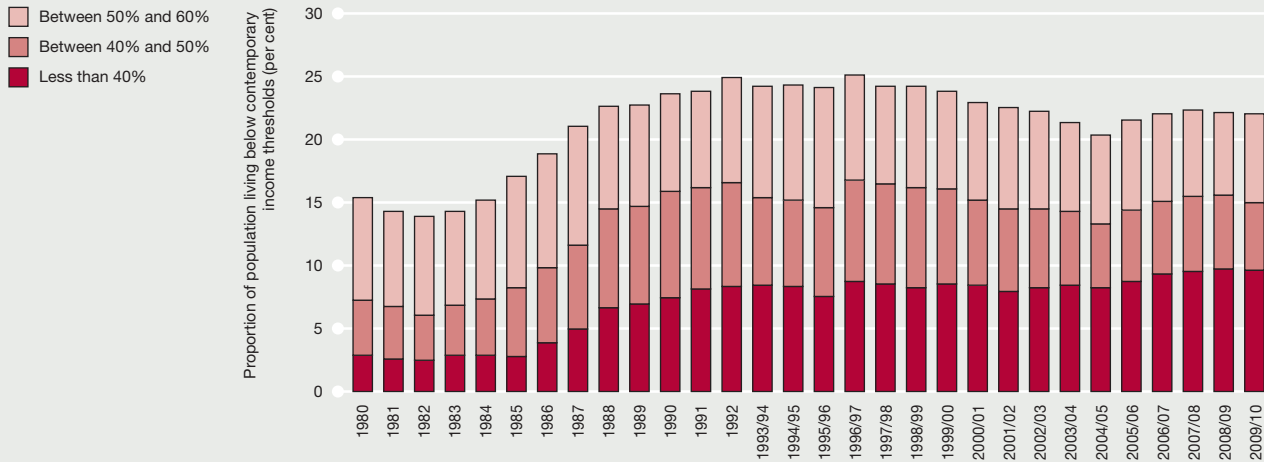
The underlying data for 2009/10 has not been published. But according to the published summary data, the proportion of children living in households receiving housing benefits who were in low income fell by 11 percentage points BHC and five percentage points AHC in 2009/10. This was a much larger change than, for instance, among recipients of Working Tax Credit, where the decrease was only two percentage points.

The growing gap between AHC and BHC poverty is not just an issue of measurement. It indicates the huge importance of housing costs and associated housing payments for low-income households.

Proportions in poverty

Indicator: 1A

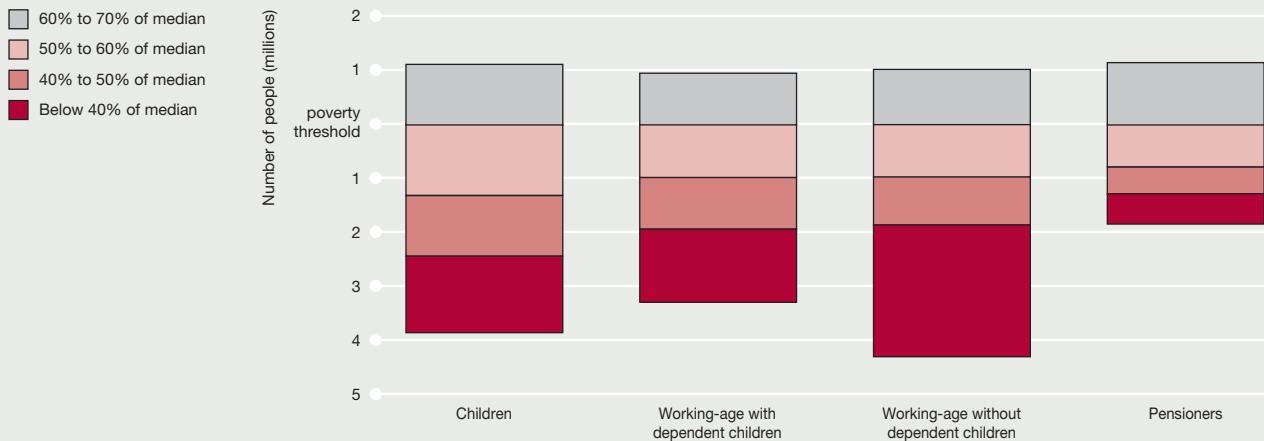
There was no change in 2009/10 in the proportion of people in poverty. The proportion of those with very low incomes was also unchanged.



Source: Family Expenditure Survey to 1993/94, Households Below Average Income thereafter, via the IFS; the data is for Great Britain to 2001/02 and the UK thereafter

Indicator: 1B

More than half of working-age adults without dependent children in poverty have very low incomes – below 40 per cent of the median.



Source: Households Below Average Income, via the IFS; the data is the average for 2007/08 to 2009/10, UK

The first graph shows the proportion of people living in households below 40 per cent, 50 per cent and 60 per cent of the contemporary median household income for each year since 1980.

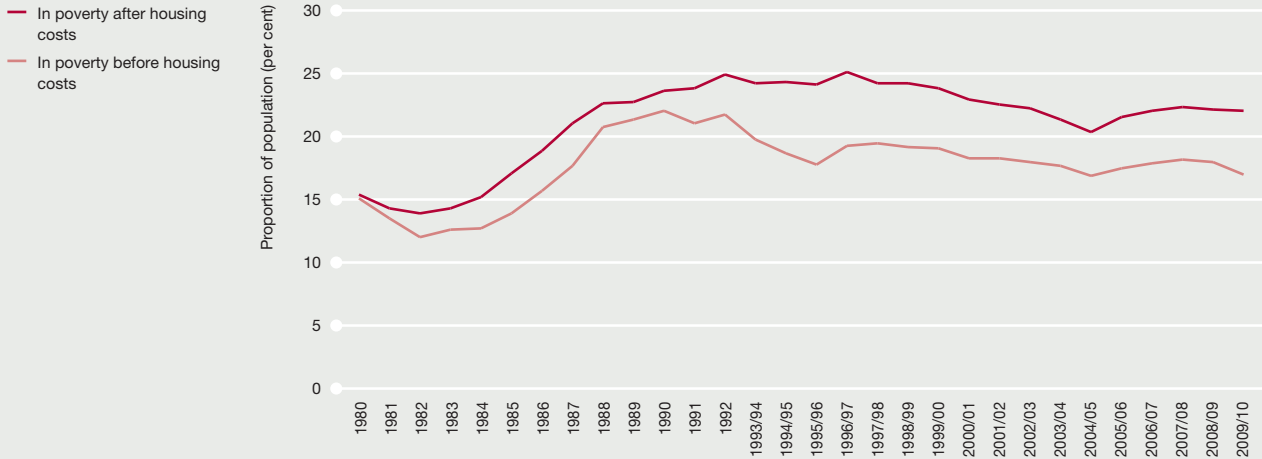
The second graph shows the number of children, working-age adults with dependent children, working-age adults without dependent children and pensioners in low-income households. It also shows the number of people in each group with a household income between 60 and 70 per cent of the median, i.e. just above the poverty line.

Income is disposable household income after housing costs (AHC). All data is equivalised (adjusted) to account for differences in household size and composition.

The data in the first graph for the years before 1994/95 is sourced from the Family Expenditure Survey, at that time a much smaller (and less robust) survey than the post-1994/95 Family Resources Survey which underlies the modern Households Below Average Income. As a result, caution should be exercised in drawing conclusions about individual years before 1994/95, or in year-on-year comparisons.

Indicator: 2A

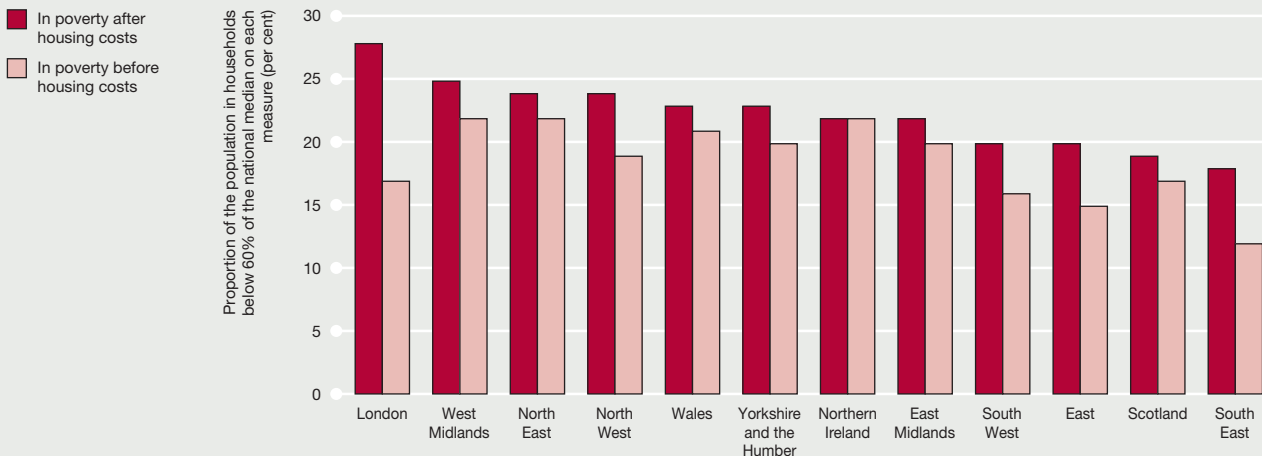
The difference in the proportion of people in poverty before and after housing costs was larger in 2009/10 than at any time in the previous decade.



Source: Family Expenditure Survey to 1993/94, Households Below Average Income thereafter, via the IFS; the data is for Great Britain to 2001/02 and the UK thereafter

Indicator: 2B

London has the highest rate of poverty measured after housing costs and the largest gap between the before and after measures.



Source: Households Below Average Income, DWP; the data is for 2007/08 to 2009/10

The first graph shows the proportion of people living in households below 60 per cent of the contemporary median household income, before housing costs (BHC) and after housing costs (AHC) for each year since 1980.

The second graph shows the proportion of people living in households below 60 per cent of contemporary median household income, for English regions, Scotland, Wales and Northern Ireland BHC and AHC.

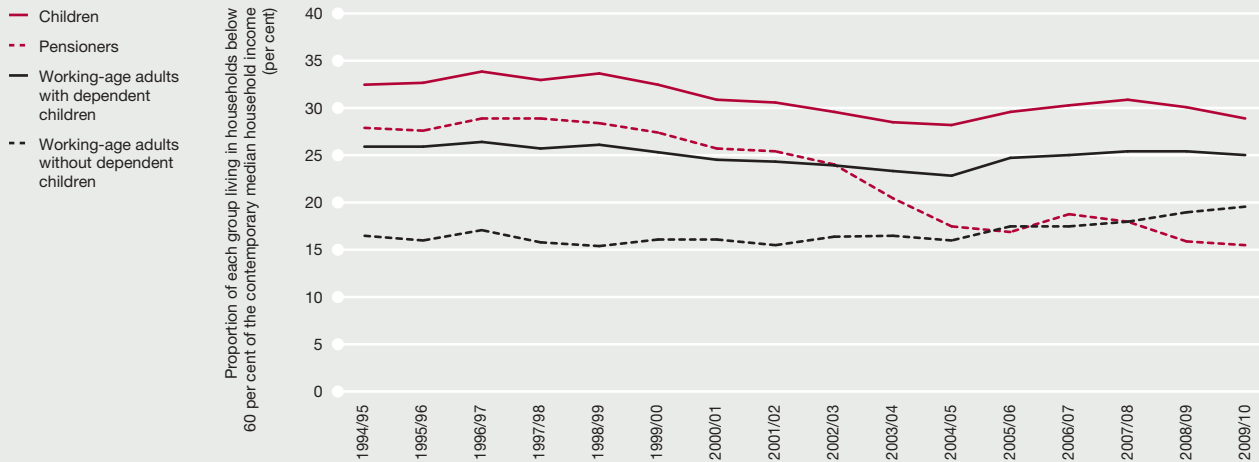
Income is disposable household income after tax, National Insurance and Council Tax. All data is equivalised (adjusted) to account for differences in household size and composition. Housing costs comprise such items as rent service charges, ground rents, mortgage interest and buildings insurance. For people in receipt of housing benefits, the benefit itself is treated as income while the rent it covers is treated as housing costs.

The data for the years before 1994/95 is sourced from the Family Expenditure Survey, at that time a much smaller (and less robust) survey than the post 1994/95 Family Resources Survey which underlies the modern Households Below Average Income. As a result caution should be exercised in drawing conclusions about individual years prior to 1994/95, or in year-on-year comparisons.

Low income by age

Indicator: 3A

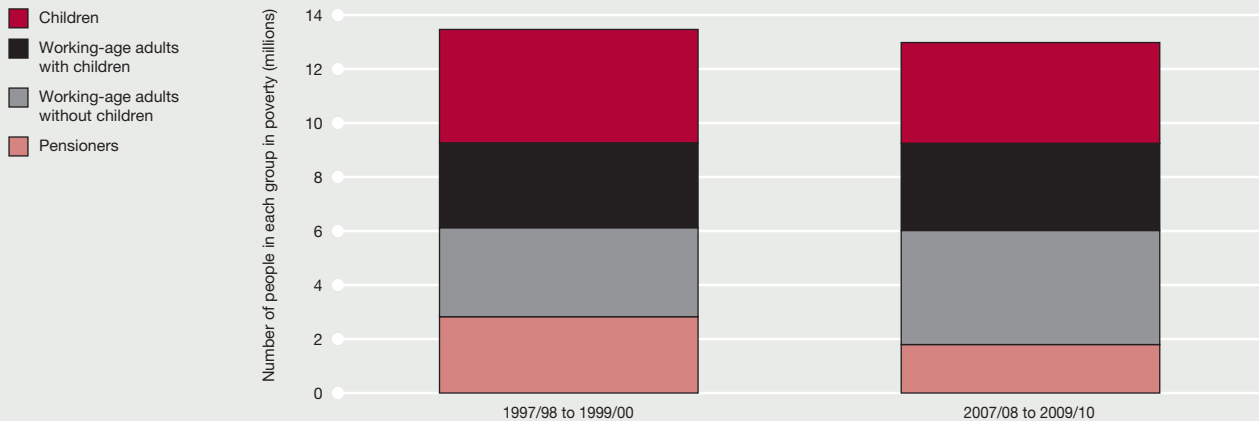
The proportion of pensioners in poverty has dramatically reduced in the last 15 years while the proportion of working-age adults without children has steadily risen in the last five years.



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

Indicator: 3B

The number of working-age adults without children living in poverty has risen by one million in the last decade.



Source: Households Below Average Income, DWP, via the IFS; figures are for Great Britain

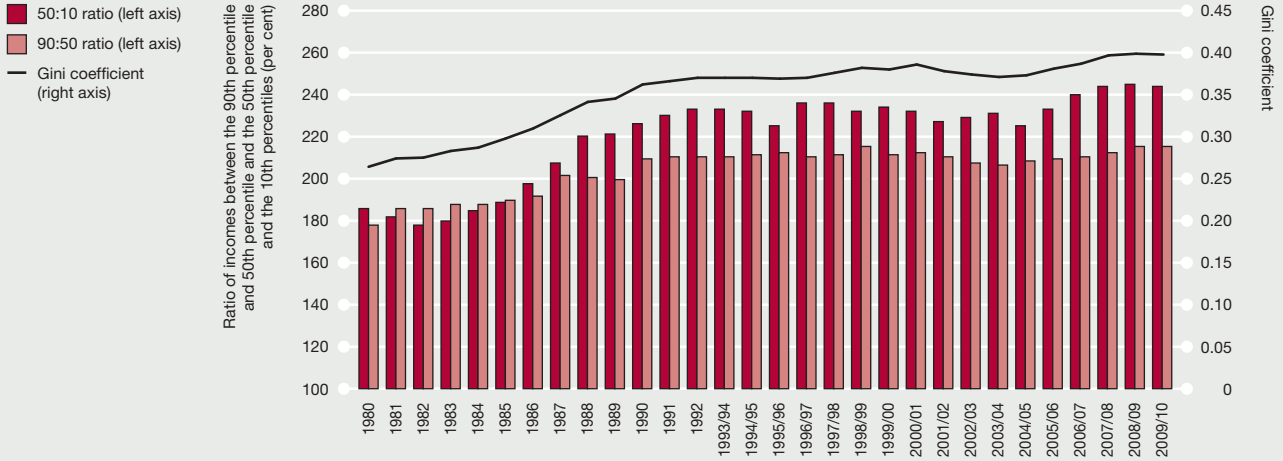
The first graph shows the proportion of children, pensioners, working-age adults with dependent children and working-age adults without dependent children living in households below 60 per cent of contemporary median household income, since 1993/94.

The second graph shows the average number of people in poverty by group (children, pensioners, working-age adults with children and working-age adults without children) in the most recent three years and the same data for ten years earlier.

Income is disposable household income after deducting housing costs. All data is equalised (adjusted) to account for differences in household size and composition.

Indicator: 4A

By 2008, income inequality had risen to its highest level in at least 30 years, and it has not changed since.



Source: Family Expenditure Survey to 1993/94, Households Below Average Income thereafter, via the IFS; the data is for Great Britain to 2002/03 and the UK thereafter

Indicator: 4B

The poorest 20 per cent of households have 5 per cent of all income and practically zero property or asset wealth.



Source: Income wealth from HBAI, DWP, 2006/07 to 2008/09, property and asset figures from Wealth and Assets Survey 2008; the data is for Great Britain

For each year since 1980, the first graph shows: (i) the 50:10 ratio (that is, the income of the median household divided by that of a household one-tenth of the way from the bottom of the income distribution) on the left axis, (ii) the 90:50 ratio (that is, the income of a household one-tenth of the way from the top of the income distribution divided by that of the median household) also on the left axis and (iii) the Gini coefficient (a measure of income inequality across the entire population) on the right axis.

The two ratio measures of inequality illustrate income inequality in either the lower or upper halves of the income distribution. In the situation of complete income equality, both would be equal to 100 per cent. In both cases, the greater the number the higher the inequality. The Gini coefficient varies between 0, where everybody has the same income, and 1, where one person has all the income and the rest of the population has nothing.

The second graph shows the shares of different types of wealth (income, property and assets) across the respective distribution for each tenth.

Asset wealth is defined as net financial asset wealth i.e. gross financial assets minus financial liabilities. Many of the households in the bottom deciles have negative financial asset wealth (i.e. debts). Any negative wealth has been set to zero in the graph.

The second graph draws on data from two official surveys – the Family Resources Survey for data on income wealth and the Wealth and Assets Survey for property and asset wealth.

Spending and debt

Choice of indicators

While central to our understanding of poverty, income is only one part of the discussion. If poverty is being unable to participate in the activities that society would consider the norm, then the cost of doing so is clearly important. This becomes more important when inflation has risen as it has in recent years.

This section looks at the affordability of everyday family items and levels of household debt. Each is analysed according to either income or work status, to look at the overlapping impacts of high prices and low incomes.

- 5 **Material deprivation:** everyday items for children and adults that households with children go without for reasons of cost. Comparisons are made between the most recent year and four years ago, as well as the affordability of these items to the average household.
- 6 **Household debt:** households who are in arrears with bills according to their employment status. This is supported by analysis across the English regions, Scotland and Wales.

Key points

5 Material deprivation

Children in the bottom fifth of households are around twice as likely to go without essential items for reasons of cost as children in households with average incomes. For example, 70 per cent of the poorest children live in households that cannot afford to save £10 a week, or take a week's holiday away from home once a year. The comparable figures for children in households with average incomes are 37 per cent and 34 per cent.

Over the last four years, the proportion of the poorest children living in households that cannot afford these items has risen; this is true for almost all of the items in question. Most rises are of a percentage point or two but some are greater. The proportion of children living in low-income households that could not afford to take a week's holiday away from home rose by seven percentage points between 2005/06 and 2009/10.

59 per cent of children in low-income households lack at least one essential item for reasons of cost, compared with 32 per cent of other children. 13 per cent lack four or more items, compared with 3 per cent of other children.

75 per cent of parents with dependent children in the poorest households go without at least one essential item for reason of cost. This compares to 52 per cent of other parents of dependent children. 54 per cent of parents in the poorest households go without four or more everyday items because they cannot afford them. So among poorer parents, a greater proportion lacks four or more items than other parents lack any items at all.

6 Household debt

In 2009/10, one in five adults in workless households were in arrears with at least one bill (including Council Tax and utility bills as well as hire purchase loans, but not credit card debts). One in ten were in arrears with two or more bills and one in twenty with three or more.

This overall rate was about twice as high as adults in households where at least one adult was working and four times as high as fully working households.

Though not shown in the graph, it is important to point out how little this indicator has changed in the last few years. The 2009 MPSE publication had the same indicator, covering the three years to 2007/08. The figures are almost identical.

Households in London and the North West of England are more likely to be in arrears with bills than households in the rest of Great Britain. In each of these regions, 9 per cent of households are in arrears with at least one domestic bill.

Comment

Being in arrears with bills is only one part of problem debt. In 2010, more clients sought advice from Citizens Advice for credit card or personal loan debt than debts associated with bills or utilities. Some 350,000 people came for advice on credit card debts and a further 300,000 sought advice on unsecured personal loans.

In comparison, 170,000 sought advice on Council Tax arrears, though the Citizens Advice report *Advice Trends* points out that this number had risen compared to the previous year while those for credit cards and loans had fallen slightly.

UK households entered the recession with record levels of debt. Credit card and consumer debt was double (in cash terms) in 2011 what it was in 2000. Mortgage and other secured debt was three times as high. Indicator 6 shows how many households are now in arrears with bills, and how many people are seeking help with credit card repayments. But in some respects it is surprising that these numbers are not even higher.

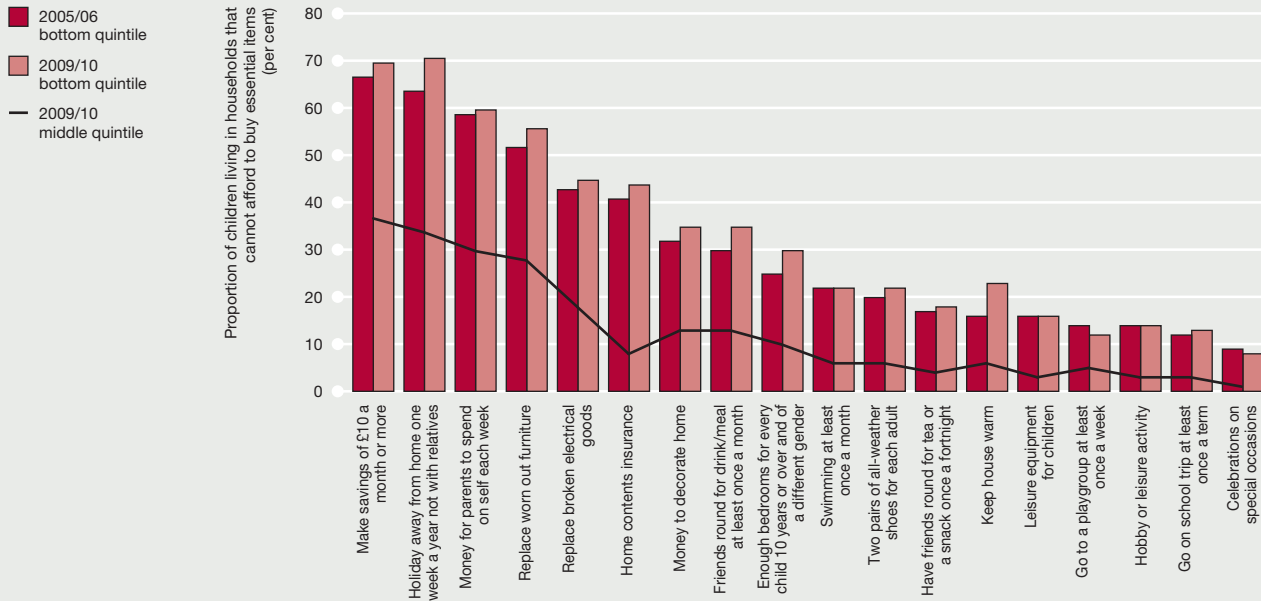
So what has happened? Overall levels of debt have been high but static since 2008, as banks and other lenders are less willing to make new loans. But households have also directed money towards paying down debts, rather than running up new ones.

From the perspective of this report, that is surely a 'good thing'. But for an economy grown used to personal debt fuelling consumption and hence growth, it is not as positive. The Office for Budget Responsibility, in its forecasts for economic growth over the next five years, shows rising household indebtedness. The message from that is clear – given how the economy is currently configured, in order to create the growth that creates the jobs that bring in the tax revenues that cut the deficit, Britain's households will have to go deeper into debt.

Material deprivation

Indicator: 5A

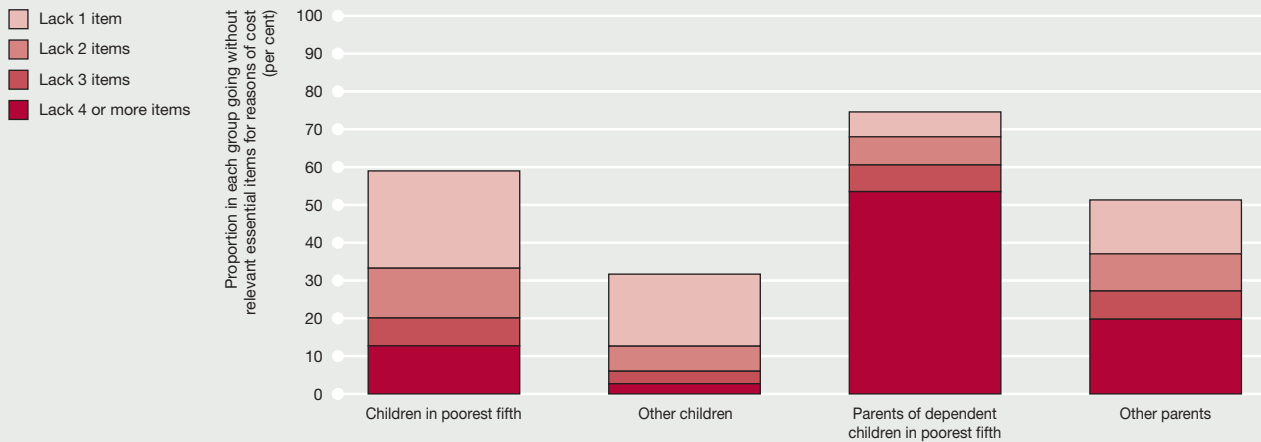
Children in households in the bottom fifth of incomes are far more likely than average to go without essential items for reasons of cost, and more likely to do so than they were four years previously.



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

Indicator: 5B

Children in lower-income households go without more essential items than other children, and lower-income parents go without more still.



Source: Family Resources Survey and Households Below Average Income, DWP, 2008/09; the data is for the UK

The first graph shows the proportion of children in bottom income quintile households that lacked various 'essential' material goods and services, in 2005/06 and 2009/10. The equivalent data for middle income households in 2009/10 is also provided for comparison. 2005/06 is chosen for comparison as it is the oldest available data.

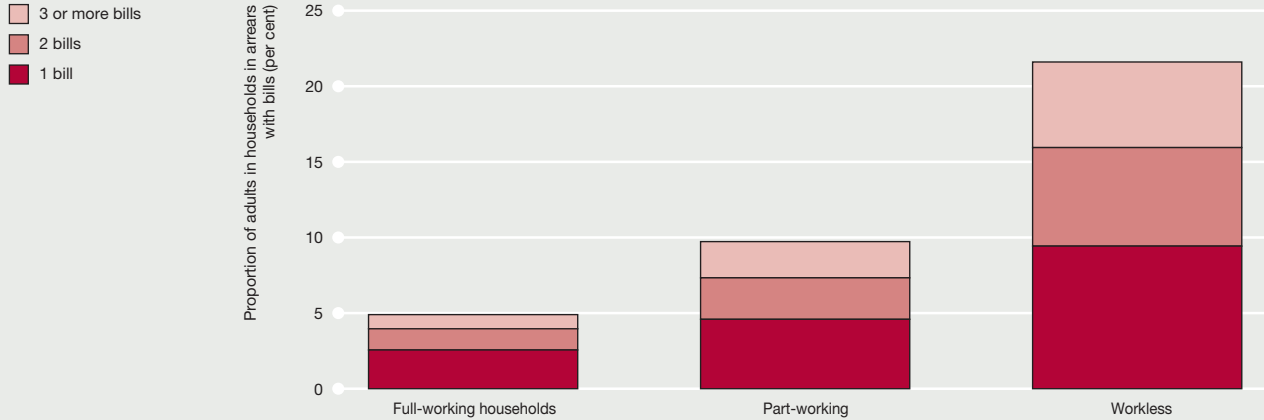
The second graph shows the proportion of children and parents that lack these items by the number of items lacked, for those in the bottom quintile and the middle quintile of the income distribution.

Both graphs use data from the Households Below Average Income and Family Resources Survey. Since 2005/06, these surveys have contained questions regarding items that households with children cannot afford – ten items that relate to children and eleven that relate to adults or the household as a whole. The adults are then 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. It is the last group we consider in this indicator as it means that the household lacks the item/activity due to hardship rather than choice.

'Essential' means that more than half of the population considers the item/activity to be a necessity in contemporary society. 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/sqWXZH>).

Indicator: 6A

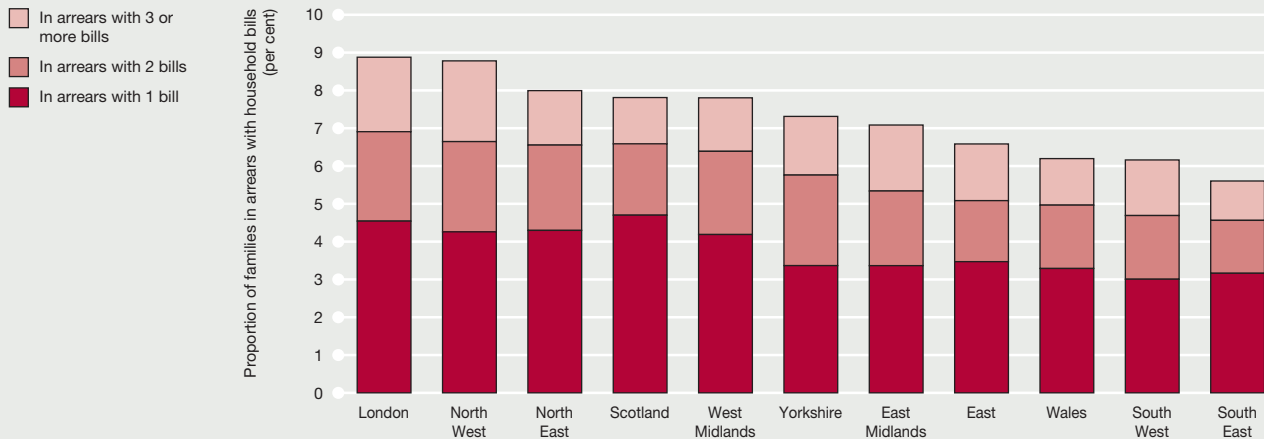
One in five adults in workless households is in arrears with at least one bill. One in eight is in arrears with at least two bills.



Source: NPI Analysis of Family Resources Survey and Households Below Average Income data, DWP, 2009/10; the data is for the UK

Indicator: 6B

In London and the North West 9 per cent of families are in arrears with household bills.



Source: Family Resources Survey, DWP; the data is the average for three years to 2008/09, Great Britain

The first graph shows the proportion of working-age adults who are in arrears with bills by the family's work status. The second graph shows the proportion of families in arrears by regions and countries. The result in both the graphs is split by the number of bills in arrears.

Both graphs use data from the Family Resources Survey. Adults are asked whether they are in arrears with each of nine domestic bills: electricity, gas and other fuel, telephone (mobile and landline), water, Council Tax, insurance policies, television and other hire purchase payments.

Benefits and tax credits

Choice of indicators

The benefit system, and its reform, has been put at the centre of the government's anti-poverty strategy and its economic strategy too. The aim, frequently stated, is to get people off benefits and into work. The welfare reforms currently enacted and the forthcoming introduction of Universal Credit represent some of the government's most radical policy developments.

But simply looking at the numbers of people on benefits is no measure of the system. We also look at the adequacy of benefit levels and the effectiveness of the system in lifting people out of poverty or reducing the burden on them while in poverty.

- 7 **Numbers receiving out-of-work benefits:** the total is broken down by the reason for receiving the benefit, and both the total numbers and the reasons are analysed over time. A supporting graph shows the duration of currently active benefit claims.
- 8 **Levels of benefits:** a comparison of the levels of benefits paid to an adult couple, two children and a pensioner couple, and how their values relative to one another have changed over time. These values are compared to the Minimum Income Standard for relevant household types to see how much of this standard is affordable to those on benefits.
- 9 **Tax and tax credits:** the number of children who would be in low-income working households by whether or not they receive tax credits and whether the amount received is sufficient to lift them out of poverty. The supporting graph looks at low-income households who stand to lose large proportions of their additional earnings through taxes and reduced benefits, comparing the number in 2011 to the previous year.

Key points

7 Numbers receiving out-of-work-benefits

In February 2011, 5.3 million working-age adults in the UK were claiming an out-of-work benefit. This was slightly lower than the previous year's figure of 5.4 million, but still 600,000 higher than the pre-recession low point in February 2008.

Since 2008, the number of people claiming Unemployment Benefit has risen. Obviously rising unemployment resulting from the recession is part of this. But reforms to the benefit system have moved lone parents from Income Support to Jobseeker's Allowance (JSA), and new assessments for Incapacity Benefit have likewise resulted in an increase in applications for JSA, as applicants are deemed 'fit to work'.

But the decline in the number of claimants recorded as lone parents or disabled is not solely due to these changes. The number of lone parents and people with disabilities claiming out-of-work benefits was falling before 2008.

Of the 5.3 million benefit claimants, just under one-quarter have been claiming for less than six months. Two-fifths (2.3 million) have been claiming for over five years.

8 Levels of benefits

Following their uprating in April 2011, means-tested benefits for pensioner couples were worth almost double that of working-age couples – £209.70 compared with £105.75. This follows more than a decade in which pensioner benefits have been consistently raised by more than working-age benefits.

But the increases in benefits paid for children over the same period are much greater. In 1997, benefits paid to the parents of two children were worth £60.30, some 22 per cent less than benefits paid to an out-of-work couple.

By 2011, the position had reversed entirely. Children's benefits were worth £142.45, 34 per cent more than benefits for an adult couple. This gap grew by five percentage points in one year as the new government continued the policies of the previous one.

The inadequacy of these levels for some groups becomes clear when comparing them to the Minimum Income Standard (MIS). Pensioners (in this example, again, pensioner couples) are the only group whose means-tested benefits cover all the items that comprise their Minimum Income Standard.

The MIS comprises different categories of goods and services. For the purposes of this analysis, we take these categories in their entirety to give examples of the portions of a family budget that are covered by benefits. In reality, families would prioritise items within categories, rather than include all of some categories and none of others. But this is only possible by accepting a lower than minimum standard across all categories of expenditure.

For single adults without children, means-tested benefits only cover 40 per cent of MIS, which would be sufficient for food, water rates and some transport costs. (Housing costs are excluded from this analysis but are assumed to be covered by housing benefits.) So a single adult on means-tested benefits will not have enough income to pay for any fuel, clothing, or household or personal items without going below the minimum standard for a combination of food, water and transport.

For a couple with two children, or a lone parent with an infant, levels of means-tested benefits do cover more of the MIS, around 60 per cent, but still not all. For both of these family types, most household goods and services and any kind of social or cultural participation are only affordable by going below the minimum standard for a combination of food, fuel, clothing, transport and personal goods and services.

9 Tax and tax credits

In 2009/10, some 1.2 million children in working households were not in poverty due to the tax credits they received. At 1.3 million, the number of children receiving tax credits but still in poverty remained similar to last year but was almost double the level ten years ago. Around 750,000 children were not receiving tax credits despite living in low-income working families. This number was 550,000 lower than ten years ago. The total number of children needing tax credits (i.e. they were in low-income families or would be if not for the tax credits) rose by one million over the decade. It was around 3.3 million children in 2009/10, up from 2.3 million in 1999/2000.

As a result of recent changes to the tax and benefit system, the number of families paying more than 70 per cent of each additional pound earned in either tax or reduced benefits (their 'marginal reduction rate') rose from 330,000 to 1.7 million. The total number paying more than 60 per cent remained at around 1.9 million.

The sharp increase in the number facing rates in excess of 70 per cent in 2011/12 reflects the 1 per cent rise in employee National Insurance contribution announced in the March 2010 Budget and the 2 per cent rise in the tax credit taper announced in the June 2010 Budget. This took the rate for those receiving tax credits (above the family rate) from 70 per cent in 2010/11 to 73 per cent in 2011/12. Under the plans for Universal Credit, this will rise further still, to 76 per cent.

The increase in 2011 was of three percentage points, which may seem small. The categories used in the graph are those used by HM Treasury for reporting ('Over 60 per cent and up to 70 per cent', 'Over 70 per cent and up to 80 per cent' etc.). Given that this additional three percentage points moved households from the '60 per cent to 70 per cent group' to the '70 per cent to 80 per cent' group, the change possibly looks more dramatic than this. Nevertheless, 1.4 million low-income families saw their marginal deduction rates rise in 2011.

Comment

The high marginal tax rates of low-income households have been cited by the Prime Minister as a failure of the previous administration. The particular focus was on the over 90 per cent marginal tax rates paid by some low-income households who were receiving housing benefits as well as tax credits.

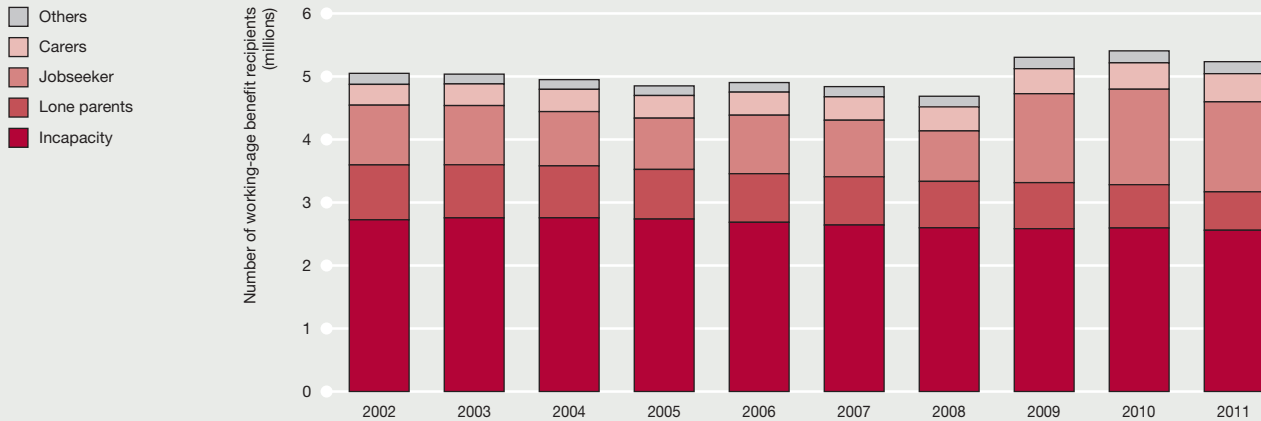
The government has moved to reduce tax rates for low earners by raising the personal allowance, and plans to continue doing so annually. The reforms drawn together in the Universal Credit proposal are designed to eliminate the 'cliff edges' of very high marginal tax rates for, for instance, lone parents working 16 hours. Part of this was to improve 'work incentives' but it was framed as an issue of fairness.

However within one year of coming to power, the new government had raised the marginal tax rate for over one million low-income families. Universal Credit does indeed bring down the highest rates. But it increases the rates for those currently paying between 70 per cent and 80 per cent (of whom there are more than one million). This rise under Universal Credit, whose purpose is to improve work incentives, is a serious flaw.

Numbers receiving out-of-work benefits

Indicator: 7A

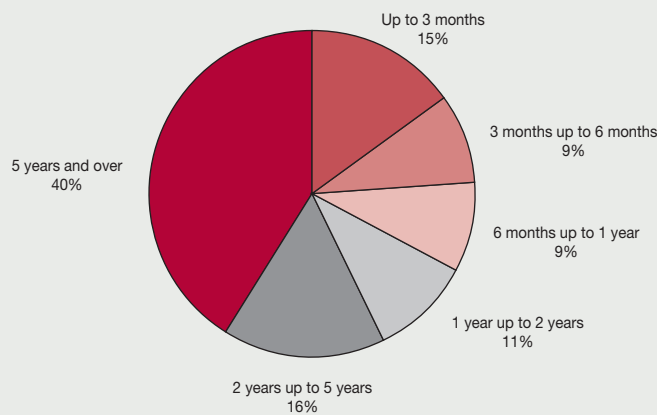
The total number of people claiming out-of-work benefits fell in 2011 for the first time in three years. It is still higher than a decade earlier.



Source: Work and Pensions Longitudinal Study, DWP; the data is for Great Britain

Indicator: 7B

Two-fifths of out-of-work benefit claimants have been claiming for over five years.



Source: Work and Pensions Longitudinal Study, February 2011; the data is for Great Britain

The first graph shows the number of working-age adults in Great Britain claiming out-of-work benefits each year from 2002 to 2011. The numbers are broken down by the reason for claiming, rather than the benefit claimed.

A person claiming for multiple reasons appears in the first category for which they are eligible, the order being Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA) and Incapacity Benefit, lone parents, carers and others on income-related benefit. Lone parents on Income Support are claimants with no partner and whose youngest child is under seven. Other lone parents will either be classified as unemployed or disabled accordingly.

The second graph shows the proportion of working-age adults in Great Britain claiming out-of-work benefits in 2011 by the duration of their current claim.

Indicator: 8A

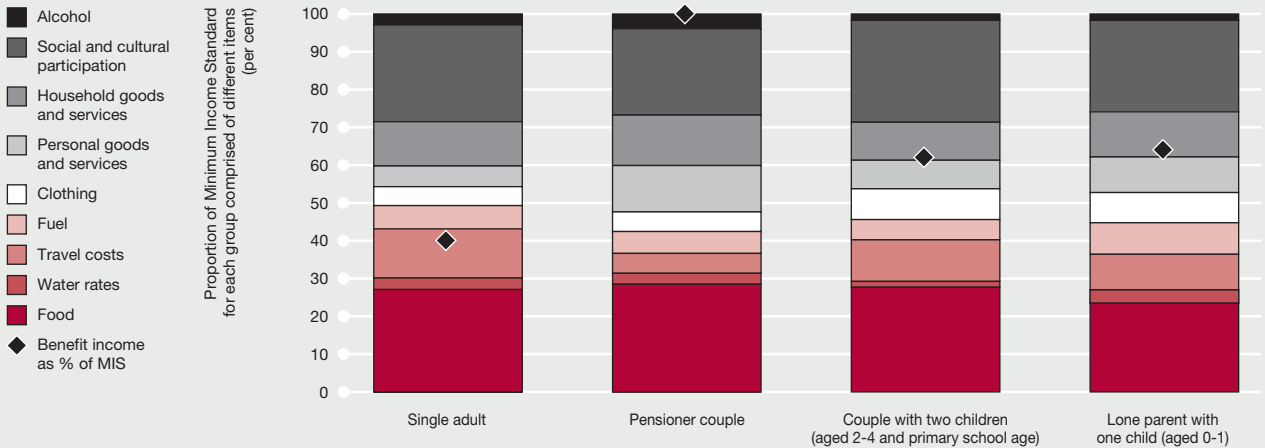
While benefits for working-age adults have only risen in line with inflation, those for pensioners and children have risen by much more. The amounts for children substantially exceed those for working-age adults.



Source: Department for Work and Pensions and predecessors, via IFS until 2010 and direct.gov or CPAG for 2011; the data is for the UK

Indicator: 8B

Means-tested benefits are sufficient to meet the Minimum Income Standard for pensioners only. For single adults, they cover only 40 per cent of the income needed.



Source: NPI analysis of A Minimum Income Standard for the UK in 2011, JRF, 2011; the data is for the UK

The first graph shows the weekly value of Income Support for a working-age couple and for two children aged 11 and 15 and the value of the Guarantee Credit element of Pension Credit for a pensioner couple. The value shown is for April of each year and is unadjusted for inflation. Winter fuel allowance is excluded as it is not a social security payment.

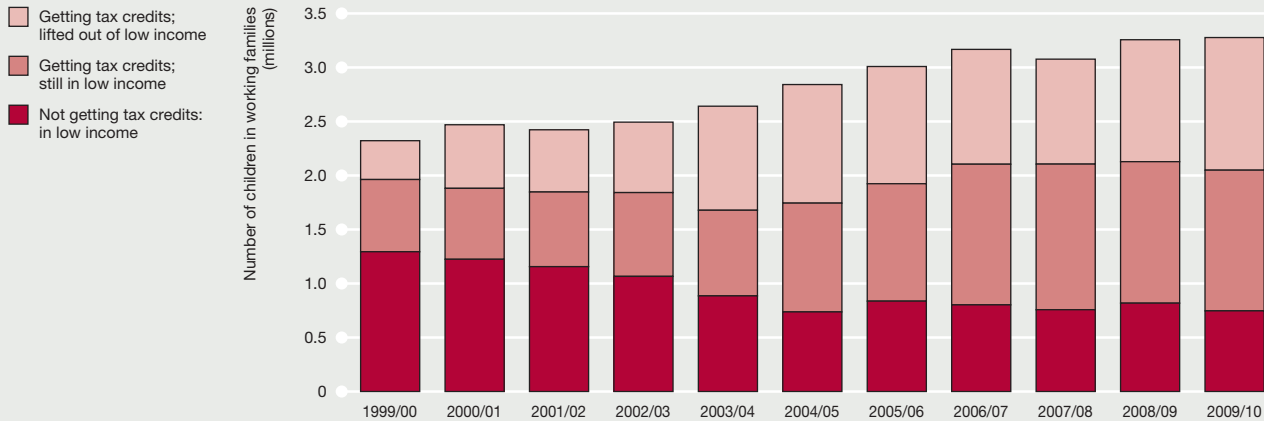
The second graph is based on NPI analysis of JRF's Minimum Income Standard (MIS) and shows the proportion of MIS covered by means tested benefits for different family types.

MIS asks focus groups to negotiate budgets that are then verified by subject experts. The budgets are very detailed, going to the level of individual items in order to arrive at an overall cost. These items are grouped into the following categories – food, alcohol, clothing, water rates, household insurance, household goods and other housing goods (grouped together as household goods and services), personal goods and services, travel costs and social and cultural participation. Childcare and Council Tax are excluded from the graph.

Tax and tax credits

Indicator: 9A

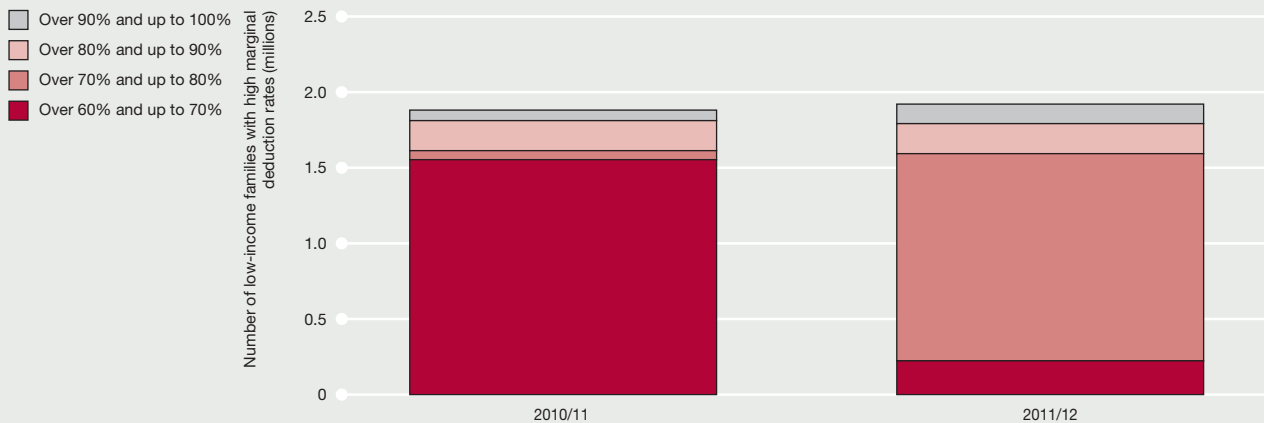
Tax credits lift more than one million children in working families out of poverty, but one million more children need this support than a decade ago.



Source: NPI analysis of Household Below Average Income, DWP; the data is for GB

Indicator: 9B

Of the nearly two million low-income families facing high marginal deduction rates, 1.7 million now lose more than 70 pence of any extra pound earned either to higher tax or lower benefit.



Source: HM Treasury Budget 2010, Table A3

The first graph provides an analysis of the number of children in working families where, excluding tax credits (and their predecessors), the household is in low income. For each year, it shows the number of children in three categories, namely: not in receipt of tax credits; in receipt of tax credits but still in low income; and in receipt of tax credits and, as a result, no longer in low income.

For this analysis, only those families are considered who receive more than the family element of the Child Tax Credit. This element is paid to each family that is entitled to CTC, regardless of the number of children or young people in the family and was £545 a year in 2009, roughly equal to £10.50 per week.

The definition of low income used is 60 per cent of median income after housing costs (AHC). A working family is any single adult or couple with dependent children, where at least one adult is working or where no-one is aged 60 or over.

The second graph shows the marginal deduction rates for heads of families who are in work and receive income-related benefits or tax credits. Marginal deduction rates (MDRs) show how much of each additional pound of earnings is lost due to taxes and the withdrawal of benefits or tax credits. In work means that at least one person works 16 hours or more a week, and the head of the family does not receive pensioner or disability benefits.

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About this chapter

This chapter is the first of three that focus on a particular age group, in this case, children. Children have always had a focus in these reports, reflecting the view that disadvantage in early years can affect a child's development and life chances and is unfair in its own right.

Child poverty rates and the child poverty target offer an obvious place for our analysis to begin. But this chapter looks more broadly, including measures of health and, most importantly, education. Recent government strategies, and much of its child poverty strategy, have focused on early years development as key. This report takes the view that the whole of childhood is important, and that in particular the transition years of 11 and 16 are also vital in child development.

Low income

Choice of indicators

This theme focuses on income poverty among children, measured by the income of the household they live in. Since the late 1990s, child poverty has dominated the anti-poverty debate in the UK. Prioritising child poverty eradication has gained broad acceptance and been given a legal status through the 2010 Child Poverty Act.

This theme looks at child poverty relative to the targets now legally enshrined in that Act. It also considers in-work child poverty, which hitherto has been the main threat to the target being reached.

- 10 **The child poverty target:** the proportion of children in poverty on two different measures – a ‘relative’ measure, where income is measured in comparison to the income of the rest of the population in that year, and an ‘absolute’ measure, where the comparison is with the income distribution in 1998/99. This is supported by analysis of the change in poverty by family type.
- 11 **In-work child poverty:** children in poverty according to the work status of their family – working or workless on an after housing costs (AHC) basis. The supporting analysis shows how the proportion of children in poverty has changed over time according to the work status of the household (note, not the family).

Key points

10 The child poverty target

In the latest year for which data is available, 20 per cent of dependent children (2.6 million) were living in low-income households on the BHC basis. This was two percentage points lower than in 2008/09 and was the biggest single year fall since 2000/2001.

The BHC poverty rate was six percentage points lower than ten years ago and was the lowest for the series. However, in order to meet the child poverty target, this rate needs to halve in the next ten years. This would require it to fall 1.5 times faster than in the last ten years.

Though not a part of the government’s targets and hence not shown in indicator 10A, the poverty rate on the AHC basis was, at 29 per cent, one percentage point lower than the previous year and four percentage points lower than ten years ago. This amounted to 3.8 million children in low-income households in 2009/10.

Using the absolute measure, child poverty fell from 34 per cent in 1999/2000 to 19 per cent in 2009/10, the lowest in the series. It still needs to drop by a further three-quarters in the next ten years to reach the target.

Until 2004/05, the progress on child poverty had been quite steady with sustained reduction in the relative poverty rate. In 2004/05, the child poverty rate had fallen to 21.3 per cent. However after that point, child poverty rose to 23 per cent in 2007/08. It fell again in the most recent two years.

Much of the fall in child poverty over the ten-year period has been due to the reduction in the risk of poverty for children in lone parent families. The proportion of such children living in poverty fell from 46 per cent in 1999/2000 to 28 per cent in 2009/10 (on the BHC basis). It fell by six percentage points in the most recent year alone.

By contrast, the risk for children living in couple families fell by two percentage points from 19 per cent to 17 per cent over the ten-year period.

11 In-work child poverty

In 2009/10, the number of children living in low-income families where at least one adult was working was 2.1 million on the AHC basis. This was very similar to the figure the previous year.

The number of children in low-income, workless households also fell slightly, and now stands at 1.6 million. So it is still the case that the majority of children in poverty live with at least one working adult.

In 2009/10, 77 per cent of children in households where no adult was in paid work were living in poverty. Though substantially higher than for other children, this was nonetheless eight percentage points down on a decade earlier.

Among those in households where all the adults (regardless of how many adults there are) are working, 11 per cent were in poverty in 2009/10, compared to 13 per cent a decade earlier. Though small in absolute terms, this does represent a fall of around one in six children in this group.

Among children in households where at least one but not all adults are working, the risk of poverty remains unchanged at 38 per cent. It is worth considering that this poverty risk is nine percentage points higher than the average risk for all children.

Comment

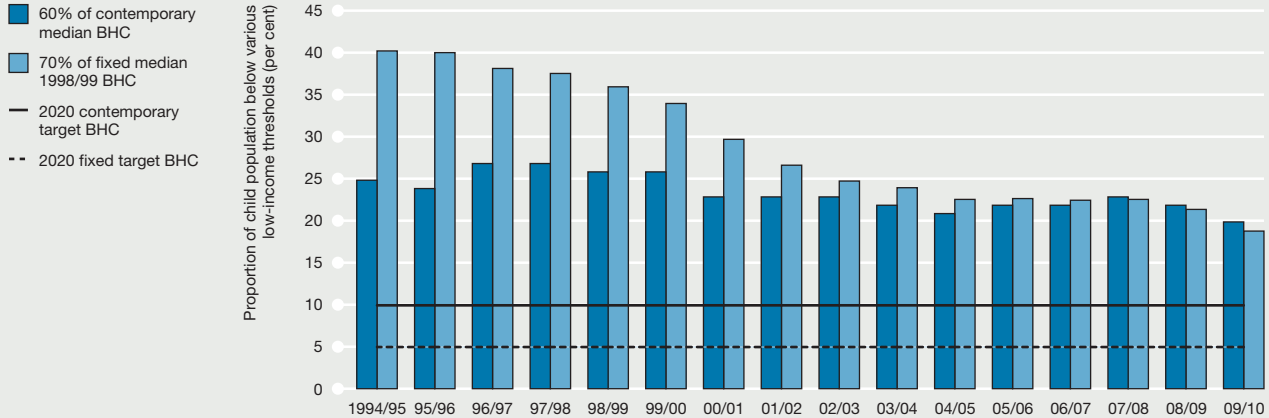
The government's changes to the benefit system will impact the level of child poverty. Projections from the Institute for Fiscal Studies (IFS) (Child and Working-Age Poverty from 2010 to 2020, available at <http://bit.ly/ql1es5>) suggest that in the short run, relative child poverty is forecast to remain broadly constant between 2009/10 and 2012/13. By contrast, absolute child poverty is forecast to rise. This is because income at the bottom is expected to fall over the period, but so is income at the middle.

In the longer term, the introduction of Universal Credit will reduce both absolute and relative poverty. However, the switch from RPI- to CPI- indexation of means-tested benefits would more than offset the impact on poverty of Universal Credit. As a result, absolute and relative child poverty are forecast to be 23 per cent and 24 per cent in 2020/21 respectively, compared to the targets of 5 per cent and 10 per cent in the 2010 Child Poverty Act.

The child poverty target

Indicator: 10A

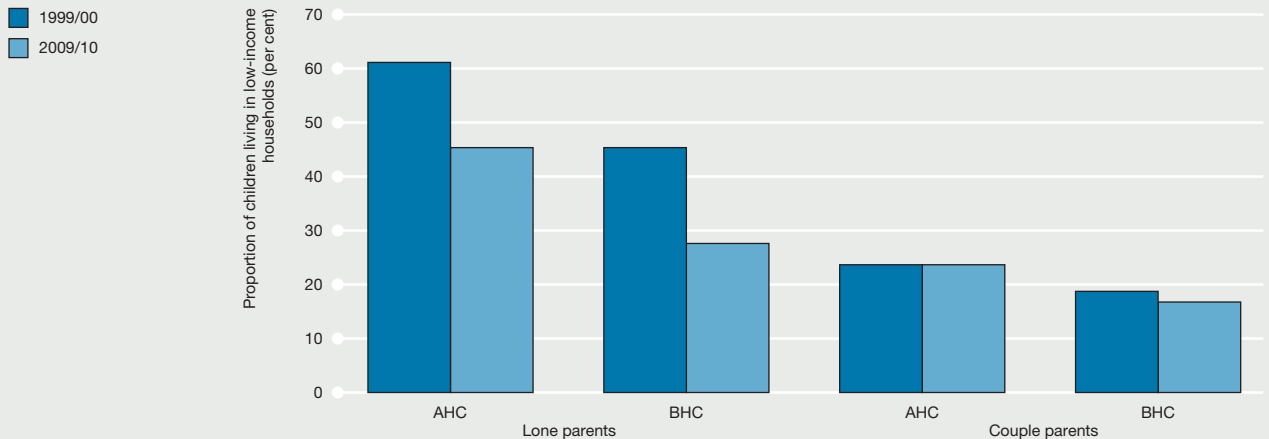
To meet the targets set out in the Child Poverty Act, child poverty must be halved by 2020.



Source: Households Below Average Income, DWP, via IFS

Indicator: 10B

Over the last ten years, the poverty rate for children living in lone parent families has dropped a lot, whereas for those in couple families it has hardly changed.



Source: Table 4.14ts, Households Below Average Income publication, DWP, 2011; the data is for GB for 1999/2000 and for the UK for 2009/10

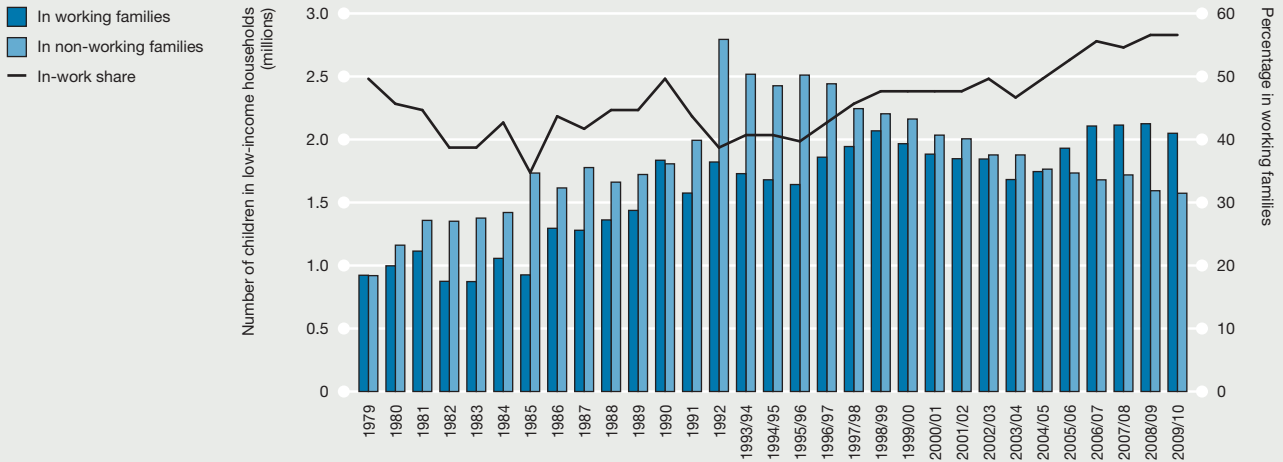
The first graph shows the proportions of children in households with low incomes before housing costs (BHC) using different thresholds – (i) below 60 per cent of same-year ('contemporary') relative median income (ii) below 70 per cent of the ('fixed') median income in 1998/99 (adjusted only for inflation). The graph also shows targets for contemporary and fixed low income, as set out in the 2009 Child Poverty Act.

The second graph shows the proportion of children living in low-income households in 1999/2000 and 2009/10. The data is split by family type (lone parents and couple parents) and by the measure of poverty; after housing costs (AHC) and before housing costs (BHC).

The 2020 'fixed' target is set out in the Child Poverty Act in relation to 60 per cent of median income in 2010/11. 70 per cent of median income in 1998/99 is therefore used here as a convenient proxy, as the value of the median in 2010/11 is unknown, and a fixed threshold based in 1998/99 has long been part of the monitoring of poverty levels by both the DWP and this report. We use 70 per cent rather than 60 per cent as incomes will have grown in the years 1999 to 2010. Households in relative poverty are defined as those with an income of less than 60 per cent of the median net income. Income is equalised (adjusted) to account for different sizes of households.

Indicator: 11A

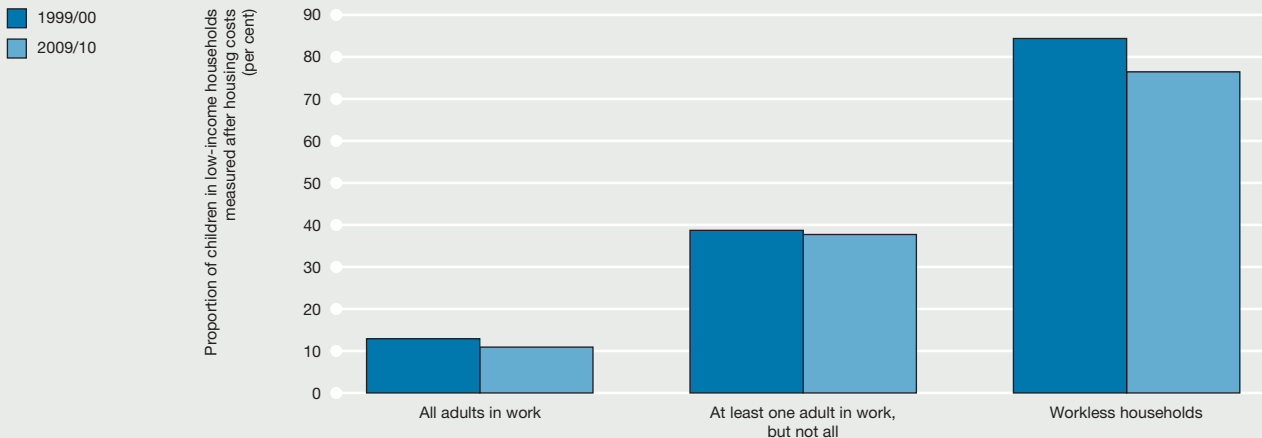
Although they both fell slightly in 2009/10, the number of children in low-income, working families is still larger than the number in low-income, non-working ones.



Source: Households Below Average Income, DWP (via IFS until 2001/02, NPI analysis thereafter); the data is for Great Britain

Indicator: 11B

Over the last decade, the child poverty risk has come down for households where all adults work and for those where none do – but not for those where only some work.



Source: Table 4.15ts, Households Below Average Income publication, DWP; the data is for the UK from 2002/03, for Great Britain for earlier years

The first graph shows, for each year since 1979, the numbers of children living in low-income households by the work status of the family (either working – containing at least one adult in paid work, or non-working – families where no adult is working). The graph also shows children in low-income working families as a proportion of all children (right-hand axis). The second graph shows the proportion of children living in low-income households by the household economic status. Households are classified as working and workless according to whether they contain a working-age adult or pensioner who works, but the status of non-working pensioners is ignored, unless the child lives only with pensioners, in which case the status of all adults is included. Low income in both graphs is defined as households with below 60 per cent of same-year median income, after housing costs (AHC).

Education

Choice of indicators

The links between poverty and education run in two directions. Firstly, educational qualifications to at least a basic standard are almost essential to finding well-paid work, and thus avoiding poverty in later life. But more importantly, children from poorer backgrounds are more likely than other children to not attain these basic standards while at school. So the effects are passed from one generation to the next.

Under the previous government, the set of indicators on educational attainment was showing signs of substantial and steady progress. It is therefore important to retain a core set of indicators and monitor the trends for greater progress or even movements in the wrong direction.

We look at levels of attainment at the key ages of 11 and 16, and those of children in the care system. The outcomes for children in or leaving care are so obviously poor that they merit particular mention.

- 12 **Educational attainment at age 11:** the proportion of children not attaining the expected Level 4 at Key Stage 2 age 11 in maths and English and how this has changed over time. This is supported by analysis breaking down the most recent year's data by gender and free school meal status.
- 13 **Educational attainment at age 16:** the proportion of 16-year-olds not reaching three different levels of attainment at GCSE: five GCSEs of any grade, five GCSEs at A*–C and five GCSEs at A*–C including maths and English. Again, this is followed by analysis breaking down the data by gender and free school meal status.
- 14 **Looked-after children:** the proportion of 16-year-olds in the care system who do not attain five GCSEs of any grade and the proportion who attain no GCSEs at all, how this has changed in recent years and how it compares to other children. Given the low outcomes for children looked after, this indicator uses a lower threshold for attainment than indicator 13.
- 15 **School exclusions:** permanent exclusions from secondary schools and how this number has changed over time. This is supported by a breakdown of the data by ethnic group.

Key points

12 Educational attainment at age 11

In 2010, 19 per cent of children did not reach Level 4 in English, down from 25 per cent in 2000. A similar proportion lacked Level 4 in maths in 2010 as 2009, down from 28 per cent 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 1999, the proportion not getting Level 4 in English and maths each dropped by 23 percentage points. In the ten years since 1999, the proportion has further declined by ten percentage points.

Children receiving free school meals were twice as likely to not achieve Level 4 in English and maths as other children. This was true for any given subject or gender.

There were significant gender differences between English and maths. For a given free school meal status, boys performed worse than girls in English by around ten percentage points. By contrast, in maths, there was no real difference between the genders.

13 Educational attainment at age 16

In 2010, 25 per cent of students did not attain five GCSEs at grade C or above. 6 per cent of students got fewer than five GCSEs and another 19 per cent attained five or more GCSEs but not five at grade C or above. 45 per cent of pupils did not meet the higher threshold of five GCSEs above grade C including maths and English.

Over the decade, the proportion of students not attaining five GCSEs at grade C or above has dropped significantly. In the last six years alone, it had almost halved from 46 per cent in 2004/05 to 24 per cent in 2009/10.

In contrast, the proportion not receiving five A*–Cs including English and maths had declined rather more slowly. In 2004/05, 58 per cent did not reach this standard; in 2009/10 the proportion had dropped by a fifth to reach 45 per cent.

42 per cent of children receiving free school meals (FSM) did not achieve five A*–C grades, almost twice the proportion of other children. At the higher threshold of five GCSEs including maths and English, the proportion failing to get five GCSEs at A*–C was 69 per cent among children receiving FSM.

14 Looked-after children

In 2009/10, around half of all looked-after children achieved fewer than five GCSEs; 22 per cent did not attain any GCSEs at all.

Though the proportion failing to get five or more GCSEs has been steadily falling and had dropped by 15 percentage points over the ten years to 2009/10, it was still ten times higher than children on average.

By age 19, 32 per cent of care leavers were not in education, training or employment and a further 6 per cent were not in touch with services in 2009/10. While the proportion of looked-after children not remaining in touch with services had more than halved since 2004, the proportion not in education, employment or training was flat at about 30 per cent.

This does mean, though, that the majority of care leavers were in education or employment in 2009/10. Moreover, if we assume that the majority of those not in touch with services are also not in education, employment or training, then the total (both categories combined) was lower in 2010 than any previous year and six percentage points lower than in 2004.

15 School exclusions

In 2009/10, around 6,000 children were permanently excluded from school in England and Wales. Having fallen every year since 2003/04, this number was the lowest in the series, and is around two-thirds of the level of 2001. It fell by 850 in the last year alone.

The vast majority, about three-quarters, of pupils that are permanently excluded were boys and this proportion has remained unchanged since the start of the series.

Black Caribbean pupils had the highest rate of permanent exclusions in 2009/10 at 3.4 per 1,000. They were four times as likely to be permanently excluded as white British pupils.

Over the last five years, the rate of permanent school exclusions has reduced across all ethnic groups, except for Bangladeshi pupils.

Permanent school exclusions are extremely rare. They depend as much on administrative practices in the school as on the behaviour of the children. Most schools do not permanently exclude any pupils. Temporary (fixed) exclusions are far more common. There were 37,000 fixed term exclusions in England last year.

Comment

This section looks at the changes in absolute levels of attainment over time. It also looks, in the current year, at the gaps in attainment between deprived pupils (those on free school meals) and other pupils. Both the government's child poverty strategy and its social mobility strategy aim to reduce these gaps over time. So what are the trends?

The gap between the proportion of FSM and non-FSM children achieving Level 4 in both English and maths at Key Stage 2 is down by four percentage points since 2005/06. Similarly, the gap at Key Stage 4 for those achieving 5 A*–Cs including English and maths is down by one percentage point since 2002/03. The difference at Key Stage 5 for those achieving a Level 3 qualification by age 19 is also down by two percentage points since 2004/05.

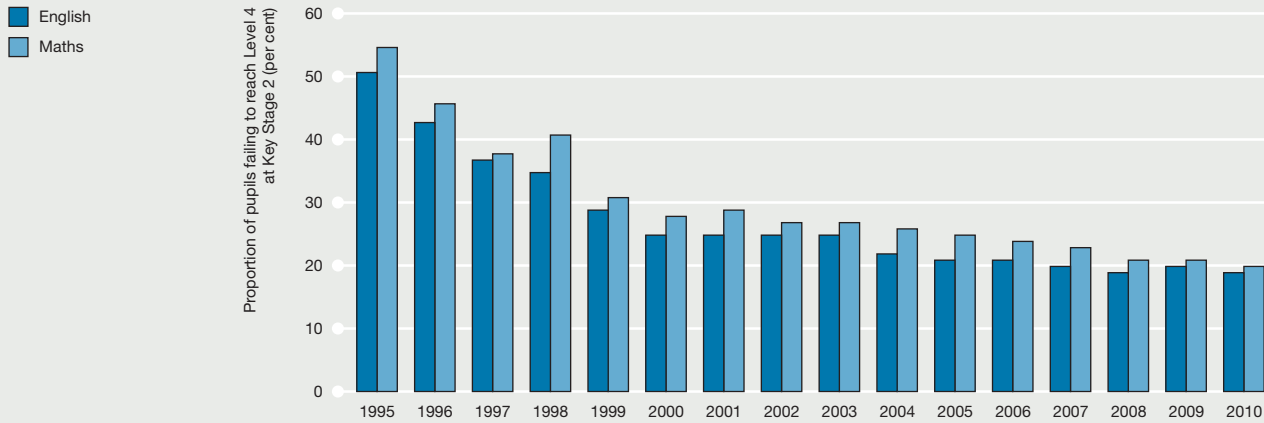
Though the gaps may have closed by a small proportion, the underlying improvements in educational outcomes are quite significant. But the proportion of FSM pupils getting five good GCSEs including maths and English rose by 15 percentage points over the period in question. That is a substantial improvement, and should not be downplayed simply because overall levels of attainment have been rising.

Politicians may demand better and faster improvements; focusing on these gaps is still worthwhile and the change in the measure of GCSE attainment from any five at A*–C to five at A*–C including the core subjects of maths and English is not in itself problematic. But they should acknowledge that there was progress already being made in both relative and absolute terms.

Educational attainment at age 11

Indicator: 12A

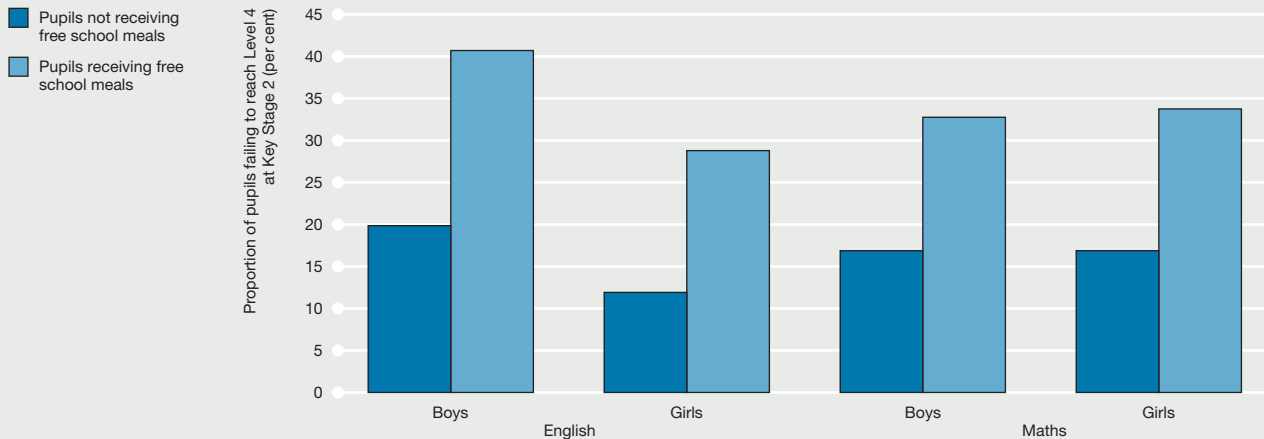
After rapid progress in the mid- and late-1990s, the proportion of 11-year-olds failing to meet expected standards in English and maths has continued to come down slowly.



Source: Department for Education; the data is for England

Indicator: 12B

Among 11-year-olds, boys and girls receiving free school meals are around twice as likely not to meet expected standards in English and maths as other boys and girls.



Source: Department for Education; the data is for England, 2010

The first graph compares the proportion of children failing to reach Level 4 at Key Stage 2 (11 years old) 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.

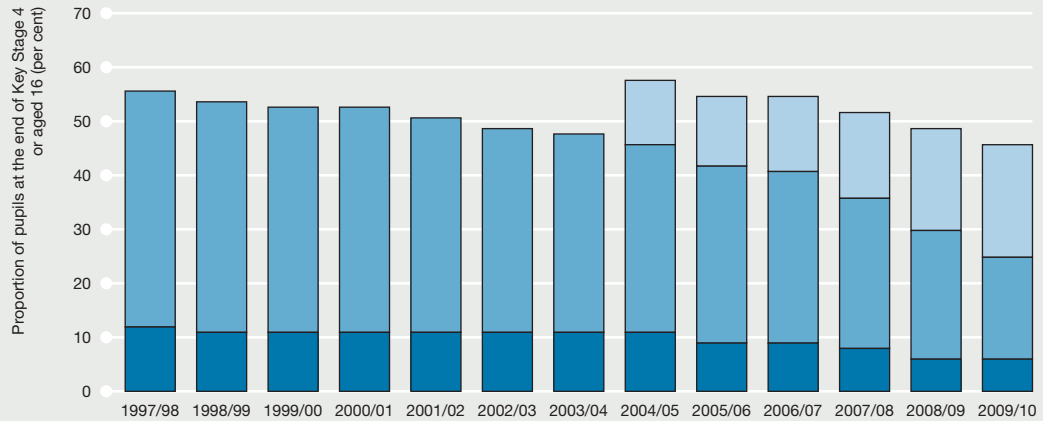
'Level 4' is the level that children are expected to reach in the 'Key Stage 2' tests taken in the final year of primary school (year 6).

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.

Indicator: 13A

The proportion of 16-year-olds gaining fewer than 5 GCSE A* to C grades has more than halved since the late 1990s; the proportion who don't gain 5 A* to C including English and maths has come down by nearly a quarter since the mid-2000s.

- At least 5 A*–C but not including English and maths or equivalent
- At least 5 GCSEs but fewer than 5 A*–C or equivalent
- Fewer than 5 GCSEs or equivalent

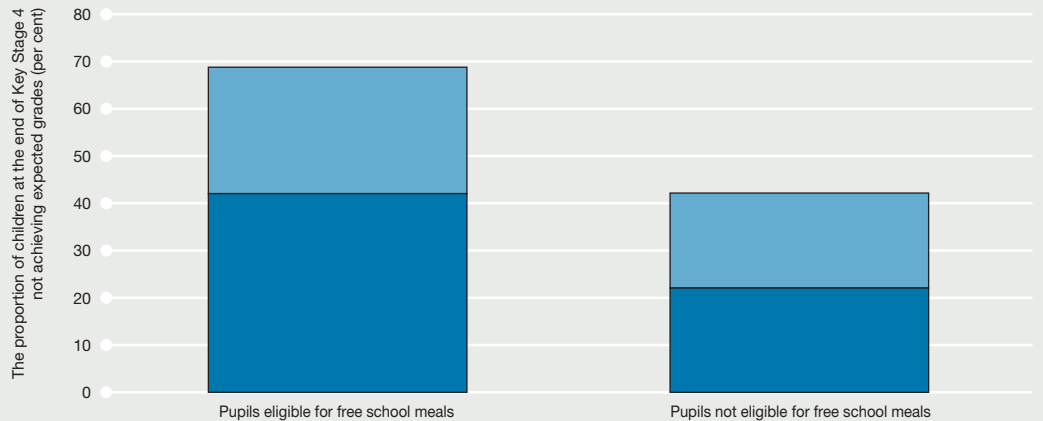


Source: Department for Education statistical releases; the data is for England

Indicator: 13B

Around 70 per cent of 16-year-olds receiving free school meals don't gain 5 A* to C grades including English and maths, compared with around 40 per cent of other 16-year-olds.

- At least 5 A*–C but not including English and maths
- Without 5 A*–Cs



Source: Department for Education statistics; the data is for England, 2009/10

The first graph shows the proportion of pupils in each of the following categories: (i) those failing to obtain five or more GCSEs at any grade, (ii) those getting five or more GCSEs but fewer than five A*–C grades, (iii) from 2004/05 onwards, those with five or more A*–C grades but excluding maths and English.

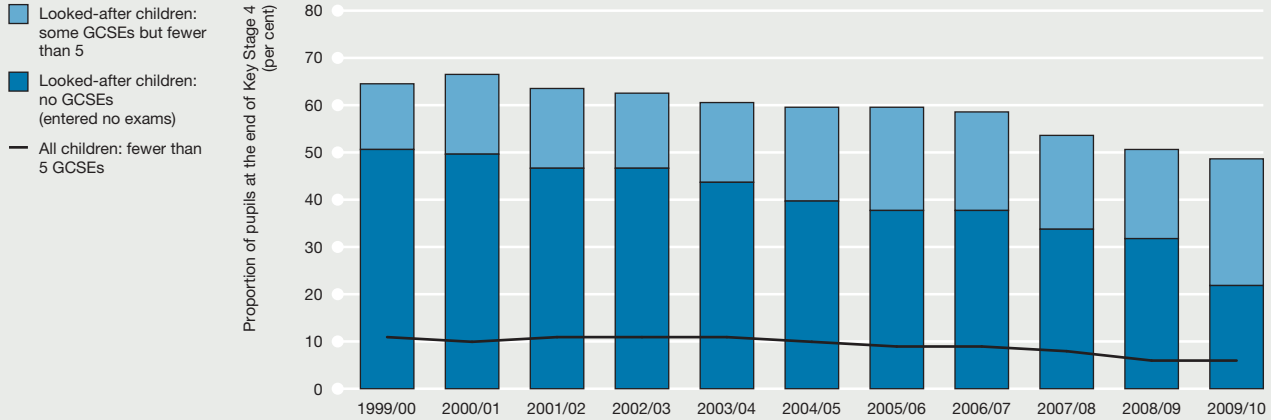
The second graph shows, for the latest year, the proportion of pupils failing to achieve 5 A*–C grades or 5 A*–C grades including English and maths. The data is shown separately by receipt of free school meals.

The data is for all maintained schools (including academies and city technology colleges) in England. Data pre- and post-2004/05 is not strictly comparable as the group of pupils included in the statistics changed in 2004/05 from pupils aged 15 at 31 August in the calendar year prior to sitting the exams to pupils at the end of Key Stage 4. The scope of what was counted as an 'equivalent' in England was also widened in 2003/04.

Looked-after children

Indicator: 14A

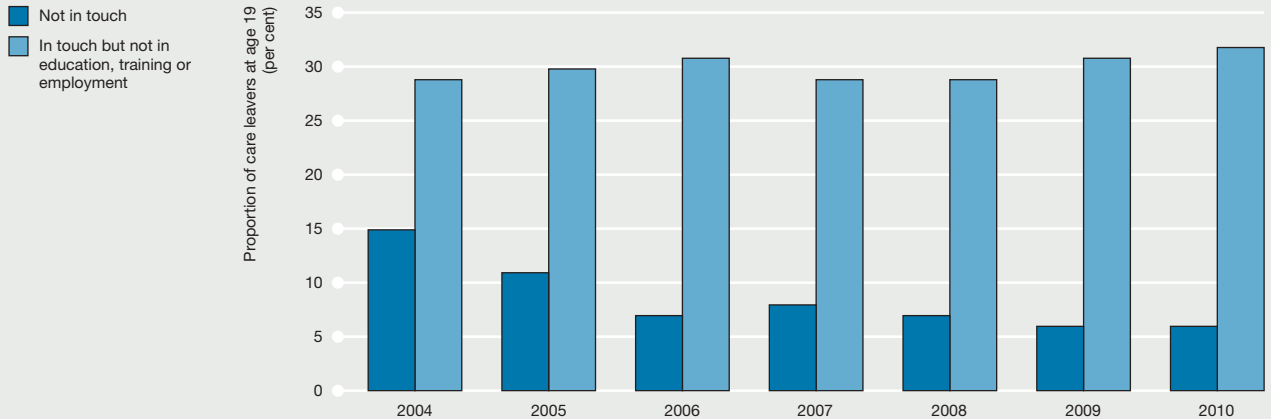
Almost half of all looked-after children achieve fewer than 5 GCSEs, 10 times the average.



Source: Department for Education statistics; the data is for England

Indicator: 14B

While the proportion of care leavers not staying in touch with services has fallen, the proportion not in education, training or employment has changed little.



Source: Department for Education statistics; the data is for England

The first graph shows the proportion of looked-after children who obtained fewer than five GCSEs, split between those who got some GCSEs and those that did not enter any exams. By way of comparison, the figure for all children – the national average – is also shown.

The second graph shows the destinations of care leavers at age 19. It shows that 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 contact with Connexions services at all.

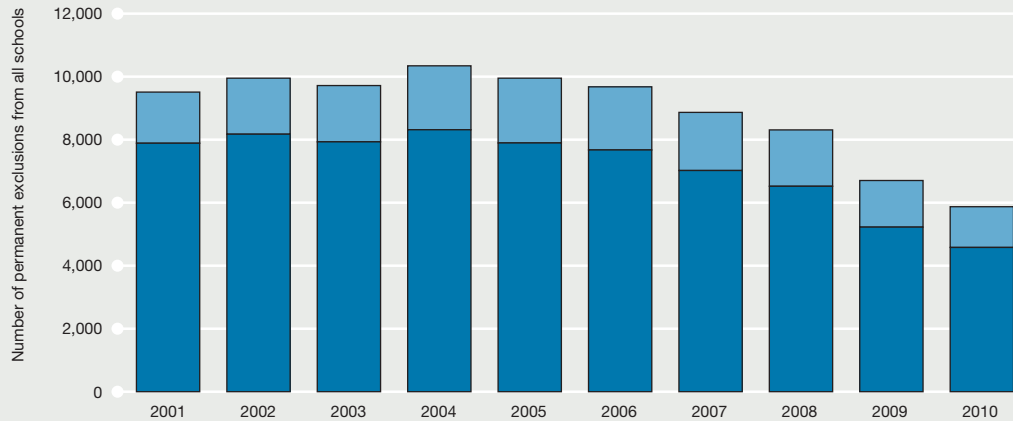
The term 'looked-after' was introduced by the Children's Act 1989 and refers to children who are subject to care orders and those who are voluntarily accommodated.

The graph shows a decreasing number of care leavers who lose touch with Connexions services. It is most likely that those not in contact with Connexions are not in education or work so a decline in this level should be considered an improvement.

Indicator: 15A

The number of permanent exclusions has fallen for six consecutive years and is now two-thirds that of a decade ago.

■ Girls
■ Boys

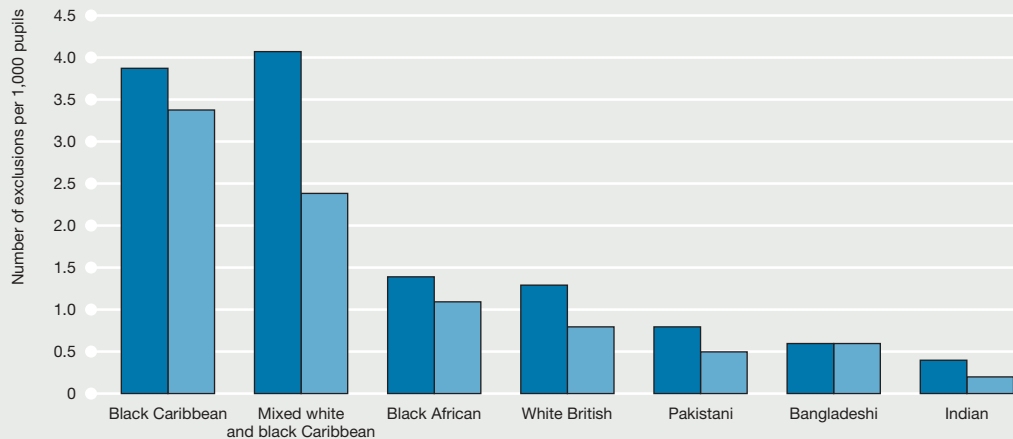


Source: Department for Education statistics, National Assembly for Wales; the data is for England and Wales

Indicator: 15B

The rates of permanent exclusions have declined across almost all ethnic groups, but still remain much higher for children from black Caribbean or mixed white and black Caribbean backgrounds.

■ 2004/05
■ 2009/10



Source: Department for Education statistics; the data is for England

The first graph shows the number of pupils permanently excluded from primary, secondary and special schools, with results shown separately for boys and girls.

The second graph compares the rate of permanent school exclusions for children from different ethnic backgrounds for the most recent year (2009/10) and five years earlier (2004/05).

Since gender breakdown is not available for Scotland these numbers have been estimated by assuming that the gender split is the same as England and Wales.

For reasons of sample size, the second graph does not include all ethnic groups.

Exclusions are susceptible to administrative procedures; for example, the officially recorded numbers may well under-represent the true number of exclusions if parents are persuaded to withdraw their child instead.

Ill-health

Choice of indicators

Having looked at income poverty among children, this theme focuses on poor health outcomes. Ill-health in children, along with being a consequence of low income, is also a strong determinant of disadvantages faced at every stage in life. While there will always be some income inequality, it does not follow that health inequalities should always exist. This is true for the population as a whole, but all the more so for children. There is no acceptable reason why, for instance, a child from a poorer background should be more likely to die before the age of one than a child from a richer background.

- 16 **Infant mortality:** the number of live births (that is, births excluding stillbirths) that die in their first year, further split by father's social class and by the extent of deprivation of the area.
- 17 **Low birth-weight babies:** the proportion of births each year which are of dangerously low birth-weight, broken down by the social class of the father. The supporting analysis shows the link between infant mortality and low birth-weight.
- 18 **Under-age pregnancy:** the rate of pregnancy among girls aged under 16 and how this rate has changed over time. Further analysis looks at variation across different parts of the country.

Key points

16 Infant mortality

Levels of infant mortality vary according to the social class of the parents. At 4.8 deaths per 1,000 live births, the rate of mortality was a third higher among infants whose parents were from manual occupational classes, compared to 3.6 per 1,000 for infants from non-manual classes. Overall 1,300 infant deaths were registered in non-manual classes and 1,200 in manual classes in 2009.

Over the last ten years, the infant mortality rate for children born to parents from manual classes has fallen faster, almost by one-quarter, compared with the rate for non-manual classes. However, the gap between the classes still exists; in the early 2000s, infants from a manual occupational class background were almost 50 per cent more likely than other babies to die before the age of one; the gap had reduced to 33 per cent in 2009.

Infant mortality rates also varied significantly by the extent of deprivation of the area. In the 20 per cent most deprived local authorities in England, the rate was, at 5.6 per 1,000, a quarter higher than in local authorities in the middle and a third higher than the least deprived local authorities.

17 Low birth-weight babies

At 7.3 per cent in 2009, a higher proportion of babies born to parents from manual classes had a low birth-weight compared with 6.5 per cent of babies of parents from non-manual classes.

The proportion of low birth-weight babies from manual classes had declined slightly from 8.5 per cent in 1999 to 7.3 per cent in 2009. The proportion of low birth-weight babies from non-manual classes had remained quite steady. As a result, the gap between the two classes was closing.

Low birth-weight was closely associated with high infant mortality. Of all infant deaths, about two-thirds occurred among babies with a low birth-weight of less than 2.5 kilograms.

18 Under-age pregnancy

At 7.5 conceptions per 1,000 girls aged under 16, the rate of under-age pregnancy in 2009 is the lowest for five years. It is one of the lowest rates in the series and significantly lower than the peak at the end of the 1990s.

A majority of the conceptions (60 per cent) were terminated by abortion. The rate of abortion at 4.5 per 1,000 was slightly lower in 2009 than in 2008; the rate of birth, at 3 per 1,000 was unchanged since the previous year.

Over the longer term, there has been an increase in the proportion of under-age pregnancies ending in abortion, from 50 per cent in 1990 to 60 per cent in 2009.

The North East had the highest rate of conception among the English regions at 10.7 per 1,000 girls aged 13 to 15, followed by Yorkshire and Humber at 9.5. The East of England had the lowest rate at 5.9 per 1,000.

Comment

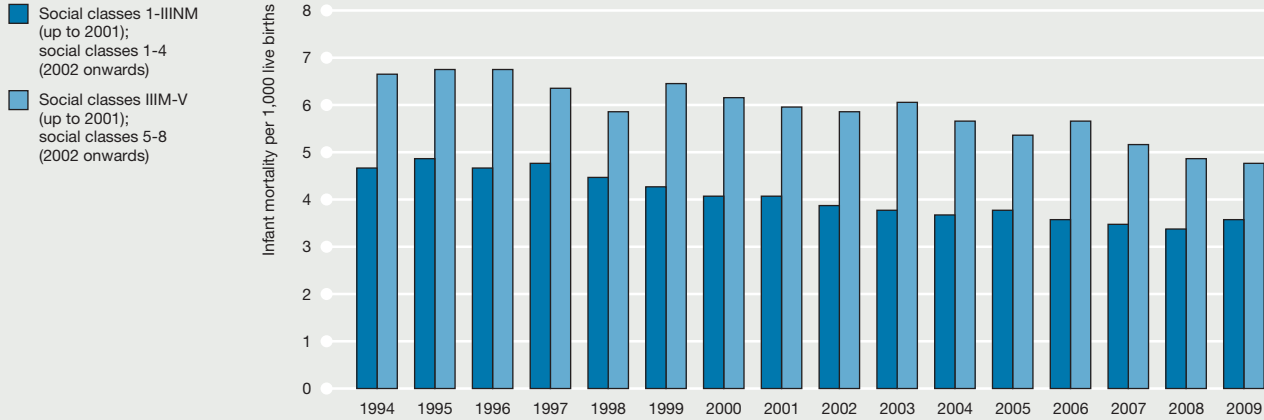
Like the education statistics, the trends in health for children are quite positive. Infant mortality has fallen, and the gap between classes has narrowed. The proportion of babies born with a low birth-weight has also fallen.

Under-age pregnancy may not be a 'health' indicator in the strictest sense, but it will continue to be a priority for the current government just as it was for the previous one, as it has explicitly been mentioned in the Child Poverty Strategy. But given the focus it continues to be given, a sustained reduction in under-age pregnancy rates has not occurred. It is not clear which levers the state actually has access to in order to affect any change. The combination of social factors is quite possibly beyond the limits of policy intervention.

Infant mortality

Indicator: 16A

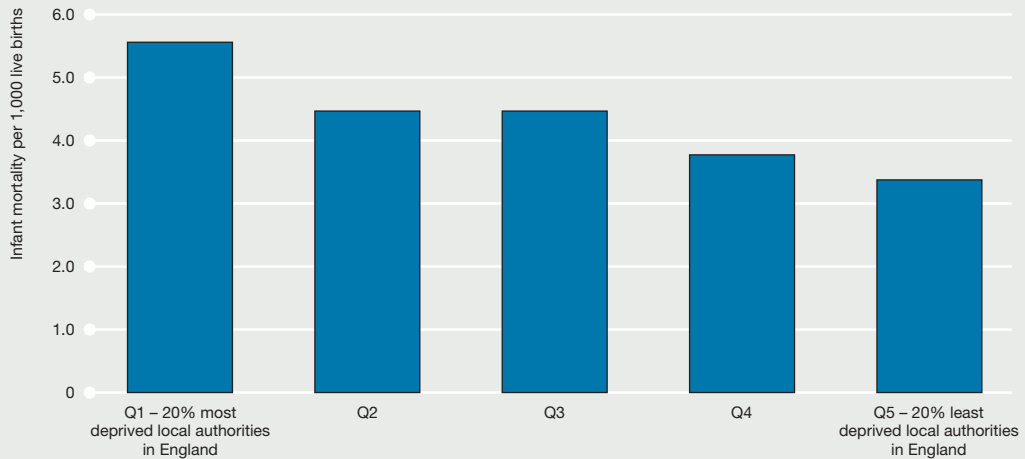
Although much lower than a decade ago, infant deaths are still more likely among those from manual backgrounds than among those from non-manual backgrounds.



Source: Table 12, Child Mortality Statistics, ONS, data is for England and Wales

Indicator: 16B

The infant mortality rate in the most deprived local authorities in England is a quarter higher than average.



Source: NHS Information Centre for Health and Social Care; the data is for 2009, England

The first graph shows the annual number of infant deaths per 1,000 live births, with the data shown according to the social class of the father. Infant deaths are deaths that occur at ages under one year; they do not include stillbirths or perinatal deaths.

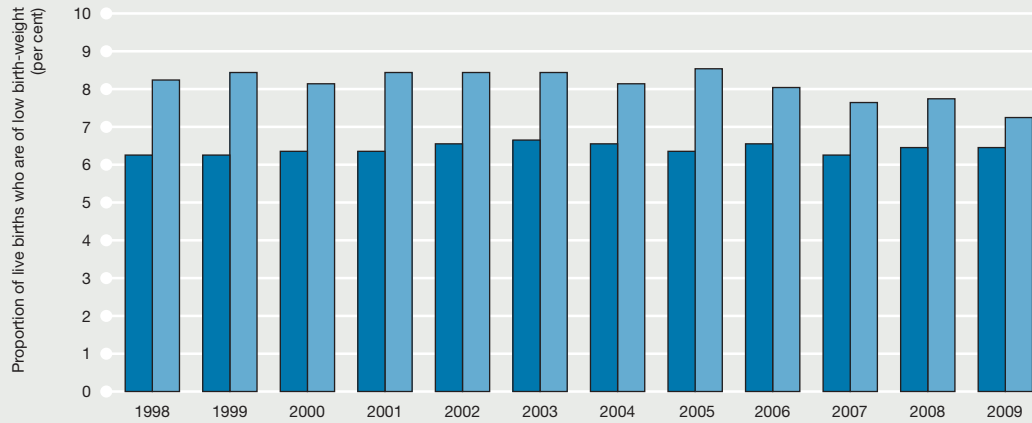
The social class classifications used here were introduced in 2002 and range from 1 (higher managerial and professional) to 8 (never worked and long-term unemployed). Cases where the social class of the father is unknown (including all births where the registration is solely in the name of the mother) have been excluded from the analysis.

The second graph shows the number of infant deaths per 1,000 live births by the deprivation quintile of local authorities in England, with the bottom quintile being the most deprived and the top being the least deprived. Quintiles of deprivation are defined on the basis of the local authority Index of Multiple Deprivation (IMD) scores for England for 2007.

Indicator: 17A

Though the gap is closing, parents from manual backgrounds are more likely to have a low birth-weight baby than those from non-manual backgrounds.

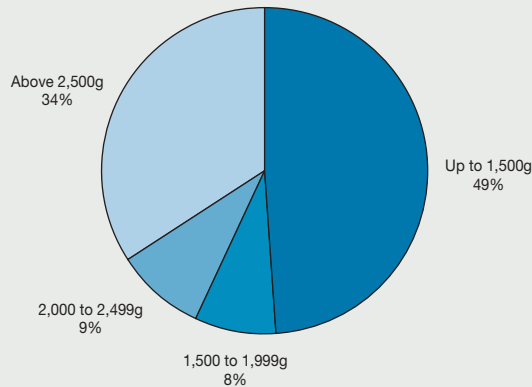
- Social classes 1-IIINM (up to 2001); social classes 1-4 (2002 onwards)
- Social classes IIIM-V (up to 2001); social classes 5-8 (2002 onwards)



Source: Table 12, Child Mortality Statistics, ONS, data is for England and Wales

Indicator: 17B

Two-thirds of all deaths before the age of one occur among those with a birth-weight of less than 2.5 kgs.



Source: Live births, stillbirths and linked infant deaths; ONS cause groups and birth-weight, ONS; the data is the average for 2007 to 2009, England and Wales

The first graph shows the proportion of babies born each year who are defined as having a low birth-weight, i.e. less than 2.5 kgs (5.5 lbs). The proportions are shown separately according to the social class of the father.

The second graph shows the proportion of new-born and infant deaths (including stillbirths), broken down by their birth-weight.

The eight social class classifications (which were introduced in 2002) range from 1 (higher managerial and professional) to 8 (never worked and long-term unemployed).

The data in the first graph is for live births only (i.e. excludes stillbirths). It is based on a 10 per cent sample coded to father's occupation and excludes sole registrations by mothers.

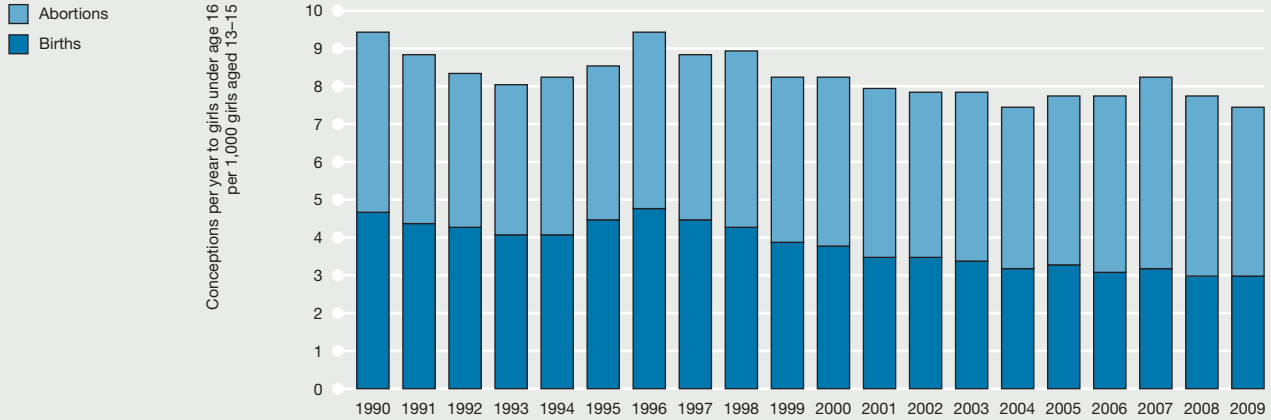
The data in the second graph is for all infant mortalities before the age of 12 months.

The fact that classification is by the social class of the father and the resulting exclusion of those births where no details are known about the father means that some 10 per cent of births with low birth-weight and 6 per cent of all births are excluded.

Under-age pregnancy

Indicator: 18A

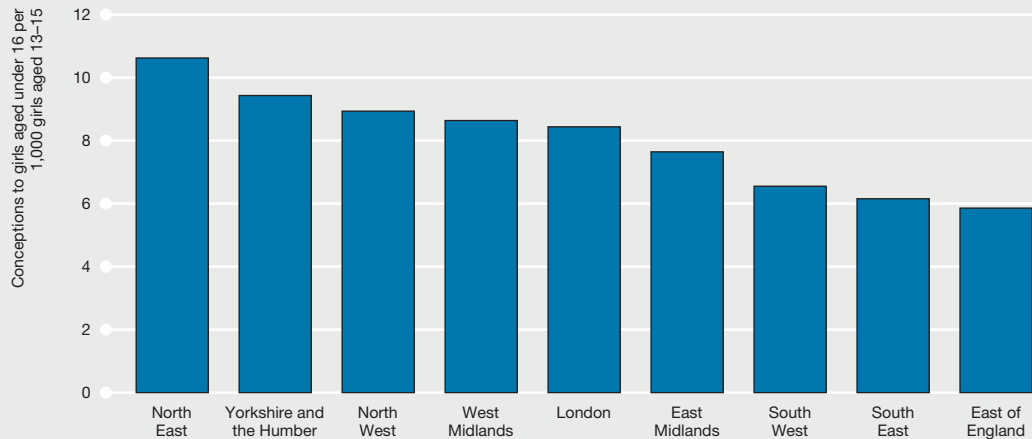
The rate of under-age pregnancy is lower than that of the early 1990s, although the trend has been flat over the last ten years.



Source: Table 4.1, Conceptions by age of woman at conception, 1990–2010; the data is for England and Wales

Indicator: 18B

The North East has the highest rate of conceptions among girls aged under 16.



Source: Table 4, Underage conceptions; number and rates by area of usual residence and outcome, ONS; the data is the average for 2007/09

The first graph shows, for each year since 1990, the number of conceptions per year to girls under the age of 16, per 1,000 girls aged 13 to 15. The data is shown separately for delivered babies and for abortions.

The second graph shows the number of conceptions per year to girls under the age of 16, per 1,000 girls age 13 to 15, for each English region.

English and Welsh conceptions leading to births are counted during the year of conception (rather than the year of the birth). ONS mid-year population estimates have been used to estimate the number of 13- to 15-year-old girls.

Chapter 3 **Young adults**

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About this chapter

The high rate of unemployment among 16- to 24-year-olds has been a recurring theme in recent versions of this report. It is now commonly reported alongside the overall unemployment figure in the monthly reports from the Office for National Statistics, reflecting its rise up the news agenda.

This is an age group for whom previous certainties have now disappeared. Not only is a job far harder to find than even half a decade ago, the cost of studying to improve one's prospects has risen and will rise further in coming years. For those at the younger end of this age group, and in particular those in lower income households, the removal of Educational Maintenance Allowance is both a real cut in income and a reduced incentive to continue studying.

For this reason we have devoted a chapter specifically to this age group. It looks at low income and unemployment, but also considers skills and education.

Economic circumstances

Choice of indicators

The economic circumstances of young adults has become an area of wider concern since the onset of the recession, due to the high and rising levels of unemployment experienced by this age group. Yet the problem of unemployment is by no means a new one for young adults, nor is it the only economic hardship they face.

This section looks at low income and unemployment. In both cases, young adults are contrasted with other age groups.

- 19 **Low income:** proportion of young adults, either 16–19 or 20–24 in low income, compared with other age groups. 16- to 19-year-olds are split between those in full-time education and those not. This is supported by analysis showing the entire 16- to 24-year-old population split by household type and work status.
- 20 **Unemployment:** young adult unemployment, expressed as those unemployed as a proportion of those either working or unemployed. This is supported by analysis of the entire 16–24 age group population broken down by individual work and study status.

Key points

19 Low income

Young adults aged 16–19 were more likely to be living in low-income households than older adults. For those 16- to 19-year-olds still in secondary (or other non-advanced) education, the rate of poverty was 28 per cent, amounting to 420,000 children.

For 16- to 19-year-olds who were not in secondary education and hence classified as adults in a separate benefit unit (family), the poverty rate was 33 per cent, amounting to 515,000 people. This was the highest rate for any age group under or above the age of 16. Overall there were around 960,000 16- to 19-year-olds living in low-income households.

For adults aged 20–24, the rate was lower compared to 16- to 19-year-olds but at 30 per cent was still at least ten percentage points higher than older age groups and meant that around 1.2 million adults aged 20–24 were living in low-income households.

In total, there was an average of 2.1 million young adults aged 16–24 in low-income households. Of these, 1.1 million (52 per cent), were not living with parents. Most of these (and 38 per cent of all low-income 16- to 24-year-olds) were workless.

20 per cent of young adults in poverty were in full-time secondary education and living with their parents. A further 23 per cent were in work.

Of the other half living with parents, about two-fifths were dependent children aged 16–19 in full-time education, a further two-fifths were workless adults and about 8 per cent were in work.

20 Unemployment

By the first half of 2011, the unemployment rate (i.e. the proportion of economically active who are unemployed) among 16- to 24-year-olds was at a record high. One in five economically active young adults was unemployed, a rate that was three times as high as other adults. This amounted to almost 940,000 unemployed young adults.

If one considers the unemployed as a proportion of everyone in the age group (i.e. including the economically inactive, a majority of whom would be students), the figure is 13 per cent.

Unlike unemployment among older adults, which started rising around 2005, young adult unemployment had been rising continuously since 2004. By 2011 it was two-thirds higher than a decade ago.

In the first half of 2011, around 3 million (42 per cent) young adults were full-time students – 12 per cent (850,000) were employed part-time, 4 per cent (280,000) were unemployed looking for part-time jobs and 26 per cent (1.9 million) were economically inactive.

Comment

Discussion around the very high levels of young adult unemployment has recently focused on the inclusion or otherwise of full-time students looking for work in the total figure. As a result, the Office for National Statistics (ONS) has begun publishing a breakdown of the figures for students which allows us to produce indicator 20B.

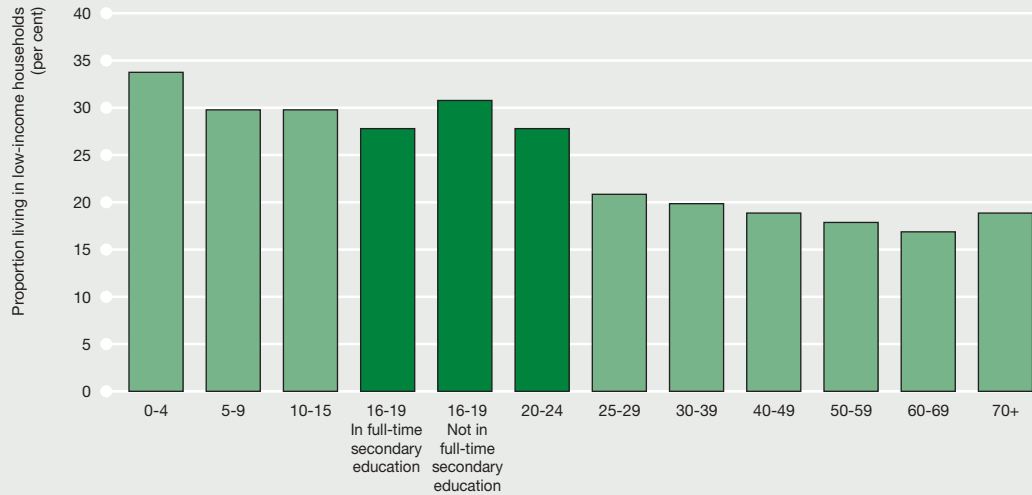
There are some 280,000 young adults in full-time education who are unemployed, as they are looking for part-time work and cannot find it. It is argued that they should not count toward the unemployment figure. On that basis, the number of unemployed young adults is around 660,000. The unemployment rate, though, falls only slightly, from 20 per cent to 19 per cent, as if we remove those who are unemployed from the calculation we must surely remove those in work as well (i.e. 850,000 working young adults in full-time education).

However full-time students looking for a part-time job form a part of the labour supply and those who are working are included in the employment count. To leave them out of the numerator but have them in the denominator would obviously be misleading. Also, the increases in tuition fees are likely to cause an increase in the numbers of students looking for part-time work and ignoring this number would lead to underestimating young adult unemployment and the broader pressures on the labour market.

One pertinent fact about this age group is the rate at which it has grown. There were nearly one million more 16- to 24-year-olds in the UK in 2010 than in 2000. But fewer of this age group were in paid work at the end of the last decade than at the beginning.

Indicator: 19A

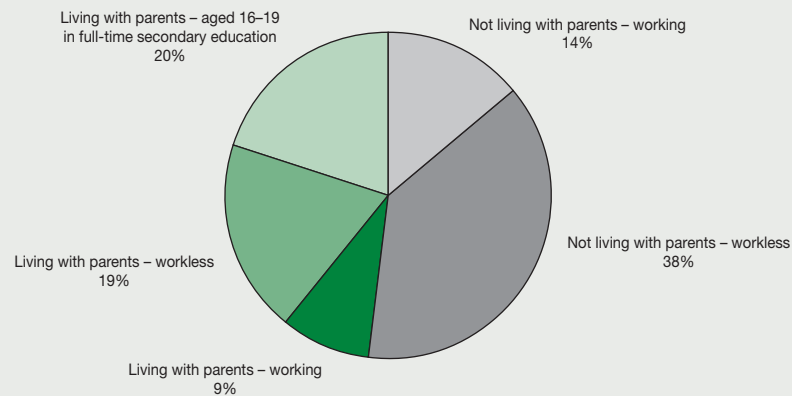
The risk of poverty for 16- to 19-year-olds in full-time education is only slightly lower than that for children up to 15 – and is higher among 16- to 19-year-olds not in full-time education than for any age group except the very youngest.



Source: Family Resources Survey and Households Below Average Income, DWP; the data is the average for three years to 2008/09

Indicator: 19B

Over half of all 16- to 24-year-olds in poverty do not live with their parents.



Source: Family Resources Survey and Households Below Average Income, DWP; the data is the average for three years to 2008/09

The first graph shows the proportion of children and adults living in households below 60 per cent of median income after deducting housing costs, broken down by age.

The second graph shows the distribution of 16- to 24-year-olds in low-income households by their work status and whether or not they live with their parents. The category of 'working' people includes those who are self-employed, in full-time or part-time work; the workless category includes unemployed and economically inactive people (e.g. long-term sick/disabled and lone parents).

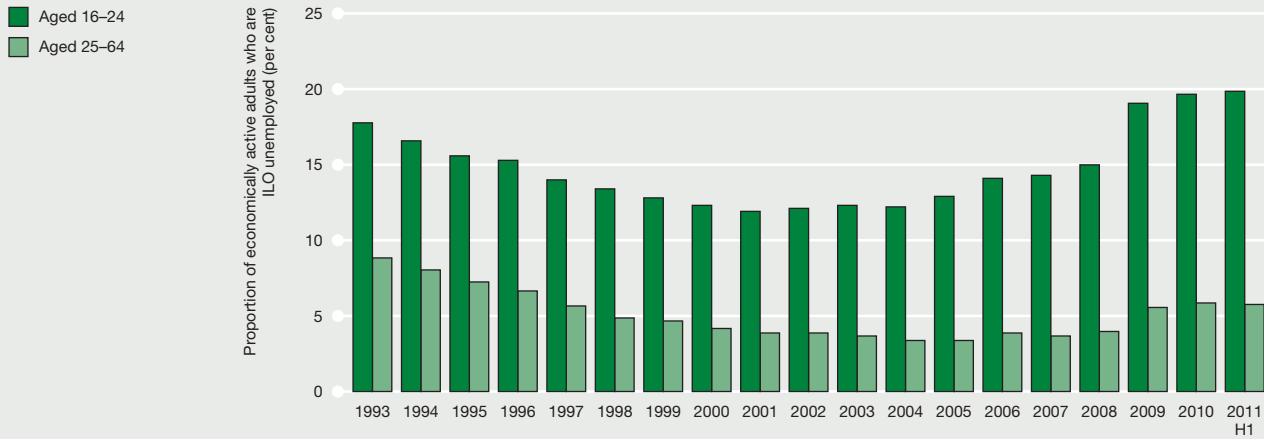
The graph uses data from Family Resources Survey and the Households Below Average Income survey, which is derived from the former.

In both the surveys, a dependent child is defined as an individual under 16 years of age or an unmarried 16- to 19-year-old in full-time non-advanced education. The child gets allocated the same benefit unit as the parents and the same position in the income distribution. Even though 16- to 19-year-olds not in full-time education and living with parent(s) form a separate benefit unit, their position in the income distribution is still defined by the net income of the household in which they live and not by their individual income.

Unemployment

Indicator: 20A

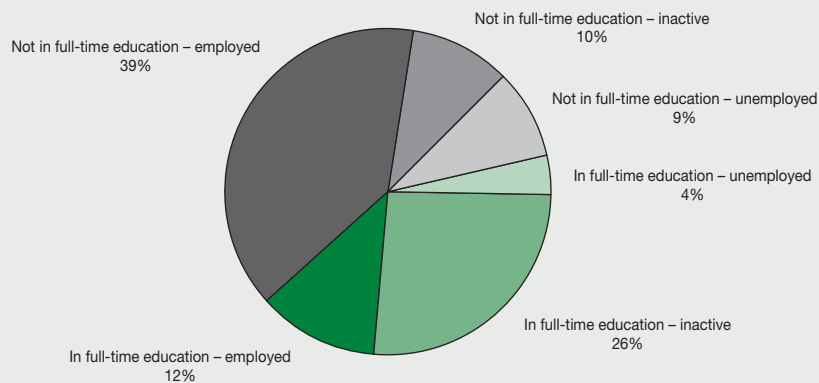
With one in five economically active young adults unemployed, the unemployment rate is at a record high and three times that for older working-age adults.



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

Indicator: 20B

In addition to the 13 per cent of young adults who are unemployed, a further 10 per cent are economically inactive and not in full-time education.



Source: Table 14, Labour Market statistics, ONS; the data is the average for first two quarters of 2011, UK

The first graph shows the unemployment rate for those aged 16–24, compared with those aged 25–64.

The second graph shows the distribution of 16- to 24-year-olds by their work and education status.

Not in full-time education includes people in part-time education and/or some form of training.

'Unemployment' is the ILO definition, which is used for the official government unemployment numbers. It 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 employed if they have a part-time job or unemployed if they are looking for part-time employment. Inactive people are those who want to work but are not available to start work or are not actively seeking it or those who do not want to work.

Education

Choice of indicators

This pair of indicators focuses on lack of educational qualifications as a source of disadvantage in the labour market. Given that the unemployment rate for young adults is at a record high, focusing on educational outcome is particularly important as it demonstrates the extent to which young people are equipped with the necessary skills at the end of school leaving-age. In the section that follows we look at qualifications up to and including Level 3.

- 21 Lacking qualifications at age 19:** the proportion of 19-year-olds lacking qualifications at Level 2 and Level 3, and the trend over time. Supporting analysis attempts to map educational progress after age 16 for a cohort born in 1989 by showing the proportion gaining qualifications each year after turning 16.
- 22 Impact of qualifications on work:** the proportion of 25- to 29-year-olds lacking but wanting paid work both in 2010 and 10 years earlier, broken down by qualification level. The supporting analysis shows the risk of low pay broken down by the same set of qualifications.

Key points

21 Lacking qualifications at age 19

Overall in 2010 21 per cent of 19-year-olds did not have a Level 2 qualification and 50 per cent did not have a Level 3 qualification. This is lower than the previous year and the lowest in the series.

There is a big difference in the proportions attaining Levels 2 and 3 at age 19 by free school meal (FSM) status. 39 per cent of those receiving free school meals in year 11 did not have any qualifications at Level 2 or above by age 19. This was almost double the average. A further 32 per cent had Level 2 but not Level 3 qualifications, so 71 per cent lacked qualifications at Level 3 or above.

The proportion of 19-year-olds lacking qualifications has been consistently dropping, both for those receiving free school meals and for other pupils. Over the last five years, the proportion of 19-year-olds lacking Level 2 dropped by 12 percentage points overall and by 18 percentage points for those receiving free school meals. The proportion lacking Level 3 was down by about ten percentage points both overall and for those who had been eligible for FSM.

Although 45 per cent of young adults did not have a Level 2 qualification at age 16, this proportion halved to around 23 per cent by age 19. There is little additional progress after age 19, however. There is a bigger fall between 18 and 19 (five percentage points) than 19 and 21 (four percentage points).

22 Impact of qualifications on work

Those with lower qualifications are more likely to lack but want work. 23 per cent of those with no qualifications were likely to be lacking work; three times the proportion for those with qualifications at Level 4 or above (7 per cent).

Over the last ten years, the risk of lacking but wanting work increased slightly for young adults across all qualifications, except for those with no qualifications, for whom it was steady. The biggest increases had been for those with mid-level qualifications – those with Level 3 and 2 qualifications saw the risk of lacking but wanting work increase by about five percentage points.

In 2010 there was no difference in the risk of lacking but wanting paid work between those with only Level 2 and those with only Level 1. 17 per cent of both groups lacked but wanted paid work, meaning the additional benefit of having a higher qualification was zero.

One notable, if coincidental, point is that by 2010, the proportion of those with a degree (Level 4) or above lacking but wanting paid work was the same as it had been for Level 3 ten years earlier (7 per cent).

In a similar way to the impact on finding work, lower qualifications also disadvantage those already working. Those with low qualifications were more likely to be low-paid. At 71 per cent, a vast majority of those with no qualifications were paid less than £7.50 per hour, compared to 43 per cent with Level 2 qualifications and 14 per cent with Level 4 or above qualifications.

While the pattern of risk of lacking work and being low-paid associated with lower qualifications is similar, the scales are different. Notwithstanding the higher risk, around half of even those with no qualifications are likely to be in work. By contrast, almost three-quarters of those with no qualifications in work are likely to be low-paid.

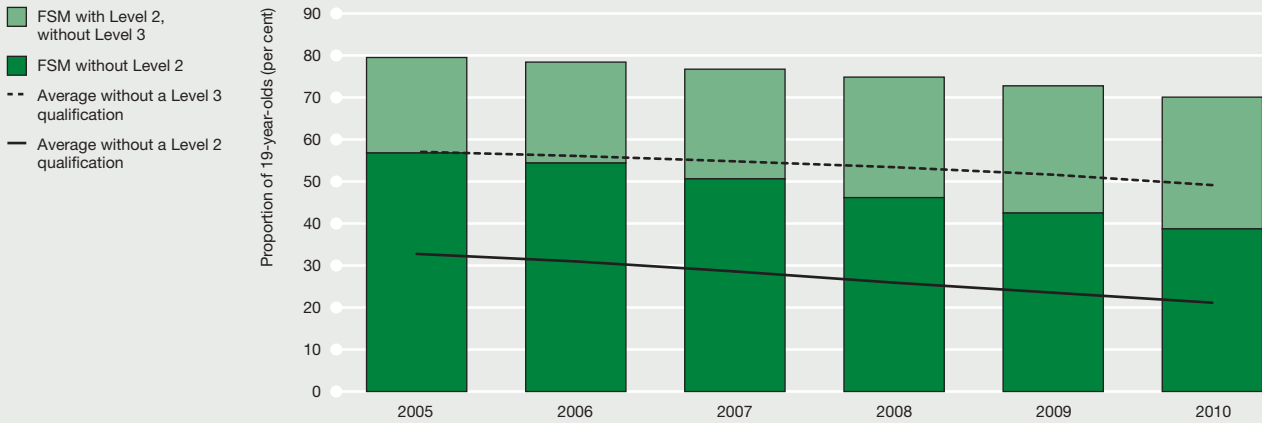
Comment

As suggested in the background chapter (graph 4), young adults in 2010 were competing in a labour market that was much more qualified than ten years earlier. In 2000 about 28 per cent of 25- to 50-year-olds had qualifications at or above Level 4; this has increased to 38 per cent by 2010. In 2000 about 27 per cent had qualifications below Level 2; this proportion fell to 20 per cent by 2010. While this trend may reflect a shift in demand towards higher skills by employers, it is also important to consider whether the skill mix of jobs is going up or whether the same jobs are now being done by over-qualified young adults.

Whether this trend will continue is not clear. The proposed rise in tuition fees for undergraduates, to a maximum of £9,000 per year, is certain to deter some potential students. The small additional chance (four percentage points in our calculations) of being employed when aged 25–29 (when compared with those without a degree but still with Level 3 qualifications) may look small in comparison to the cost.

Indicator: 21A

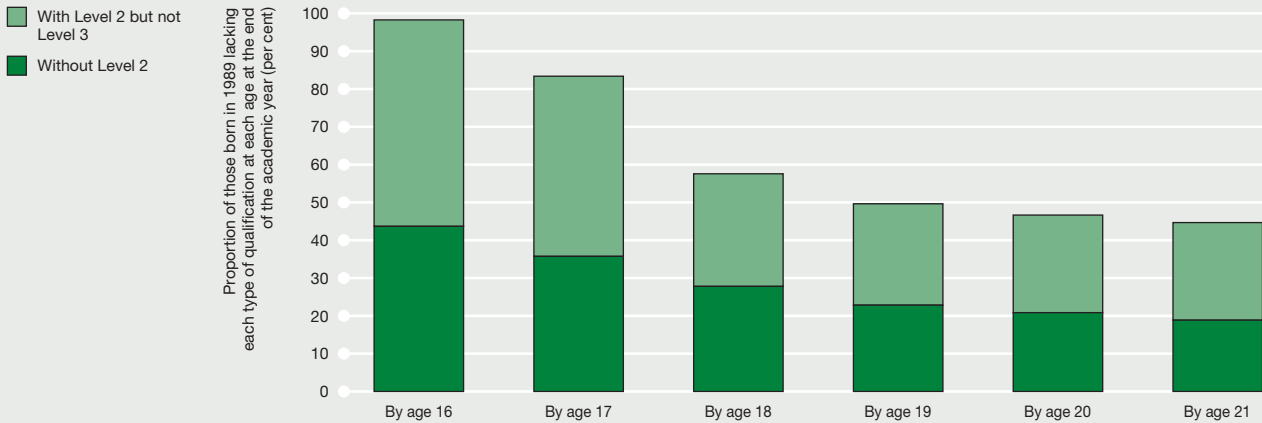
Around 40 per cent of 19-year-olds who received free school meals lack a Level 2 qualification, compared with an average 20 per cent for all 19-year-olds.



Source: Department for Education; the data is for England

Indicator: 21B

The likelihood of achieving further qualifications drops significantly from the age of 19.



Source: Department of Education; the data is for 2011, 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 of *all* 19-year-olds without a Level 2 qualification and without a Level 3 qualification has been shown for comparison.

The second graph shows, for all people born in 1989, the proportions who achieve certain educational levels at each age from 16 (in 2005) to 21 (in 2010). The educational levels shown are: below Level 2 and Level 2 but not Level 3.

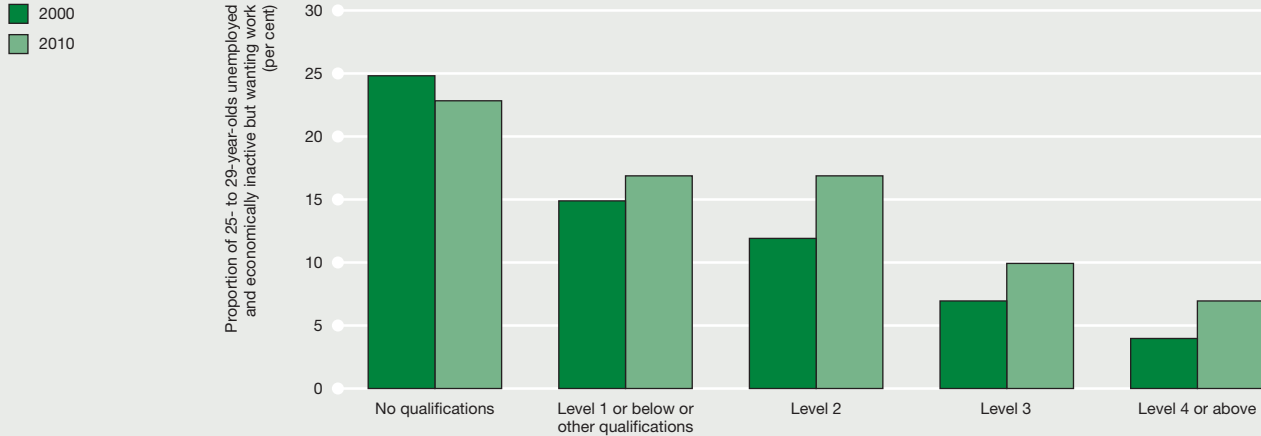
Level 2 qualifications include GCSEs grades A*-C and equivalents. Level 3 qualifications include A Levels and equivalents.

Figures for 2005 to 2009 are based on final data, 2010 figures are based on provisional data. The data for ages 16-20 in indicator 21B is final, and the data for age 21 is provisional.

Impact of qualifications on work

Indicator: 22A

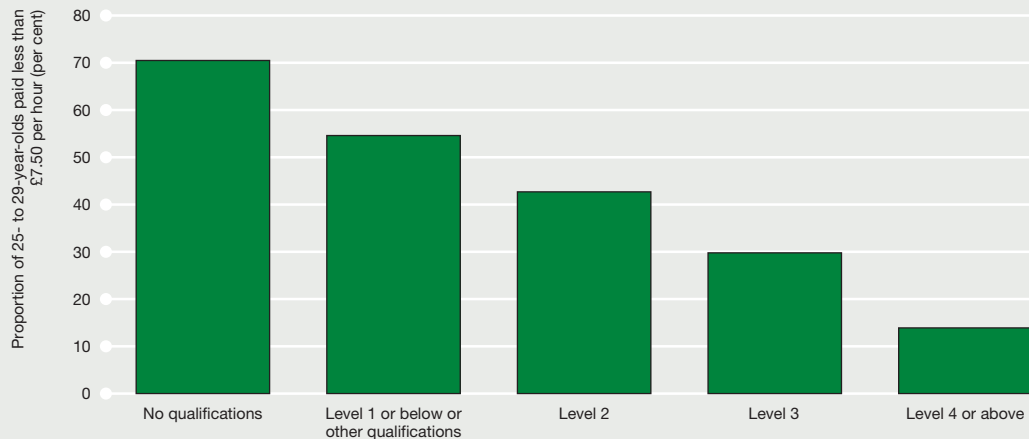
The lower the level of qualification the higher the risk of lacking but wanting work. Over the last ten years, this risk has increased at all levels except for those with no qualifications.



Source: Labour Force Survey, ONS; the data is the average for four quarters of 2000 and 2010, UK

Indicator: 22B

The lower the level of qualification the higher the risk of being low-paid at work.



Source: Labour Force Survey, ONS; the data is the average for four quarters of 2010, UK

The first graph shows the proportion of 25- to 29-year-olds who lack but want paid work, with the data shown separately for 2000 and 2010. People lacking but wanting work includes those who are ILO unemployed and those counted as economically inactive yet who want paid work.

The second graph shows the proportion of 25- to 29-year-olds in employment who were paid less than £7.50 per hour.

For both the graphs, the data is broken down by level of highest qualification. Level 1 or other qualifications include qualifications such as 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 teaching qualifications and higher education and degree-level qualifications.

The age limits of 25–29 have been chosen instead of 16–24 because a majority of young adults between the ages of 16–24 would be in the process of completing their formal education and would probably not be in full-time formal employment.

Crime

Young adults are at much greater risk of becoming a victim of crime and are also much more likely to commit a criminal offence. The risk of being a victim of a crime varies generally with socio-economic status but, with respect to this chapter, particularly with age. The number of young people with a criminal record is worth looking at as this may set off events which have a long-term negative impact on an individual's life.

Choice of indicators

23 **Victims of crime:** the number of people, of all ages, who have been a victim of violent crime or burglary and how this has changed over time. This is supported by analysis of the difference in risks by age group.

24 **With a criminal record:** a time series of the number of young adults being charged with a criminal offence, with the population average shown for comparison. The supporting graph shows the risk of being charged with an offence by age group.

Key points

23 Victims of crime

In 2010/11 there were 1.2 million incidents of violent crime with injury and 700,000 incidents of burglaries.

The number of burglaries and violent crimes fell steadily between 1995 and 2005/06.

In 2010/11 the number of burglaries and violent crimes was each down by almost one million since 1995, but violent crime was up by 150,000 compared to the year before. In fact this was the largest year-on-year increase in the series.

Young adults face the highest risk of being a victim of a crime with around three in ten being a victim of a crime each year; this risk reduces steadily as age increases. The average risk for all adults of being a victim of a crime is around two in ten.

Men tend to be more likely than women to experience a crime, however age is clearly a greater factor than gender (a 16- to 24-year-old woman is more likely to be a victim of a crime than a 25- to 34-year-old man).

As an individual is in the age group 16–24 for eight years and the risk in the indicator is a risk per year this means that either it is almost inevitable that a young adult will be a victim of a crime or that a high proportion of young adults are victims of a crime numerous times.

24 With a criminal record

People aged between 15 and 20 are more than five times more likely than the average to be cautioned or found guilty of a crime.

The proportion of 18- to 20-year-olds charged with a criminal offence fell between 2000 and 2004 and has remained largely unchanged since. Meanwhile, the rate for 15- to 17-year-olds rose between 2003 and 2007 and has been falling in recent years.

The second graph shows that, although the crime rate peaks in the late teens the high rate continues across young adulthood. The proportion of men who have been found guilty experiences the greatest fall between the age groups 25–30 and 31–40.

Women are far less likely to be cautioned or found guilty of a crime than men and the crime rates for women peak at the earlier age of 15–16; even at this age men are three times more likely to have a criminal record. However, like men, the rate of those found guilty remains at a relatively high level for women until their 30s.

Comment

In previous versions of this report we have considered the risk of people being a victim of a crime by the type of crime, with a particular emphasis on violent crime and burglary. This showed that the difference in the risk of being a victim of violent crime was far greater for young adults than other adults. This data is no longer published in the British Crime Survey so the analysis this year shows the risk of being a victim of any crime. By this measure young adults are somewhat more likely to be a victim of any type of crime than other adults.

The data from 2009 showed that 13 per cent of men aged 16–24 were a victim of a violent crime; the next highest rate was less than half that at 5.6 per cent for men aged 25–34. This level of victimhood from violent crime for young adult men is particularly alarming. If this annual risk is faced over a period of eight years either all young men can expect to be victim of a violent crime or some can expect to be a victim multiple times.

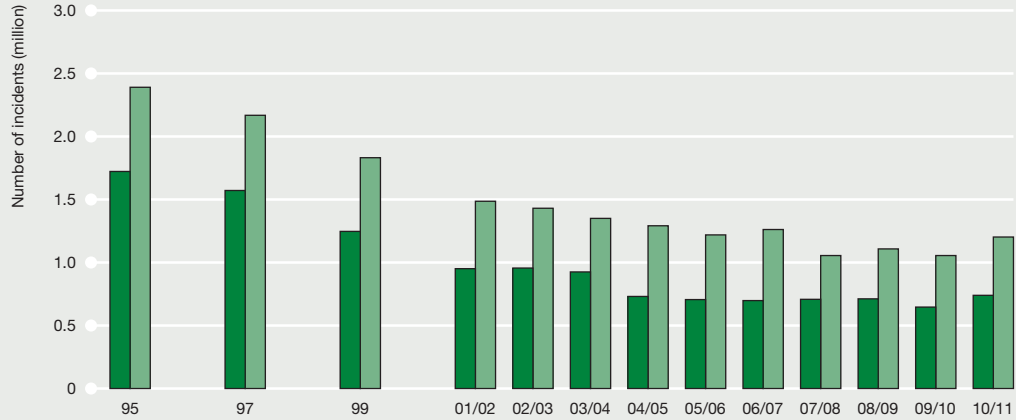
The indicators above take an age-based approach rather than an income-based approach. The evidence of links between deprivation and crime is strong, however. According to the British Crime Survey (2009/10), households in the most deprived fifth of areas are some 30 per cent more likely to be victims of vandalism and 90 per cent more likely to be victims of burglary than other households.

But the risk of becoming a victim of crime has fallen across all areas and, moreover, for certain crimes, the gap between deprived areas and the average has shrunk. In 2001/02, households in the poorest fifth were 2.2 times more likely to be burgled than other households. By 2009/10 this had fallen to 1.9.

Indicator: 23A

The number of burglaries and violent crimes has fallen by one million each since 1995 but last year saw the largest year-on-year increase in the time series.

■ Burglary
■ Violence with injury

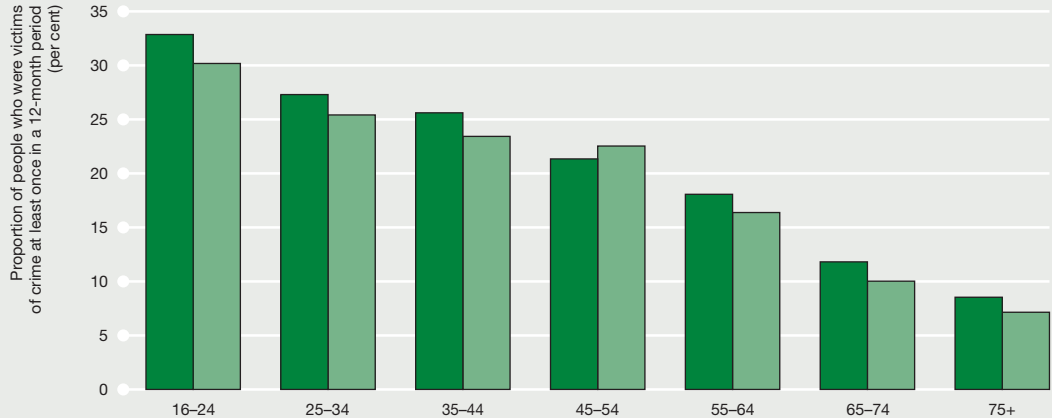


Source: Home Office British Crime Survey; the data is for England and Wales

Indicator: 23B

More than three in ten adults aged 16–24 were a victim of a crime last year – the highest rate of all age groups.

■ Men
■ Women



Source: Home Office British Crime Survey; the data is for 2010/11, England and Wales

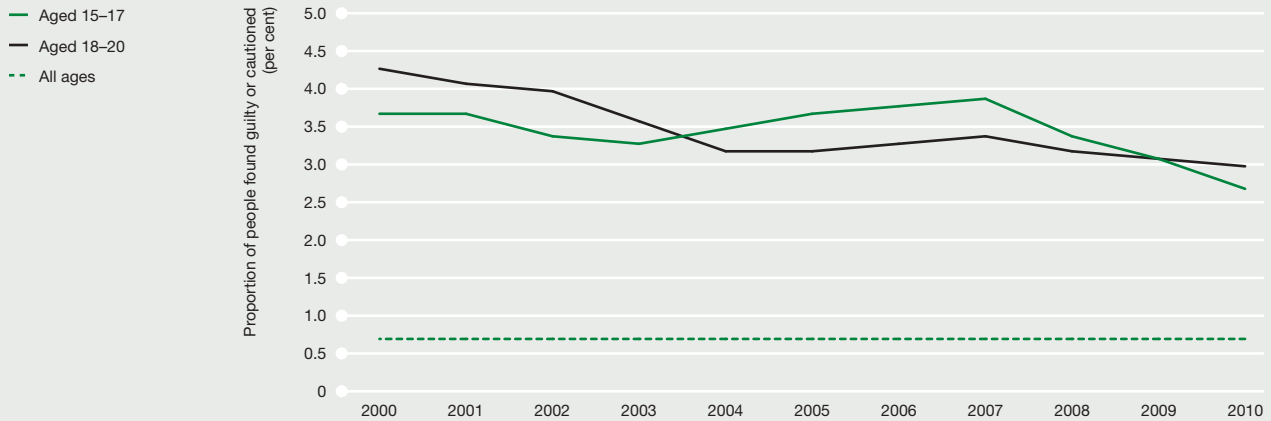
The first graph shows the number of incidents of burglary and violence with injury from 1997 to 2010/11.

The second graph shows the proportions of adults who were victims of any crime, household or personal at least once in a 12-month period. Results are shown separately by gender and age group. Examples of household crime include vandalism, burglary and vehicle-related theft; personal crime includes theft and violent crime.

With a criminal record

Indicator: 24A

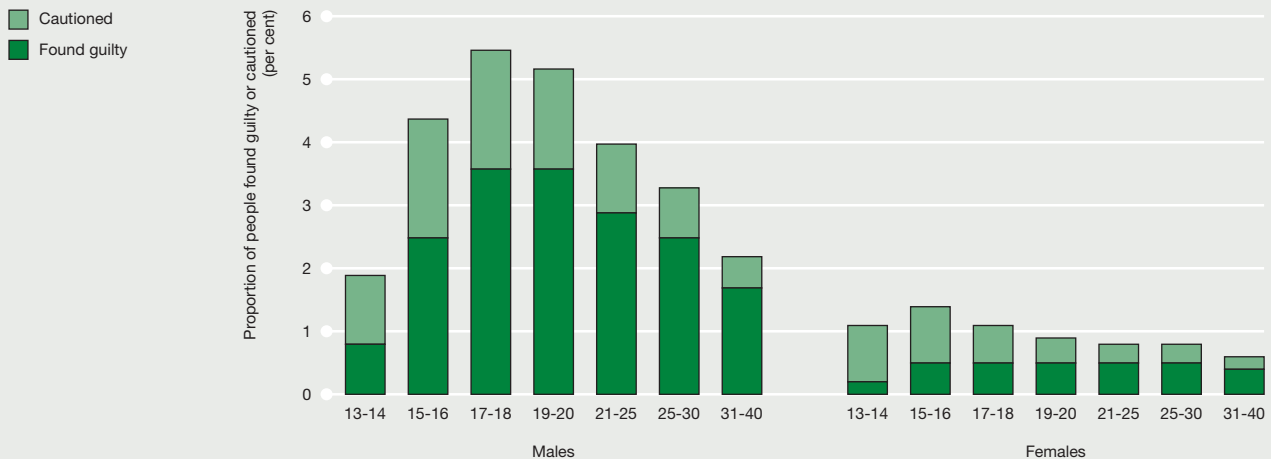
The proportion of 15- to 20-year-olds either found guilty or cautioned for indictable offences has come down over the last ten years, although it is still around five times as high as the average for all ages.



Source: Ministry of Justice Criminal Statistics; the data is for England and Wales

Indicator: 24B

The proportion of men found guilty or cautioned for indictable offences peaks at ages 17 to 20 when it is around ten times higher than the rate for women.



Source: Ministry of Justice Criminal Statistics; the data is the average for 2008 to 2010, England and Wales

The first graph shows the proportion of people formally cautioned for, or convicted of, an indictable offence. The data is shown separately for the age groups 15–17 and 18–20 and the average for all ages.

The second graph shows the proportion of persons found guilty or cautioned. The results are shown separately by age group and gender.

An indictable offence is a more serious offence tried in a crown court. Both a guilty verdict and a caution result in a criminal record.

The figures are police-recorded crimes only and should not be taken as a reflection of the overall level of crime committed.

Chapter 4 **Work**

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About this chapter

The focus of this chapter is work, both in terms of people lacking paid work and in terms of the work's adequacy in terms of disadvantage once in work. The link to poverty is clear, and indeed work is generally cited as the route out of poverty.

The first question this raises is one of the availability of work. The first theme looks at the number of individuals lacking but wanting work, and the number of households where no adult is in paid work.

But to really reduce poverty, the quality and sustainability of jobs also needs to be addressed. This work must bring in sufficient income not just at an individual level, but also at a household level. The job must be sustainable, not simply short-term employment. And in order to provide a longer term solution, it must at least offer some prospect of training and progression.

Lacking paid work

Choice of indicators

Unless a household has substantial investment income, the low value of working-age social security benefits means at least one adult in a household must eventually be in paid work if poverty is to be avoided.

This theme focuses on those without paid work, firstly individuals and secondly households. The distinction between individuals and households reflects the difference between a labour market perspective (on jobs, employment and unemployment) and a poverty perspective. It points towards the crucial fact that poverty does not just depend on the overall level of employment but also on how that is distributed between households.

- 25 **Underemployment:** a broad view of all people who do not have the paid work that they want including those officially 'unemployed', those counted as 'economically inactive' but who nevertheless want paid work and those in a part-time job because they cannot find a full-time one. More detailed information is also given to highlight the situation of students.
- 26 **The claimant count:** men and women claiming Jobseeker's Allowance, the social security benefit for people who are unemployed. New claimant numbers are shown alongside the headline totals, supported by evidence on why claims for Jobseeker's Allowance end.
- 27 **Workless households:** households containing working-age people none of whom are working, broken down by whether the household has one or more than one such adults and whether it contains children under 16.
- 28 **Children's household work status:** children in workless households, divided between those where at least one of the working-age adults in the household is unemployed, and others. This is supported by information on the related but distinct subject of how many children belong to 'workless', 'part-working' or 'full-working' families.
- 29 **Households where nobody has ever worked:** those households where everyone of working age reports that they have never worked, broken down by whether there is one or more working-age adult present as well as whether the household is a student-only one. The numbers of individuals living in such households are broken down by age and status.

Key points

25 Underemployment

In the first half of 2011, some six million people in the UK were underemployed. This is about the same as in 2010. Underemployment had not been this high since 1993. This underemployment figure is made up as follows: 2.5 million people (41 per cent) were unemployed; 2.3 million people (39 per cent), 550,000 of whom were students, were defined as economically inactive but wanting paid work; and 1.2 million (20 per cent) 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. The number of economically inactive non-students wanting paid work was almost unchanged.

Of the 1.8 million economically inactive non-students wanting paid work, around 700,000 were long-term sick or disabled. A further 600,000 were people with caring responsibilities.

26 The claimant count

The average number of people claiming Jobseeker's Allowance (JSA) during the first half of 2011 was 1.48 million, about 20,000 lower than the average for 2010 and 50,000 lower than the recent peak point in 2009. It was much lower than the levels observed in the aftermath of the previous recession in the early 1990s.

In the first half of 2011, two-thirds of JSA claimants – one million – were men. This was about 170,000 lower than the recent peak in the second half of 2009 but still some 370,000 higher than at the low point in 2004 and 2005. By contrast, the number of women claiming JSA has been steadily rising since 2008. The 470,000 in the first half of 2011, double the number at the 2004 low point, is a level last seen in 1996.

The trends in the total number claiming JSA are mirrored by the numbers newly claiming the benefit ('inflow'). At 1.3 million in the first half of 2011, the total number of new claims by men was similar to levels seen a year earlier and 220,000 lower than in 2009. At 660,000 the total number of women making a new claim for JSA in 2011 was higher than at any time since 1993.

This rise in the number of women claiming JSA can partly be attributed to changing benefit rules for lone parents. Until October 2008, a lone parent was entitled to claim Income Support (IS) rather than JSA until their youngest child reached their sixteenth birthday. Since then, this age has been reduced in stages. The number of female lone parents claiming JSA rose by 75,000 between 2009 and 2011.

In the six months to June 2011, 29 per cent of the 18- to 24-year-olds leaving JSA did so because they had found work. This proportion increased to almost a half for older age groups.

42 per cent of all young adults leaving JSA were recorded as ‘failed to sign’ or ‘not known’. Among older age groups, the proportion was around one-third. NOMIS, the data source for these statistics, suggests that ‘the percentage of off-flows with a “not known” or “failed to sign” destination has increased since the start of the series ... many of these unknown leavers will have moved into employment’. However, no additional evidence is presented to support this suggestion.

27 Workless households

39 per cent of lone parent households and 35 per cent of single adult households without children were workless in 2011.

After several years of sustained falls in worklessness among lone parent households after 1997, the rate for this group has not changed since 2005. By contrast, the rate for single adults without children has risen four percentage points since 2008.

Worklessness among households with more than one adult, both with children (5 per cent) and without (15 per cent), has also barely changed since 2005.

In the second quarter of 2011, 19 per cent of working-age households (3.9 million) were without work. Single adult households without children accounted for 39 per cent of workless households while two adult households without children accounted for a further 34 per cent.

28 Children’s household work status

The number of children in workless households was 1.8 million in early 2011, almost unchanged since the previous year. This figure is 10,000 lower than 2009, but still 20,000 higher than its pre-recession low point.

With the exception of 2009 – when it rose by 180,000 – and 2002 – when it rose by 40,000 – the total number of under-16s in workless households has been on a gentle downward trend since 1996 (the earliest year for which these statistics are published). The rise in 2009 was, however, due almost entirely to a rise in the number of children in workless households where at least one of the adults was unemployed (rather than economically inactive).

In 2008/09, some 10.6 million (83 per cent) of dependent children (that is, under age 16 or 16–19 if in full-time education) belonged to working families. These were divided almost equally between full-working families and part-working families (including the self-employed).

29 Households where nobody has ever worked

The 370,000 households in 2011 where none of the working-age adults has ever worked was double the level in 1997 (the earliest year for which these statistics are published).

With the exception of 2006, the rise has been small but steady each year. The composition of this group has changed slightly since 2005, as the growth in couple households has not matched the growth in other types of household. In particular, the number of student households where no one has ever worked has grown by a quarter since 2005.

Of the 560,000 working-age adults in these households in 2010, 300,000 were aged under 25. 70 per cent of this younger group were students. Of the remainder, most were either unemployed or looking after home or family.

Among the 250,000 aged 25 and over, 36 per cent were long-term sick or disabled while 27 per cent were looking after home or family.

Comment

The extent of underemployment in the UK – some six million people who lack the work they want – is both an indication of the scale of job creation required and a yardstick against which to assess the effectiveness of the overall programme to address poverty. While the idea that paid work will usually be *sufficient* to avoid poverty is seriously flawed, the idea that it will usually be *necessary* is a fact of life.

In particular, with two-and-a-half million unemployed (people actively looking for work and ready to start straight away), more than one million people in part-time jobs because they cannot find full-time ones and more than half a million ‘economically inactive’ students, this problem goes far beyond anything that can be laid at the door of the welfare system and the disincentives that it may create to enter work. Welfare reform, however well done, cannot be a substitute for job creation on a scale sufficient to ensure that all who want it have a reasonable chance of productive employment.

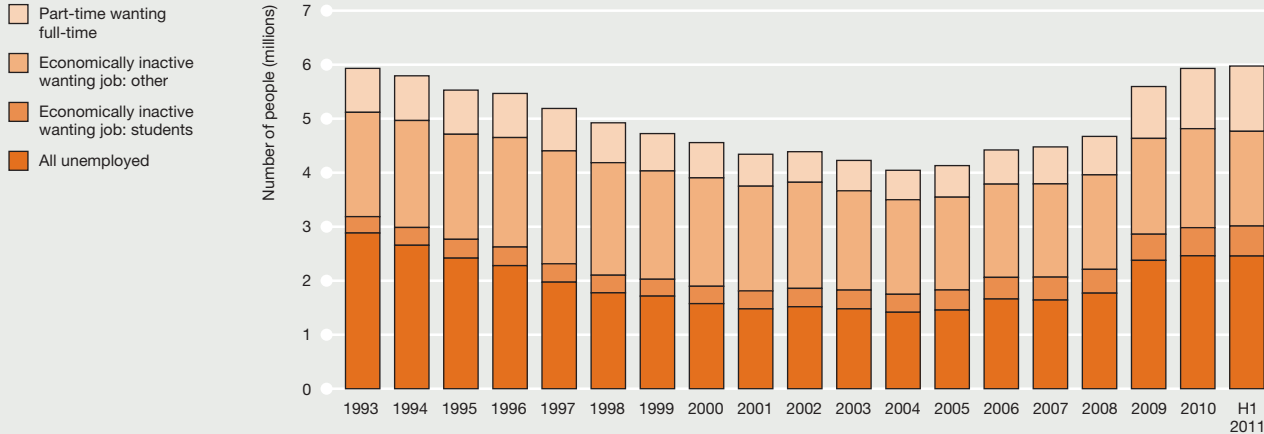
These indicators also caution against placing too much weight on ‘intergenerational worklessness’. The reason why there are no statistics specifically about this here is because even the few official sources that do contain some relevant data still have very few observations. The closest we can get from the much larger Labour Force Survey is a statistic on households who have never worked. ‘Intergenerational, workless households’ are a subset (of unknown size) of this. The number of households where no adult has ever worked has doubled since 1997. However, they only represent about a tenth of all workless households. Similarly, the working-age adults within them are equivalent in number to only about a tenth of all those underemployed.

More fundamentally, it is unclear why a working-age household that has never worked should automatically be seen as a problem. Nearly half the people in such households are students. Over half are under 25. Most of those who are not students are either unemployed (so actively looking for work), long-term sick or disabled, or looking after family. While it is doubtful whether ‘dysfunctional’ families really complete the Labour Force Survey when invited to do so, there is also nothing in these official statistics to suggest that households that have never worked deserve to be seen, or treated, differently from other workless households.

Underemployment

Indicator: 25A

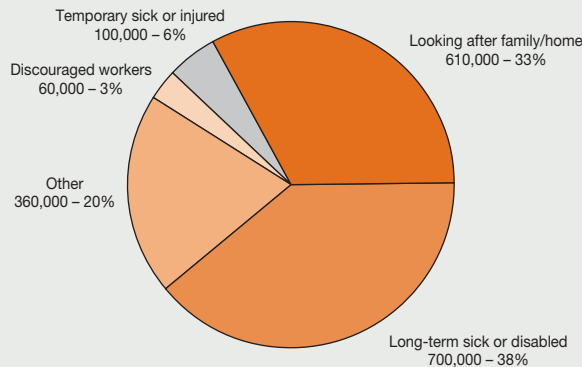
Averaging six million across the first half of 2011, underemployment was still at the record high last seen in 1993.



Source: Labour Market Statistical Bulletin Historical Supplement, ONS; the data is for the UK

Indicator: 25B

Disabled people, people with long-term illnesses and people with caring responsibilities make up almost three-quarters of inactive people who want to, but are not available or actively looking for, work.



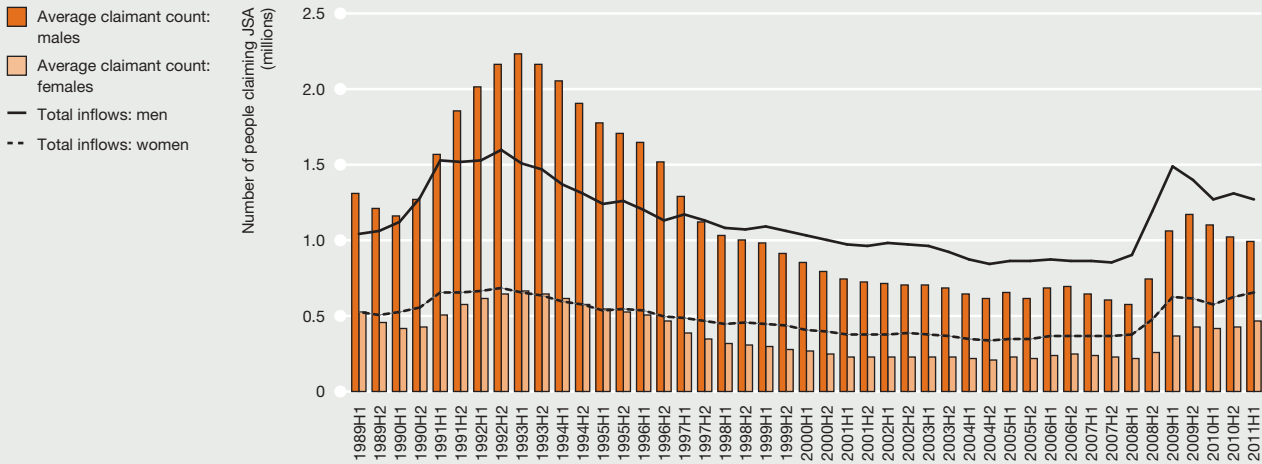
Source: Labour Market Statistical Bulletin Historical Supplement, ONS; the data is the average for Q3 2010 to Q2 2011, UK

The first graph shows, since the start of the data series in 1993, the number of people who are underemployed. Underemployed includes: (i) those who are aged 16 and over and ILO unemployed (wanting, actively seeking and immediately available for work), (ii) those aged between 16 and 64 and economically inactive but wanting work (those wanting work but either not actively seeking it or not available immediately), and (iii) those working part-time but wanting a full-time job. The lacking but wanting numbers have been further split by reason for inactivity – being a student or 'other' reasons.

The second graph further breaks down the 'other' category of reasons for lacking but wanting work mentioned in the first graph. Discouraged workers are those who believe that no job is available. Other reasons would include those who are retired, people who did not specify any reasons or any other reason not mentioned in the questionnaire.

Indicator: 26A

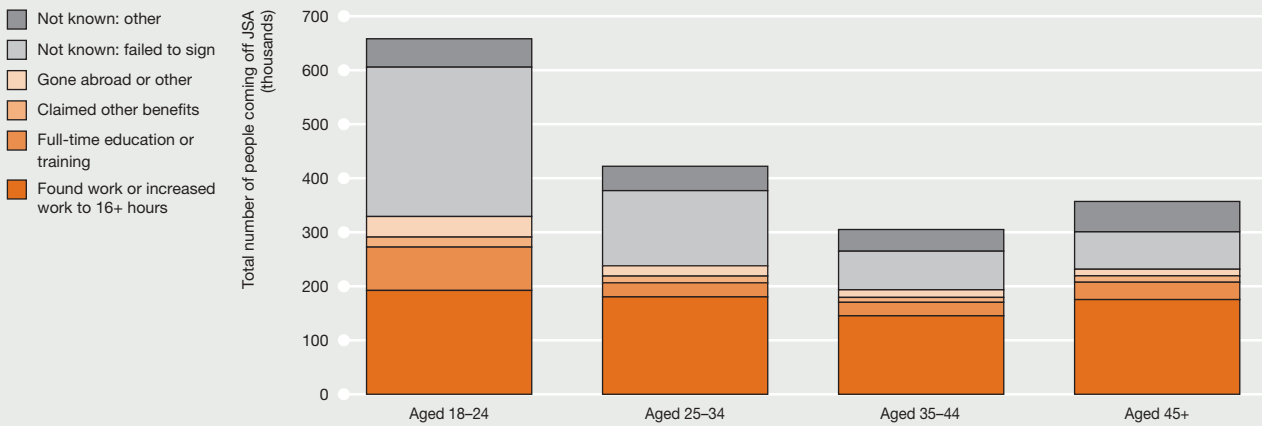
While the number of men claiming Jobseeker's Allowance is below its 2009 peak, the number of women claiming the benefit continues to grow.



Source: Claimant count statistics, ONS, UK

Indicator: 26B

For any given age group, the destination of at least a third of people leaving JSA was unknown.



Source: Claimant count data via NOMIS; the data is the total for six months to June 2011, UK

The first graph shows two things – the bars show the average number of people claiming Jobseeker's Allowance (JSA) in each six-month period and the lines show the total number of new claims, or inflows, in each period. The results are shown separately for men and women.

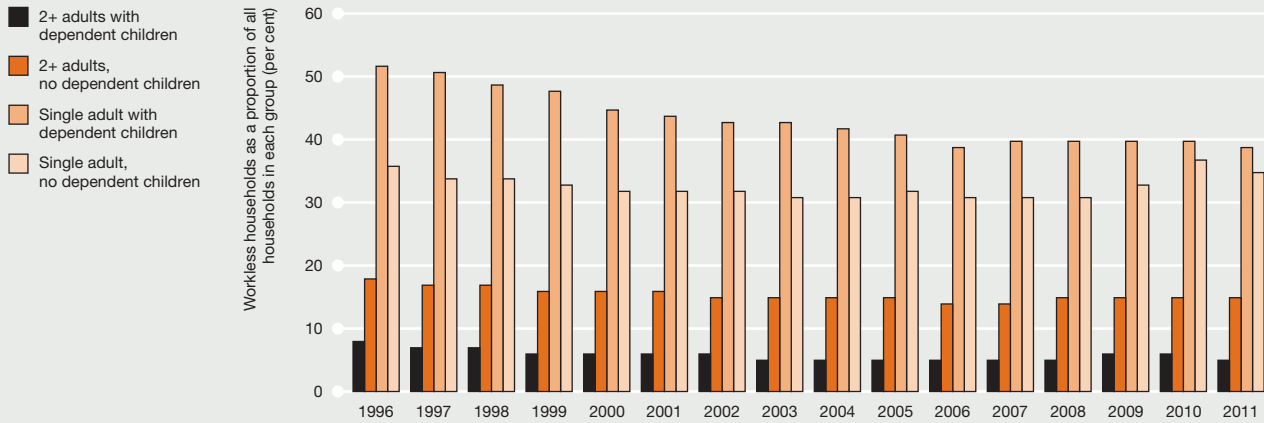
The lines show claims, not people, meaning that a person may be counted twice in any particular period. This could happen, for example, when someone makes a new claim for JSA in January, then finds work, then claims again within six months.

The second graph shows the number of people ceasing to claim JSA in the six months to June 2011 with the results broken down according to the claimant's age and whether they are leaving JSA for (i) work, (ii) full-time education or training, (iii) to transfer to another benefit, (iv) moving abroad or other reasons (e.g. retiring, in prison, had a defective claim, deceased), (v) reason not known because failed to sign, or (vi) reason not known.

Workless households

Indicator: 27A

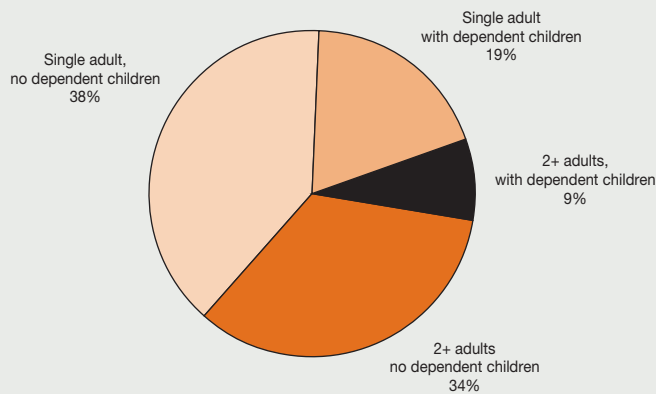
While the rate of worklessness among lone parents is much lower than it was 15 years ago, the risk for single adult households without children is still as high.



Source: Table B, Working and Workless Households Statistical Bulletin 2011, ONS; the data is for the second quarter of each year, UK

Indicator: 27B

Less than one-third of workless households contain dependent children. Two-fifths are single adult households.



Source: Working and workless households statistical bulletin, ONS, the data is the average for 2009 to 2011, UK

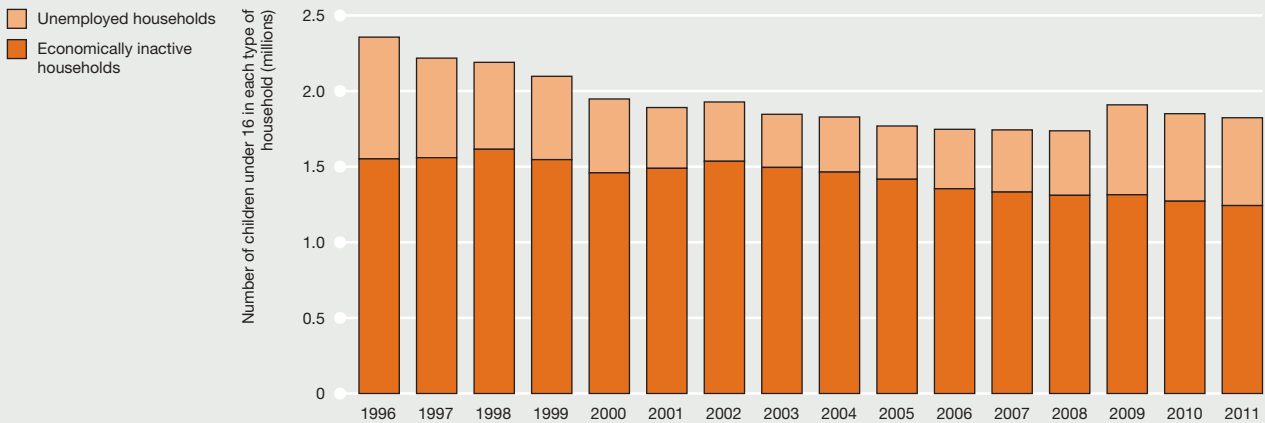
For each of the four working-age household types, the first graph shows the proportion of the households who are workless. The four household types shown are lone parent households, single adults without dependent children, households with two or more adults but no dependent children, and households with two or more adults and one or more dependent children.

The second graph shows the proportion of all workless working-age households who are in each household type.

A working-age household is one in which at least one person is aged 16–64. A workless household is a household where no-one aged 16 or over is in employment. Dependent children are children aged under 16 and those aged 16–18 who have never married and are in full-time education.

Indicator: 28A

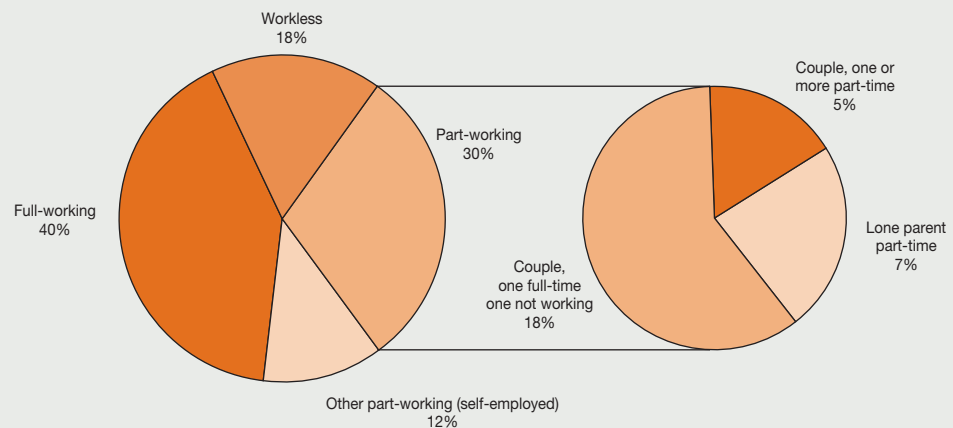
As the number of children in economically inactive households continued to fall, so the total number in workless households has been pushed up by higher unemployment.



Source: Table K, Working and Workless Households Statistical Bulletin, ONS; the data is for the second quarter of each year, UK

Indicator: 28B

While more than four in every five dependent children live in working families, as many live in self-employed or part-working families as in full-working ones.



Source: Households Below Average Income, DWP; the data is the average for 2006/07 to 2008/09, UK

The first graph shows the number of children living in working-age workless households, i.e. where no adult is in paid work. It breaks down the workless households into those containing all inactive people or those containing both unemployed and inactive people.

Inactive people are those who want to work but are not available to start work or are not actively seeking it or those who do not want to work. Unemployed people are those with no paid work in the survey week but 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 data source for the first graph is the Labour Force Survey produced by ONS, and the definitions of working-age households and workless households are given in indicator 27. Children here refer to children under 16.

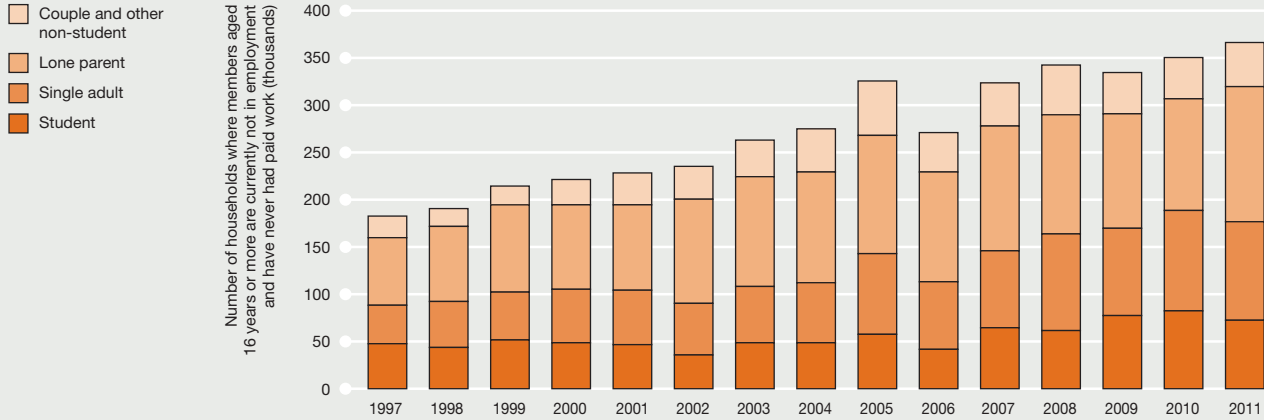
The second graph shows the distribution of all children by the family's detailed work status. The data source for this graph is the Households Below Average Income survey produced by the DWP. Full-working families are those where at least one adult works full-time and a second adult (in a couple family) works at least part-time. Workless families are defined as those where no adult is working. Children are defined as individuals under 16 or unmarried 16- to 19-year-olds in full-time non-advanced education.

The data in the two graphs is not comparable due to differences in data sources and definitions.

Households where nobody has ever worked

Indicator: 29A

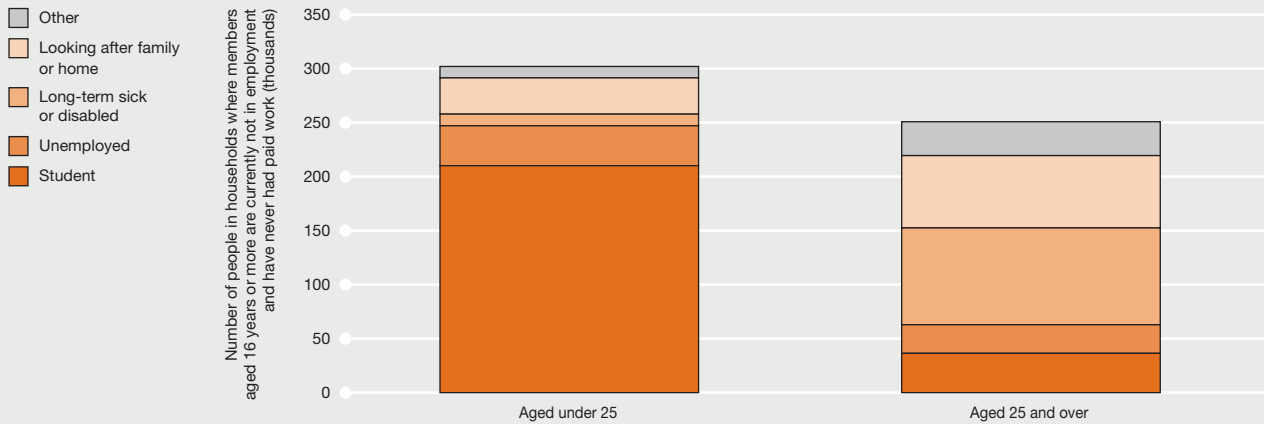
The number of households where no adult has ever worked has doubled since 1997, at a fairly steady year-on-year rate.



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

Indicator: 29B

More than half the adults in households where no adult has ever worked are aged under 25 and the majority of those are students.



Source: Labour Force Survey Household, ONS, 2010

The first graph shows the number of working-age households where no adult has ever worked. Results are broken down by household type – student, single adult, lone parents and couple and other households.

A student household is one where all adults are aged 16–24 and in education. ‘Other’ household types include households that contain more than one family unit.

The second graph shows the number of people aged 16–64 and over living in households where no-one has ever worked by reasons for their inactivity.

A student in the second graph is defined as anyone over the age of 16 who is in education. This means that not all students in the second graph are in the student households in the first graph as the second graph includes students over the age of 25 and those living with non-student adults.

Working-age households are those where at least one person is aged 16–64. A household is defined as having never worked if all members aged 16 years or more (i.e. including those who have retired) are currently not in employment and state that they have never had paid work (apart from casual or holiday work, or the job that they are waiting to begin).

Disadvantage in work

Choice of indicators

The political consensus that work both is and should be the ‘route out of poverty’ rests on an idealisation of employment. One effect of this is to obscure from view problems connected with poverty faced by people in employment.

Although low pay is obviously at the heart of disadvantage in work, it is not the only problem. As well as the evidence relating to several other aspects (for example, security and training) which is presented here, material elsewhere in the report (for example in-work poverty) is also relevant to this theme.

- 30 **Low pay by gender, age and sector:** the proportion of men and women who are low-paid and the distribution of low-paid workers by age across the main sectors of the economy including the public sector. ‘Low pay’ is measured here as two-thirds of median hourly earnings (£7.50 per hour).
- 31 **Pay inequalities, gender and part-time work:** pay gaps between men and women at the top and bottom of the pay scale along with evidence on the relative importance of both gender and part-time work on the likelihood of being low-paid.
- 32 **Job insecurity and reduced access to training:** the extent to which claimants of Jobseeker’s Allowance have found only short-term employment; the extent to which the likelihood of receiving in-work training is inversely related to a person’s qualification.

Key points

30 Low pay by gender, age and sector

In 2010, 26 per cent of female employees and 14 per cent of male employees were paid less than £7.50 per hour. Since 2000, the proportions of women and men paid less than that amount (adjusted for the growth in average earnings) have fallen by eleven and three percentage points respectively. Although women therefore remain much more likely than men to be low-paid, the difference did narrow slightly. For both men and women, almost all of the fall in the likelihood of being low-paid took place between 2002 and 2006.

In total, some 5.1 million people were low-paid in 2010. Just under half of these jobs (46 per cent) were in the wholesale and retail sector or the hotels and restaurants sectors. 25 per cent were in the public sector.

The low pay in certain sectors is confined to younger age groups. Among those aged 18–21, two-thirds of those in low-paid jobs were in the wholesale and retail sector or the hotels and restaurants sector. Moreover, just under half (44 per cent) of all low-paid workers in hotels and restaurants are aged between 18 and 21.

By contrast, low pay in the retail and wholesale sector is persistent across age groups. This sector accounted for between 26 per cent and 32 per cent of all low-paid workers in every age group.

As the prevalence of low-paid hotel and restaurant jobs decreased for older age groups, so it was replaced by low-paid public sector jobs. For employees aged over 30, one-third of low-paid jobs were in the public sector. Among those aged 40–49, this proportion was almost a half (43 per cent).

31 Pay inequalities, gender and part-time work

In 2010, the hourly rate of pay of the lowest paid tenth of men was 55 per cent or less of male full-time median hourly pay. This figure of 55 per cent has remained steady for more than a decade.

The hourly rate of pay of the lowest paid tenth of women in 2010 was 52 per cent or less of male full-time median hourly pay. This proportion has been rising very slowly for more than a decade, from 48 per cent in 1999 to 50 per cent for the first time in 2003. Driven by improvements in earnings of the lowest paid women, this aspect of the gender pay gap (i.e. the difference between low-paid men and low-paid women) is therefore about half the size it was in the late 1990s.

The hourly rate of pay of the highest paid tenth of men, at 220 per cent of male full-time median pay, was up by eight percentage points in 2010 compared with 1999. The earnings of the highest paid tenth of women, at 178 per cent of male full-time median pay, was up by nine percentage points over the same period.

Thanks to the rise of three percentage points since 2009, the gender pay gap at the top in 2010 was the same as it was in the late 1990s. Despite this, the gender pay gap at the top is very wide whereas the gap at the bottom is narrow. Thanks to the rise in pay at the top for men and women, the gap between top and bottom pay has widened.

Around 45 per cent of both male and female part-time workers earned less than £7.50 per hour in 2010, compared to 12 per cent of male full-time workers and 17 per cent of female full-time workers. While there is a clear gender pay gap here for full-time workers, there is none at all for part-time workers. Rather, part-time work itself is the factor for both men and women that increases the likelihood of their being low-paid: it means a more than twofold increase for women and a more than threefold increase for men.

32 Job insecurity and reduced access to training

More than half of all men and more than a third of all women starting a new claim for JSA in the first quarter of 2011 were last claiming less than six months previously: some 300,000 men and 110,000 women.

As a proportion of all claims, those claiming within six months of their last claim fell in 2008 and 2009. This was due to the large rise in total new claims as a result of the recession, with many people who had never claimed JSA before now claiming for the first time.

But by 2010, and still in 2011, the proportion of new claimants who had last claimed in the previous six months was higher than any previous year. In terms of absolute numbers, this group was larger in 2011 than any previous year for which we have data.

In 2010, about one-quarter of all employees had received some job-related training in the previous three months: however, the lower a person's level of qualifications, the less likely they were to have received it. Among those with no qualifications, only 8 per cent had received training, one-third of the average and a proportion which has not changed much over several years. Around 18 per cent of employees with a qualification below Level 2 had received such training. By contrast, among those with higher qualifications, the proportion was double this at 36 per cent.

Comment

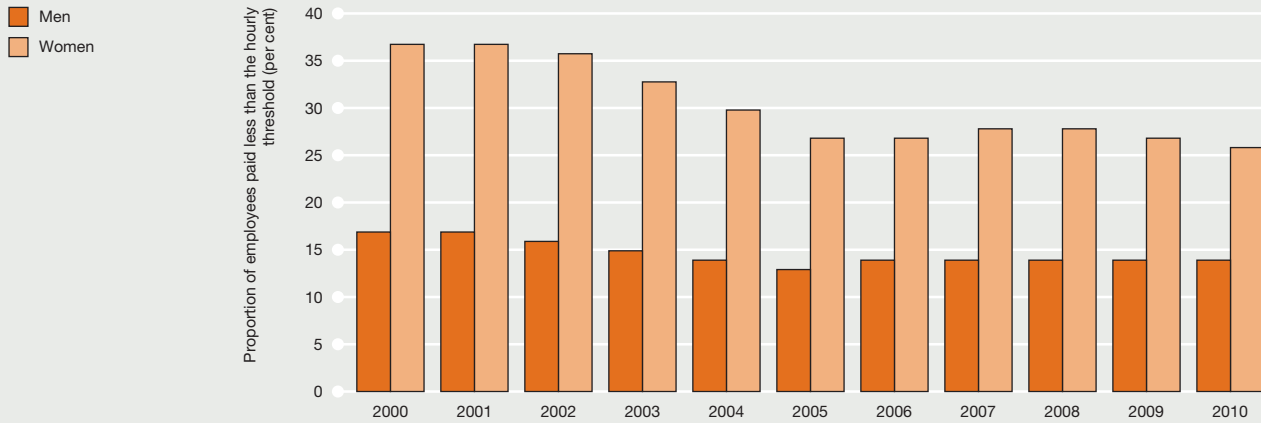
The period between 2002 and 2006 when the proportion of people who are low-paid fell furthest was also the period during which the National Minimum Wage (NMW) rose fastest. Introduced in April 1999 at the rate of £3.60 an hour, the NMW went from £4.10 in October 2001 to £5.35 an hour in October 2006, a rise of 30 per cent. With average earnings (that is, male, median full-time earnings) rising by 18 per cent over the same period, the gap between the bottom and the average narrowed. By contrast, from 2006 to 2010, the NMW rose in line with average earnings, up just 11 per cent, from £5.35 to £5.93. During this period, the proportion of people who were low-paid remained largely unchanged.

Several indicators point to the complexity of what is referred to as the gender pay gap. Among those on low pay, the gap, though still marked, narrowed appreciably (at least in the first half of the last decade). Among part-time workers, when measured by the likelihood of being low-paid, there is no gender gap at all. By contrast, the gap at the top remains substantial and, but for a reversal in the latest year, would actually have increased over the decade. There is also a clear gender pay gap at the bottom when measured by the likelihood that full-time workers will be low-paid. Of course, the lack of a gender gap among part-time workers is because the likelihood of low pay is similarly high for both women and men.

Low pay by gender, age and sector

Indicator: 30A

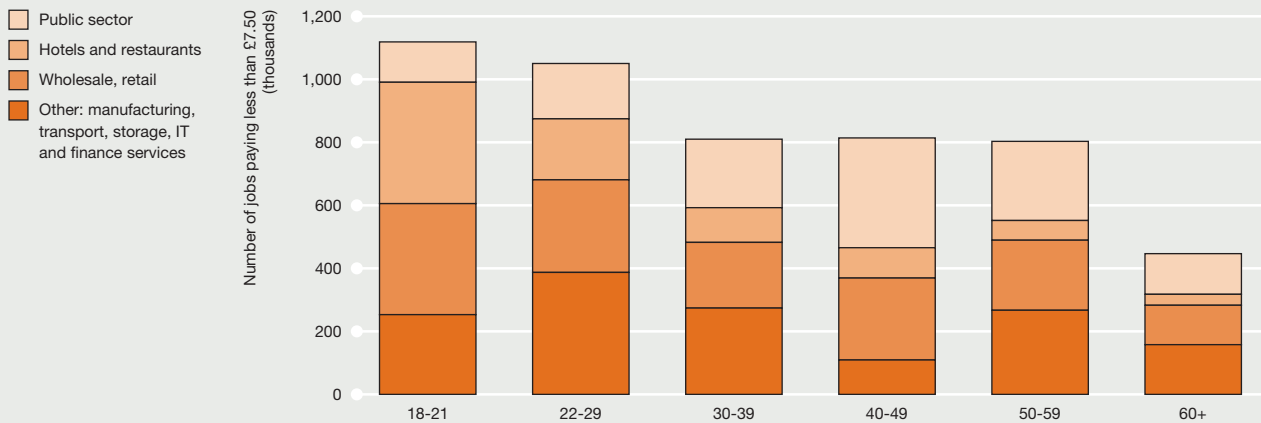
After falling by about a quarter between 2001 and 2005, there has been little further change over the last five years in the proportions of both men and women who are low-paid.



Source: Annual Survey of Hours and Earnings, ONS estimates up to 2007, NPI analysis of ASHE thereafter; the data is for the UK

Indicator: 30B

Low-paid jobs in wholesale and retail are spread fairly evenly across all age groups, whereas low-paid jobs in hotels and restaurants are mainly done by those under 30.



Source: NPI analysis of Annual Survey of Hours and Earnings, ONS; data is for 2010, UK

The first graph shows the proportion of employees who are paid less than the hourly threshold in each year. The threshold rises in line with the average earnings and reaches £7.50 in 2010. It is therefore £4.77 in 1999. The data is shown separately for men and women.

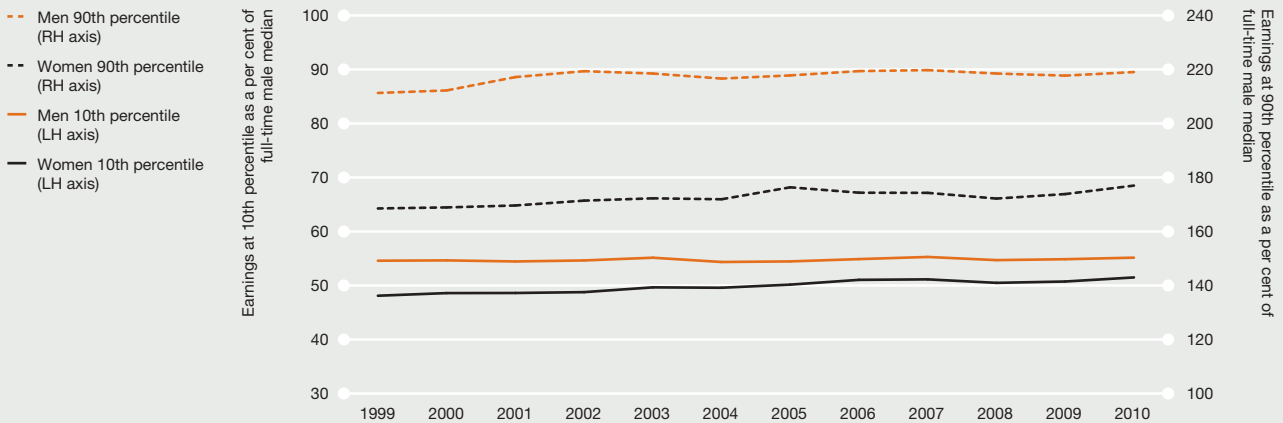
The second graph shows the number of jobs paying less than £7.50 per hour by age of the worker and sector.

The classification of sectors is based on the Standard Industrial Classification (SIC) 2007 industry sectors. Some industries have been combined together under the 'other' category for presentation purposes. This and 'finance services' includes services related to information and communication, insurance, finance, real estate, arts and entertainment and professional and administrative services.

£7.50 has been chosen as the low-pay threshold as it is roughly equal to two-thirds of UK median hourly earnings.

Indicator: 31A

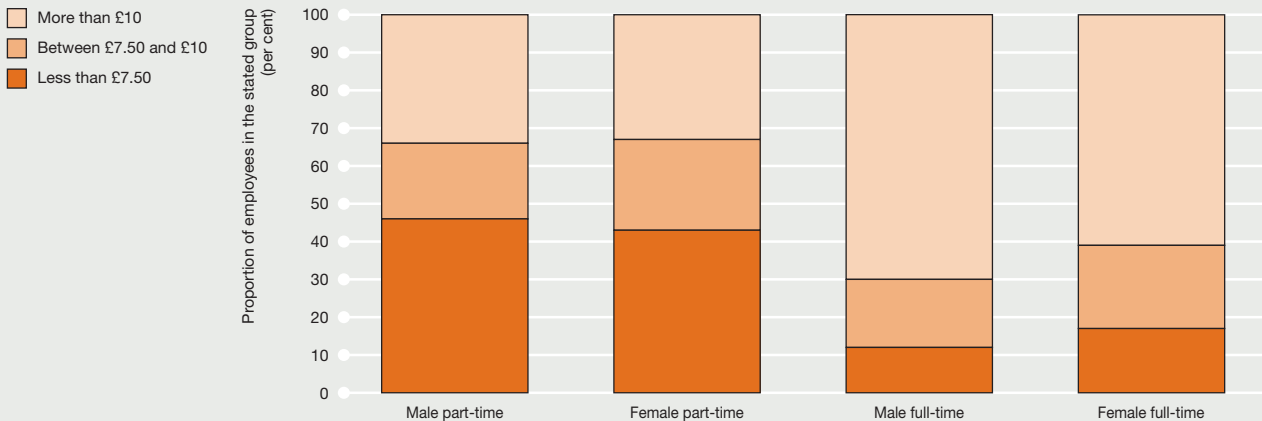
After a small fall in pay inequality between men and women at the bottom, there has been no further change in inequality, at either the top or the bottom, since 2006.



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

Indicator: 31B

More than two-fifths of all part-time workers – both men and women – are paid less than £7.50 an hour.



Source: Annual Survey of Hours and Earnings, ONS; the data is for 2010, UK

The first graph shows, for each year from 1999, the pay of different groups relative to the male median pay for that year. The groups are men and women at the top and bottom of the earning scale.

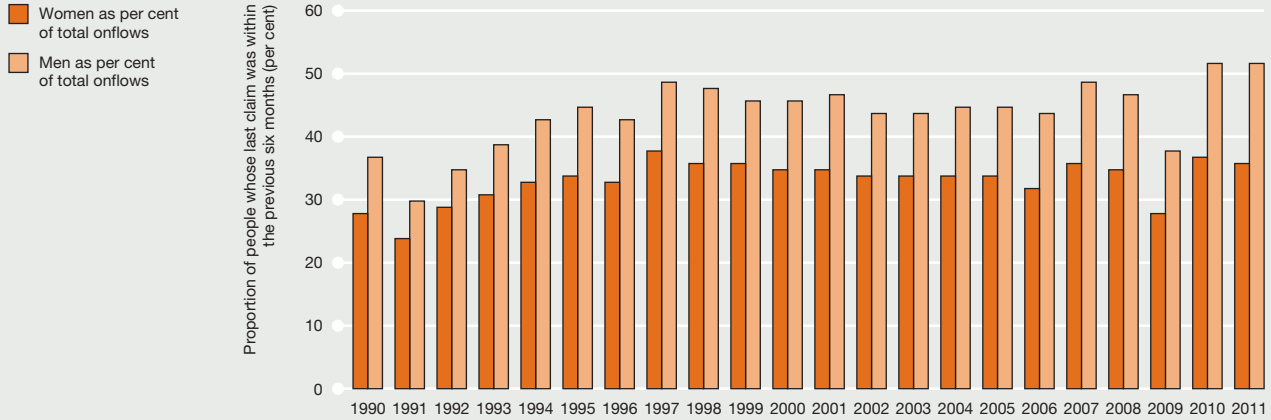
The bottom of the pay distribution for men/women is measured by the gross hourly pay for full-time male/female employees one-tenth of the way from the bottom of the male/female pay distribution (the 10th percentile). Similarly, the top of the pay distribution for men/women is measured by the gross hourly pay for full-time male/female employees one-tenth of the way from the top of the male/female pay distribution (the 90th percentile). In each case, the statistics are shown as a proportion of the average (median) hourly pay of full-time male employees. The left-hand axis shows the proportions at the 10th percentile and the right-hand axis shows the proportion at the 90th percentile.

The second graph shows, for the latest year, the distribution of employees across the pay spectrum with the data shown separately by combinations of gender and work status (part-time or full-time).

Job insecurity and reduced access to training

Indicator: 32A

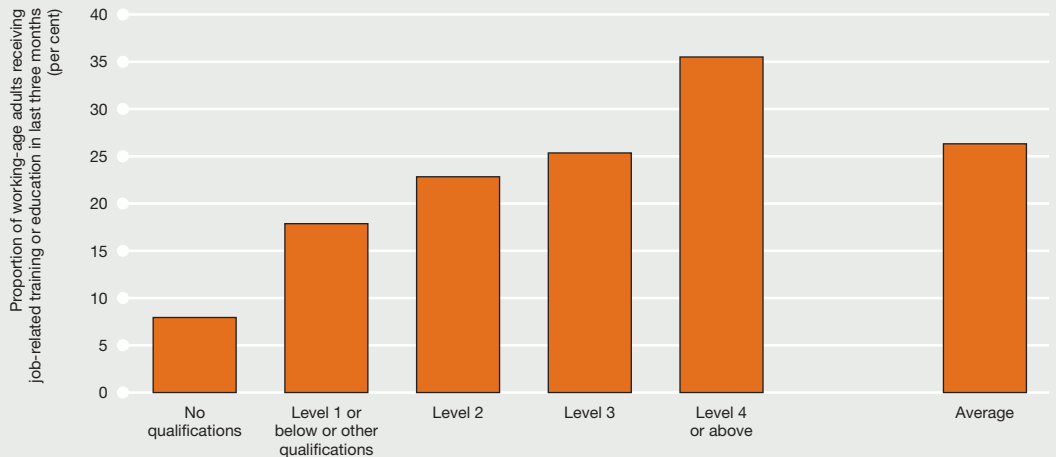
Half of men and one-third of women making a new claim for JSA in Q1 2011 were doing so within six months of their previous claims.



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

Indicator: 32B

A quarter of people receive job-related training. Those with qualifications above Level 3 are four times more likely to do so than those with no qualifications.



Source: Labour Force Survey, ONS; the data is the average over 12 quarters from 2008 to 2010, UK

The first graph shows the likelihood that someone making a new claim for Jobseeker's Allowance was last claiming the benefit less than six months previously. This is effectively the same as the proportion of people finding work who then lose that work within six months. Figures are shown separately for men and women.

The second graph shows the proportion of employees aged 16–64 who received some job-related training in the three months before the interview, with the data broken down by employees' highest qualification. The training includes that paid for by employers and by employees themselves.

Qualification at or below Level 1 includes qualifications such as 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 teaching qualifications and higher education and degree-level qualifications.

Disadvantage and disability

Choice of indicators

The stress placed on ‘work as the route out of poverty’ overlooks the systematic disadvantage that disabled people as a whole face in their search for a job and, when they have one, of their experience within it.

This theme highlights two specific instances of labour market disadvantage and one more general one. On the basis of the evidence presented here, this latter can properly be called discrimination.

- 33 **Disability, lone parenthood, gender and work:** the relative importance of disability, gender and lone parenthood on the likelihood of an individual being in paid work.
- 34 **Disability, qualification, work and pay:** a comparison, between disabled and non-disabled people, of the likelihood of lacking but wanting work or, if in work, of being low-paid. To take account of one of the most important influencing factors, comparisons are presented for different qualification levels.

Key points

33 Disability, lone parenthood, gender and work

In 2010, 32 per cent of non-disabled lone parents lacked work compared with 39 per cent a decade earlier. Although this proportion has continued to fall over the period, the rate at which it did so was much faster up to 2005 (when it reached 33 per cent) than subsequently.

By contrast, the fall in the proportion of disabled people lacking paid work over the same period was smaller, down to 50 per cent in 2010, compared with 55 per cent in 2000.

Among those who are not disabled or lone parents, an average 11 per cent of men and 23 per cent of women were not in employment in 2009/10. This compares to the 32 per cent for lone parents. Given that most lone parents are women, this suggests that lone parenthood ‘adds’ an additional ten percentage points to a non-disabled woman’s risk of worklessness.

By contrast, for those who were disabled, the proportions not working were 46 per cent for men and 53 per cent for women. Disability therefore ‘adds’ at least 30 percentage points to the likelihood of not being in employment. Among disabled lone parents, the proportion not in employment was 61 per cent.

34 Disability, qualification, work and pay

Among those aged 25–50, disabled people with no or a low level of qualification (below Level 2) were twice as likely to be unemployed or otherwise lacking but wanting work as non-disabled people with the same level of qualification. 27 per cent of disabled people with no qualifications and a similar proportion of disabled people with below Level 2 qualifications wanted a job, compared to 17 per cent of non-disabled people with no qualifications and 11 per cent with below Level 2 qualifications. For people with higher qualifications the difference increased to almost three times.

Put another way, a disabled person with the equivalent of a degree or above (Level 4) is as likely to be lacking but wanting work as a non-disabled person with a Level 1 qualification – and much more likely than a non-disabled person whose highest qualification is five good GCSEs or equivalent (Level 2).

Among those in work, disabled people were also more likely to be low-paid than non-disabled people with a similar level of qualification: for example, 66 per cent compared with 57 per cent for those with no qualification; 39 per cent compared with 33 per cent for those with Level 2; 12 per cent compared with 9 per cent for those with a qualification at Level 4 or above.

Comment

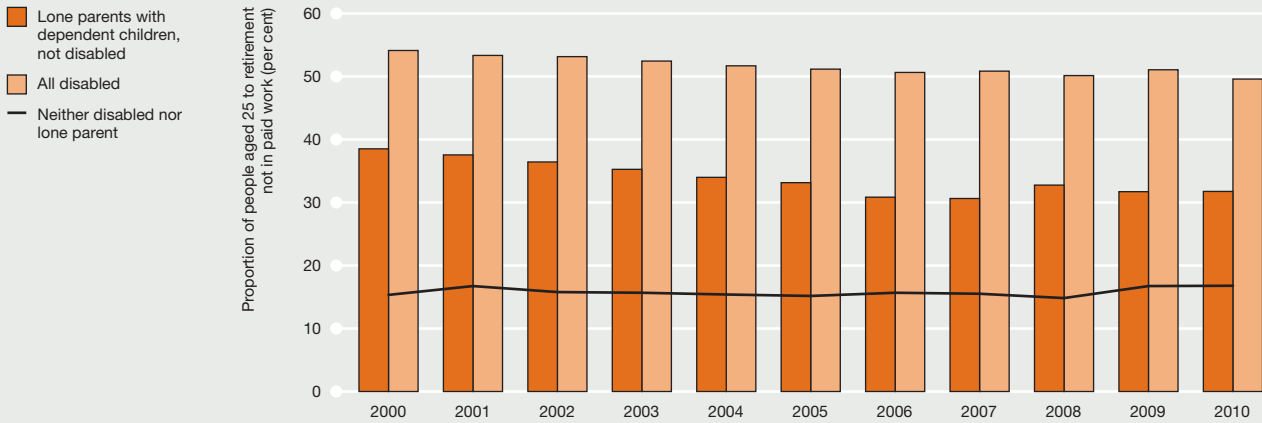
When looked at together, it is clear that disability has a much greater effect than lone parenthood on the likelihood that someone will lack work. Compared with women who are neither lone parents nor disabled, lone parenthood adds ten percentage points to the likelihood that a woman lacks work while disability adds closer to 30 percentage points to that likelihood for both men and women.

What accounts for the much higher likelihood that a disabled person will lack work? Even after taking qualifications into consideration, it is still the case that a disabled person is much more likely than a non-disabled person to lack but want paid work. They are also more likely (although to a much smaller extent) to be low-paid when in work. A reasonable inference from these pair of figures is that the collective action of employers means that once allowance is made for the level of qualifications, the opportunities for disabled workers are different from those for non-disabled ones. Irrespective of employer intentions (about which we have no evidence), this difference has the effect of being discriminatory.

Disability, lone parenthood, gender and work

Indicator: 33A

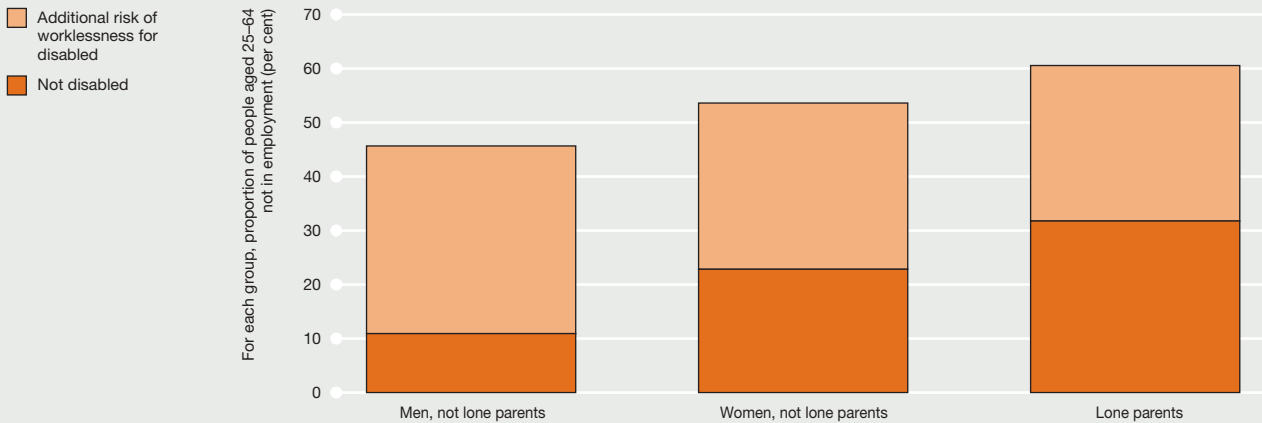
The proportion of workless disabled people is much higher – and has fallen by less – than the proportion of workless non-disabled lone parents.



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

Indicator: 33B

Disability adds an extra 30 per cent to the chances of not being in employment across gender or parent status.



Source: Labour Force Survey Household; the data is average for 2009 and 2010, UK

The first graph shows the proportion of people aged 25 to retirement who are not in paid work, with the data shown separately for combinations of disabled/not disabled and lone parent/not lone parent.

The second graph shows the risk of being workless for working-age adults aged over 25 to retirement by whether or not they are disabled. The top bar in the graph shows the extra risk that disability brings. The data is shown for combinations of lone parent status and gender.

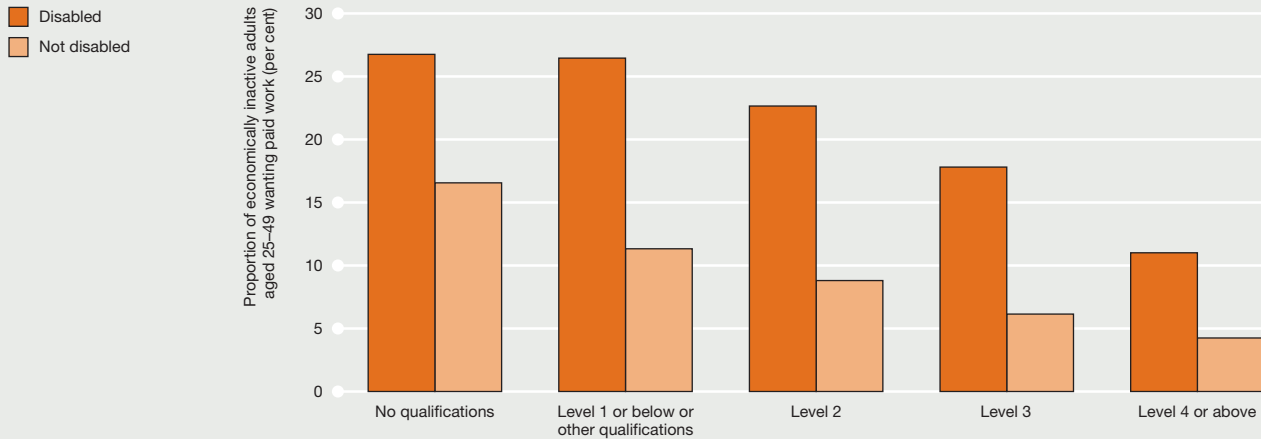
Disabled here refers to anyone who met either or both the disability definitions in the Labour Force Survey – work-limiting disability or disabled according to the Disability Discrimination Act (DDA). Work-limiting disability comprises those people who stated that they have had health problems for more than one year and that these problems affect either the kind or amount of work that they can do. The DDA defines a disabled person as a person with a physical or mental impairment that has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities, and not just work.

The lower age limit of 25 has been used because the high prevalence of unemployment among younger adults and the low incidence of disability in that age group change the comparisons.

Disability, qualification, work and pay

Indicator: 34A

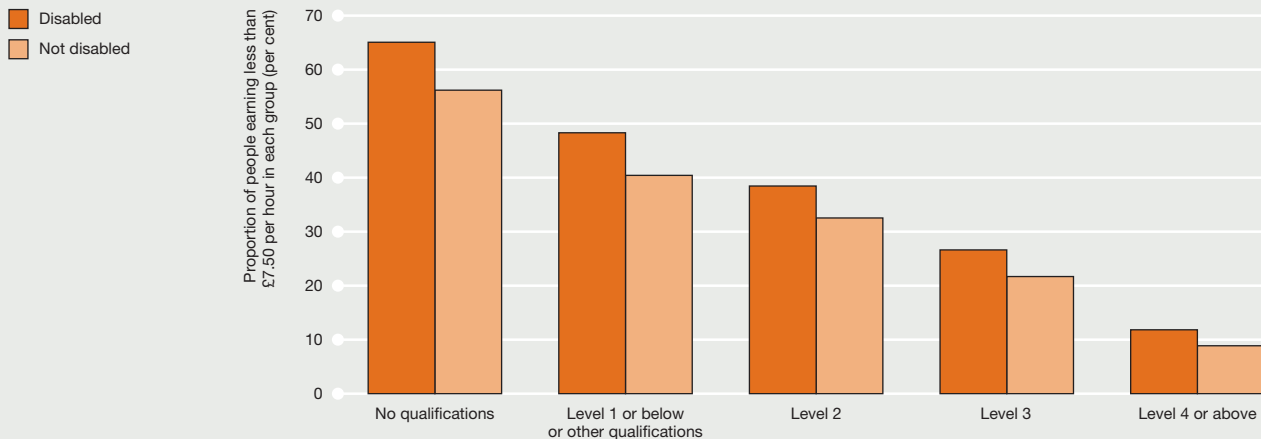
For any given qualification level, the proportion of disabled people who lack but want paid work is much higher than for those without a disability.



Source: Labour Force Survey, ONS; the data is the average for 2008 to 2010, UK

Indicator: 34B

For any given qualification level, the proportion of disabled people who are low-paid is slightly higher than for those without disability.



Source: Labour Force Survey, ONS; the data is the average for 2008 to 2010, UK

The first graph shows how the proportion of people aged 25–50 who lack, but want, paid work varies by level of disability and level of highest qualification.

The second graph shows the proportion of people earning less than £7.50 per hour, again by level of disability and level of highest qualification. £7.50 has been chosen as the low-pay threshold as it is roughly equal to two-thirds of UK median hourly earnings.

'Lacking but wanting paid work' refers to those who are ILO unemployed; economically inactive people are those who want to work but are not available to start work or are not actively seeking it.

The definition of disability used is the same as that given in indicator 33.

Qualification at or below Level 1 includes qualifications such as 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 teaching qualifications and higher education and degree-level qualifications.

The age limit of 25–50 has been used to limit the distortions that high prevalence of unemployment and low prevalence of disability among younger adults and high incidence of disability in older age groups can cause.

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About this chapter

Older people have always been an important focus of this report. This year we adjust the focus slightly to extend the analysis to include older adults of working age. There are three reasons for doing this.

Firstly, the gradual rise in the state pension age coupled with the abolition of the notion of a retirement age, means there is now no longer either a fixed or even clear boundary for this group.

Secondly, even before this, the proportion of people aged 65 and above who are in paid work (or indeed who are even unemployed) has been rising steadily. This rise has been quite undisturbed by the recession. Previously one in eight people over 65 were in work. Now it is one in four.

Thirdly, and crucially relevant for this report, the poverty rates among those in their late 50s now stand out. It is to give this group – the ‘pre-retirement years’ – greater prominence that we have extended the scope of this chapter.

Low income

Choice of indicators

For much of the twentieth century, poverty was more likely to be associated with pensioners than with any other age group, including children. Yet policies pursued since the late 1990s mean that such an association is now perhaps less justified than ever before. By contrast, poverty among working-age adults received – and receives – very little attention.

This theme focuses on income and savings among those aged 55 and above, with supporting information distinguishing by age, gender and housing tenure.

- 35 **Low income and income inequality:** poverty rates for three age sub-groups of older adults supported by a more detailed age-specific presentation of income inequality among older age men and women separately.
- 36 **Private income and savings:** the number of single and couple pensioners who have no source of income other than the state benefits (including the retirement pension). This is supported by information on the distribution of savings across the population of those aged 55 and above, broken down further by age of the head of the household and housing tenure.
- 37 **Non-take-up of benefits by pensioners:** the proportion of pensioners not taking up the housing benefit, Council Tax Benefit or Pension Credit to which they are entitled. Both the number of such pensioner families involved, and the amounts of money not claimed, are shown.

Key points

35 Low income and income inequality

In the three years to 2008/09, some three million people aged 55 and above lived in low-income households, a poverty rate of 18 per cent for the group as a whole. Among those aged 75 and above, the rate was higher, at 20 per cent. The rate was also slightly higher among those aged 55–64, at 19 per cent. The lowest rate, at 16 per cent, is among 65- to 74-year-olds.

Compared with the three-year period ten years earlier, all these rates had come down but by very different amounts. The largest fall was among those aged 75 and above, down by almost a half from 37 per cent ten years earlier. The rate for those aged 65 to 74 also fell sharply, down by a third from 25 per cent. By contrast, the rate among those aged 55–64 barely changed.

For men, the proportion of 55- to 64-year-olds in the lowest fifth of the income distribution, over the three years to 2008/09 was, at 18 per cent, higher than at older ages. For women, the 18 per cent of 55- to 59-year-olds was higher than the rate for all later ages except, marginally, among those aged 80 and above.

While the rate for women was always higher than the rate for men among those aged 65 and above, it was the same for both genders among 55- to 59-year-olds and higher for men (18 per cent) than women (14 per cent) among 60- to 64-year-olds.

Among those aged 55–59, 31 per cent of men and 28 per cent of women were in the top fifth of the income distribution in the three years to 2008/09. Among those aged 60–64, the rates were 26 per cent and 24 per cent. As a result of the high proportions of people aged 55–59 and 60–64 in the top fifth of the income distribution, income inequality was much greater for these age groups than for older ones.

From the age of 70, more women were in the bottom fifth of the income distribution than the top. For men this only applied among those aged 80 and above.

36 Private income and savings

In 2009/10, 1.1 million pensioners had no income other than the State Retirement Pension and/or state benefits. Although the overall trend has been downwards since 2007/08 when it reached 1.4 million, it is unclear whether this represents a longer term trend or not. With the exception of the latest year, the number has remained within the range 1.2 million to 1.4 million since the mid-1990s.

Of that 1.1 million pensioners, 400,000 belonged to couples while 700,000 were single. Any decline in the total number of pensioners with no income other than that provided by the state has been confined to the number of single pensioners.

In 2009/10, around 9.2 million people living in households headed by people aged 55 or above had household savings of less than £1,500. Of these, three-quarters were living in owner-occupied houses while a quarter were renters. Broken down by age, just over one half (54 per cent) were aged 55–64 while just over a quarter (26 per cent) were aged 65–74. The other one-fifth were aged 75 and above.

More detailed analysis of this shows that 80 per cent of those with household savings of less than £1,500 had no savings at all.

37 Non-take-up of benefits by pensioners

In 2008/09, the latest year for which this data is available, an estimated 300,000 pensioner families (that is, single pensioners or pensioner couples) were not claiming the housing benefits (either Housing Benefit [HB] or Local Housing Allowance [LHA]) to which they were entitled – some 17 per cent of all those entitled to it. This proportion has been rising fairly steadily since at least the start of the decade when it stood at around 10 per cent.

By contrast, the proportions of pensioner families not claiming the Council Tax Benefit or Pension Credit to which they were entitled were down from the highest values seen in 2003 or 2004. They were, however, still far higher in 2008/09 than the proportion not claiming housing benefits: 40 per cent for Council Tax Benefit (1.7 million) and 33 per cent for Pension Credit (1.3 million).

Among the estimated 300,000 not claiming housing benefits, two-thirds were missing out on £20 a week or more.

By contrast, just under half of those not claiming the Pension Credit to which they were entitled were missing out on that amount. Only a fifth of those not claiming Council Tax Benefit were missing out on amounts of this size. So while fewer people fail to claim the housing benefits (HB or LHA) to which they are entitled, the amounts they are missing out on tend to be higher.

Comment

There are two main reasons for extending the traditional focus on pensioners to include all those aged 55 and above. The first lies in what has happened to their respective poverty rates over the last decade. In the late 1990s, the poverty rate for 55- to 64-year-olds was markedly less even than that for 65- to 74-year-olds – and barely more than half that for those aged over 75. Ten years later, in the late 2000s, thanks entirely to falls in pensioner poverty, those aged 55–64 no longer have a clear advantage over older groups but were, instead, just as likely to be in poverty as those aged 75 and above. This is a dramatic transformation.

At the same time, the high proportion of 55- to 64-year-olds in the richest fifth of the population means that the high poverty rates at that age are accompanied by high levels of income inequality (something which does not persist to anything like the same degree beyond the state retirement age). This group includes most of the baby boomers, so the analysis suggests that this cohort is not the uniformly prosperous group of common perception.

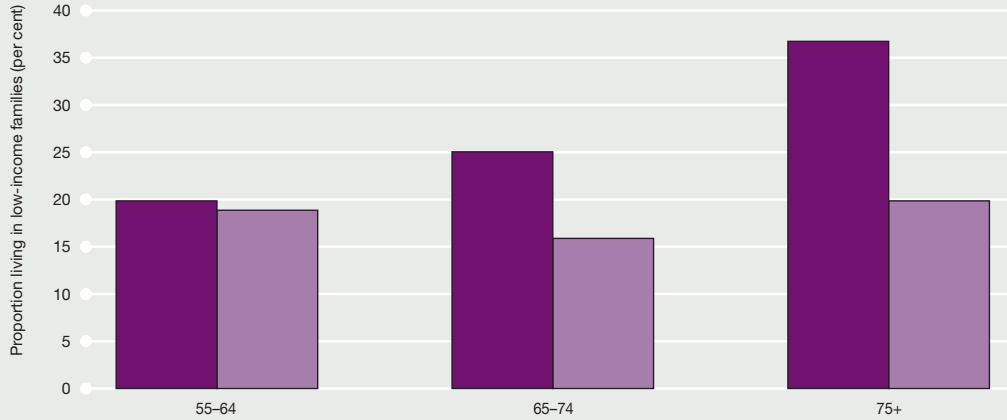
The second reason for paying attention to this younger age group is that for both men and women, the extent of low income is greater before the state retirement age than immediately after. The higher level of Pension Credit compared with the income replacement benefits for those of working-age are bound to be a big factor here. The forthcoming rise in the state retirement age – and the age at which entitlement to Pension Credit begins – means that the improvements seen currently at 65 for men and 60 for women (measured here by the proportions in the poorest fifth) will be delayed. As a result, the phenomenon of poverty and low income among those just short of retirement, which up until now has been growing in relative importance compared with pensioner poverty, can also be expected to grow in absolute terms in the coming years.

Low income and income inequality

Indicator: 35A

Over ten years, the risk of poverty has reduced significantly for those aged 65–74 and those aged 75 or over, but it has not changed much for those aged 55–64.

■ 1996/97 to 1998/99
■ 2006/07 to 2008/09

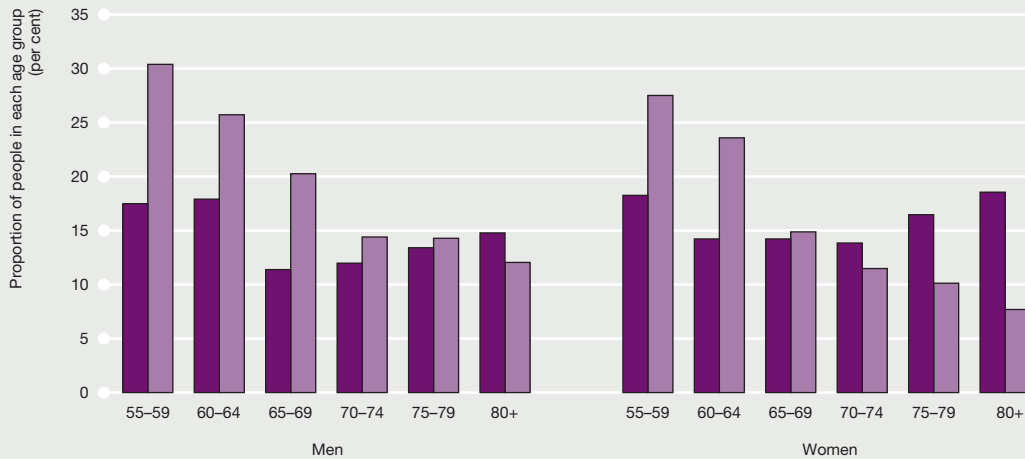


Source: Households Below Average Income, DWP; the data is for the UK

Indicator: 35B

The proportion of people at the extremes of the income distribution is much higher among 55- to 64-year-olds than among older age groups.

■ Bottom fifth
■ Top fifth



Source: Households Below Average Income, DWP; the data is the average for 2006/07 to 2008/09, UK

The first graph shows the proportion of adults aged over 55 living in low-income households, with data shown separately for the three age groups. The measure of low-income household used here is one where the net household income is less than 60 per cent of median income in that year after housing costs (AHC).

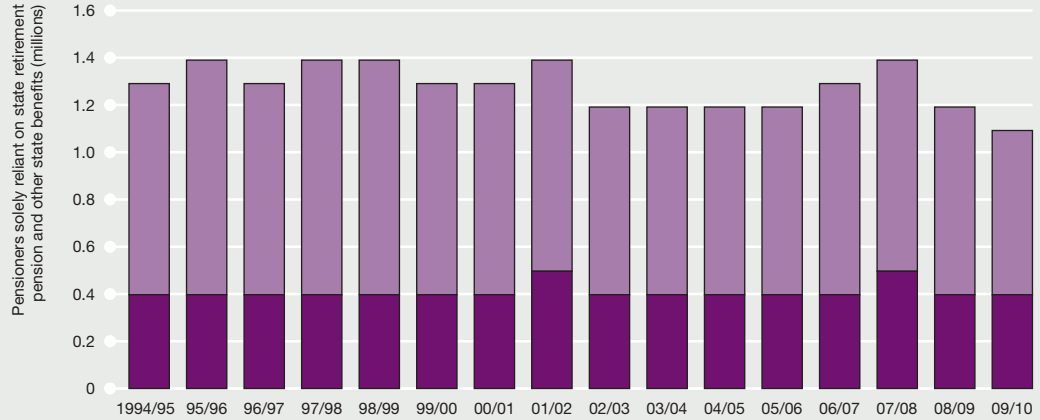
The second graph shows the proportion of people aged over 55 in the bottom and top fifth of the income distribution, by their age and gender.

Although both the graphs count the number of individuals in low-income households, their position in the income distribution is still decided by the household income and not individual incomes.

Indicator: 36A

The number of pensioners with no income other than state retirement pension and state benefits has remained fairly steady for the last 15 years.

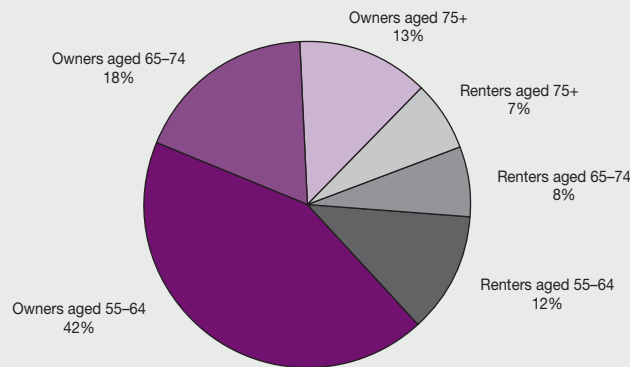
Single pensioners
In pensioner couples



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

Indicator: 36B

Three-quarters of people living in households headed by people aged 55 or above and with no household savings or household savings of less than £1,500 are owner-occupiers.



Source: NPI analysis of Households Below Average Income, DWP, the data is for 2009/10, UK

The first graph shows, over time, the number of pensioners, in couples and living alone, who have no source of income other than state support in the form of the State Retirement Pension and Pension Credit. The numbers are rounded to the nearest 100,000.

The second graph shows the number of people living in households headed by people aged 55 and above with total household savings of less than £1,500. The data is split by housing tenure i.e. owner-occupiers (including those buying their homes with mortgages) and renters.

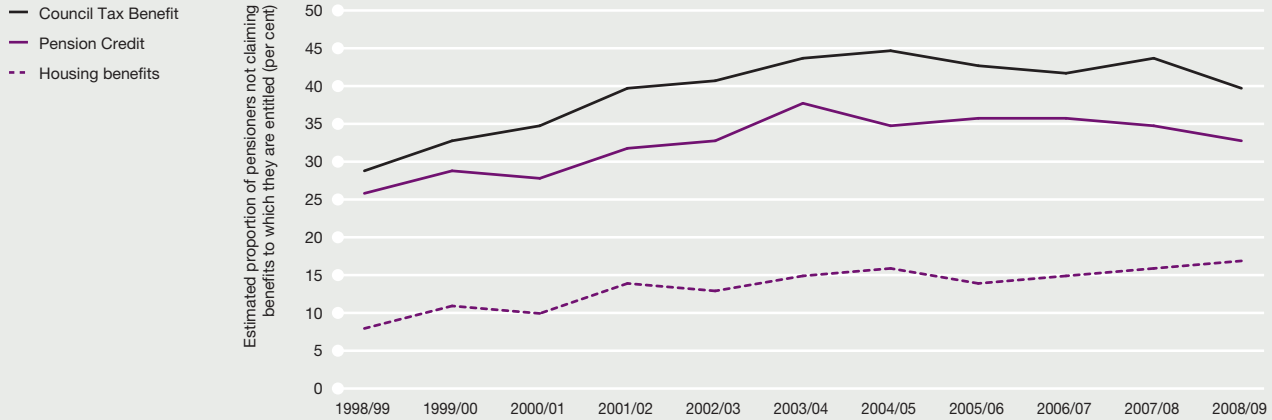
'Private income' includes any private pension or money from savings interest. Note that the figures exclude all those with any other income even if very small.

'Savings' constitute the following: current accounts; NSI savings accounts; basic bank accounts; Post Office accounts; ISAs; other bank/building society accounts; stocks and shares/member of a share club; PEPs; unit trusts; endowment policies, premium bonds; national savings bonds; company share scheme/profit sharing; credit union savings; government bonds or gilts. Fixed assets, most notably homes, are not included, though this is indicated by the housing tenure.

Non-take-up of benefit by pensioners

Indicator: 37A

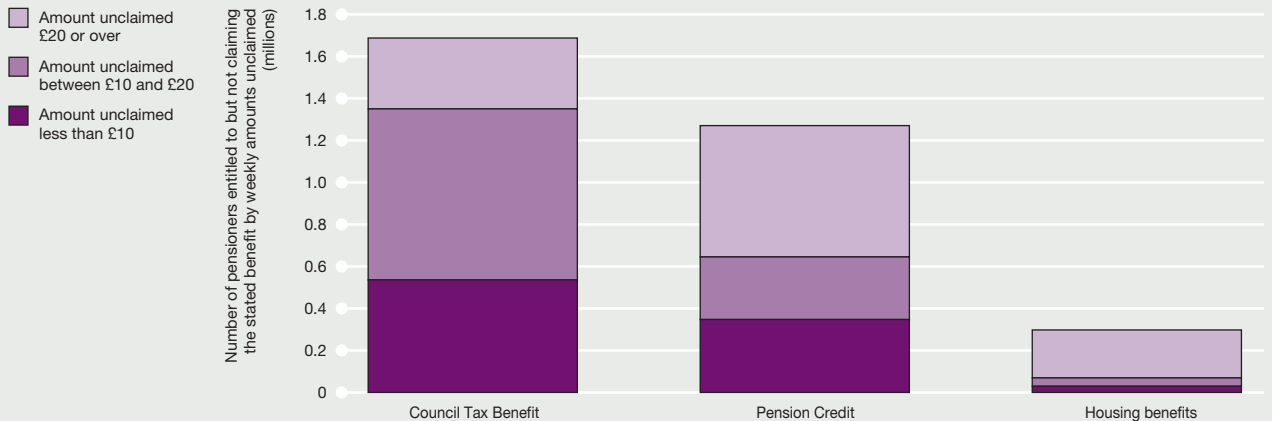
On the latest available figures, non-take-up of housing benefits by pensioners is at an all-time high whereas non-take-up of Pension Credit and Council Tax Benefit has fallen slightly.



Source: Income Related Benefits: Estimates of Take-up, DWP; the data is for Great Britain

Indicator: 37B

Though comparatively fewer pensioners are not claiming the housing benefits they are entitled to, almost all are missing out on amounts of £20 or more per week.



Source: Income Related Benefits: Estimates of Take-up, DWP; the data is for 2008/09, Great Britain

The first graph shows, for three selected benefits, the estimated proportion of pensioner households that are entitled to the benefit but are not claiming their entitlement. The benefits shown are the three major benefits for older people, namely Council Tax Benefit, Pension Credit and housing benefits.

The second graph shows the estimated total number of pensioner households entitled to but not receiving either Council Tax Benefit, Pension Credit or housing benefits by the weekly amounts unclaimed.

The figures are DWP estimates, based on the modelling of data from surveys such as the Family Resources Survey (FRS). Estimates based on the most recent FRS (2009/10) are not available yet. The figures shown are the mid-points of quite wide-ranging estimates, so the figures for any particular year are subject to considerable uncertainty.

Ill-health

Choice of indicators

Premature death rates have long been falling but the inequalities in those death rates remain large. The close connection between these death rates and proxies for low income is arguably the single strongest reason why poverty should continue to be a high political priority.

While medical records have little or no data on income, work status or social class, the substantial variation in average socio-economic characteristics between local authority areas means that these provide a basis against which key measures of morbidity and premature mortality can be compared. Although neither measure is exclusively to do with older adults, it is among this age group that the effects of both are most likely to be seen.

- 38 **Premature death:** the proportion in each local authority area dying before the age of 65, with local areas classified according to the proportion of working-age adults in receipt of out-of-work benefits. This is supported by information on the extent to which the death rates differ between men and women and between Wales, Scotland and the English regions.
- 39 **Disability-free life expectancy:** the number of years that men and women can expect to have free of disability, separately for England, Wales and Scotland, supported by information on how this varies across England according to the proportion of working-age adults in receipt of out-of-work benefits.

Key points

38 Premature death

In 2009, there were 217 'premature deaths' (deaths among people aged under 65) per 100,000 population in the most deprived fifth of local authority areas across Britain. This is 32 per cent higher than the 164 per 100,000 in the middle fifth of local authority areas and 63 per cent higher than the 133 per 100,000 in the least deprived fifth of areas.

Over the ten years before 2009, all three premature death rates came down, by 16 per cent in the most deprived fifth, 17 per cent in the middle and 21 per cent in the least deprived. This pattern of falls means that the inequality in premature death rates increased over the period, particularly between the most and least deprived (the gap rising from 53 per cent to 63 per cent).

In Wales, Scotland and all the English regions, premature death rates for men are much higher than for women, by between 54 per cent (Yorkshire and the Humber) and 69 per cent (London).

There is also almost as large a variation in premature death rates between areas, with rates particularly high in Scotland and parts of northern England. Compared with the English East (the region with the lowest rate) the difference is 50 per cent for Scotland, 35 per cent for the English North West and 30 per cent for the English North East. The extent to which the rates vary between regions and countries are very similar for men and women.

39 Disability-free life expectancy

Between 2000–2002 and 2006–2008, disability-free life expectancy at age 65 increased in all three countries for both men and women. Increases for men were largest in Wales (1.9 years) and England (1.6 years) and smallest for women in those two countries (0.4 years). The improvement in Scotland was 0.7 years for both men and women.

As a result, the gap between men and women has closed over the period. At age 65, men in England and women in all three countries could expect a further 11 years on average of disability-free life. By contrast, men in Wales and Scotland could expect only a further nine years.

Much larger gaps exist according to whether people live in more or less deprived areas. Measured at age 16, disability-free life expectancy for those in the most deprived fifth of local authority areas in England was five years less than those in middle areas and seven years less than for those in the least deprived fifth. So a 16-year-old in the most deprived fifth would on average cease to be disability-free by age 62 whereas a 16-year-old in the least deprived fifth could expect to remain disability-free until age 69.

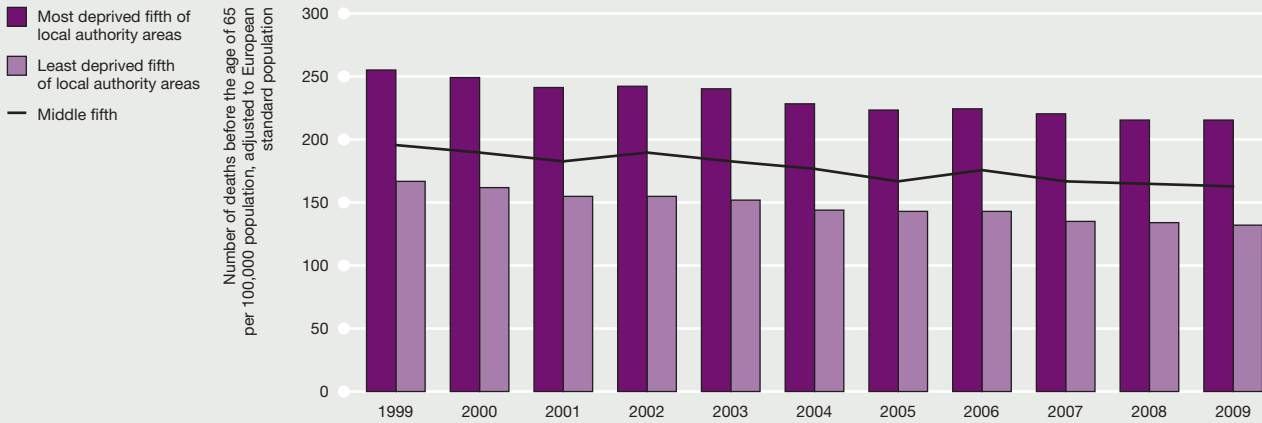
Measured at age 65, these gaps had fallen but not disappeared: two years between the most deprived and the middle fifths (74 and 76) and three years between the most and least deprived fifths (74 and 77).

Comment

The extent to which premature death rates are correlated at the local authority area level with the proportion of working-age people in receipt of out-of-work benefits is remarkable. The correlation of rankings of local authorities across Britain according to the premature death rate and the proportion receiving out-of-work benefits is as high as 84 per cent. If Scotland is excluded, the correlation rises even further to 88 per cent. These two rankings are so close that for all practical purposes, they could be used interchangeably.

Indicator: 38A

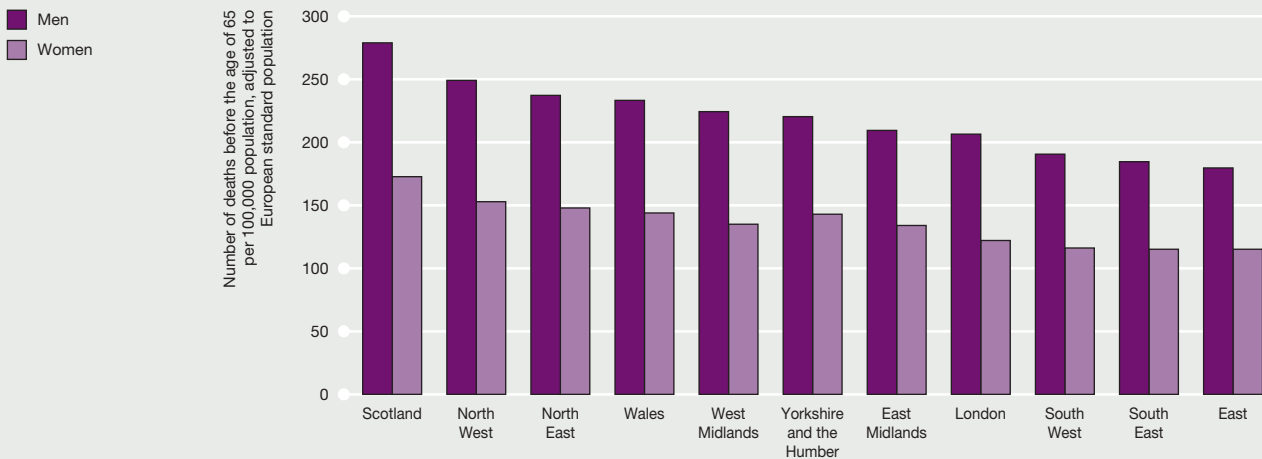
Premature death rates have come down in all areas but in proportional terms they have come down more in least deprived areas than in average or most deprived areas.



Source: ONS Mortality Statistics, England and Wales; GRO Statistics, Scotland; Benefit Statistics, DWP

Indicator: 38B

Premature death rates for men and women are 50 per cent higher in Scotland and 30 per cent higher in parts of northern England than in the English East and South East.



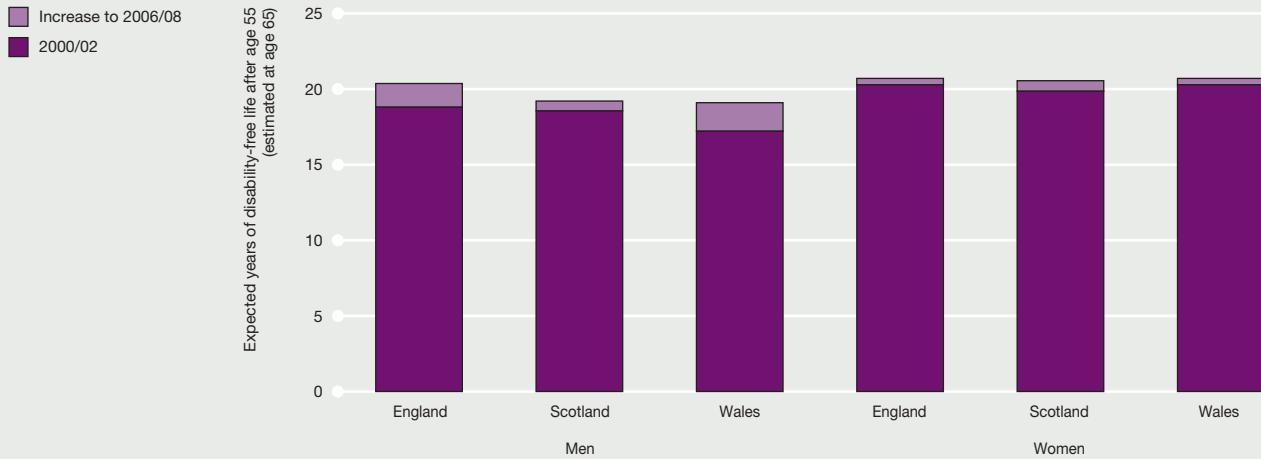
Source: ONS Mortality Statistics England and Wales; GRO Scotland, 2009

In the first graph the rate of mortality before the age of 65 is calculated for each local authority in England and Wales. This rate is standardised to the European Standard Age Structure to control for different age distributions between areas. Areas are ranked according to the proportion of working-age adults receiving out-of-work benefits in each year shown in the graph. Areas are then divided into five groups based on this ranking. The first graph shows the premature death rate for the median (i.e. average) authority in each fifth. The second graph shows the premature death rate for each English region, Scotland and Wales. The rates are again standardised.

Disability-free life expectancy

Indicator: 39A

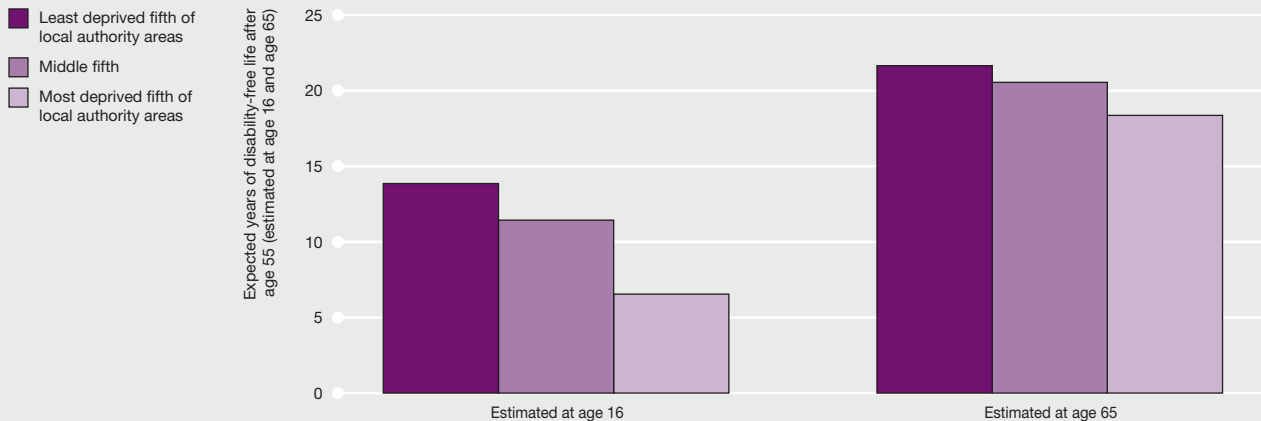
Although disability-free life expectancy has improved more for older men than older women in recent years, it is still lower for men than women.



Source: Life expectancy (LE), healthy life expectancy (HLE) 1,2 and disability-free life expectancy (DFLE) at birth and age 65: by year and sex, ONS, data is for England

Indicator: 39B

At age 16, those in the least deprived areas of England can expect 7.5 more years of disability-free life than those in the most deprived areas; at age 65, they can still expect 3.5 more years.



Source: Life expectancy (LE), healthy life expectancy (HLE) 1,2 and disability-free life expectancy (DFLE) at birth and age 65: by year and sex, ONS, data is for England

Disability-free life expectancy is calculated for different areas at age 16 and 65. In order to make the comparison over the life course, the graph shows this as an estimate of additional years from the age of 65, as for some areas expectancy at age 16 is less than 65 years.

The first graph shows the difference by gender and country.

The second graph shows the variation across areas. Areas are ranked according to the proportion of working-age adults receiving out-of-work benefits in each year shown in the graph. Areas are then divided into five groups based on this ranking.

The second graph shows the disability-free life expectancy for the median (i.e. average) authority in each fifth.

Exclusion

Choice of indicators

The first theme of this chapter looked at poverty among older adults. This theme looks at social exclusion. A sense of being isolated at home, although obviously more likely among those who do not go out to work, is not an inevitable consequence of old age.

This theme highlights some of the material and psychological barriers that may create a sense of isolation. Ideally, the subject (of which this is but one aspect) of lack of access to services should be covered in more depth – in particular, a lack of access to publicly-provided (or paid-for) services. But while there are lots of performance statistics on what is provided there is very little on the demand, or need, that is not being met. There is also very little information that allows these topics to be broken down by income, something which allows inferences to be made about the extent to which a lack of something may be judged ‘involuntary’.

- 40 **Fear of crime:** the proportion of adults of all ages who are very worried about crime, with supporting information on the extent to which men and women of different ages and with different levels of income feel unsafe alone outside at night.
- 41 **Lack of access to a car:** households without a car of their own, tabulated against income, supported by information on the particular types of household most likely to lack a car. The full significance of this indicator also depends on data on mobility and (out-of-date) data on ease of accessibility to key destinations.
- 42 **Lack of internet access:** households without access to the internet tabulated against household income (which among other things serves to make the key point that such access is now the norm among households with average income). Supporting information shows the extent to which lack of access is linked to the age of household members.

Key points

40 Fear of crime

In 2010/11, 10 per cent of adults of all ages were ‘very worried’ about being the victim of violent crime. 10 per cent were also ‘very worried’ about being the victim of burglary. Both these proportions are around half of what they were in 2000 when 21 per cent were ‘very worried’ about being the victim of violent crime and 19 per cent were ‘very worried’ about being burgled. Although the largest year-on-year falls occurred at the start of the decade, both figures have been falling steadily over the period, with the exception of slight rises in both around 2005.

Some 25 per cent of women aged 55 and above with a low household income felt unsafe walking alone after dark. This compares with 14 per cent of women aged 55 and above with higher household incomes. In both cases, these proportions rise with age, from 23 per cent and 11 per cent respectively for those aged 55–64, to 26 per cent and 20 per cent for those aged 75 and over.

Among men aged 55 and over, some 8 per cent of men with a low household income and 4 per cent of other men felt unsafe walking alone at night. Here there is no consistent pattern about whether this proportion rises with age. These proportions for men are some two-thirds lower than the comparable proportions for women of the same age.

Among those under age 55, the proportions for both men and women are lower still: 4 per cent for men with a low household income and 2 per cent for other men; 16 per cent for women with a low household income and 8 per cent for other women. Despite these overall lower proportions, the differences between men and women, and between poorer people and others, remain very pronounced.

41 Lack of access to a car

Between the mid-1990s and 2010, the proportion of the poorest fifth of households lacking a car fell from two-thirds to a half (66 per cent to 49 per cent). Over the same period, the proportion of households in the middle fifth without a car fell slightly from 20 per cent to 18 per cent. Even though car ownership has therefore long been the norm for the average household, it is still no more likely than not among those on the lowest incomes.

In 2008 almost 60 per cent of single pensioners (63 per cent) and more than 40 per cent of both lone parents and single adults without children lacked a car. As a result, two-thirds of all households lacking cars are single adult ones: 33 per cent being single pensioners, 23 per cent being single working-age and 8 per cent being lone parents.

42 Lack of internet access

In 2009, 56 per cent of households in the poorest fifth lacked an internet connection at home, compared with 25 per cent of households with average incomes and 5 per cent of households with the highest incomes.

Five years earlier, in 2003/04, 81 per cent of households in the poorest fifth lacked internet access. At that time, it was still the case that half of all households on average incomes (and indeed half of all households) lacked home internet. It was only from that point on that it could be argued that home internet access had become the norm, and that a lack of access to it (to the extent that it was involuntary) could therefore properly count as a form of exclusion.

Over the period 2007 to 2009, one-third of all households without home internet were headed by someone aged 75 or over while another third were headed by people aged between 55 and 74.

Comment

The importance of both cars and the internet lie in what they give access to, whether absolutely or relatively (in the sense of easier and/or cheaper). But while we would expect little dissent from the idea that the internet belongs here, the extent of benefits conferred by access to a car is more controversial.

The basic case, as implied above, is that a car is overwhelmingly the norm among average households. This is supported by other data which shows typically that households without a car are twice as likely as households with a car to report difficulties accessing a range of local services including shops, supermarkets, doctors, post offices and especially hospitals.

These statistics have appeared in previous editions of this report (e.g. 2010, indicator 49) but, since the data is no longer collected, we cannot reasonably provide updated information. Other data, showing that those with cars make twice as many trips a year as those without, point towards the benefits that people derive from owning one.

The argument is complicated by the fact that despite car ownership being the norm, it is clearly not deemed essential by everyone. The proof of this lies in the 9 per cent without a car in the richest fifth, who can safely be assumed to be without a car by choice. Indeed, this percentage is slightly higher than the mid-1990s.

Clearly location plays a role. The same data source shows more than 40 per cent of households in London lacking a car (a percentage which is also a few points higher than in the mid-1990s). To be without a car when an extensive and frequent network of public transport is available is clearly a quite different matter to being without a car where public transport is poor.

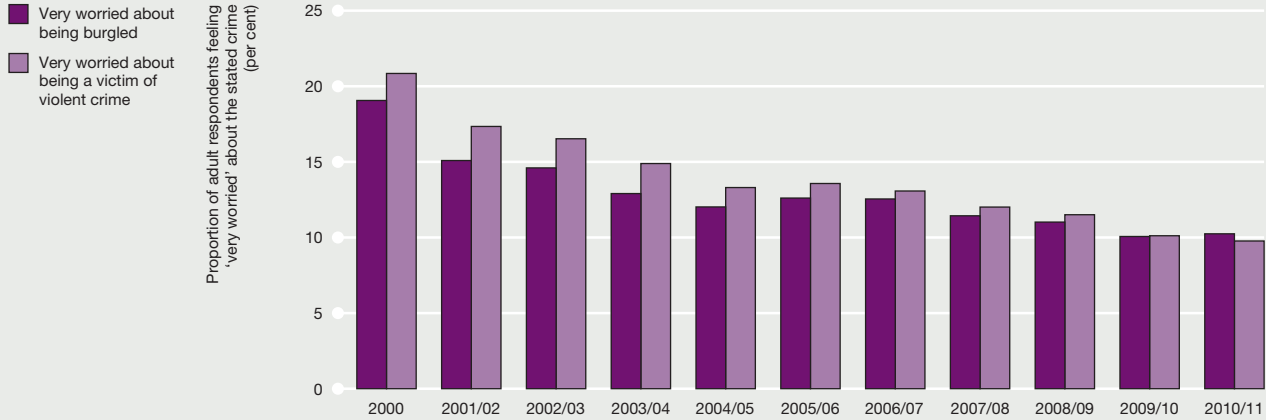
JRF's Minimum Income Standard for Rural Households (2010) found that a car was considered essential in rural areas. Other reports without the rural focus in the series did not find it to be so. Yet given that even in the poorest fifth over half of households own a car, the statistics suggest that it must be close to being the case. But we do not see the divide as one between rural and urban areas. Rather, it is between a few large metropolitan areas with frequent and reliable public transport systems and everywhere else.

The final point is this: with almost all lone parents and most single pensioners being women, there is a strong gender dimension (and nearly as strong an age dimension) to the lack of car ownership. Yet, as the penultimate indicator shows, it is women in general, and low-income older women in particular, who are most likely to fear walking alone at night.

Fear of crime

Indicator: 40A

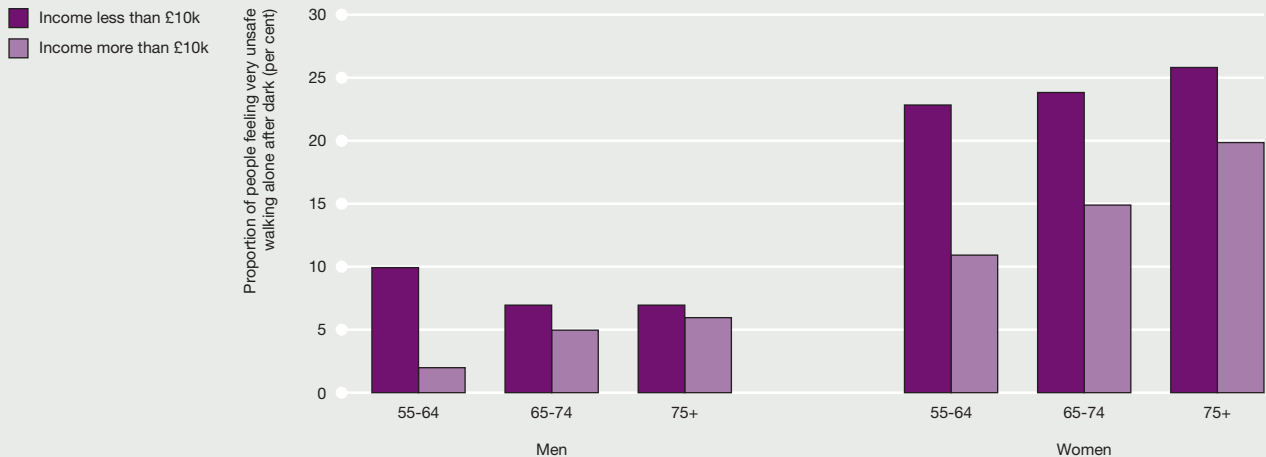
The proportion of adults of all ages who are very worried about being victims of crime is much lower than a decade ago.



Source: British Crime Survey, Home Office; the data is for England and Wales

Indicator: 40B

Women in general and poorer women in particular are much more likely than men to fear walking alone after dark.



Source: British Crime Survey, Home Office; the data is for England and Wales, 2009/10

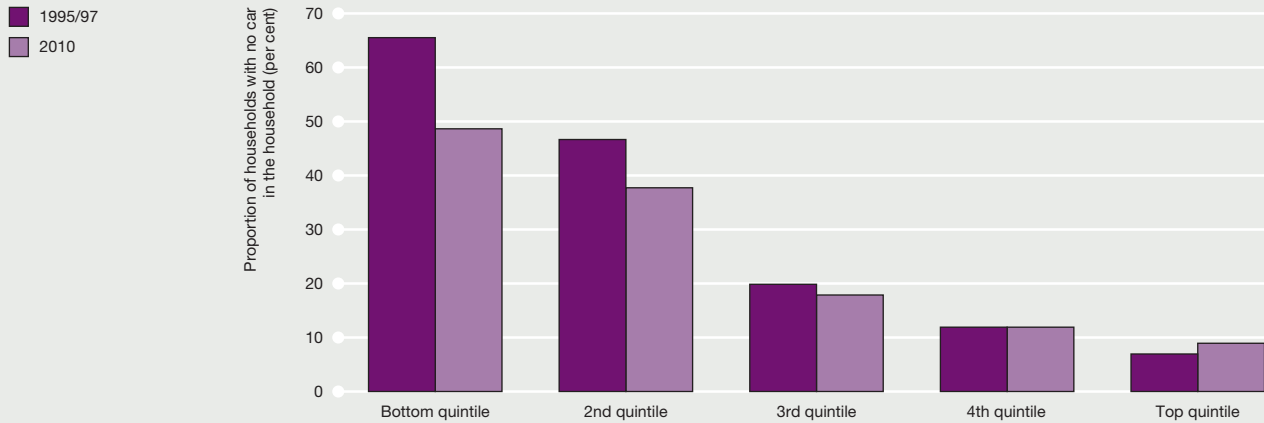
The first graph shows the proportion of people who are very worried about being a victim of a burglary or a violent crime.

The second graph shows the proportion of people aged 55 and over who felt worried or very worried about going out at night. The data is shown separately for gender, age and household income. Total household income is the combined income of all members of the household. It includes income from all sources including earnings from employment and self-employment, pensions (both state and private), benefits and tax credits, interest from savings and investments, maintenance, student grants and rent payments received.

The British Crime Survey (BCS) is a well-established annual government survey and the fact that the proportions feeling very unsafe have changed little over successive surveys suggests a degree of robustness to this result. However, it is unclear to what extent these feelings reflect anxiety more generally or simply with respect to being out at night.

Indicator: 41A

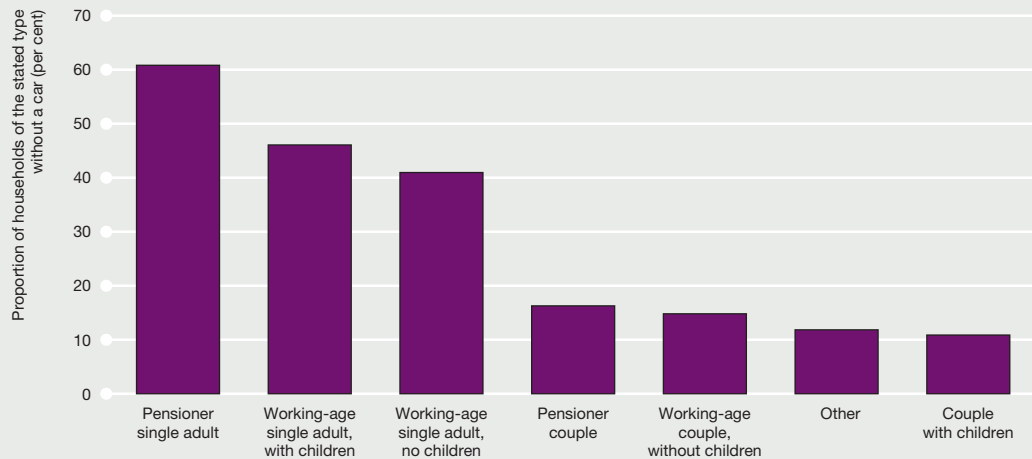
One in two households in the bottom quintile of the income distribution do not have a car in the household, compared to one in five households in the middle quintile.



Source: Table NTS070, National Travel Survey, DfT, Great Britain

Indicator: 41B

60 per cent of single pensioners do not have a car in the household.



Source: National Travel Survey, DfT; the data is the average for 2009 and 2010, Great Britain

The first graph shows the proportion of households without a car, with results shown separately for each fifth of the income distribution.

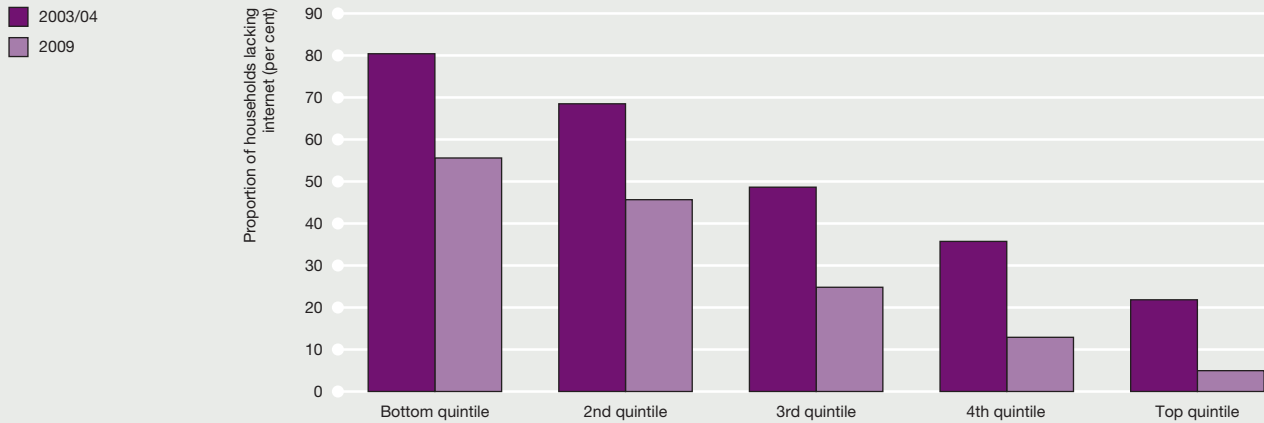
The second graph shows the proportion of households who do not have access to a car, with the data shown separately for each major type of household. Households are classified as working-age or pensioner depending on whether the household reference person is aged 65+ or not.

Household income in the first graph is the total gross income of all members of the household, before deduction of income tax, National Insurance or pensions contributions and has been equalised (adjusted) for household size.

Lack of internet access

Indicator: 42A

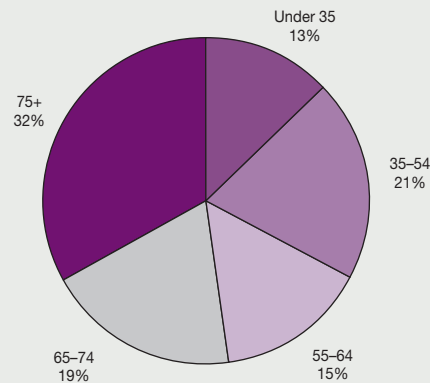
More than half of households in the bottom fifth lack an internet connection at home – twice the proportion of those in the middle fifth.



Source: Living Costs and Food Survey (previously known as Expenditure and Food Survey), ONS, 2003/04 and 2009; the data is for the UK

Indicator: 42B

Two-thirds of households without the internet at home are headed by people aged 55 and above.



Source: Living Costs and Food Survey (previously known as Expenditure and Food Survey), ONS; the data is an average for 2007 to 2009, UK

The first graph shows the proportion of households lacking an internet connection at home for each income quintile for the years 2003/04 and 2009.

The second graph shows the distribution of households without an internet connection at home by the age of the household reference person.

Internet connection includes both broadband and dial-up connection.

The household income in the first graph has been equalised (adjusted) for household size.

The household reference person (HRP) is the person who owns or rents or is otherwise responsible for the accommodation. In the case of joint householders, the person with the highest income takes precedence and is the HRP. Where incomes are equal, the older person is taken as the HRP. HRP age is used here as a proxy for the age of the household as a whole.

Chapter 6 **Housing**

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About this chapter

The final chapter of this report looks not at a population group, but at the cross-cutting theme of housing. There are three main reasons for giving housing its own section.

Firstly, housing costs are a significant part of the expenditure of low-income households. In fact, so much so that their inclusion or otherwise in the measure of low income changes the results.

Secondly, the shift in tenure trends from social renting into private renting is bound to affect low-income households more than others. For the first time in many decades, the number of households in the private rented sector almost matches the number in the social rented sector. If previously the assumption had been that low income and social housing were synonymous, that should certainly no longer be the case.

Thirdly, the next few years will see radical reforms to Housing Benefit, justified by the rising cost and caseload of the benefit itself. Understanding the context of these reforms is vital.

This chapter is divided into two themes. The first looks at the links between low income and housing, with a particular focus on affordability. The second theme moves away from issues of income to look at housing adequacy, its provision, size and quality. In so doing, this chapter looks at both poverty and social exclusion.

Income and housing affordability

Choice of indicators

This theme focuses on the links between low income and housing. It considers both how risks of low income vary across different tenures and how the cost of housing itself can contribute to or exacerbate the problems of low-income households. These problems can either be a reduction in disposable income as a result of high housing costs, or in extremis, home repossession.

- 43 **Low income by tenure:** the proportion of people in different tenures living in low-income households, and how the distribution has changed over the last decade.
- 44 **Housing affordability:** average housing costs for households across the income spectrum. The indicator looks at how this has changed over time, and how it varies with both income and tenure type.
- 45 **Mortgage arrears:** mortgage-holders – the largest single tenure type – falling into arrears and how this has changed in recent years. The supporting graph looks at how mortgage costs and affordability vary with work status.
- 46 **Repossessions:** both repossessions by mortgage lenders and repossessions by landlords of rented properties. This is a measure of extreme housing distress, where households can no longer afford their housing costs.
- 47 **Receiving housing benefits:** households in receipt of a housing-related benefits over time, broken down by tenure type. This is supported analysis showing the claims in the most recent year broken down by the type of other benefits received.

Key points

43 Low income by tenure

Over the decade to 2009/10 the proportion of people in social rented accommodation living in low-income households came down from 55 per cent to 44 per cent. For private renters, the proportion has remained quite static over the period and stands at 40 per cent.

Over the same period, the proportion of households who own their own homes outright and are in low income fell from 19 per cent to 14 per cent. Among those who own with a mortgage, this proportion was 12 per cent in 2008/09 compared with 11 per cent ten years earlier.

What this means is that while at the end of the 1990s there were four different poverty risks for four different tenures, by the end of the last decade there were effectively only two. There is little difference in risk between those in social rental and those in private rental. Nor is there much difference between those who own outright and those who own with a mortgage. The difference is now between those who rent their homes and those who own them.

The changing distribution of housing tenures, combined with the changing risk of low income identified above, means that the shares of low income across tenure types was very different in 2009/10 compared with 1999/00.

The only tenure with fewer households in low income in 2009/10 than a decade earlier was social renting. The numbers of low-income households in social rented accommodation was 1.9 million in 2009/10 compared with 2.8 million a decade earlier.

Over the same period, the number of low-income households in the private rented sector rose by 600,000 to 1.5 million. Among owner-occupiers, for those with and without mortgages, there has been little change in the numbers of households in low income. There are 1.2 million mortgage-holding households and 1.1 million households who own their properties outright living in poverty.

44 Housing affordability

In 2008/09, households in the bottom fifth of the income distribution spent an average of 30 per cent of their disposable income on housing. This proportion was around twice the average (16 per cent) and three times that of the richest fifth (10 per cent).

Not only do the poorest fifth pay more as a proportion of income, the rise in that proportion in recent years (five percentage points between 2003/04 and 2008/09) has been greater than households on average incomes (three percentage points over the same period) or households in the top fifth (one percentage point).

People in the bottom fifth of the income distribution living in private rented accommodation spend more than 50 per cent of their income on housing costs. This is far higher than the proportion spent by those in the bottom fifth living in social rented accommodation (32 per cent).

Overall, for any given tenure type, households in the bottom fifth spend a greater proportion of their income on housing costs. For any given level of income households in the private rented sector spend the highest proportion of their income on housing costs.

45 Mortgage arrears

In the first half of 2011, the number of households with mortgage arrears greater than 1.5 per cent of the value of the loan stood at 333,000. This figure was 20,000 less than the previous year but still 50,000 higher than the level in 2007.

The number of households newly falling into arrears fell by 4,000 in the first half of 2011 from the second half of 2010, reaching a level of 71,000.

In 2009/10, there were an estimated 510,000 mortgage-holders in part-time work. A further 320,000 were retired, the number economically inactive was 306,000 and 143,000 were unemployed. So in total, there were 1.2 million mortgage-holding households where no-one was in full-time work.

Clearly not all these households are at risk of falling behind with their mortgage payments. But half of unemployed households with a mortgage have weekly payments worth more than 50 per cent of the average income of unemployed households.

Clearly this statistic would be improved if the individual household's incomes were known, rather than the average for all unemployed households. But the data further suggests that the average mortgage repayment among unemployed households was around 75 per cent of weekly income in 2008 and 2009.

46 Repossessions

For the first time in three years, the number of court orders for mortgage repossessions rose significantly in the first half of 2011. In the six months to June 2011, there were 21,000 court orders for repossessions, compared with 15,000 in the previous six months. The number of court orders for repossessions is still around 9,000 below its six-monthly peak in 2008.

The number of actual repossessions rose slightly to 18,000 in the first half of 2011. This too is some way below the peak six-month figure of 25,000 in the first half of 2009. However, it is two-and-a-half times higher than in 2005.

In the year to mid-2011, the highest rates of mortgage repossessions were found in Wales (9.5 per 1,000 mortgage-holding households), the North East (8.9) and the North West (8.7).

But in all parts of Great Britain, the rate of landlord repossessions, which are actions by landlords against their tenants, is higher than the rate of mortgage repossession, and often much higher. In London in the year to June 2011, there were 18 landlord orders for repossession per 1,000 renting households. Over the same period in London, there were 7.5 mortgage repossessions per 1,000 mortgage holders.

47 Receiving housing benefits

The number of households receiving housing benefits has risen in recent years and stood at 4.9 million in 2011. Most of the rise has been in the private rented sector, where the number of households receiving the benefit (either as Housing Benefit or Local Housing Allowance) almost doubled from 800,000 to 1.5 million in the decade to 2011.

But the number of recipients in the social rented sector has not fallen, despite the total number of such households falling by 300,000 in the period we cover. While the number of recipients did rise most sharply with the onset of the recession in 2008, the numbers have actually risen every year since 2004.

The second graph for this indicator shows that less than half of housing benefit recipients are also receiving means-tested out-of-work benefits. An additional 17 per cent (those who are not receiving a means-tested benefit and are not in employment), are likely to be receiving the contributory version of JSA or Employment and Support Allowance (ESA). A quarter of housing benefit recipients are pensioners, and the remaining 16 per cent are in employment.

Comment

This collection of indicators points towards a real change in the distribution of poverty across types of tenure. This is driven at least in part by the changing tenure mix across the population. The number of households in private rented accommodation rose by more than 1.5 million in the last decade while the number in social rented accommodation fell. This is bound to have an effect on the distribution of low-income households.

Another factor affecting the distribution of low-income households across tenures is the changing risks of low income among the general population.

The reduction in poverty among social rented households mirrors that among workless households (see graph 11A) in general and lone parent households in particular (see graph 10B). Half of social rented households are workless. The reduction in the proportion of households in low income who own their homes outright mirrors the fall in pensioner poverty. Pensioners are most likely to own their own homes outright (70 per cent compared to 20 per cent of working-age adults).

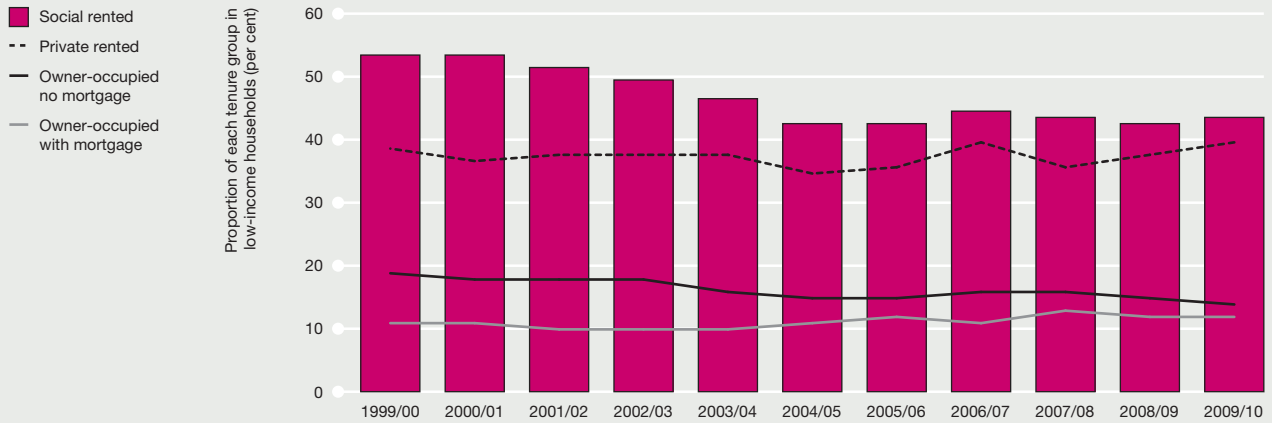
But there is surely a causal link, too. The rising proportion of income spent by the poorest fifth on housing costs is partly explained by the shift from social rental to private rental, and its attendant rise in housing costs. This movement increases the risk of poverty for some groups, notably working households, who are more likely to be in private rental than workless households are.

So the costs to households are clear, but so are the costs to the exchequer. The number of households claiming housing benefits, whether Housing Benefit in social housing or Local Housing Allowance in private rented accommodation, has risen steadily and the increasing number of people claiming in the private rented sector has driven up the total cost of claims substantially.

Finally, the recent increase in mortgage repossessions could be quite significant. Repossessions were rising before the start of the recession, but never rose to anywhere near the levels of the recession of the early 1990s. This was due to a combination of policy intervention (the Mortgage Action Protocol) and very low interest rates. The concern, then, is that these measures are beginning to wear off, and the recent increase in repossessions could be the start of a significant rise.

Indicator: 43A

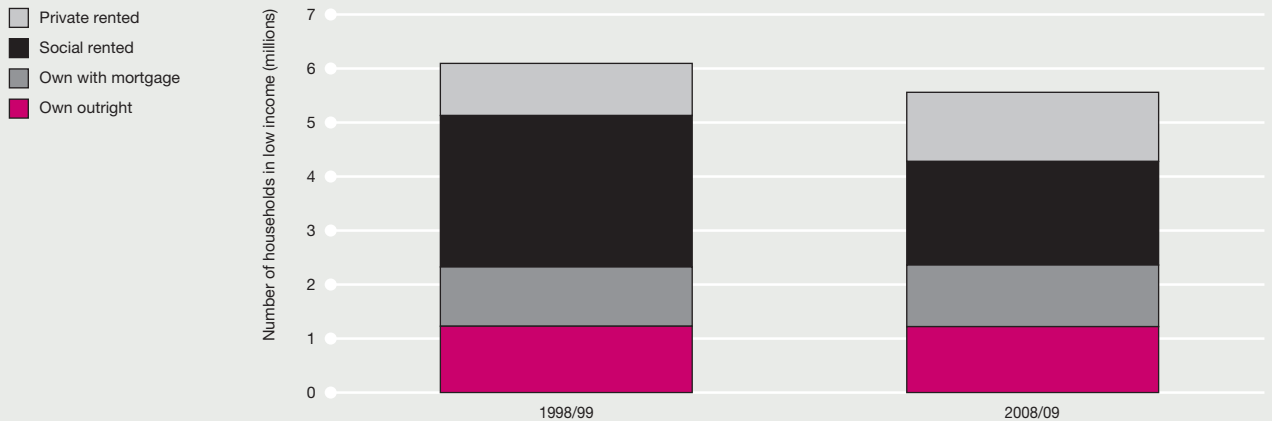
The proportion of social rented households in poverty fell substantially until 2004/05 and remains much lower than a decade ago.



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

Indicator: 43B

The number of households in poverty fell in the last decade, especially in the social rented sector. The number of low-income households in the private rented sector grew over that period.



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

The first graph shows the proportion of households in poverty by tenure group: owned outright, owned with a mortgage, social rented and private rented.

The second graph shows the number of households in poverty by tenure in 1998/99 and 2008/09.

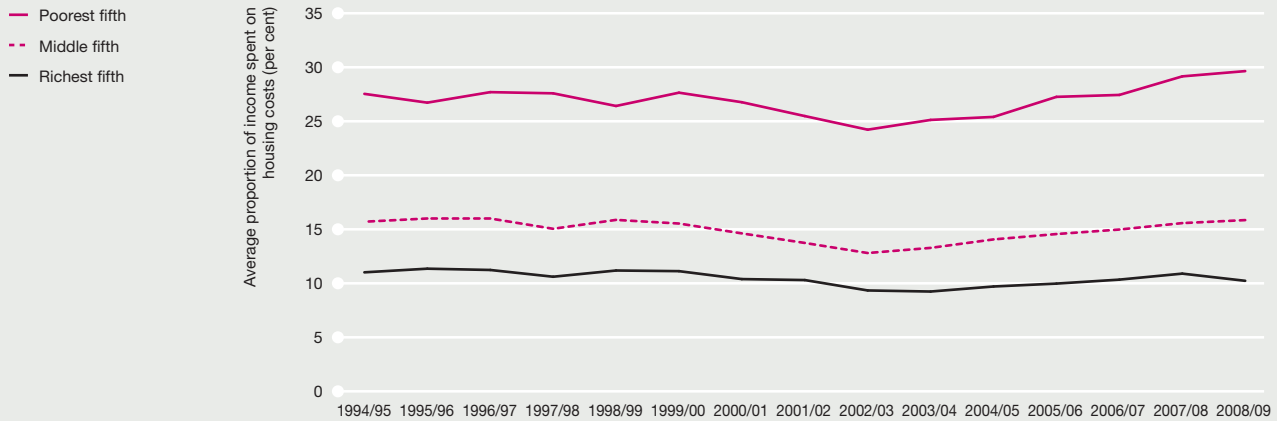
Social renting includes renting from a local authority or housing association.

Households 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 (AHC). All data is equalised (adjusted) to account for differences in household size and composition.

Housing affordability

Indicator: 44A

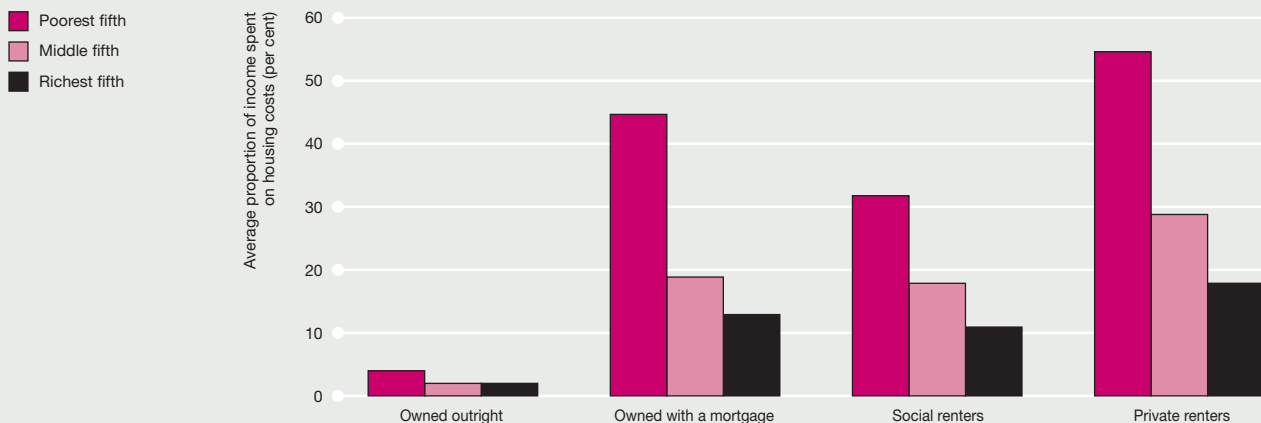
Poorer households spend a higher proportion of their income on housing. The proportion of income spent by all households on housing has been increasing since 2002 but has risen most among the poorest.



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

Indicator: 44B

Private renters tend to spend a greater proportion of their income on housing costs. Owner-occupiers and private renters in the poorest fifth spend around twice as much of their income on housing costs as average income households.



Source: DWP Households Below Average Income; the data is the average for 2006/07 to 2008/09 for the UK

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.

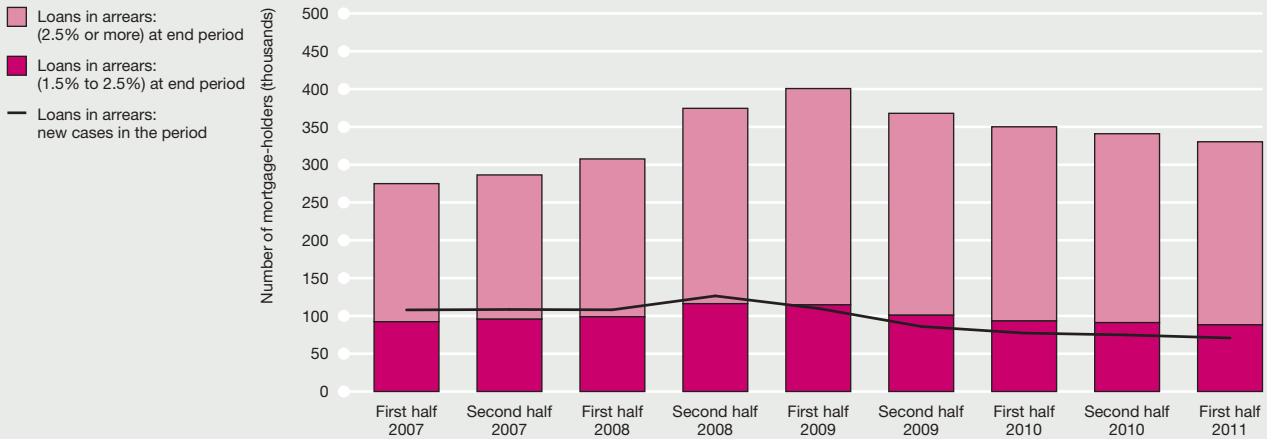
Housing costs are calculated as 'total income before deducting housing costs' less 'total income after deducting housing costs' in the Households Below Average Income dataset. They comprise such items as rent service charges, ground rents, mortgage interest (but not capital) and buildings insurance. 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.

Mortgage arrears

Indicator: 45A

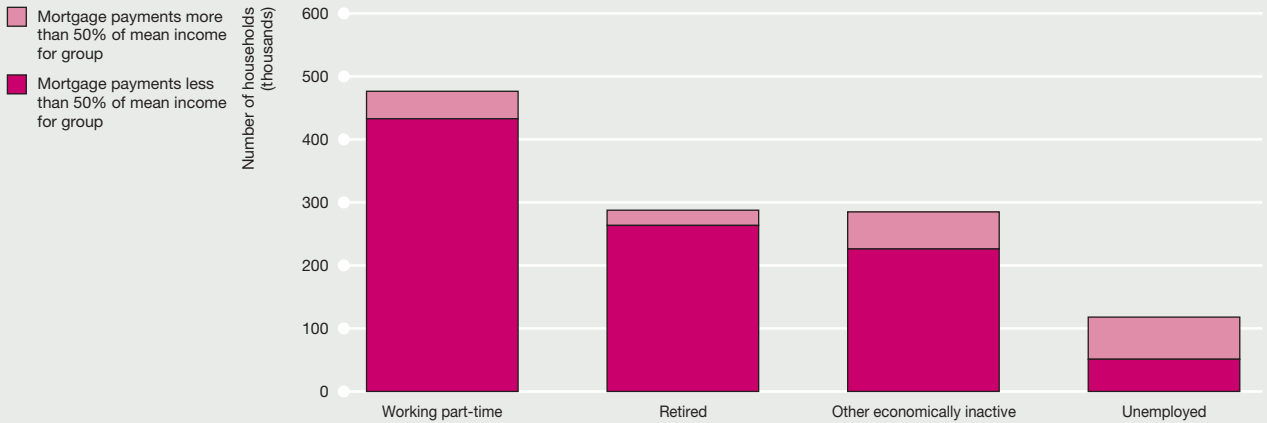
Although the number of new cases of loans in arrears is now lower than the 2007 level, the total number of loans in arrears is 50,000 higher.



Source: Mortgage Lending and Arrears Return Statistics, Financial Services Authority; the data is for the UK

Indicator: 45B

Although there are fewer unemployed households with mortgages, a high proportion of them have very high mortgage payments.



Source: English Housing Survey, DCLG; the data is the average for 2008/09 and 2009/10; the data is for England

The first graph shows the number of mortgage loan accounts in arrears with the results shown separately for loans where the arrears are between 1.5 per cent and 2.5 per cent, and arrears that exceed 2.5 per cent, of the total loan.

As the Financial Services Authority (FSA) stresses, the number of loan accounts in arrears is not the same as the number of borrowers in arrears. The former include first charge loans, second and subsequent charge loans and some further advance loans. These numbers are therefore on a different basis to, and materially higher than, those published by the Council of Mortgage Lenders (CML) on the number of first charge mortgagees in arrears. 'Arrears in excess of 1.5 per cent' is also a lower threshold than used by the CML, another reason why the numbers in arrears will therefore be higher.

The second graph shows the number of households with a mortgage by work status of the household reference person. Households where the household reference person is working full-time are not shown.

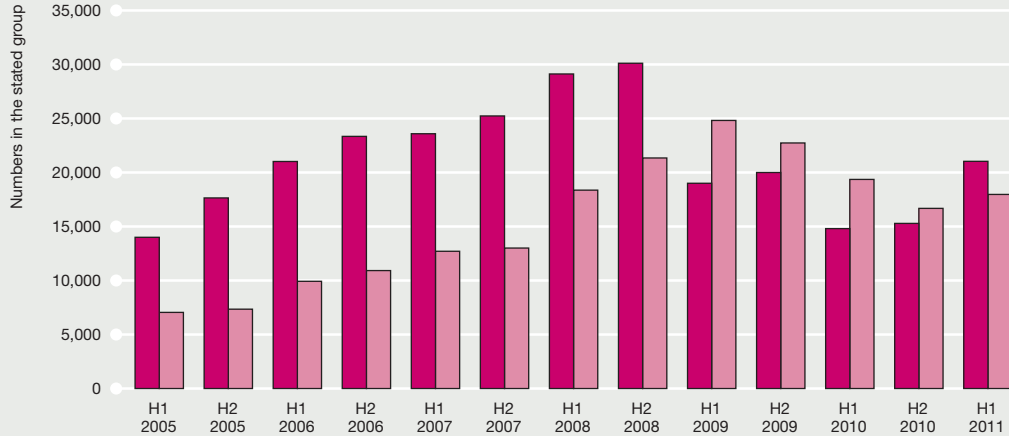
The data has been separated to show the number of households whose mortgage payments are more than 50 per cent of the mean income for that group and those whose repayments are less than this amount. Weekly repayments are given in banded amounts on the relevant DCLG table, so some interpolation of the data has been necessary to arrive at the estimate.

Repossessions

Indicator: 46A

The number of court orders made for mortgage repossessions rose sharply in the first half of 2011 for the first time since 2008. The number of actual repossessions rose slightly.

■ Court orders made for repossessions excluding suspended orders
■ Actual repossessions

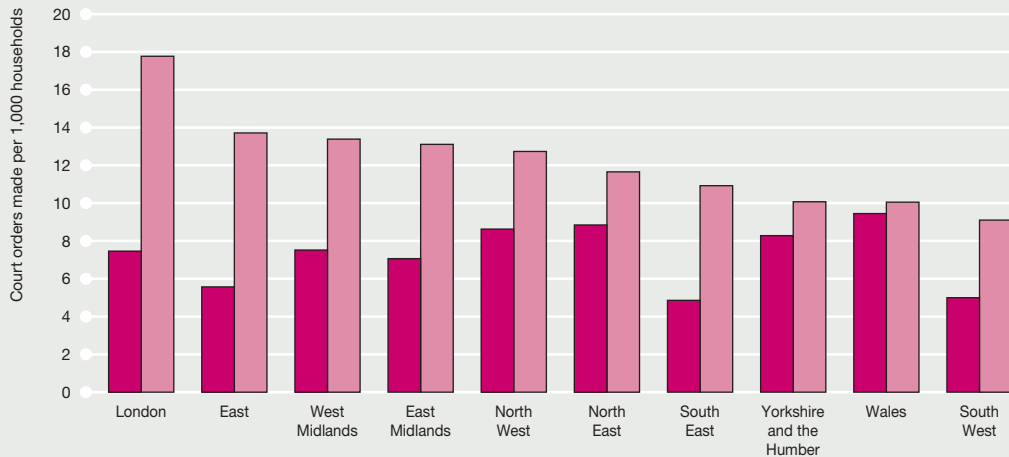


Source: Ministry of Justice, Mortgage and Landlord Possession Statistics; the data is for England and Wales

Indicator: 46B

The rate of landlord orders is higher than that of mortgage orders throughout England and Wales. Landlord orders are most common in London, while mortgage orders are most common in Wales and the North of England.

■ Mortgage orders
■ Landlord orders



Source: Ministry of Justice, Mortgage and Landlord Possession Statistics; the data is for the four quarters to mid-2011

The first graph shows the number of mortgage repossessions for the first and second half of the year, and the number of court orders made for mortgage repossessions during that period, excluding suspended orders.

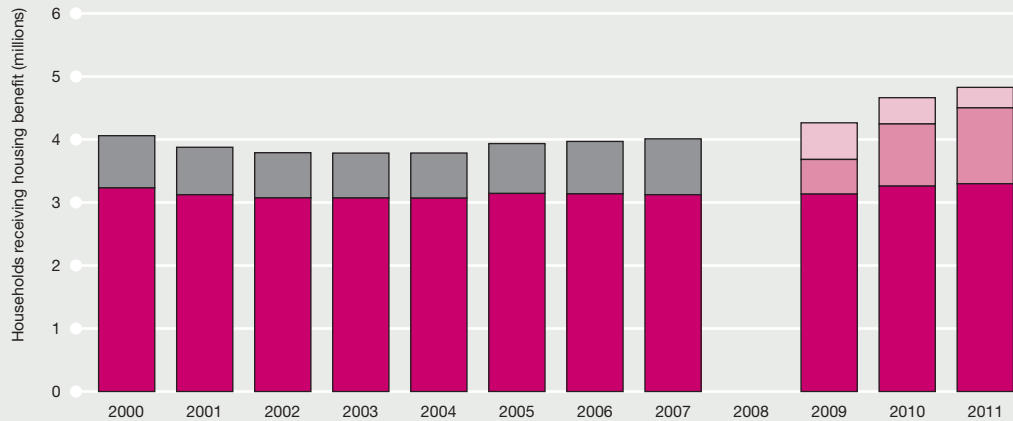
The second graph shows the number of orders for repossession made in county courts (including suspended orders) per 1,000 households in each of the English regions and Wales. Results are shown separately for orders made for landlord repossession (i.e. against the tenants) and mortgage repossession. The denominator used to calculate the rate of orders for each region is the number of households buying their home with a mortgage for mortgage orders, and the number of households renting for landlord orders.

Landlords can register repossession claims against their tenants for a variety of reasons. The majority are as a result of the tenant being in arrears. Landlords themselves can be subject to mortgage repossessions, which would be counted as such in the graphs.

Indicator: 47A

The number of households receiving housing benefits rose by over one million between 2004 and 2011. Most of the rise was in the private rented sector.

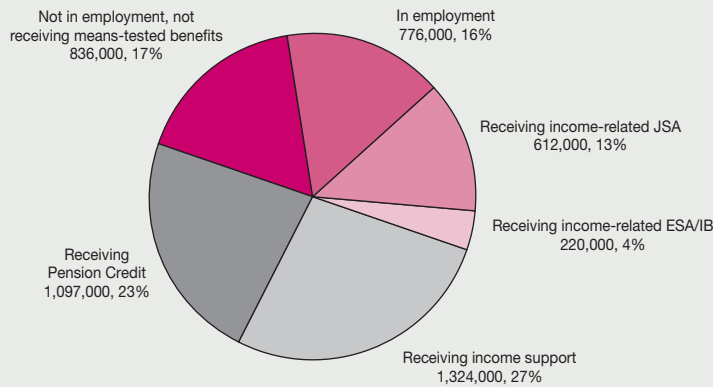
- Private
- RSL or LA
- Private receiving HB
- Private receiving LHA



Source: Housing Benefit quarterly statistics up to 2007, Single Housing Benefit Extract thereafter, DWP; the data is for February of every year, Great Britain

Indicator: 47B

Less than half of those claiming housing benefits claim a working-age, means-tested out-of-work benefit.



Source: Single Housing Benefit Extract, DWP, March 2011; the data is for Great Britain

The first graph shows the number of people claiming Housing Benefit until 2007, and Housing Benefit or Local Housing Allowance from 2009 onwards. No data is available for 2008, the year in which Local Housing Allowance was introduced. Data prior to 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 breaks down the total number of recipients according to their work and benefit status. It comes from Single Housing Benefit Extract (SHBE) data on the 'passport' status of claimants. Those receiving a means-tested benefit (the income related variants of JSA, IB/ ESA, IB and Pension Credit) are counted as 'passport' clients by the DWP. Those receiving the contribution-based variants of working-age benefits are not passported. It is our understanding that this group makes up the majority of those claimants not in employment and not claiming a means-tested benefit.

Housing adequacy

Choice of indicators

Affordability is one factor that links housing and poverty. But the quality of housing is something that exacerbates and is exacerbated by low income. When we talk about adequacy we include the size of the property, levels of thermal comfort as well as its basic availability. The indicators that follow look at housing adequacy, in terms of overcrowding, homelessness and fuel poverty.

- 48 **Overcrowding:** households living in overcrowded conditions, and how this varies with tenure. Both the proportions and numbers are shown.
- 49 **Fuel poverty:** households who struggle to heat their homes, again looking at the variation by tenure. This is supported by analysis of how the risks of fuel poverty by income have changed since 2003.
- 50 **Homelessness:** households newly accepted as homeless and the number housed in temporary accommodation under homelessness provisions. This is supported by a graph showing the distribution of households in temporary accommodation across England's regions.

Key points

48 Overcrowding

The proportion of households in England living in overcrowded conditions was slightly higher at the end of the last decade (3 per cent) than at the beginning (2.5 per cent). But underneath this average figure, there are very different trends by tenure.

Among tenants in the social rented sector, the proportion of households in overcrowded accommodation rose from 5 per cent to 7 per cent. In the private rented sector, it rose from 3.5 per cent to 5 per cent. Among owner-occupiers (the largest tenure group by some margin), the proportion remained at 1.5 per cent.

On average, some 630,000 households were overcrowded in the three years to 2008/09. 43 per cent of all such households were in the social rented sector, 270,000 households in total.

There are more overcrowded households in owner-occupation (200,000) than there are in the private rented sector (150,000), despite the latter having a much higher proportion of overcrowded households. This is simply because the owner-occupied sector is far larger.

49 Fuel poverty

The proportion of households who struggle to keep their homes warm has risen for all tenure types since 2003. That year, around 6 per cent of all households were in fuel poverty. The figure was slightly higher for households in private rented accommodation (around 10 per cent).

Since then, the number of households in fuel poverty has risen dramatically. By 2009 18 per cent of all households, and 21 per cent of those in rented accommodation (social or private), were in fuel poverty. This threefold increase is the steepest of any indicator in this report. In 2009, some 4 million households were in fuel poverty.

By 2009, 85 per cent of households in the poorest tenth by income were in fuel poverty. While the risk for this group had always been high, this still represents a rise of over 40 percentage points since 2003.

Half of households in the second poorest fifth were in fuel poverty in 2009. This is a fivefold increase in risk since 2003.

50 Homelessness

The number of households in England who were 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 to 56,000 the previous year.

Of those households accepted as homeless, 44,000 were deemed to be in priority need. This was an increase of 4,000 on the previous year.

The number of households in temporary accommodation under homelessness duties remained steady at around 50,000.

Both the number of households accepted as homeless and the number in temporary accommodation are far lower than their peak in the middle of the last decade. In 2003/04, the number of homeless acceptances peaked at over 200,000. The number of households in temporary accommodation under homelessness duties peaked at 100,000 around the same time.

London accounts for a disproportionate amount of the households placed in temporary accommodation in England. In 2011, 74 per cent of all such households were in London.

Comment

On all three measures of housing inadequacy in this theme, the overall picture is a worrying one. Homelessness, while the most acute problem, has only recently begun to rise and is substantially below the levels seen in the middle of the last decade. The statistics used in this report are a recording of official administrative procedures, so only reflect a small part of the overall picture. In this context, even a small rise is worrying.

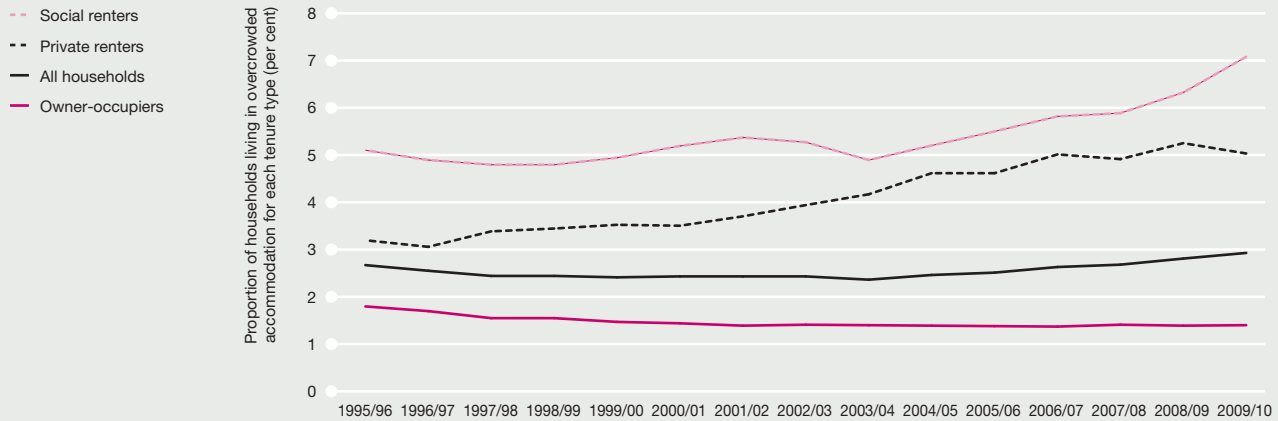
The increase in the last year is possibly and hopefully only a blip. But the coming together of a range of factors including falling incomes and high unemployment may cause homelessness to rise further. Possibly most importantly, though, cuts to local authority budgets threaten their capacity to provide the homelessness prevention services that helped reduce homelessness in the second half of the last decade.

If homelessness is, then, a possible 'coming problem', overcrowding and fuel poverty are longer term problems. Overcrowding speaks of a shortage of suitable property, particularly in the social rented sector. The huge rise in fuel poverty is mainly a result of rising fuel prices, exacerbated by problems of low income and energy-inefficient housing.

Overcrowding

Indicator: 48A

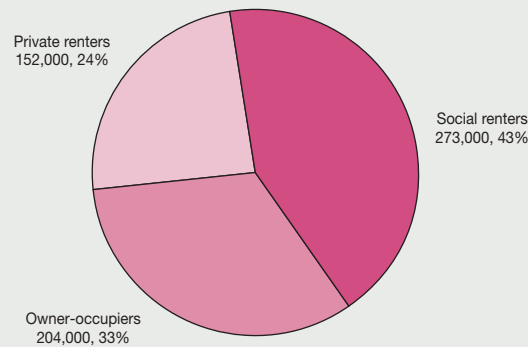
The proportion of households in social and private rented accommodation living in overcrowded conditions has risen sharply in the last decade. Over the same period, the proportion in owner-occupied accommodation has fallen slightly.



Source: English Housing Survey, DCLG; the data is a rolling three year average

Indicator: 48B

Two-fifths of overcrowded households are in the social rented sector. A third are owner-occupiers.



Source: English Housing Survey, DCLG; the data is the average for 2007/08 to 2009/10

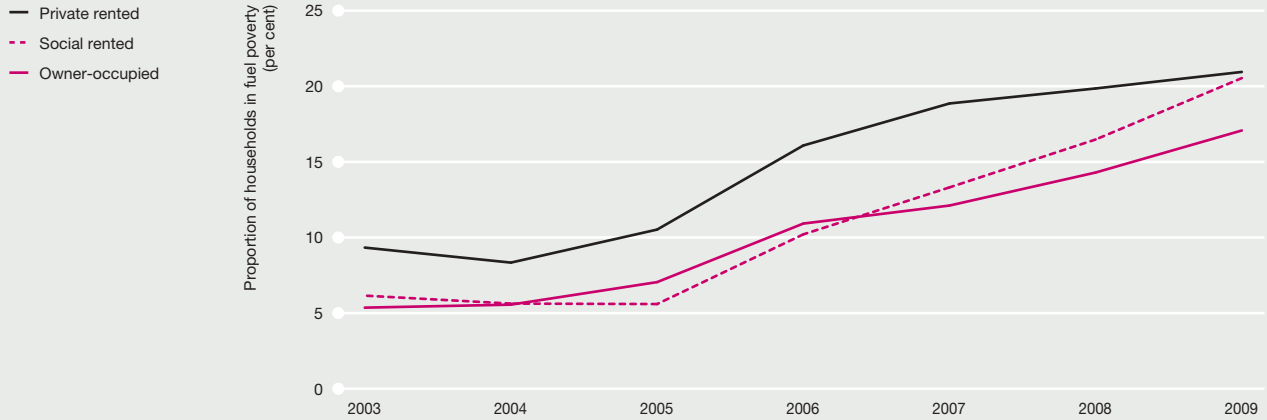
The first graph shows the proportion of households that are overcrowded by tenure for each year from 1995/96 to 2009/10.

The second graph shows the total number of households that are overcrowded, by tenure.

Overcrowding is measured using the 'bedroom standard'. The bedroom standard 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. Details of the bedroom standard can be found in the English Housing Survey Report Glossary, available at <http://bit.ly/ito6rj>.

Indicator: 49A

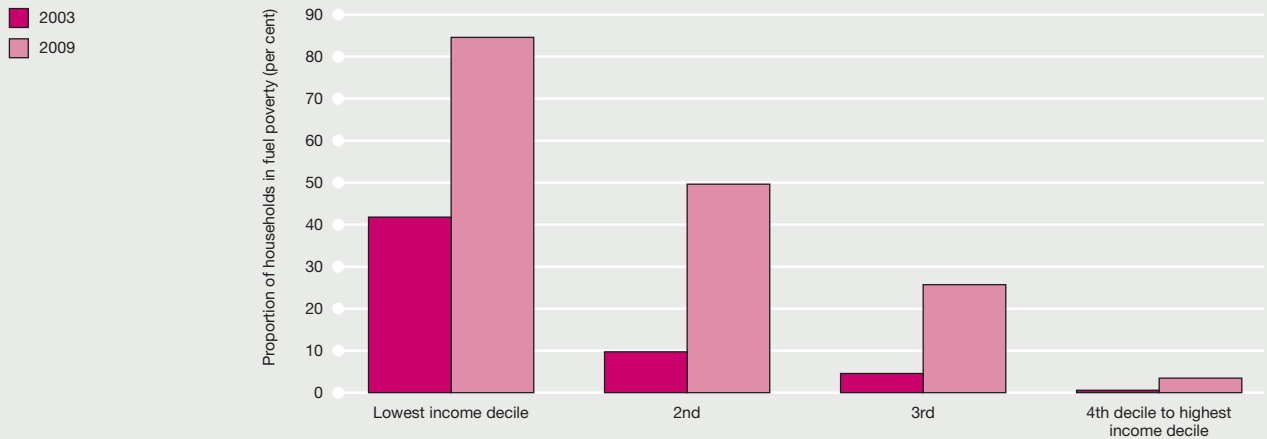
The proportion of households in fuel poverty is three times as high as in 2003. All tenures have seen at least a twofold increase.



Source: Fuel Poverty Statistics, Department for Energy and Climate Change; the data is for England

Indicator: 49B

Fuel poverty has risen among all income groups, but especially among the bottom two deciles. Almost all households in the bottom decile are now in fuel poverty.



Source: Fuel Poverty Statistics, Department of Energy and Climate Change; the data is for England

The first graph shows the proportion of households in fuel poverty by tenure for each year from 2003 to 2009.

The second graph shows the proportion of households in fuel poverty in 2003 and 2009 by income decile. The lowest three income deciles are shown individually and the remaining six highest income deciles are shown as one group, as per the presentation in the Department of Energy and Climate Change report.

Households are considered to be in fuel poverty if they would have to spend more than 10 per cent of their household income on fuel in order to maintain a satisfactory heating regime, i.e. where the main living area is at 21°C and other occupied rooms are at 18°C. It is thus a measure which compares income with what fuel costs would be, rather than what they actually are.

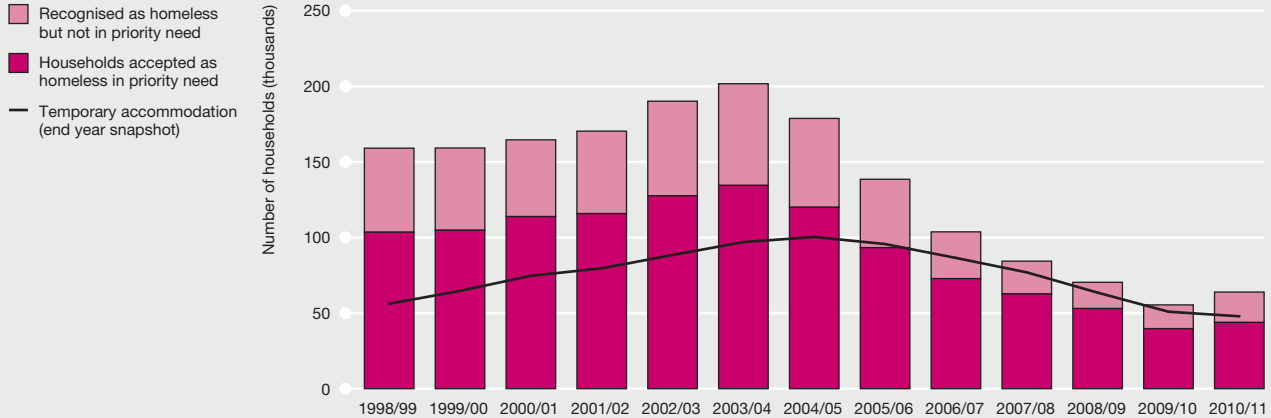
The fuel costs included comprise those used for space heating, water heating, lighting, cooking and household appliances.

Income includes the total personal incomes of every member of the household, any benefit payments that the household receives (from private source, state benefits and savings) and income related directly to housing (i.e. housing benefit, Income Support for Mortgage Interest, mortgage payment protection insurance and Council Tax Benefit).

Homelessness

Indicator: 50A

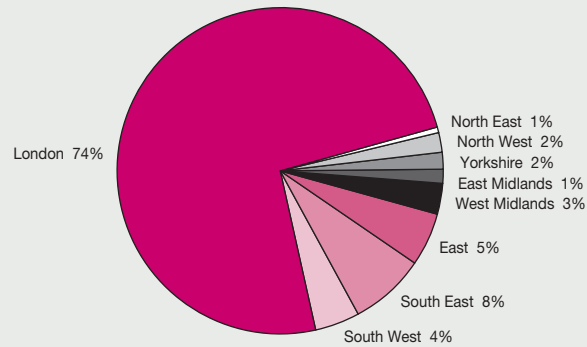
The number of households recognised and accepted as homeless rose in 2010/11 for the first time since 2003/04.



Source: Statistics on Homelessness, DCLG; the data is for England

Indicator: 50B

Three-quarters of all English households in temporary accommodation live in London.



Source: Statistics on homelessness, DCLG, 2011; the data is for England

The first graph shows the number of people newly accepted as homeless each year. The bars are split between those who are deemed in priority need, often households with children, and those not in priority need. The line shows the number of people who are living in temporary accommodation under homelessness provision at the end of each year.

The second graph shows the number of people living in temporary accommodation in England at the end of the first quarter of 2011, by region.

The number of households officially recognised by the local authority as newly homeless include those 'in priority need', those 'not in priority need' and the intentionally homeless (a small number).

Much of temporary accommodation is private rented (leased by a housing association or local authority) but also includes bed and breakfast, hostel accommodation, social rented accommodation and other private rented accommodation.

It is important to note that these two measures are of different types. The number of people newly accepted as homeless is cumulative over the period, while the number of people who are living in temporary accommodation under homelessness provision is a point-in-time number at the end of the year.

Neither measure is a complete count: the former excludes those recognised as homeless in previous years that are still homeless, while the latter excludes homeless households whom their local authority has no duty to accommodate.

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 dependants 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 in the table 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

Fuel poverty

Households are considered to be in fuel poverty if they would have to spend more than 10 per cent of their household income on fuel in order to maintain a satisfactory heating regime, i.e. where the main living area is at 21°C and other occupied rooms are at 18°C. It is thus a measure that compares income with what fuel costs would be, not on actual expenditure.

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, cohabitants or same sex partners and any dependent children).

Housing benefits

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 benefits (plural) 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) basis

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.

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 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/sqWXZH>).

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 <http://bit.ly/ito6rj>.

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.

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.

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.