

# **Monitoring poverty and social exclusion 2009**



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# Monitoring poverty and social exclusion 2009

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





# Introduction and commentary

This year's Monitoring Poverty and Social Exclusion is the twelfth in the series, and follows update reports on Wales and Northern Ireland that were published earlier this year. Last year's UK report gave a comprehensive review of progress made in the decade since the publication of the first report in 1998.

Moving on from that, at least in part as a response to the very different economic environment, almost half of the graphs in the report this year are new, and have not appeared previously.

Reflecting this change, the structure is different from previous reports. This year's report is divided into five chapters:

Low income

The recession

Child and young adult well-being

Adult well-being

Communities

The issue of recession is one we address in full in the second chapter, where we look at a range of indicators of employment and debt. While the recession will end eventually, evidence from the previous two recessions shows that unemployment will keep rising for some time afterwards. Even when unemployment stops rising, the effects of the resulting higher levels of worklessness and indebtedness will continue to be felt for years to come.

While the recession is clearly an important part of this year's report, it is not the only important development. As we wrote this report, the 2009 Child Poverty Duty was introduced in parliament. It places a requirement on all future governments to reduce child poverty. The implications of this are discussed in the first chapter.

Many of the indicators in this and previous reports track much longer-term trends, and as such will not yet be affected by changes in the economic climate or changes to legislation. Good examples of such indicators can be found in the child well-being chapter, where the indicators on education and health are still following trajectories set out earlier in the decade.

The adult well-being chapter contains indicators both on working-age adults, looking at issues such as low pay, and older people, where we look at, for instance, pensioners' savings and access to services.

The final chapter looks at communities. Some of the issues, such as participation in volunteering activities, have formed parts of previous reports, and some, such as homelessness and fuel poverty, are staples. There are new indicators as well, to help us look at issues of trust and empowerment in neighbourhoods.

As in previous reports, wherever possible, the indicators cover the whole of the United Kingdom. In some cases, data is not available for Northern Ireland, so analysis is restricted to Great Britain.

Finally, we would like to commend the poverty website [www.poverty.org.uk](http://www.poverty.org.uk). Although no longer formally linked to this report, it continues to represent an up-to-date collection of the many hundreds of graphs and maps which over the years first made their appearance in one of these reports.

## An evolving view of the record since 1997

What conclusions can be drawn from the record of the government that has been in office since 1997? Having asked that question several times in recent editions of this report, it is helpful to start by recalling what our earlier answers were – and how they have evolved as the evidence has accumulated.

Our first attempt to draw up a balance sheet was in 2006. At that time, the record seemed to be less one of success and failure than of success and neglect. The essentially positive tone of this conclusion reflected one thing above all others, namely, that the latest child poverty numbers – despite the government's first official target having been missed – were still coming down.

A year later, the tone was darker, less because child poverty had risen for the first time in a decade than because progress had ceased. On top of this, the report pointed to the way that crucial policies were being undermined (the rising need for tax credits in order to escape poverty), to problems that were being ignored (the barriers facing disabled people wanting to enter work) and to opportunities that were being missed (the role of the public sector as employer).

To mark the tenth anniversary, the 2008 report tried to replicate the scope of the original report. One aspect of this was a comparison of the government's first five years with its second five. On that measure the period up to about 2003 (during which 30 of the 56 statistics reported improvement while just seven worsened) was much better than the five years thereafter (during which just 14 improved while 15 worsened). But this quantitative assessment was only secondary: the main point that was made by going back to 1998 was to draw attention to the breadth of the vision that once informed the Labour government's view – and how it had been allowed to narrow.

At the heart of this report is the recession – for the simple reason that a recession inevitably means lower employment which in turn means more poverty. But while the recession is central, it is less so for its direct impact on poverty (which it is too early to assess) than for what it signifies. For one thing that the recession was *not* was the tipping point at which things started to go wrong. Instead, across several key indicators, it is now clear that the turn actually came much earlier, in 2004 or 2005. This is the first of three more general points to emerge from this discussion.

The second is the contrast between the broader view of social exclusion and the narrower focus on child poverty. Along with the unemployment and lack of work that lies behind it, the child poverty targets have long been the higher priority for government. Yet what emerges here is that it is the things that come under the heading of social exclusion which now may have the better record.

The last general point is this: where progress has been made, the type of policy change that is needed is of the gradual variety, 'conservative' (with a small 'c') rather than radical, in order to try to preserve what has been done up to now. And this, of course, is the case, irrespective of who forms the next government.

Taking our cue from last year's report, we start with the material that comes under the heading of social exclusion, most of which is to be found in the chapters on community or child well-being. The four topics addressed cover fear of crime, the local neighbourhood, problem behaviours among children and educational outcomes. In what follows, the graph in the main text that supports the point being made is listed in brackets.

Some 15 per cent of adults report feeling 'very worried' about being a victim of violent crime with 10 per cent similarly concerned about being the victim of a burglary. If these numbers seem high, they are nonetheless little more than half what they were in the late 1990s. Although most of the fall occurred before 2003, the numbers are still coming down slowly [50A]. What lies behind this? Fear of crime and crime itself may only be loosely connected, yet it is notable that the numbers of victims of burglary and of violent crime is also down by a half since the late 1990s. Whereas violent crime has continued to fall, the fall in the number of burglaries ended in 2004 [49A].

By contrast, the statistics to do with neighbourhood and community involvement show little change over quite a long time. That includes the proportion of people who express dissatisfaction with where they live (12 per cent of low income households, 8 per cent of others) as well as the proportion engaged in civic activity or volunteering [48A], [45A]. Social housing remains a tenure where only a minority of heads of household are working (although once upon a time this was not so [42A]). The 40 per cent who believe that people in their neighbourhood don't help one another out is better than in the 1990s but similar to the number in the 1980s [47A].

Evidence of 'problem behaviours' among children is mixed. Despite the fall in crime, the number of children either found guilty of, or cautioned for, an indictable offence, is, at around 120,000 a year, the same as a decade ago (although up on 2003) [28A]. The proportion of girls aged 13 to 15 who conceive a child is still slightly lower than a decade ago but up on 2004 [25A]. The 8,000 children permanently excluded from school is down by a third on a decade ago [27A].

Education – where our focus is on those failing to reach minimum standards – generally shows improvement. At age 11 (where the standard is Level 4 at Key Stage 2) some 20 per cent of children now fall short of this level, little more than half the level of ten years earlier [19A]. The 70,000 16-year-olds who get fewer than five GCSEs is down by only 10,000 over the decade although the number obtaining none at all has halved [20A]. At age 19 however, in the face of conflicting official data, we are still inclined to conclude that the 1 in 4 without a basic qualification represents no real improvement [22A].

Much of what is recorded here is still far from satisfactory. Besides the 19-year-olds without a basic qualification, we ourselves would point to the way that fear of crime is higher among those on low incomes than others (and higher among women than men) [50B]. We would also point to the way that low income households are twice as likely to be dissatisfied with their neighbourhood as others, as well as the way that things like drug dealing, rubbish and vandalism are seen as a 'big or fairly big' problem by a majority of adults in low income households [48B].

Even so, in contrast to the picture of poverty and unemployment, what we have here is a mixture of clear improvement in some matters and an absence of improvement in others. One implication for policy is this: if the progress shown here is judged to be insufficient, the type of policy change that is needed is gradual rather than radical. That is because where things are working but not well enough, there is something to lose by discarding the present policy.

There is also another implication: if there has been no progress in something that has remained a priority, it could be because it is something that is simply just not amenable to government action. Conceptions among girls aged under 16, something with complex and emotional causes, could be an example of this but it is not the only one. Of course the possibility that the relevant policy regime has been misdirected should not be ruled out; but if the return for past effort has

really been slight, the assumption underlying *any* active policy, that this is something that government can really affect, does need to be questioned.

This will not be the conclusion in every instance where there has been no progress. We suspect that the weakening of the early commitment to the various neighbourhood initiatives was a serious mistake. A more fine-grained reading of the evidence than ours (for example A. Power, *New Labour and unequal neighbourhoods*, in *Towards a more equal society?* ed Hills et al. Bristol: Policy Press, 2008) suggests that these programmes did bring improvements. They may look small to a statistician's eye but that does not preclude the possibility that they matter a lot to those who actually experience them.

What light does a record such as this, of progress in some matters mixed with a lack of progress in others, shed on the notion of a 'broken' Britain, as alluded to by some politicians? Clearly enough, if it really is 'broken', then at least in the key areas of education, children's behaviour and crime, it is not something that has come about just in the past ten years. If one or more of our statistics were showing a rapid and/or sustained worsening, that would be a different matter. This does not mean that the post-1997 record always looks better than the pre-1997 one. For example, one of our key statistics (the proportion of 19-year-olds without a basic qualification), though changing little in the last decade, was coming down (from an even higher level) in the first half of the 1990s. But the argument that some things have not got worse hardly disposes of the argument: after all, the charge that we live in a 'broken society' was first levelled by a leader of the opposition not in 2005 or 2007, but actually in 1995.

## Child poverty and child benefits

Over the past three years, the attempt to end child poverty by 2020 has suffered a serious reverse. On the after housing costs (AHC) basis (which is used throughout this report except where the official targets themselves are being discussed), the number of children in low-income households was some 700,000 lower in 2004/05 than it was in the government's baseline year of 1998/99. The corresponding child poverty rate fell from 34 per cent to 28 per cent. Since then, the child poverty rate has risen again, to 31 per cent, wiping out half of what had been gained and leaving the overall number of children in low-income households in 2007/08 – some 4 million – just 300,000 lower than in 1998/99.

Such a paltry return for such a prodigious effort provokes two questions. First, why has the return been so small? Second, how much further could the government go along the path that it has followed so far, relying chiefly on Child Tax Credit (CTC) and Child Benefit as its principal policy tool?

The first of these questions is really about the effectiveness of tax credits. On the one hand, around a million children in working families are now lifted out of low income each year by the tax credits received. Before 1999 (when tax credits replaced Family Credit), the figure was around 300,000. On that basis, tax credits lift an extra 700,000 children in working families out of low income each year [7A]. On the other hand, the number of children in working families who 'need' tax credits (that is, they either have a low income, or would have but for tax credits) now exceeds 3 million. Before 1999, it was around 2.3 million. On that basis, we can say that the need for tax credits among children in working families is also about 700,000 higher [7A].

What matters here is not the coincidence of the two numbers but that a fairly strong improvement brought about by tax credits has been undermined by a rising need for them. What is driving that rising need remains unexplored and largely unacknowledged – but the evidence from the graph that charts what has been going on since 1979 shows that it is not just a recent phenomenon [6A].

This graph charts the numbers of children in low-income, non-working and working families separately. The paths they follow are very different. The non-working one is simple. Starting at about 1 million in 1979, this rose pretty steadily (including it should be noted during the boom years of the late 1980s) to a peak in 1992 of around 2.5 million. Since then, it has gradually come down, under both Conservative and Labour governments, to around 1.7 million in the last two years, halfway between the 1979 low point and the 1992 peak.

The path for the number of children in low-income working families is more complicated. It too rose from around 1 million in 1979, to a peak of around 1.7 million in the early 1990s where it remained for a few years. It started to rise again sharply, reaching 2 million in 1998/99, after which it fell back again, to 1.7 million in 2003/04. Since then, it has risen sharply to reach a record high of 2.1 million in the last two years [6A].

There are several points of note here. First, the extent of the achievement of the early years of the Labour government's anti-poverty strategy can be seen in the fact that the five years to 2003/04 is the only time in the 30 years when both in-work and out-of-work child poverty fell. Second, what has wrecked it since then is the rise in in-work poverty – although it should be noted that out-of-work poverty has been flat now for three years.

Third, while the early 1990s recession and the five years to 2003/04 reversed it for a while, the 30-year trend in in-work poverty has been steadily upwards. Against this background, the recent upward path of in-work child poverty, though deeply disappointing, is rather less surprising. Of course, this raises the question as to what lies behind this trend but until its causes are properly identified, ever larger doses of tax credits would appear to be required to treat the symptoms and keep the problem at a fairly steady level.

One important point to note: rises of around £5 a week in CTC and Child Benefit combined were introduced in April 2008 with a further £4 or so added in January (and April) 2009. Since these postdate the latest poverty statistics, their effects are not shown here. With about a quarter of a million children belonging to families whose incomes are less than £5 per child below the 'poverty line', the potential impact is quite big. But we stress that this is not in any way a forecast because what actually ends up happening will depend on the interplay of several factors, not least the recession.

This brings us to the second question: how much further can government go with this policy of increasing CTC and Child Benefit well in excess of inflation? With benefits for working-age adults going up each year only in line with inflation, the rises in CTC and Child Benefit, which are mirrored by increases in the children's allowances within Income Support, have completely altered the pattern of support provided by Social Security. From April 2009, the maximum amount of Income Support payable for two children is about £130 a week, which is about £30 a week more than the amount for a working-age couple. Ten years earlier, by contrast, the two children would have been entitled to £66, £15 less than the couple [8A].

Judged within the framework that determines the value of the poverty line for households with different number of adults and children, the value of these children's benefits has now reached the point where they are enough to keep children in workless families out of poverty – or rather they would be if the benefits for their parents kept them above the poverty line in the first place. So, strictly speaking, children in workless households are now in poverty because adult benefits are too low.

As far as we can tell, the argument for the much bigger rises in child benefits acknowledges no external point of reference other than the need to progress towards the child poverty goal as 'cheaply' as possible. Given the historically unprecedented differential between child and adult benefits that now prevails, this is just no longer enough. Instead, we have to look at the system of social security benefits in the round and decide how their values should stand in relation to one another.

## The recession and unemployment

The extent of in-work poverty shows that employment does not guarantee an escape from low income – but it certainly does reduce the risk. Conversely, unemployment greatly increases the risk. In thinking about the effect of unemployment on poverty, it is important to remember that while unemployment reduces the amount of work being done by the adults in a family, it will not reduce it to zero unless the person who loses their job is the only person who was employed. Dividing families up into full-working, part-working and workless, the loss of a job turns full-working and part-working families into part-working and workless ones. In broad terms, the risks for three groups are 5 per cent, 25 to 35 per cent and 60 to 75 per cent respectively [11A].

Two things follow from this. First, unemployment can cause in-work poverty as well as workless poverty. The recession is therefore no reason to downgrade the importance attached to in-work poverty.

Second, this will be the first time that out-of-work poverty has gone up since the early 1990s. We suspect that the very fact that something gets worse (and not just the fact that it is high) is an issue in its own right. It is something that the government's anti-poverty strategy has not had to deal with before.

For so long as the social security system provides too little support to prevent low income, reductions in out-of-work poverty will require reductions in the number of people who are not working. That at least is nothing new and the government has been trying to achieve this throughout its term of office. The question is whether the policies that it has followed can any longer be regarded as being up to the challenge. We suggest that the recession shows that they are not. What is the evidence for this assertion?

Firstly, there is the scale of the problem. This is not just a matter of those who are counted as unemployed. In the first half of 2009, some 6 per cent of the working-age population were unemployed. In addition to them, though, are another 6 per cent or so who lack but want work (but are not counted as unemployed usually because they cannot start work straightaway or are not actively searching) [9A]. With some 72 per cent of the working-age population now in employment, this implies that if most of those who want a job were to have one, the employment rate would need to exceed 80 per cent. The government signalled an 80 per cent employment rate as an aspiration several years ago. Even in the 'good' times, the figure never got anywhere near this. By the middle of 2009, we were back where we were in 1997.

If this were just a matter of a recession that blew in across the Atlantic to disrupt a healthy economy, then however bad its effects, it would not be a reason to question the policies that had previously been pursued. But that is not what has happened. This is not a problem brought about by the recession alone since unemployment (and unemployment combined with others wanting work), like child poverty, actually bottomed around 2004 or 2005. It is not that things were still progressing nicely up until the latter months of 2007; rather they started going wrong around four years ago. Why was this not appreciated at the time? Because before the recession, one could hope – and one could quite reasonably read the evidence as showing – that what was happening was just a pause rather than an end to progress. What the recession has done is to destroy that hope.

As we have already noted, the proportion of the working-age population who lack but want work is back at 1997 levels. So too is the unemployment rate for adults age 25 and over [10A]. But if this is bad enough, it pales into insignificance beside the problem of unemployment among young adults, that is those who are aged 16 to 24.

Understandably, this has attracted a lot of attention as the recession has gone on. For example, their unemployment rate (which by convention expresses the number of unemployed as a proportion of the employed and unemployed added together) was, at 18.5 per cent, more than three times that for older adults in the first half of 2009 [10A]. By the time this report appears, the number of young adult unemployed may well have passed the one million mark.

Shocking though this is, it is not right to present it as if it is a problem provoked by the recession. Like unemployment in general, approximately half of the 6 percentage points increase in young adult unemployment recorded since 2004 had taken place by the start of 2008. While the recession has made matters much worse, rising unemployment among young adults began several years ago [10A].

Even more importantly, this rise took place from an already elevated level. So even at its low point, young adult unemployment never fell below 12 per cent. When did it reach that low point? Well, though it started rising in 2004, it had stopped falling by as long ago as 2001, in the middle of what with hindsight now look like the Labour government's golden five years. And when was it last as high as it is now? The answer is that it has not been this high since this statistic was first recorded in 1993.

It is very important to acknowledge that the strategy that has been followed since 1997 (and to some extent before that) is one that is fully in line with what the economics profession would recommend. Within a framework of macro-economic stability and financial credibility assured by an independent Bank of England, the government has used the tax and benefit systems to create incentives for people to enter work, supported by an emphasis on training and qualifications to try to raise the standards of the jobs that unemployed people could do, and the level of pay that they could command.

How well did this strategy work? Thanks perhaps to steady effort and a prolonged period of benign economic conditions, total unemployment did come down, to a low point of 1.4 million in the third quarter of 2004. While this may look quite good compared with the high point in 1993, it is actually only a fraction lower than the nearly 1.5 million in the fourth quarter of 1977. The significance of this is that it was the highest level recorded at any point in the 1970s – and so therefore almost certainly the highest level up to that point in the whole of the post-war period.



The truth is that we have had chronic under-employment for at least a generation and the policies that have been pursued to deal with it have been nowhere near adequate. Before the recession began, one could still hope that, given more time, progress on unemployment would resume. Now, while unemployment will start to come down again at some point, it will be many years before even the levels of 2004 are reached again.

## **The overall record and the 2004 turning point**

In the topics it has covered, this commentary has been more selective than usual. Some important points have therefore been omitted. One example is home repossessions which at an annual rate are back at the 1993 level but which, more importantly here, is yet another series that reached its low point back in 2004, since when it has climbed again [14A]. The extent to which 2004 marks a turning point in quite a lot of the statistics presented here is worthy of attention in its own right. While many of the ones covered in the chapters on low income and recession turn the wrong way at that point, the balance elsewhere is much more positive.

The table below sums this up for the 43 statistics where we show a series going back at least ten years. Each of them is classified according to: (a) how they have done over ten years (in effect a single mark for the lifetime – to date – of the government; and (b) how they have done over the last five years. The judgements here are as much art as science – how much difference is truly significant? – and the rule we follow is that if in doubt, we are towards a verdict of no change.

To sum it up, we conclude that over the ten years, 25 of the 43 statistics have improved, nine have worsened and another nine have not changed. Over the last five years, by contrast, just 14 have improved while 16 have got worse. Though this means that the overall record in the last five years has been inferior, where there has been recent improvement it has been enough to ensure that the record over ten years is one of improvement too. By contrast, the things that have got worse in the more recent period have not done so by enough to wipe out the earlier gains.



**Table 1: Statistics measured over time**

Subject	Theme	Description	No.	Change in last decade	Change in last five years
Low income	Low income	Numbers in low-income households	1	Better	Worse
		People in very low income	1	Worse	Worse
		Children in low income (%)	2	Better	Worse
		Working-age adults in low income (%)	2	No change	Worse
		Pensioners in low income (%)	2	Better	Better
	Income inequality	Ratio of richest fifth median income to overall median	3	No change	No change
		Ratio of overall median to poorest fifth median income	3	Worse	Worse
	In-work poverty	Children in low-income working families (%)	6	Worse	Worse
Children needing tax credits to escape low income		7	Worse	Worse	
Recession	Worklessness	Working-age adults officially unemployed (%)	9	Worse	Worse
		Young adult unemployment (%)	11	Worse	Worse
	Repossession	Mortgage repossessions	14	Worse	Worse
Child well-being	Economic circumstances	Children in workless households	17	Better	No change
	Education	11-year-olds not attaining Level 4 KS2	19	Better	Better
		16-year-olds not obtaining 5 GCSEs	20	Better	Better
	Looked after children	Looked-after children not attaining 5 GCSEs	21	Better	Better
	Education	Lacking qualifications	22	No change	No change
	Child health	Rate of infant mortality	24	Better	Better
		Under-age conceptions	25	Better	Worse
	Exclusion	16- to 19-year-olds not in education, employment or training	26	No change	No change
School Exclusion	Children permanently excluded	27	Better	Better	
With a criminal record	Under 18s cautioned/guilty of an indictable offence	28	No change	Worse	
Adult well-being	Economic circumstances	Workless households	29	Better	No change
		Disabled working-age adults lacking work	30	Better	No change
		Lone parents lacking work	30	Better	Better
		Low-paid employees	31	Better	No change
		Gap between low-paid women and male median pay	32	Better	No change
		Gap between low-paid men and male median pay	32	No change	No change
	Health	At risk of mental illness	33	Better	Better
		Limiting long-term illness (%)	34	No change	No change
		Deaths before the age of 65	35	Better	Better
	Access to services	Older people helped to live at home	36	Worse	Worse
		Take-up of means-tested benefits for older people	37	Worse	Worse
		Older people lacking private income	38	Better	Worse
Low-income households without a bank account		39	Better	Better	
Low-income households without contents insurance		40	No change	No change	
Communities	Place	Polarisation – social renters	42	Better	Better
		Homelessness	43	Better	Better
		Fuel poverty	44	Better	Worse
	Communities	Participation in volunteering and other civic activities	45	—	No change
		Neighbourliness	47	Better	No change
		Satisfaction with local areas	48	No change	No change
		Victims of crime	49	Better	Better
Fear of crime	50	Better	Better		



# Chapter 1 Low income

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## People in low-income households

### Defining low income

A household is defined as having a 'low income' if its income is less than 60 per cent of the median UK household income for the year in question. The value of this 60 per cent threshold in terms of pounds per week varies according to how many adults and children live in the household. For example, in 2007/08 (the latest year for which data is available) it was worth £115 for a single adult with no dependent children, £195 for a lone parent with two children under 14, £199 for a couple with no dependent children and £279 for a couple with two children under 14. These sums of money are measured net of Income and Council Tax and after the deduction of housing costs (AHC).

Although the official government poverty target (to reduce child poverty to 10 per cent by 2020) is defined using the alternative 'before housing costs' (BHC) measure, there are good reasons for continuing to rely on the AHC measure. First, like Income and Council Tax, housing costs are effectively a 'given' and must be met; it is the money left over that is therefore the measure of a household's standard of living.

Second, the BHC measure treats a rise in Housing Benefit consequent upon a rise in rent as an increase in income (rather than no change). One perverse consequence of this is that putting up rents reduces poverty.

Being defined in relation to average income, these measures are self-evidently relative. But that does not mean that it is only something called 'relative poverty' that is being measured. Rather, it reflects the view that poverty is something that is inherently relative, when someone is so short of resources that they are unable to attain the minimum norms for the society in which they live.

### Choice of indicators

The first indicator shows the number of people living in low-income households. The first graph shows how this has changed since 1979. As well as the principal low-income threshold (60 per cent of median household income in the same year), the first graph also shows the number in relation to the lower 50 per cent and 40 per cent thresholds. There are several reasons for using multiple thresholds. First, although well-established, the priority attached to 60 per cent is only a convention. Second, the trends at the lower thresholds are of interest in their own right. Third, a danger with any single threshold is that people a long way below it get forgotten; put another way, the 'depth of poverty' gets eclipsed by the 'numbers in poverty'. The supporting graphs show the mix of people below the three thresholds, divided by age (children, pensioners, working-age) with the latter divided between those living with dependent children and those without.

The second indicator shows what has happened to the 'risk' of low income among different age groups. The first graph shows the proportion of children, working-age adults and pensioners living in low-income households. These percentages are the best basis for comparing the extent of poverty in the three groups. The second graph shows the change in the number of people in low-income households belonging to each group (in this case with the working-age adults divided into those with and without children), the change comparing the three most recent years with the average for the three years a decade earlier.

Measured as a proportion of median income, 'poverty' reflects inequality among *below-average* incomes. Arithmetically at least, this is unaffected by the inequality among *above-average* incomes. The third indicator seeks to rectify this. The first graph uses symmetrical measures of inequality for below- and above-average incomes. It compares the overall median with the median for the poorest fifth (that is, the 10th percentile) and the median for the richest fifth (the 90th percentile). As drawn, the larger the ratio, the greater is the inequality.

Even these ratios, though, don't give a complete picture because they take no account of incomes at the very ends of the distribution (that is, among the poorest and richest tenths). So even if the income of the nearly six million people in the richest tenth were to double overnight, the 'above-average' ratio would not change. The second graph helps remedy this by showing how the *extra* income generated over the past ten years has been distributed among each tenth of households in the income distribution.

The final indicator in this section looks at 'benefits in kind' comprising various categories of public expenditure on services, more than 90 per cent of which is for health and education.

The first graph shows the value of these benefits for the poorest fifth of the population compared with the value for the middle fifth.

The supporting graph, which presents benefits in kind alongside income and taxes, shows how significant they are as a share of total income (monetary and in-kind) for each fifth of the population. The graph also allows a comparison to be drawn, again for each fifth of the population, between taxes paid (direct and indirect) and the value of non-contributory social security benefits (contributory benefits, notably the state retirement pension, being treated as original income no different to income from a contributory private pension scheme).

## 1 Numbers in low-income households

- At 13.4 million, the number of people living in low-income households has now risen for three years in a row, from a low point in (2004/05) of 12.1 million.
- This rise of 1.3 million has wiped out half of the fall (of 2.4 million) from the 1996/97 all-time peak of 14.5 million. It is now the same number as in 1990, itself a record at the time and some two-thirds higher than in the recession years at the start of the 1980s.
- More people are living in households below 40 per cent of median income than ever before. Although not significantly higher than in the previous year, the 5.7 million figure compares with 5 million in 1996/97, 4.2 million in 1990 and around 1.5 million at the start of the 1980s.
- Like the headline figure, the number below the 40 per cent threshold has crept up over the last three years; unlike the headline figure, it was not coming down in the period before 2004/05.
- Almost two-thirds of those below the 40 per cent threshold, around 3.5 million people, are working-age adults, some two million of whom have no dependent children.
- Among those with incomes below 70 per cent of the median, working-age adults without dependent children are much more likely than any other group to have a very low income (below the 40 per cent threshold). Among pensioners, by contrast, such very low incomes are fairly unlikely.

- Conversely, a relatively high number and proportion of pensioners are just above the 60 per cent threshold. Around 1.2 million pensioners are not in low income but are below 70 per cent of median income, around half of the total number in low income.

The 40 per cent threshold is sometimes queried on the grounds that some of those with these very low incomes (after housing costs) have quite high gross incomes and either high housing costs, or high (one-off) tax payments, the argument being that these very low incomes are only experienced for very short periods, or because of the choice of expensive housing. The number of people this applies to has increased since the mid 1990s, but this increase, we estimate, represents only about half of the total increase in the number of people below 40 per cent of median income. Against this, it should be noted that the value of Income Support and Job Seeker's Allowance are such that anyone without dependent children who is reliant on either of them will have an income below the 40 per cent threshold. For instance, IS/JSA for a single adult is £64.30. The 40 per cent threshold for a single adult is £77 per week.

## 2 Low income by age group

- In the 1990s, the relative risks of low income for children and pensioners were very different from what they are now. Then as now, children faced the highest risk – but then only slightly so: 33 per cent for children compared with 28 per cent for pensioners. Now by contrast, the 30 per cent risk for children compares with a risk for pensioners of just 18 per cent.
- Comparing the three most recent years with the corresponding three-year period a decade earlier, pensioner poverty is around 900,000 lower while child poverty is around 450,000 lower. In step with the fall in child poverty, the number of low-income adults with dependent children is also lower. By contrast, the number of low-income adults without dependent children is 600,000 *higher*.
- Both the fall in pensioner poverty and the rise in poverty among working-age adults have been concentrated among single adults rather than couples.
- The very different paths followed by the pensioner and working-age statistics has gone sufficiently far to mean that pensioners are now at a somewhat *lower* risk of low income than working-age adults (the risk for whom has remained around 20 per cent over the period).

Given the long association of 'poverty' with 'pensioners' the fact that the pensioner poverty risk is now lower than the working-age risk is a historic reversal. Whether it is certain to last, however, is a different matter, given the amounts by which pensioner poverty has varied over the last 30 years. For example, it was on average a third lower during the decade 1976-85 than it had been during the preceding ten years. In the following decade (1986-95), it was at markedly higher levels again (though still lower than the 1966-75 levels) (see Institute for Fiscal Studies, Fiscal Facts, at <http://www.ifs.org.uk/publications/1768>).

### 3 Low income and inequality

- Measured by the ratio of average (median) income to the median income of the poorest fifth, inequality in the lower half of the income distribution is now higher than it has been at any time since at least the middle 1990s.
- The rise in this ratio, from a low point of about 2.25 in 2004/05, to nearly 2.5 in the latest year, more than wipes out all of the reduction since the previous peak year (1996/97).
- The mirror-image inequality measure for the upper half (the ratio of median income for the richest fifth to overall median income) has risen only slightly in the last four years, from just below, to just above, 2.1 (still below the late 1990s peak).
- 40 per cent of the extra income that has been created over the past decade has gone to the richest tenth – with a further 10 per cent going to the second richest tenth.
- By contrast, the half of the population with average incomes or below has had less than 25 per cent of the extra income created. Within this group, the poorest tenth has had no discernible increase at all.

The contrast between lower- and upper-half income inequality measured over the last three years suggests that the rise in poverty from 2004/05 is more to do with those at the bottom of the income distribution being allowed to slip further behind, rather than a result of widening income inequality more generally. This conclusion in no way refutes the idea that the top 10 per cent have seen the biggest rise in income. However there is no satisfactory explanation as to how this is connected to rising numbers in poverty.

### 4 The social wage

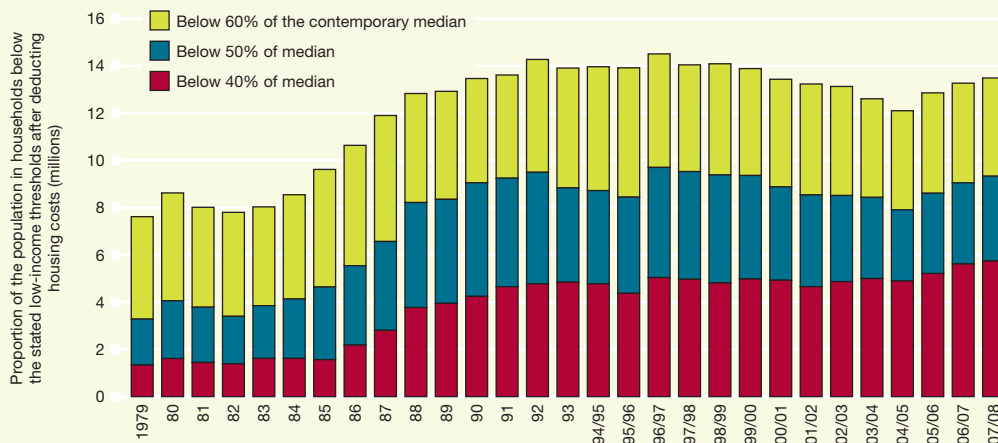
- At £7,500, the value of benefits-in-kind (chiefly the services received in the form of health and education) for a household in the poorest fifth was 60 per cent higher than it had been ten years earlier. Two-thirds of this growth took place in the five years 1999/00 to 2004/05.
- The value of benefits-in-kind for the poorest fifth has in recent years been around one quarter higher than the value for all households on average.
- Despite the overall growth in the value of benefits-in-kind, the poorest fifth do not receive proportionately more, compared with the average, than in the earlier years.
- Over the three most recent years, households in each fifth of the income distribution – including therefore those in the poorest fifth – paid more in direct and indirect taxes than they received in the form of non-contributory social security benefits.

An independent analysis of the same data (for one year earlier) reached the conclusion that the growth in final incomes (that is, including benefits-in-kind) over a decade had been higher for those in the poorest tenth than for all other deciles except the third (Hills, J. et al., *Towards a more equal society*, Bristol: Policy Press, 2009). This conclusion is not at odds with ours since an equi-proportional rise (our second finding) applied to an underlying 'pro-poor' distribution of benefits-in-kind (our first finding) will always lead to a larger growth in final incomes for those at the bottom so long as the growth in post-tax incomes is not skewed the other way.

# Numbers in low-income households

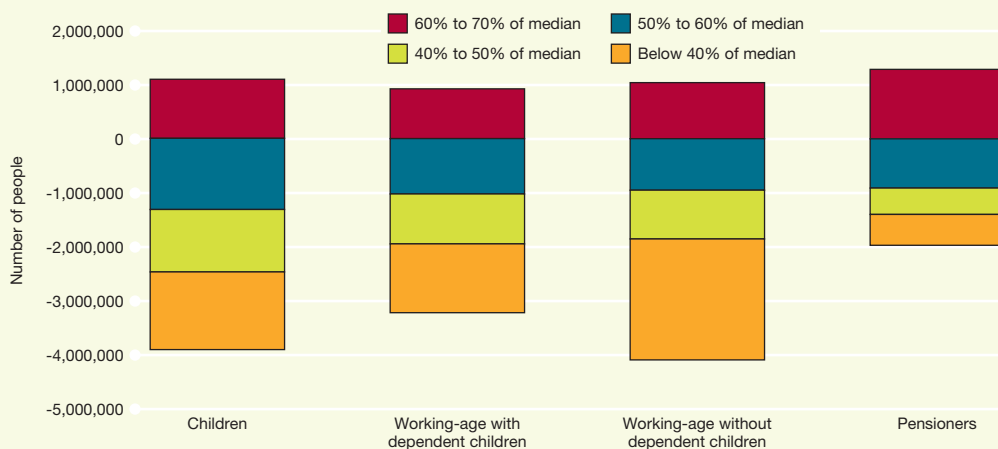
## Indicator 1

**1A: The number of people in low-income households rose in 2007/08 for the third year in a row. The number with incomes below the lowest of the three thresholds – 40 per cent of the median – is at a record high.**



Source: Households Below Average Income, DWP (1994/95 onwards) and the Institute for Fiscal Studies (earlier years) (from [www.poverty.org.uk](http://www.poverty.org.uk)); UK

**1B: Almost two-thirds of those with very low incomes – below 40 per cent of median income – are working-age adults, mostly without dependent children.**



Source: Households Below Average Income, DWP, 2005/06 to 2007/08, UK

The first graph shows the number of people living in households below 40 per cent, 50 per cent and 60 per cent of the contemporary UK median household income for each year since 1979.

The second graph shows the number of children, working-age adults and pensioners living in such households. Additionally, it shows, above the line, the number of children, working-age adults and pensioners who are not in low income but still below 70 per cent of median income. The figures in the second graph are an average of the three years to 2007/08.

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

The data relates to the United Kingdom, although this has required Great Britain figures for the years 1994/95 to 2001/02 to be scaled up as Northern Ireland was not included in the survey for these years.

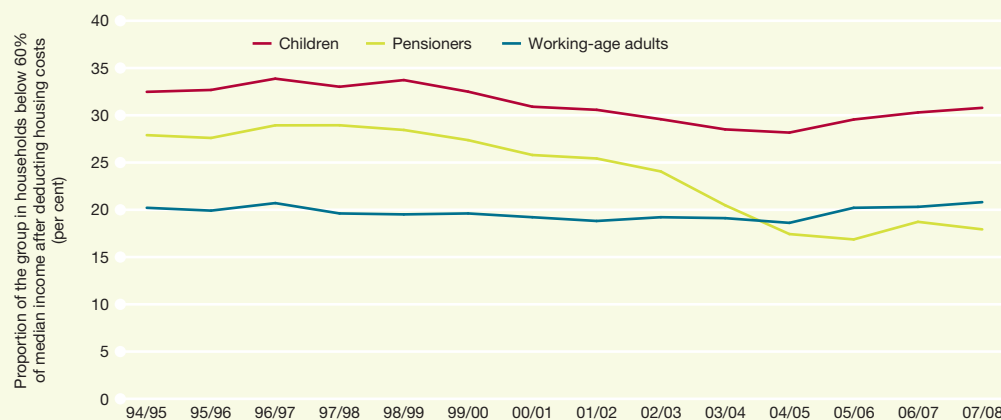
Comment: Before 1994/95, the data in the first graph was sourced from the Family Expenditure Survey, at that time a much smaller (and less robust) survey than the post 1994/95 Family Resources Survey which underlies the modern Households Below Average Income. As a result, caution should be exercised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



# Low income by age group

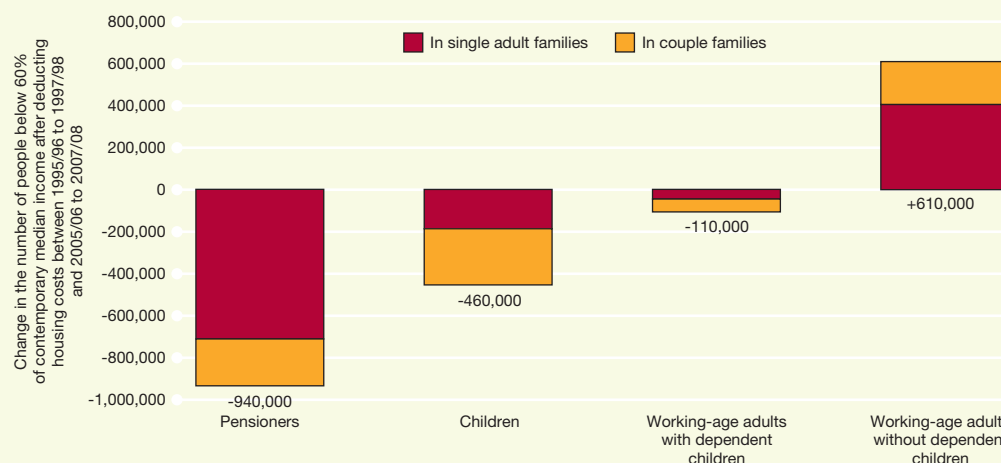
## Indicator 2

**2A: In the mid 1990s, the proportion of pensioners living in low-income households was nearly one-and-a-half times that for working-age adults. Now it is actually markedly lower.**



Source: Households Below Average Income, DWP, (from [www.poverty.org.uk](http://www.poverty.org.uk)); UK

**2B: Just as the fall in the number of pensioners in low income has been concentrated among single adults, so has the rise in the number of working-age adults without dependent children in low income.**



Source: Households Below Average Income, DWP, (from [www.poverty.org.uk](http://www.poverty.org.uk)); Great Britain

The first graph shows the proportion of people in low-income households. The results are shown separately for children, pensioners and working-age adults.

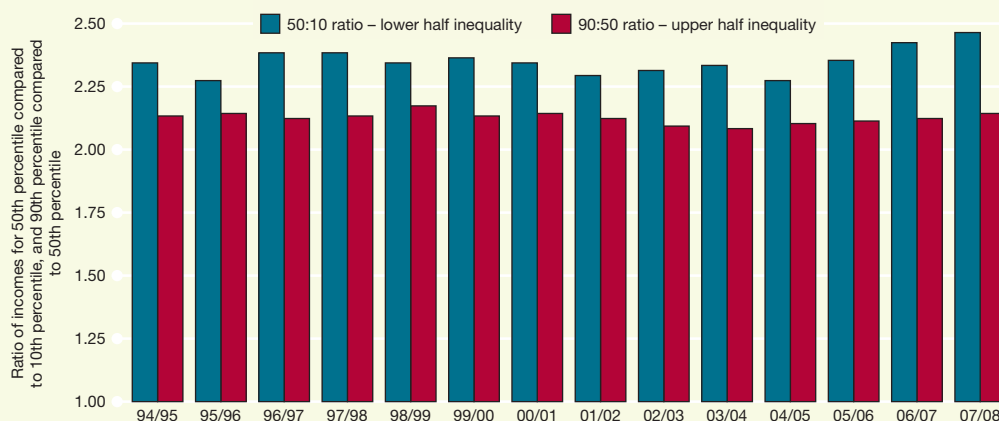
The second graph shows the change in the number of people in low-income households between 1994/95 and 2007/08. The result is shown by type of person (children, pensioners and working-age adults with or without dependent children). Income is disposable household income after deducting housing costs. All data is equivalised (adjusted) to account for differences in household size and composition.

The data relates to the United Kingdom, although this has required Great Britain figures for the years 1994/95 to 2001/02 to be scaled up as Northern Ireland was not included in the survey for these years.

## Low income and inequality

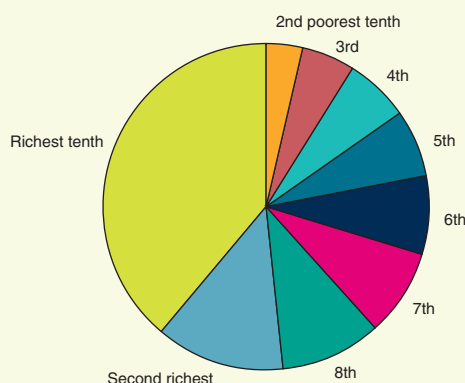
### Indicator 3

**3A: Inequality in the lower half of the income distribution has fluctuated more than inequality in the upper half. It has got steadily worse since 2004/05 and has now surpassed previous 'highs' recorded in the late 1990s.**



Source: Households Below Average Income, DWP (from Institute for Fiscal Studies); Great Britain

**3B: 50 per cent of the extra income generated over the last decade has gone to those in the richest fifth of the population – 40 per cent has gone to the richest tenth.**



Source: Households Below Average Income, DWP (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is the difference in real incomes between 1997/98 and 2007/08; Great Britain

For each year since 1994/95, 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) and (ii) the 90:50 ratio (that is, the income of the household one tenth of the way from the top of the income distribution divided by that of the median household).

Each of these ratios is a measure of the degree of income inequality, respectively in the lower and upper halves of the income distribution. In a world of complete income equality, both would be equal to 1. In both the cases, the higher the ratio, the greater the degree of inequality.

The second graph shows the shares of the total change in real incomes between 1997/98 and 2007/08 and by each income decile (tenth of the population in income order).

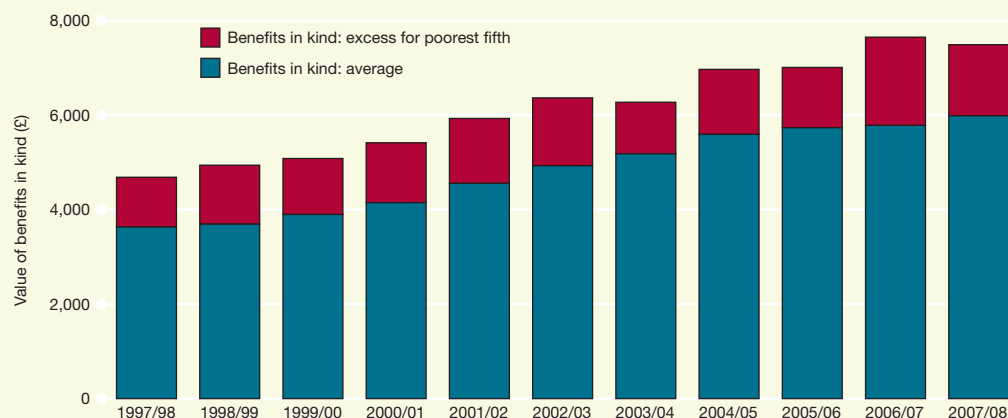
Income is disposable household income after deducting housing costs. All data is equivalised (adjusted) to account for differences in household size and composition.

Comment: While the ratios shown in the first graph are standard measures of inequality, the fact that several million people belong to households with incomes above the 90th percentile means that conclusions drawn from the graph take no account of the 'super-rich'. The second graph is suggestive as to why this omission is likely to be important – the richest tenth account for a disproportionate amount of the growth in wealth in the last decade.

# The social wage

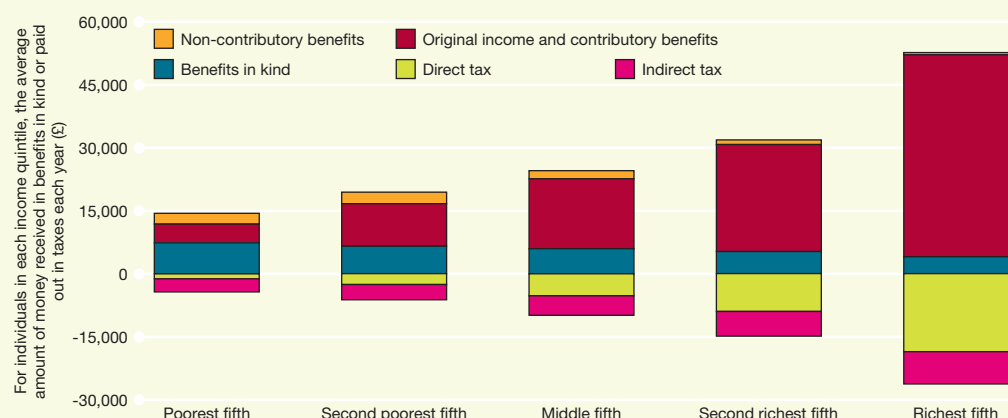
## Indicator 4

**4A: Although 'benefits in kind' via public services are higher for those in the poorest fifth than for others, they have not received a disproportionate share of the growth in such provision over the past decade.**



Source: Expenditure and Food Survey; UK

**4B: Even those in the poorest fifth pay more in taxes than they receive in non-contributory social security benefits.**



Source: Expenditure and Food Survey, average of 2005/06 to 2007/08; UK

For each year since 1997/98, the first graph shows: (i) the value of 'benefits in kind' for a household in the middle fifth of the income distribution and (ii) the additional value of such benefits for a household in the poorest fifth.

Using the same data, for the three years 2005/06 to 2007/08, the second graph shows (i) benefits in kind and (ii) gross income for the average household in each fifth of the income distribution. This total is reflected in the full length of each bar (i.e. both above and below the £0 line). Direct and indirect taxes are shown below the line while the various categories of net income are shown above it.

All series have been adjusted to 2007/08 prices using the deflator for household final consumption expenditure deflator.

In calculating net income, direct taxes have been deducted from 'original income' (chiefly income from employment, self-employment, investment and occupational pensions) plus social security benefits due as a result of National Insurance contributions (including the state retirement pension). Indirect taxes have been deducted proportionately from this and from non-contributory social security benefits (including universal (e.g. Child Benefit), needs-based (e.g. Disability Living Allowance) and means-tested (e.g. Income Support)).

'Benefits in kind' comprise various categories of public expenditure on services, of which more than 90 per cent is accounted for by spending on health and education. 'Post-tax income' includes all forms of income (including social security benefits) less both direct and indirect taxes. For further information, see ONS, *The effect of taxes and benefits on household income, 2007/08* available at [www.statistics.gov.uk/pdffdir/taxbhi0709.pdf](http://www.statistics.gov.uk/pdffdir/taxbhi0709.pdf).

## Child poverty

### Choice of indicators

The 2009 Child Poverty Bill imposes a duty on government with respect to four child poverty targets for 2020/21. The targets state that no more than:

- 10 per cent of children should be in 'relative' low income (less than 60 per cent of median income);
- 5 per cent of children should be in combined 'relative' low income (less than 70 per cent of median income) and material deprivation (yet to be defined in regulations);
- 5 per cent of children should be in 'absolute' low income (less than 60 per cent of median income in 2010/11, adjusted for inflation);
- a percentage (yet to be defined in regulations) of children should be in persistent low income (less than 60 per cent of median income in three years or more during a four-year period).

Since the second and fourth of these targets have not yet been defined, it is only possible at the moment to track the first and the third. This first indicator looks at these targets. The first graph shows (i) the proportion of children living below 60 per cent of current year median income and (ii) the proportion of children living below 70 per cent of median income in 1998/99 adjusted for inflation. Although the latter is not the terms in which the 'absolute' target is expressed (in terms of median income in 2010/11), 70 per cent of 1998/99 (for which a series already exists) is likely to be a good proxy for it. Since the Bill is explicit that housing costs are not to be deducted in calculating the statistics, this indicator, uniquely for this report, uses the Before Housing Costs (BHC) measure rather than the After Housing Costs (AHC) one.

The supporting graph shows the difference in distribution of child poverty across the UK, according to which measure (BHC or AHC) is used.

The second indicator is one of the most important in the report. The first graph shows the number of children in 'in-work' and 'out-of-work' child poverty going back to 1979. The supporting graph, which shows how children in low-income families are spread by family type, work status and disability status, draws attention to the need to distinguish between lone and two-parent families.

The tax credit system has been the principal means used by the government to improve the position of low-income families. The third indicator, which looks at how many children in working families have been lifted out of low income by tax credits is therefore crucial to any assessment of government policy. The supporting graph makes an additional point about the degree to which tax credits go to families who are not usually counted as having a low income.

The final indicator in this section draws attention to the fact that social security benefits for children are now worth substantially more than social security benefits for working-age adults. The supporting graph takes the value of benefits for a selection of family types comparing them both with the low-income threshold and with the Minimum Income Standard (MIS).

The MIS is the level of income that members of the public think is necessary to achieve a minimum acceptable standard of living. It is set according to a consensus of focus groups then further informed by experts in, for instance, nutrition and heating. It covers, but is not confined to, food, clothing and shelter.

## 5 The child poverty targets

- Between 1998/99 and 2004/05, the 'relative' BHC child poverty rate fell from 26 per cent to 21 per cent. This fall was about three-quarters of that required to meet the first child poverty target (interpreted as a fall in the 'relative' BHC rate of one-quarter).
- Since then, the 'relative' BHC rate has risen to 23 per cent. Cumulative progress since 1998/99 is therefore barely more than half what is required to reach the 2004/05 target, and barely more than a quarter of what is required to reach the previous target for 2010 (that is, a halving of child poverty).
- The new 'relative' BHC child poverty target for 2020 of 10 per cent is only a little below what, until the Child Poverty Bill was published, had been the target – namely 13 per cent – for 2010.
- In order to meet this new target, the 'relative' rate will need to fall at an average of about 1 per cent a year from now on. This is markedly higher than the annual average rate of reduction actually recorded over the period 1998/99 to 2004/05 (0.8 per cent).
- Using a proxy to measure progress against the new 'absolute' child poverty target for 2020 of 5 per cent, the 'absolute' BHC rate fell from 36 per cent in 1998/99 to 23 per cent in 2004/05. Since then, there has been no further progress.
- In order to meet this new target, the 'absolute' rate will need to fall at an average of about 1.4 per cent a year from now on. This is three-fifths of the annual average rate of reduction actually recorded over the period 1998/99 to 2004/05 (2.3 per cent).
- Besides affecting the overall level of child poverty recorded, the BHC and AHC measures of child poverty imply differences in the spread of child poverty across the UK. Using BHC, 29 per cent of children in low-income households live in the English South and East (including London). Using AHC this proportion rises to 35 per cent.
- The child poverty share for the English Midlands and South West is unaffected by the choice of AHC or BHC. The shares elsewhere are all lower when AHC is used.

Unlike the more recent targets for 2010 and 2020, the target for 2004/05 was to be judged on the AHC basis as well as the BHC. Using AHC, the child poverty rate fell from 34 per cent to 28 per cent between 1998/99 and 2004/05. This fall, of some 700,000, compares with a targeted fall of one million. Since then, the child poverty rate has risen again to 31 per cent, wiping out half of the gain and leaving the overall number of children in poverty just 300,000 lower than in the baseline year of 1998/99. At this rate of progress, it would take until the 2050s to halve child poverty.

## 6 In-work child poverty

- At 2.1 million in each of the last two years, the number of children in low-income households where at least one adult is doing paid work ('in-work child poverty') is almost half a million higher than at the low point reached in 2003/04. Since it is also slightly higher than at the previous peak in 1997/98, all the progress made in reducing in-work child poverty in the period up to 2003/04 has now been wiped out.
- By contrast, the number of children in low-income, non-working households continued to fall until 2006/07, reaching almost 1.7 million in that year (and with no appreciable change in the latest year). This is around one million lower than at the high point in 1992 (although the precise estimate for that year is much more uncertain than later numbers) and comparable with the average levels seen in the second half of the 1980s.
- Against this background, the years of steady progress in reducing overall child poverty, between 1998/99 and 2003/04, formed a period in which both in-work and out-of-work child poverty were falling. Over the 30-year span depicted in the first graph, this is the only period in which this happened.
- Conversely, the end to progress on child poverty and the subsequent upward drift in the total numbers can, at least until 2007/08, be attributed entirely to the large and rapid increase in in-work poverty.
- One result of this is that, in each of the last three years, in-work poverty has accounted for more than half of all child poverty (54 per cent on average over the three years combined). Although the in-work poverty share did touch 50 per cent in both 1979 and 1990, it has never before been above 50 per cent for an extended period.
- Among all children in poverty, just one in twenty live with two parents where no adult in the family is in work and no one is disabled. This statistic, in particular, is bound to change as a result of the recession (which all these numbers pre-date).
- Over the last three years, around four-fifths of children in in-work poverty live with two parents and just one-fifth with a lone parent. By contrast, among those in out-of-work poverty, two-thirds live with a lone parent and one-third with two parents.
- Among all children in out-of-work poverty, one-third belong to a family where at least one person is disabled.

While the sometimes large year-to-year variation in the statistics prior to 1994/95 point to their lower reliability, the broad patterns followed by in-work and out-of-work child poverty since the end of the 1970s are clearly very different. In particular, while in-work poverty fell in the aftermath of the recessions at the start of the 1980s and 1990s, as well as in the years after 1998/99 (a period of strong growth), the upward trend is unmistakable. As a measure of the growing 'economic difficulties' faced by low-income, working families over three decades, this in-work poverty statistic is surely symptomatic of wider changes in society.

## 7 Tax credits

- In each of the last four years, around one million children in working families have been lifted out of low income by the tax credits they receive. In the first three years of the decade (prior to the reform of tax credits in 2003), the comparable figure was around 600,000. In the two years prior to 1999 (before tax credits replaced Family Credit), the figure was around 300,000.
- In each of the last three years, the number of children in working families who 'need' tax credits (that is, their family either has a low income, or would have but for the tax credits received) has exceeded three million. In the first three years of the decade, the comparable figure was around 2.5 million. In the two years prior to 1999, the figure was around 2.3 million.
- Over the last three years, only about a quarter of all children receiving tax credits (1.1 million) saw their family income lifted above the low-income threshold as a result. A similar proportion (1.2 million) remained in low income despite receiving tax credits. Almost one half, however (2.1 million) would not have been in low income even without the credits.

The interaction of the first two points above is very telling. The first can be interpreted as saying that the direct effect of tax credits has been to lift around 700,000 children in working families out of poverty. The second, on the other hand, says that the number of children in working families needing tax credits to escape poverty is also about 700,000 higher. This growing need has therefore undermined the success of the policy, leaving net in-work poverty back at the level it was when the policy reforms of the late 1990s were introduced.

## 8 The value of benefits

- From April 2009, the maximum amount of money payable for two children via Income Support (or the means-tested Job Seeker's Allowance) is about £130 a week. By contrast, the maximum amount payable for a working-age couple is some £29 less, at about £101 a week.
- In April 1999, the comparable amounts were £66 and £81, that is, a difference of £15 in favour of the adults. Adult benefits exceeded benefits for children up to 2001. From 2002 onwards, the position was reversed.
- The difference in favour of children has been growing steadily since 1999. Driven by rises in Child Benefit and tax credits for children (to which the Income Support amounts for children are, by design, equal), the face value of benefits for children has almost exactly doubled in ten years. By contrast, the face value of benefits for working-age adults, which have gone up in line with inflation only, has risen by just a quarter.
- Expressed as a percentage of the low-income threshold, the value of means-tested social security ranges from around 60 per cent for a single adult aged 25 or over to almost 100 per cent for a pensioner couple. The proportion for a couple with two children, or a lone parent with one child, is about 80 per cent. So with the exception of pensioner couples, all of these values are well below the conventional low-income threshold.

- Expressed as a percentage of the Minimum Income Standard, the value of means-tested social security ranges from 43 per cent for a single adult aged 25 or over to 103 per cent for a pensioner couple. The proportion for a couple with two children, or a lone parent with one child, is about 65 per cent. Against this yardstick, it can be seen that the value of benefits for a pensioner couple is sufficient to reach the MIS. All others, however, fall well short.

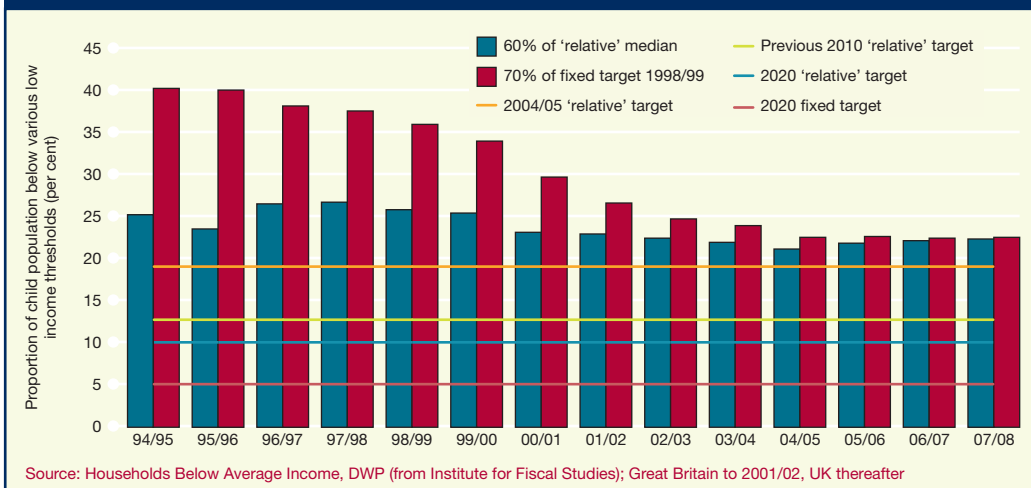
For the value of benefits for children to exceed the value for adults up-ends a principle upon which the welfare state had been based from its very inception. In 1948, a married couple would receive 40 shillings a week, almost twice the 21 shillings a week which would be paid for two children aged 11 to 15. This almost 2:1 ratio held until around the end of the 1970s, when it dropped to around 1.5:1 (see Institute for Fiscal Studies, Fiscal Facts, [www.ifs.org.uk/ff/is.xls](http://www.ifs.org.uk/ff/is.xls)). Going even further back, Beveridge's original design envisaged an even steeper difference: 40 shillings for a 'man and not gainfully occupied wife (joint benefit)' and 16 shillings for two children 'when responsible parent is in receipt of any benefit or pension'.



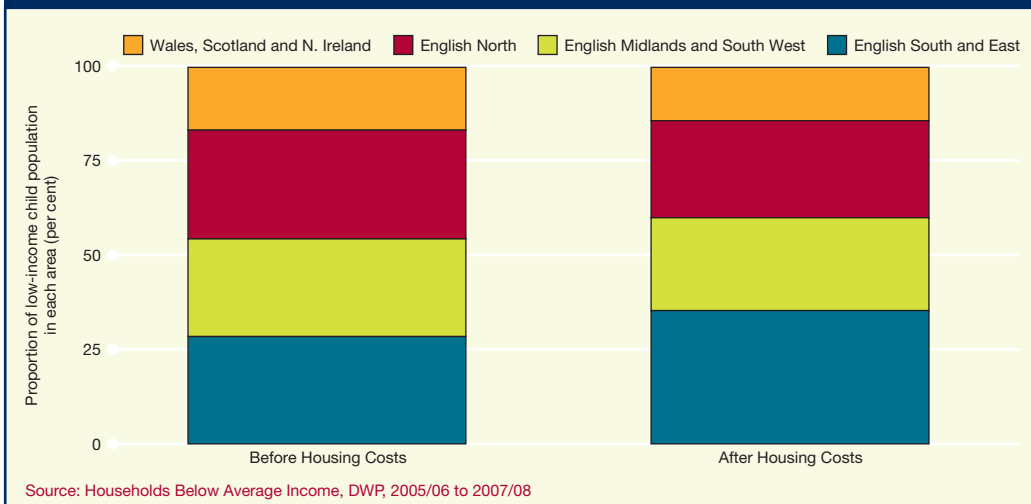
# The child poverty targets

## Indicator 5

### 5A: The proximity of the old target for 2020 and the new ('relative') target for 2020 shows how far ambition has been scaled back.



### 5B: When 'income' is measured after housing costs have been deducted, the South East of England is recorded as having a larger share of UK child poverty.



The first graph shows the proportions of children in households with incomes before housing costs (BHC) (i) below 60 per cent of same-year ('contemporary') median income and (ii) below 70 per cent of ('fixed') median income in 1998/99 (adjusted only for inflation). The graph also shows four targets: (i) the former targets for contemporary low income in 2004/05 and 2010/11 and the new targets for contemporary and fixed low income in 2020, as set out in the 2009 Child Poverty Bill.

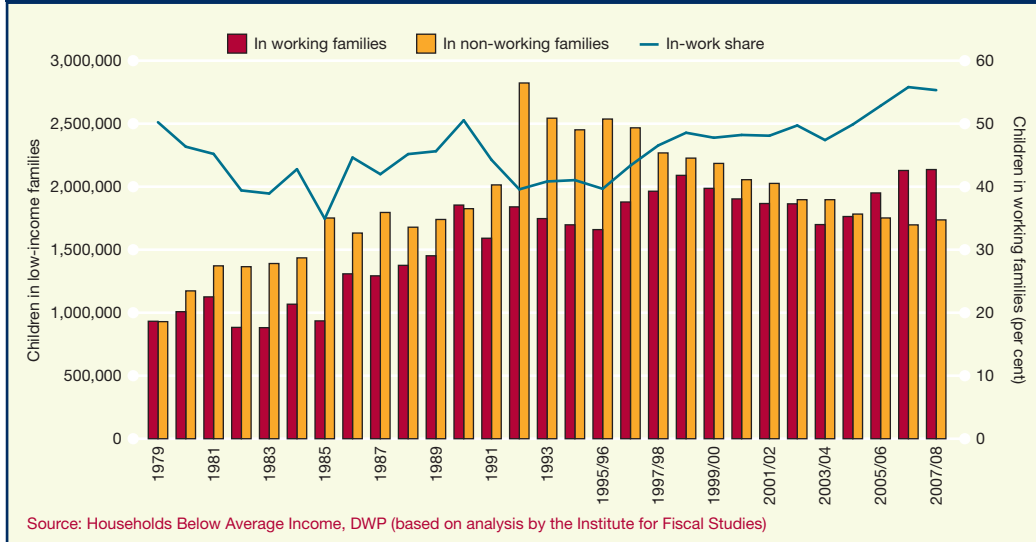
The second graph shows how the children in households with incomes below 60 per cent of median income are spread out across Scotland, Wales and Northern Ireland and nine English regions. These child poverty 'shares' are shown (i) before housing costs have been deducted and (ii) after housing costs have been deducted. Shares are shown for: Wales, Scotland and Northern Ireland together; the English North East, North West and Yorkshire and the Humber; the English East and West Midlands and the South West; the English Eastern, South East and London regions.

The 2020 'fixed' target is set out in the Child Poverty Bill 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 and reasonable proxy.

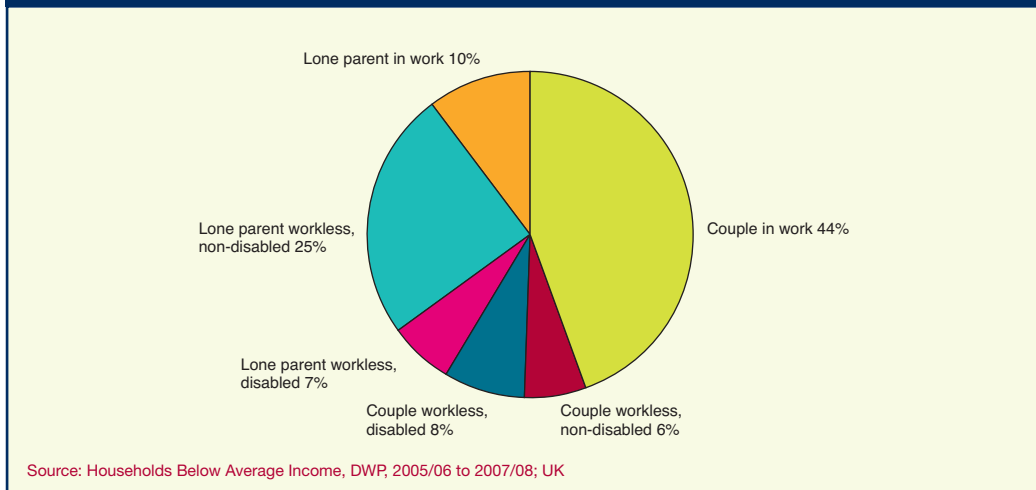
# In-work child poverty

## Indicator 6

**6A: From 2003/04 to 2007/08, the end to progress on child poverty could be put down to sharply rising numbers of children in low-income, working families.**



**6B: In the years immediately before the recession, barely more than one in twenty children in low-income households was living with two, non-working, non-disabled parents.**

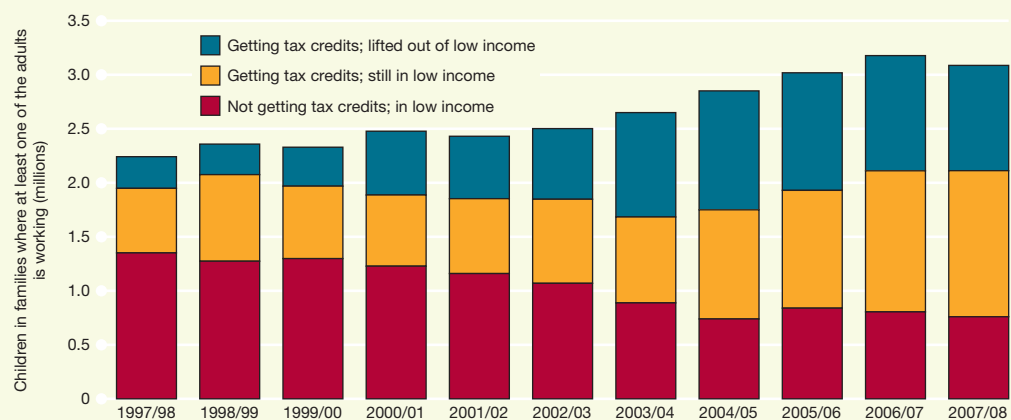


For each year since 1979, the first graph shows the numbers of children in households with incomes below 60 per cent of same-year median income divided between (i) those in families where at least one adult is working and (ii) those in families where no adult is working. The graph also shows those in working families as a proportion of all such children (right-hand axis).

The second graph shows, for the years 2005/06 to 2007/08, all children in low-income households, split by the work status of the family (working or not working), the family type (lone parent or couple) and the disability of the parent.

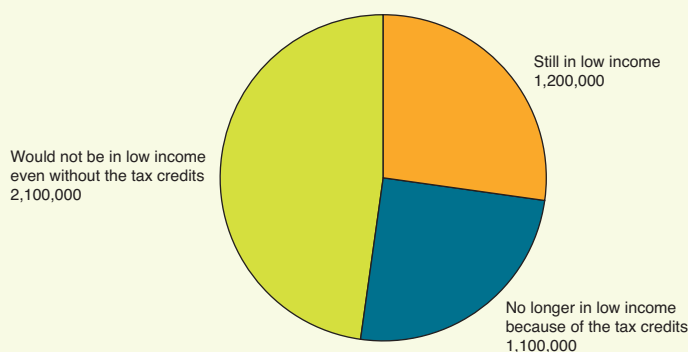
Comment: Before 1994/95, the data in the first graph was sourced from the Family Expenditure Survey, at that time a much smaller (and less robust) survey than the post 1994/95 Family Resources Survey which underlies the modern Households Below Average Income. As a result, caution should be exercised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

## 7A: Tax credits now take around 700,000 children in working families out of low income – but 700,000 more children also need this support than a decade ago.



Source: Households Below Average Income, DWP (from [www.poverty.org.uk](http://www.poverty.org.uk)); Great Britain

## 7B: Only a quarter of the children in working families in receipt of tax credits are no longer in low income because of the tax credit monies received.



Source: Households Below Average Income, DWP (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is the average for 2005/06 to 2007/08; UK

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: not in receipt of tax credits; in receipt of tax credits (over and above the family element) but still in low income; and in receipt of tax credits and, as a result, no longer in low income.

The second graph provides, for the latest year, an analysis of the children in working families in receipt of tax credits over and above the family element. The first two categories – those who are still in low income and those who, as a result of tax credits, are no longer in low income – are the same as in the first graph. The third category is children whose household would not be in low income even without tax credits.

For this analysis, we only consider those families who receive more than the basic child element of the tax credit.

The definition of low income used in both graphs is 60 per cent of median income after housing costs.

Comment: The results shown here require much more analysis of the underlying *Households Below Average Income* data than any of the other low-income graphs. Repeated analysis over several years suggests the results are robust. Nevertheless, the extensive changes in the system from year to year make the data somewhat difficult to interpret.

# The value of benefits

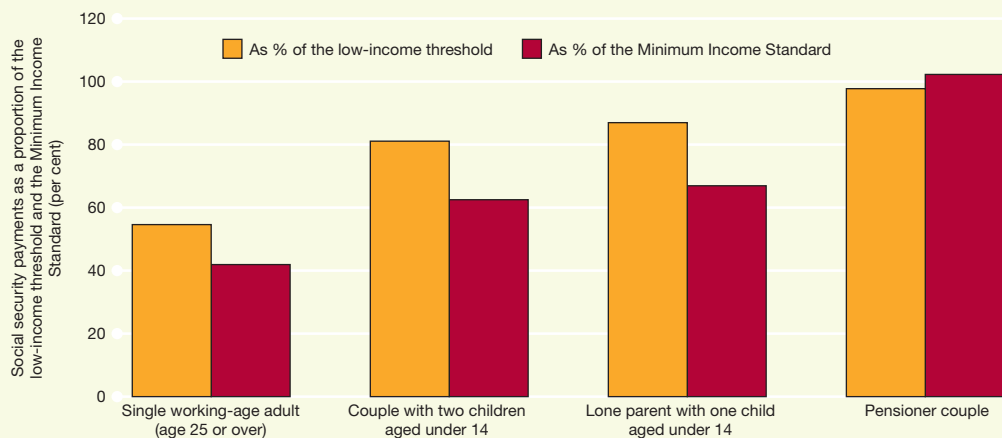
## Indicator 8

**8A: The steady rise in the value of Child Benefit and Tax Credits means that the social security payable for children is now markedly higher than that for working-age adults. This is a complete reversal of what had (always) previously been the case.**



Source: DWP and predecessors (from Institute for Fiscal Studies)

**8B: Social security for a single working-age adult is worth little more than half the low-income threshold. For a pensioner couple by contrast, social security and the low-income threshold are worth almost the same.**



Source: Households Below Average Income 2007/08, DWP; Institute for Fiscal Studies; A Minimum Income Standard for Britain in 2009, JRF; figures are for the UK

The first graph shows, for the April of each year since 1997, the weekly value of Income Support or its equivalent for: (i) a working-age couple; two children aged 11 to 15. No adjustment has been made to reflect inflation.

The second graph compares for each of four family types the value of Income Support in April 2009 with (i) the 2007/08 low-income threshold (60 per cent of median income after housing costs) but adjusted so as to be before water charges are deducted and (ii) the 2009 Minimum Income Standard estimated by Loughborough University.

In the first graph, no adjustment has been made for inflation (i.e. the graph shows the values in £s per week at the time that the benefits were payable).

In the second graph, the adjustment for water charges (which increases the median income of a couple with no children by approximately £5 a week) makes this measure more properly comparable with social security benefits.

The low-income threshold used in the second graph refers to 2007/08, whereas the benefit levels refer to April 2009. We therefore assume no increase in the low-income threshold between 2007/08 and 2008/09.

# Chapter 2 The recession

## **Recession and work status** **34**

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## Recession and work status

### Choice of indicators

The delay of at least a year in the publication of official statistics on household income means that it will not be before spring 2010 that the impact of the recession on poverty will begin to emerge. Since the single most important link from one to the other will come via unemployment, this is therefore the focus of the first section of this chapter.

The first of the five indicators looks at overall measures of worklessness. The first graph shows the proportion of people of working-age who are officially counted as unemployed, along with the proportion who, though not classified as unemployed, nevertheless lack, but want, a job ('the economically inactive wanting work'). This is supported by a breakdown of all those lacking but wanting work according to the principal reason they are in that situation.

The second indicator gives further information on changes in unemployment by age and gender. The graph over time shows the unemployment rate (which by convention is not the same as the proportion of the whole group who are unemployed in the previous indicator). The point is to contrast the unemployment record for young adults with that for those aged 25 and over. While the first graph includes the recession as part of the longer picture, the second graph focuses on it, showing the increase in the numbers unemployed by age and gender. The two graphs may seem to convey rather different messages and that is why they are both included.

The third indicator is pivotal to an understanding of the likely eventual impact of the recession on poverty. The first graph shows the proportion of people in low-income families according to their family work status (the 'risk of low income'). The supporting graph, a snapshot of the change across a nine-year gap in the number of children in what are called part-working and non-working families, provides an important building block in helping to understand what has happened to child poverty in the recent past.

Fully-working families are those where all the adults work, and at least one works full-time. Part-working families are those where either one working-age adult does not work at all, or where all those working, work only part-time.

The fourth indicator looks at changes in unemployment over recent years on the basis of the unemployed person's previous occupation. In essence, the question which this indicator is addressing is the extent to which this is a 'white collar' as opposed to a 'blue collar' recession. The first graph shows the unemployment rates for each of the groups since 2005. The supporting graph shows the composition (share) of the total number unemployed by occupation groups, divided between men and women.

The final indicator switches attention from the official measure of unemployment, to the claimant count, that is the number of people claiming Job Seeker's Allowance. The first graph shows the numbers making a new claim for JSA, broken down by the same three occupation groups as before (although here on the basis of the occupation being sought). Again, the purpose is to show the extent to which the different groups are affected. The supporting graph shows the destinations of those ending a claim for JSA, again by occupation group, the idea being to show the complete effect of unemployment – not just job loss, but what happens next.

## 9 Workless Individuals

- The proportion of the working-age population who are unemployed stood at 6 per cent in the first half of 2009, more than 2 per cent above the low point of just under 4 per cent recorded in 2005 and higher than at any time since before 1997.
- Of that 6 per cent, 1 per cent have been unemployed for a year or more. At 5 per cent, the proportion who have been unemployed for less than a year is far higher than anything seen since before 1997.
- Just under another 6 per cent of the working-age population, though not counted officially as unemployed (and therefore deemed 'economically inactive'), lack but want work. Although this proportion stopped falling in 2004, it has been rising only very slightly since 2006.
- Following the sharp rise in unemployment in 2009, this 'economically inactive wanting work' group is outnumbered by the officially unemployed, the first time this has happened since before 1997.
- Taking the two groups together, the current total of almost 12 per cent either unemployed or otherwise lacking but wanting work is still slightly lower than in 1997.
- Over the three years to 2008, some 600,000 of the more than two million economically inactive wanting work were long-term sick or disabled. A similar number were looking after their home or their family. A further 500,000 were students.

The steep rise in unemployment in 2009 is only responsible for about half of the total increase in unemployment since the 2005 low point. Unemployment also rose quite sharply in 2006 (taking it back to its level in 2000) and again in 2008. While the recession is certainly responsible for making things much worse, unemployment was increasing well before the recession began.

## 10 Unemployment by age and gender

- At 18.5 per cent in the first half of 2009, the unemployment rate for 16- to 24-year-olds is now 6 per cent higher than in 2004 when the rate first started to rise. The last time the young adult unemployment rate exceeded 18 per cent was in the first quarter of 1993. Unemployment data by age does not go back beyond that date.
- Approximately half of the 6 per cent increase since 2004 had taken place by 2008 with the remainder since. While the recession has therefore made matters much worse, rising unemployment among young adults began several years ago, from an already elevated level.
- At 5.5 per cent in the first half of 2009, the unemployment rate for those aged 25 and above is now 2 per cent higher than in 2004 and 2005. The unemployment rate for this age group last stood at this level in 1997.
- The very large difference between the unemployment rates for young adult and older workers has long been apparent. Nevertheless, as a proportion of its previous value, the rate for older adults aged 25+ has grown slightly faster than the rate for adults aged under 25.

- This is especially true during the recession itself, where the number of young adult unemployed has increased over the twelve months to mid 2009 by about 200,000 from 700,000 to 900,000. By contrast, the number of older adult unemployed has increased by just under 500,000 from 900,000 to 1,400,000.
- Similarly, over the twelve months to mid 2009, the number of unemployed women increased by some 220,000 from 700,000 to 900,000 while the number of unemployed men increased by just under 450,000 from 900,000 to 1,400,000.

The very high level of young adult unemployment – which may have passed one million by the time this report is published – attracts considerable attention. But while the recession has made things very much worse, young adult unemployment has been high for the last two decades – in other words it is a chronic problem and not just something that sprang up from nowhere in 2008/09. Looking back to 1997, what is striking is how little progress was made (down from around 15 per cent in 1997 to a low of 12 per cent) and how soon it stopped (as early as 2001).

### **11 Effects of unemployment on poverty**

- In the three most recent years, 5 per cent of the children and working-age adults in ‘fully working’ families belonged to low-income families, a far lower risk than any other group.
- By contrast, some 75 per cent of children and adults in ‘unemployed’ families were in low income. Among those long-term sick or disabled, or non-working lone parent families, the risk was about 60 per cent.
- Among various categories of ‘part-working’ families, the risk of having a low income ranged from about 25 per cent (both for those families where one or more people were self-employed and for those two adult families where one person was working full-time and the other not at all), to 35 per cent for those families where only part-time paid work was being performed.
- Comparing the three most recent years with the last three years of the 1990s, the proportion of children living in ‘fully-working’ families has remained unchanged at 40 per cent. By contrast, the proportion in non-working families has fallen by 3 per cent (from 21 per cent to 18 per cent), with a corresponding rise of 3 per cent in the proportion in part-work, which now stands at 42 per cent.

Given the heightened risk of low income among part-working families, the slight growth in the proportion of children in such families will be one factor contributing towards the longer-term rise in in-work poverty. But the greater significance of these numbers lies in the fact that a child is no more likely to live in a full-working family than in a part-working one. Since four-fifths of children belong to working families, the idea that work should be the route out of poverty for low-income, workless families can be justified by an appeal to a norm. By contrast, since ‘part-working’ is no less the norm than ‘full-working’, it is unclear why low-income, part-working families should be expected to work longer in order to escape poverty.



## 12 Unemployment and occupation

- In the first half of 2009, the unemployment rate for people whose previous occupation had been in skilled and other manual occupations was about 10 per cent, compared with about 6 per cent for those from administrative, retail and personal service occupations, and 3 per cent for those from professional and managerial occupations.
- In the three years prior to the recession (from the first half of 2005), the unemployment rate for professionals and managers showed no sustained rise, remaining close to 2 per cent. By contrast, the unemployment rates for the other two groups both rose by about 1 per cent.
- Since the recession began in early 2008, the unemployment rates for these three groups have risen by 3 per cent, 1 per cent and 1 per cent respectively.
- In the twelve months to mid-2009, more than half of those who were unemployed (having had a job before) had previously been in skilled and other manual occupations. Most of them were men.
- Averaged over the same period, one-fifth of those who were unemployed had previously been in professional and managerial occupations. Although a slightly smaller proportion, most of them too were men. And over the same period, one-quarter of those unemployed had previously been employed in administrative, retail or personal service occupations. Most of them were women.

In 1993, when unemployment among those of working age was last at a peak (approaching three million), there were twice as many unemployed men as unemployed women. As unemployment started to fall, male unemployment came down faster than female unemployment. As a result, by the end of 2007, just before the start of the recession, there were only one-third more unemployed men than unemployed women. During the recession this process has gone into reverse with male unemployment rising faster than female unemployment. By the middle of 2009 there were 60 per cent more unemployed men than unemployed women.

## 13 JSA flows and occupation

- In the first half of 2009, 180,000 people a month seeking work in skilled and other manual occupations started a new claim for JSA. This compares with just under 120,000 seeking work in administrative, retail and personal service occupations and 60,000 seeking work in professional and managerial occupations.
- Over the period from the start of 2005 to the first half of 2008, the comparable figures had averaged around 110,000, 70,000 and 30,000 a month respectively, with only very little variation. While those seeking work in skilled and other manual occupations have seen the largest increase in the number of new claims for JSA during this period, the proportional increase in the number of new claims has been greatest among those seeking work in professional and other managerial occupations.
- Among those ceasing to claim JSA, about 50 per cent – across all three occupation groupings – either enter employment, begin training or switch to another benefit.

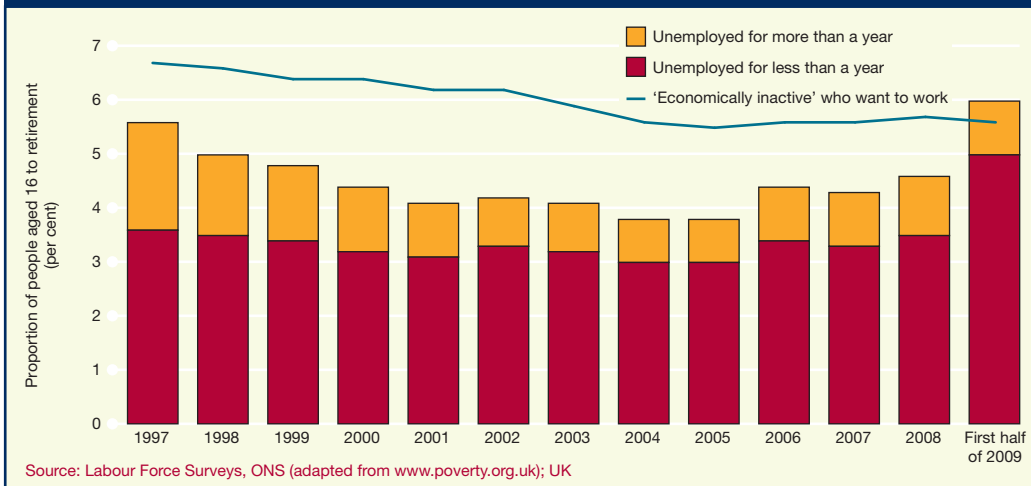
- Of the remaining 50 per cent, the vast majority of those seeking professional or managerial occupations find employment. By contrast, among those seeking skilled or other manual work, one-third either begin training or switch to another benefit.
- Among the 50 per cent – again across all occupation groups – ceasing to claim JSA for other reasons, two-thirds are recorded as simply ‘failing to sign’. ‘Unknown’ comprises the next largest groups.

The data shows two things. Firstly, many more people seeking skilled and other manual work are likely to start a claim for JSA. But secondly, they are also much less likely (one-third, compared with one-half for professionals and managers) to be quitting JSA for employment. Nevertheless, the most striking statistic here is the 50 per cent – across all groups – whose destination is, in effect, unknown. That so many leave JSA with nothing to go to must partly be due to the fact that entitlement to contribution-based JSA lasts for only six months. Since the scale of this – some 130,000 a month over the twelve months to the middle of 2009 – dwarfs the month to month changes in the headline ‘stock’ of JSA claimants, no conclusions can reliably be drawn from the headline statistic about what is happening to unemployment more widely.

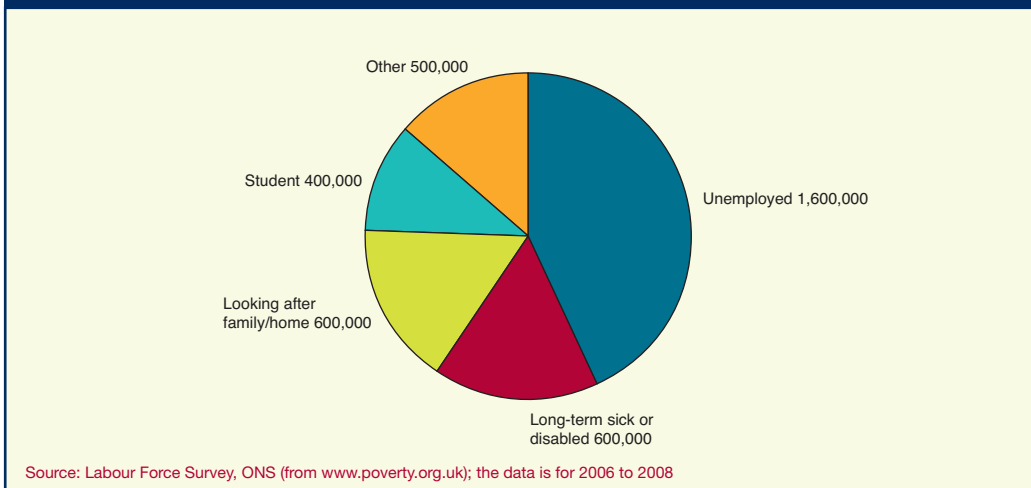
# Workless individuals

## Indicator 9

**9A: While the proportion of people who are unemployed has been gradually rising since 2005, there was a very steep increase in the first half of 2009.**



**9B: Before the recession, less than half of those lacking but wanting work were officially unemployed.**



The first graph shows the proportion of people aged 16 to retirement lacking but wanting paid work. It is divided between the long-term unemployed, the short-term unemployed, and those counted as 'economically inactive' who nevertheless want paid work.

The second graph shows the proportions of those aged 16 to retirement who want paid work by reason for their lack of work for the years 2006 to 2008.

'Unemployment' is the ILO definition, which is used for the official UK 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 economically inactive who want paid work includes people not available to start work for some time and those not actively seeking work.

# Unemployment by age and gender

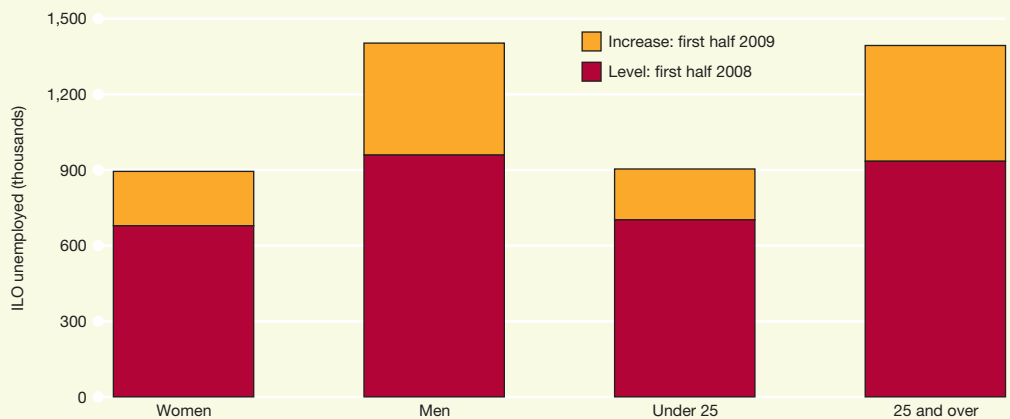
## Indicator 10

**10A: At 18 per cent, the unemployment rate for 16- to 24-year-olds is the highest for the series and is a little more than three times the rate for older workers.**



Source: Labour Market Statistics Time Series Data, ONS; UK

**10B: The increase in unemployment has been greater among men and those over 25 than among women and those under 25.**



Source: Labour Market Statistics, Historical Supplement, ONS; UK

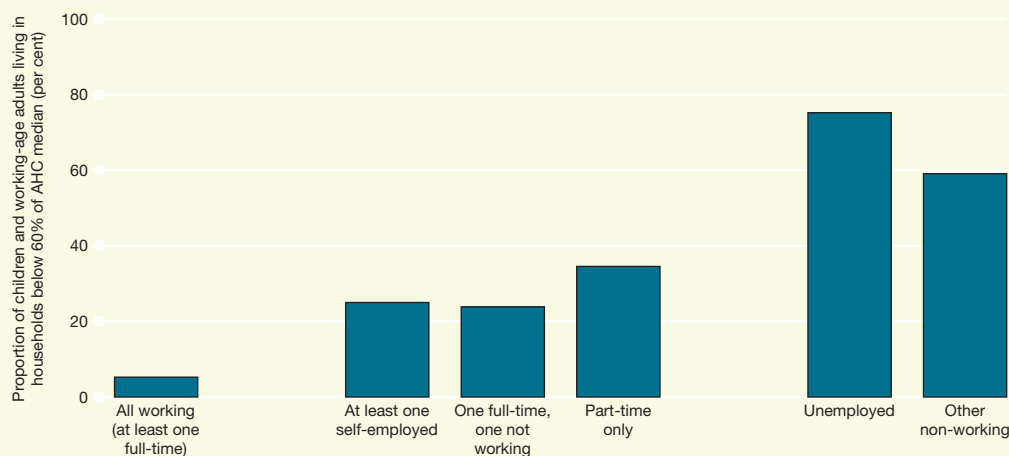
The first graph shows the unemployment rate for those aged 16 to 24, compared with those aged 25 and over (up to retirement). The second graph compares the number of people unemployed in the first half of 2008 with the increase in the number between then and the first half of 2009. The results are broken down first between men and women and those aged under 25 and those aged 25 and over.

'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).

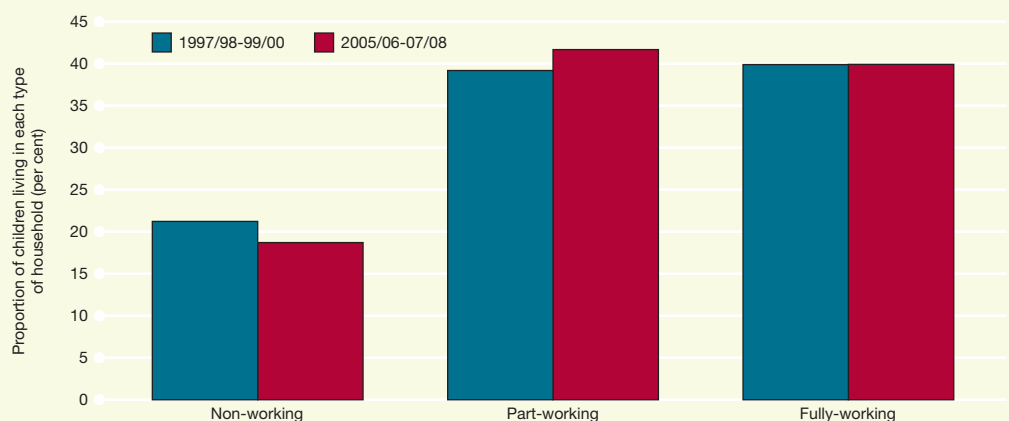
# Effects of unemployment on poverty

## 11A: The only families where the risk of low income is low are fully working ones.



Source: Households Below Average Income, DWP; 2005/06 to 2007/08

## 11B: The fall since the late 1990s in the proportion of children in non-working families has been matched by a rise in the proportion in part-working ones.



Source: Households Below Average Income, DWP; Great Britain

The first graph shows the proportion of people (children and adults) in working-age families who are in low income. The results are shown separately according to the precise family work status, that is full-working, self-employed, couples where only one adult works, families where adults only work part time, unemployed families and other economically inactive families.

The second graph shows the proportion of all children in (i) non-working families and (ii) part-working families and (iii) fully-working families with the results shown separately for the three years to 2000/01 and the three years to 2007/08.

Fully-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. Part-working families comprise those where either: someone is self-employed; someone is working but no one has a full-time job; and those couple families where one person works full-time and the other does not work at all. Non-working families comprise the remainder.

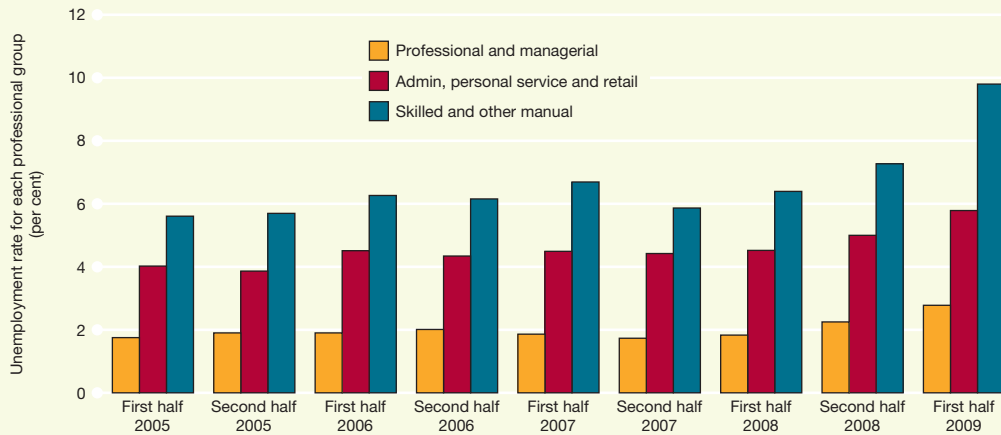
A working-age family is any single adult or couple, with or without dependent children, where someone is working or where no one is aged 60 or over.

A family is in 'low income' when its equivalised (adjusted) household income is below 60 per cent of median household income in the year in question.

# Unemployment and occupation

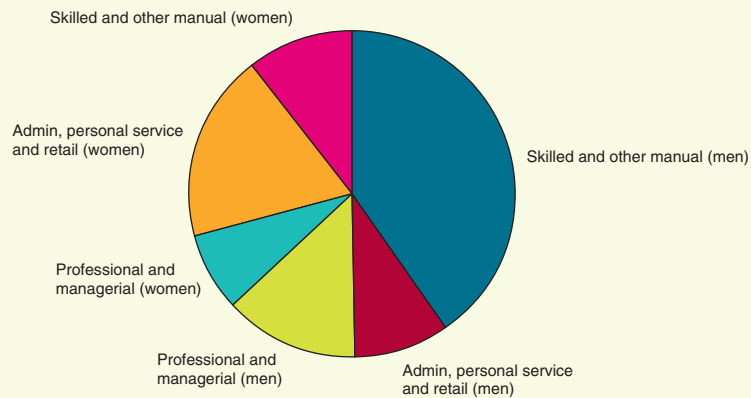
## Indicator 12

**12A: The unemployment rate among skilled and other manual workers has long been around three times higher than that for professionals and managers.**



Source: Labour Force Survey, ONS; UK

**12B: Around half of those unemployed in the year to mid-2009 were skilled or other manual workers.**



Source: Labour Force Survey, four quarters from mid-2008 to mid-2009; UK

The first graph shows, for each of three occupation groups, the unemployment rate of all adults. This is calculated by taking the number who are currently unemployed whose last job was in the relevant occupation – the unemployed – and dividing it by the sum of the number of people currently employed in that occupation and the number unemployed.

The second graph shows the total unemployed population, broken down by previous occupation, namely: professional and managerial; administrative, personal and retail; and skilled and other manual. Results are further divided between men and women.

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).

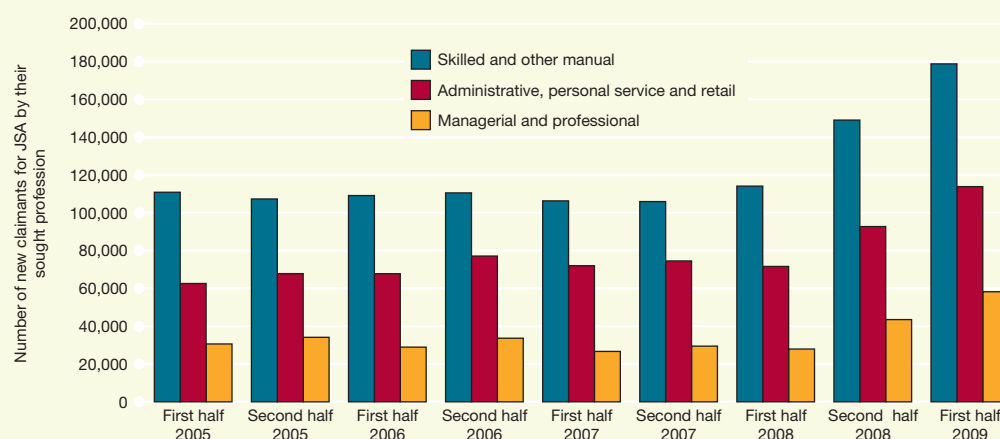
The three occupational groups are built up from the nine major occupation groups used in the official statistics, namely: professional and managers (groups 1 to 3); administrative, personal and retail (groups 4, 6, and 7); and skilled and other manual (groups 5, 8 and 9).

Comment: With unemployed people allocated, in the second graph, to a group on the basis of their last occupation, a small proportion of unemployed people (with no previous/known occupation) are by definition excluded.

# JSA flows and occupation

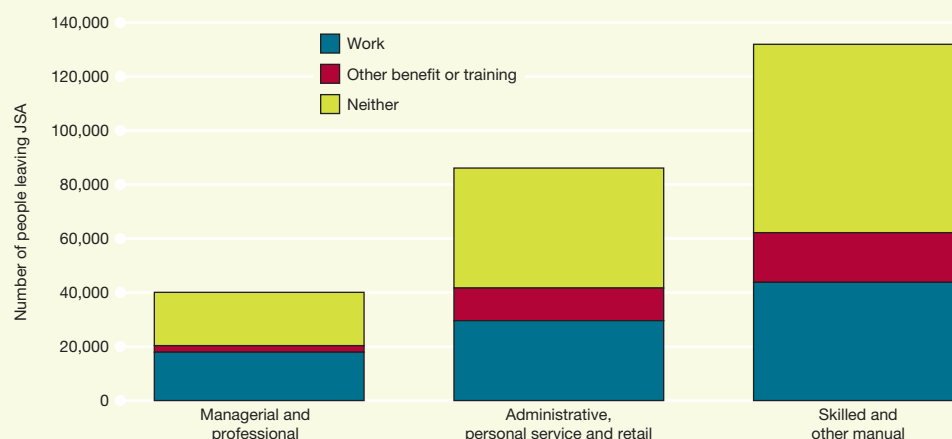
## Indicator 13

**13A: Skilled and other manual workers are making more new claims for JSA than others – but the biggest proportional rise in such claims is among professional and managerial staff.**



Source: Claimant Count data, ONS (from nomisweb.co.uk); UK

**13B: Irrespective of the claimant's occupation group, half of those ending their claim for JSA enter neither work nor training nor transfer to another benefit.**



Source: Claimant Count data, ONS (from nomisweb.co.uk); 2008 Q3 to 2009 Q2; UK

The first graph shows the number of people making a new claim for JSA in each six month period with the results shown separately according to the claimant's sought occupation.

The second graph shows the number of people ceasing to claim JSA in the year to mid-2009 with the results broken down first according to the claimant's sought occupation and second according to whether they are leaving JSA for a job, for training or to transfer to another benefit, or for any other reason.

The three sought occupational groups are built up from the nine major occupation groups used in the official statistics, namely: professional and managers (groups 1 to 3); administrative, personal and retail (groups 4, 6, and 7); and skilled and other manual (groups 5, 8 and 9).

Those leaving JSA are classified as: for a job (found work or increased work to more than 16 hours a week), for training or to transfer to another benefit; and any other reason (gone abroad, ceased claiming, failed to sign, other reasons, not known).

## Recession and debt

### Choice of indicators

The first indicator looks at housing repossession. The first graph shows the rise in numbers of both orders for repossession and completed actions. While not all actions result in repossession, they are surely a sign of a household being in significant financial trouble. The supporting graph highlights a point that is often overlooked, namely that repossession does not just apply to those who have borrowed to buy their home but also to tenants who are renting.

The underlying cause of home repossession is usually that the home owner (or tenant) has fallen into arrears on their mortgage payments (or rent). The second indicator highlights this via statistics on the number of home loans in arrears and their depth. The supporting graph shows how those with high or very high repayment ratios (repayments as a proportion of income) are spread across the income distribution. The point here, which reinforces the reason for looking at mortgage repossession in the first place, is that the threat is not just one that hangs over average or above-average income households.

The third indicator looks at non-housing debt. It has long been the complaint of anti-poverty campaigners that the traditional measure of poverty using low income leaves out entirely the central problem of debt. Reflecting the way that official statistics have at last begun to address this weakness by including certain measures of debt, the first graph presents a view of one particular aspect of the problem, namely the extent to which households are in arrears with their utility bills. The supporting graph uses information of a different sort to show the relative importance of different types of debt measured by the calls that people make about them to National Debt Helpline.

### 14 Repossessions

- At 24,000 in the first half of 2009, the number of mortgage repossessions has risen six-fold since the first half of 2004. Although the single biggest increase was in the first half of 2008, the rise since 2004 has largely been a steady one. The rise in the first half of 2009 was not in any way unusually large.
- Court orders for repossession (excluding those that were suspended) went up more than threefold between the first half of 2004 (around 9,000) to the second half of 2008 (around 30,000). The annual number of court orders had actually reached a low point slightly earlier, in 2002.
- A regional breakdown of the court order figures suggests that over the twelve months to mid-2009, they have been running at twice the rate in the North East and North West of England, and Wales (around five per thousand households) as in the South West and South East England. The suitability of the denominator here (all households, irrespective of tenure and irrespective, if owned, or whether mortgaged) means that numbers must be treated with caution.



- Though rarely mentioned, the number of court orders for repossessions by landlords was about the same, in the twelve months to mid-2009, as the number of orders for repossession by mortgage lenders. With one exception, landlord repossessions were slightly higher (around four per thousand) in the North East and North West of England and the West Midlands than elsewhere (closer to three per thousand). The exception here is London, where the rate is around 7.5 per 1,000.
- In the first half of 2009, the number of these court orders fell back to around 19,000. This fall is thought to reflect the effects of a new protocol governing the introduction of such actions. Whether this will lead to a permanent reduction in the number of court orders is unknown. Unknown too is its effect on repossessions.

On an annualised basis, the last time that repossession numbers were higher than in 2009 was in 1993. The annual number of repossessions had previously peaked in 1991, at 75,000. By contrast, the annual number at the 2004 low point was just over 8,000 (this can be seen more clearly at [www.poverty.org.uk/84/index.shtml](http://www.poverty.org.uk/84/index.shtml)).

## 15 Arrears

- At just over 110,000 in the first half of 2009, the number of loans newly falling into arrears was lower than in the last six months of 2008, but almost exactly the same as in each of the previous six-month periods going back to the start of 2007.
- Over the period from 2007 to the middle of 2009, the number of loans in arrears by between 1.5 per cent and 2.5 per cent of the outstanding loan rose by a quarter, to around 115,000 in mid-2009. However, the number of loans in arrears by 2.5 per cent or more rose much more steeply, from around 180,000 in the middle of 2007 to around 290,000 in the middle of 2009. Even here, however, the rise in the first half of 2009 was rather less than the rise in the second half of 2008.
- Over the three years up to 2007/08, around half of all households in the poorest fifth of the income distribution with a mortgage were devoting at least 25 per cent of their net household income to mortgage interest. At higher incomes, the proportion of households with a high, or very high, repayment proportion is lower and falls to around a fifth of those with average incomes and a sixth of those with high incomes.
- The two million or so households with high or very high repayments are spread very evenly across the income distribution. By contrast, half of those with very high repayments (50 per cent or more of net income) are in the poorest fifth.

That sharply rising unemployment in the first half of 2009 has not, so far, led to any rise in the number of loans falling into arrears is presumably a reflection of the cushioning effect from the steep falls in interest rates in the latter part of 2008. Nevertheless, with some 200,000 loans a year falling into arrears for the first time and some 400,000 in arrears on the latest statistics, the potential for a big increase in repossessions is clear.

## 16 Debts

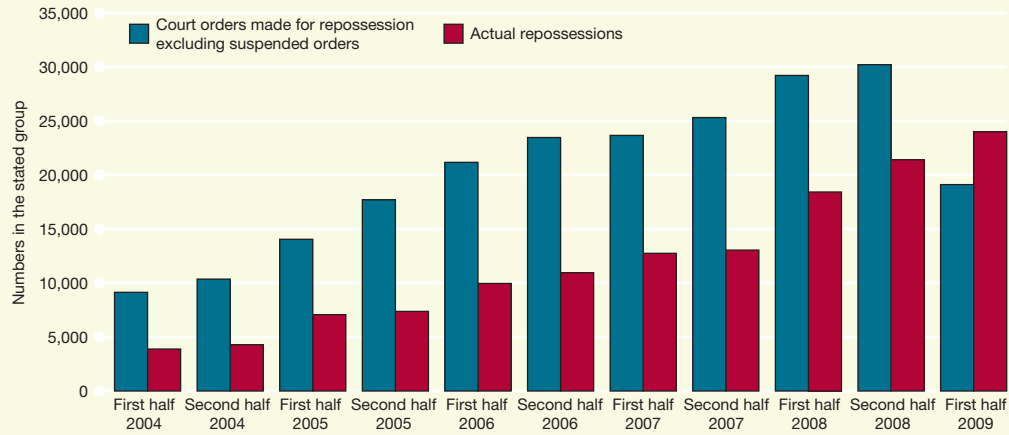
- 25 per cent of working-age adults in workless households are in arrears on at least one of their household bills. This compares with about 10 per cent for working-age adults in part-working households and 5 per cent for those in fully working ones.
- Of that 25 per cent, about half are one bill in arrears, a quarter are two bills in arrears and a quarter are three or more bills in arrears. Similar proportions apply to those in arrears in working households.
- Among those calling National Debt Helpline in 2008 and the first half of 2009, the most common types of debt queries relate to bank loan and overdraft debt, accounting for almost 80 per cent of all the queries, closely followed by credit card debt at 70 per cent. Around a fifth of the queries received were for Council Tax and utilities-related debt.

While any conclusions drawn from such a restricted sample of data can only be conjecture, the extent to which problems with bank and building society loans dominate calls to the helpline indicate just how serious a problem this is – and why the possible consequence, namely repossession, should be a focus of attention. The frequency of calls about credit card and related debt suggests that while the attention given by official statistics to utility debts and the like is a step in the right direction, these are not the kinds of debt that people are most likely to have problems with.

# Repossessions

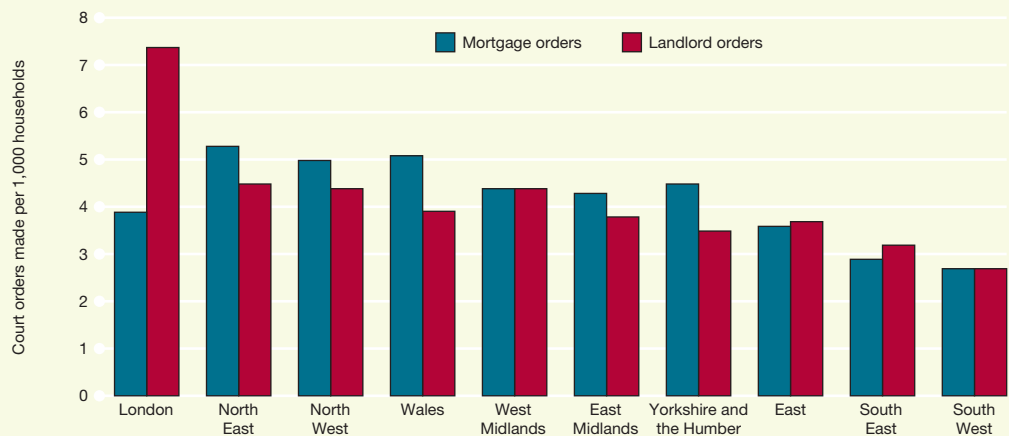
## Indicator 14

### 14A: Actual mortgage repossessions have been rising since 2004 and by 2009 were six times the level of 2004.



Source: Mortgage and Landlord Possession Statistics, MoJ Statistical Bulletin, Q2 2009.  
Data on suspended orders provided separately by MoJ

### 14B: Across England and Wales as a whole, court orders for repossession by landlords are as numerous as orders for repossession by mortgage lenders.



Source: Mortgage and Landlord Possession statistics, Ministry of Justice; 2008 Q3 to 2009 Q2; England and Wales

The first graph shows the number of mortgage repossessions for the first and second half of the years since 2004; and the number of court orders made for mortgage repossession during that period, excluding suspended orders.

The second graph shows the number of orders for repossession made in the county courts (including suspended orders) per 1,000 households in each of the English regions and Wales. Results are shown separately for mortgage repossession and landlord repossession (i.e. against owners and against tenants).

Data for the second quarter of 2009 is based on provisional figures. Data for preceding years is based on revised data and replaces that provided in the previous Ministry of Justice bulletins.

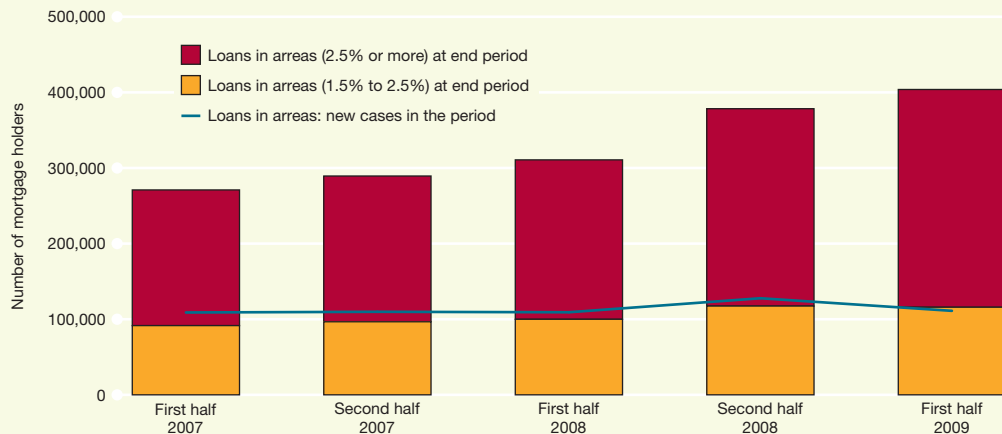
Over the recent period, just under half of all orders made have been suspended. 'Orders made', therefore do not correspond to repossessions. In addition, repossession can take place without a court process.

Comment: The sharp flattening off in court orders in 2009 in part reflects the introduction of a Mortgage Pre-Action protocol in November 2008. It remains unclear how far this has genuinely reduced court actions as opposed to delaying them.

# Arrears

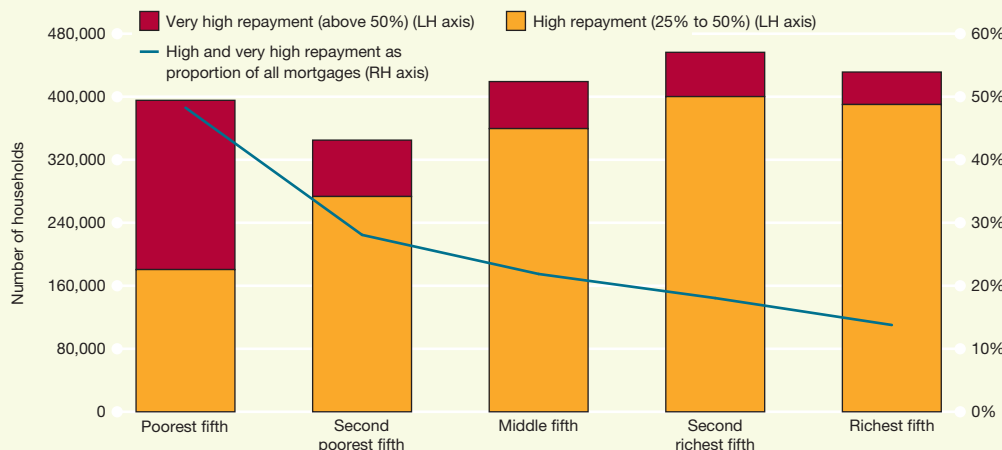
## Indicator 15

**15A: While there has been little increase in the number of loans newly falling into arrears, the number of loans deeply in arrears has doubled over two years.**



Source: Mortgage Lending and Arrears Return Statistics, Financial Services Authority

**15B: Half of all those with mortgages in the bottom fifth of income distribution are devoting at least 25 per cent – and often much more – of their money to mortgage interest.**



Source: Households Below Average Income, DWP; 2005/06 to 2007/08; UK

The first graph shows the number of mortgage loan accounts in arrears with the results shown separately for those loans: where arrears lie between 1.5 per cent and 2.5 per cent of the loan; and where the arrears exceeds 2.5 per cent of the loan.

The second graph shows the proportion of households with mortgages whose mortgage interest repayments are: between 25 per cent and 50 per cent of their net household income; and more than 50 per cent of their income. Results are shown separately for each fifth of the income distribution.

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 including: first charge loans; second and subsequent charge loans (where the borrower takes an extra loan from another lender); 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 mortgages 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.

Net household income is equivalised (adjusted) income before housing costs are deducted.

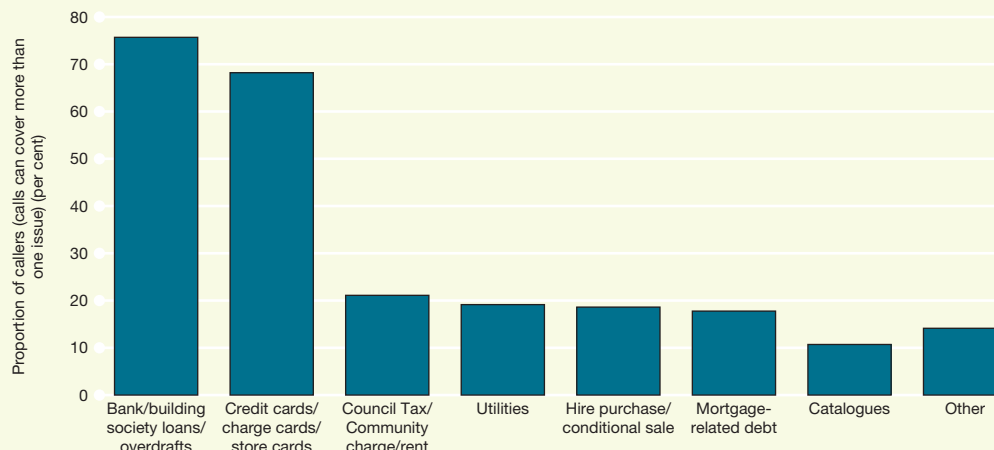
The choice of 25 per cent as the threshold for a 'high' mortgage repayment is based on a calculation with the following elements: the FSA's description of a mortgage to gross income multiple as 'high' if it exceeds 2.75 for a single or 3.5 for a couple; the average mortgage rate over the period in question (approximately 6 per cent); the ratio of net to gross income (approximately 70 per cent).

## 16A: Adults in workless households are much more likely to be in arrears with at least one bill than adults in all working households.



Source: Family Resources Survey 2005/06 to 2007/08; UK

## 16B: Bank loans, overdrafts and credit cards are the most common causes of calls to the debt helpline.



Source: National Debtline; 2008 and first half of 2009; England and Wales

The first graph shows the number of bills families are behind with, by the family's work status.

The second graph shows the proportion of queries dealt with by the National Debt Helpline by type of debts the caller had. As individual callers may have queries related to more than one type of debt, the percentages in the graph do not add up to 100 per cent.

All 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. Part-working families comprise those where either someone is self-employed; someone is working but no one has a full-time job; and those couple families where one person works full-time and the other does not work at all. Workless families comprise families where the head of the family is either unemployed or classified as 'other'.

Bills in arrears refer to the number of bills the family is behind with. The bills include electricity, gas and other fuel bills, telephone (mobile and landline) bills, water bills, Council Tax bills, insurance policies, television and other hire purchase payments.



# Chapter 3 Child and young adult well-being

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## Economic circumstances

### Choice of indicators

The duty to end child poverty, and the trends in the numbers of children in low-income households, has been considered at length in the previous chapter. Here we take two slightly different aspects relating to economic circumstances – workless households and material deprivation.

The first indicator looks at the number of children living in workless households. The analysis of workless households allows us to look more at the family circumstances of children, in particular whether they live in lone parent households or couple households, and how this affects the household work status.

Workless households are seen as particularly disadvantaged. The preoccupation with work as a route out of poverty dovetails nicely with the idea that turning workless households into working ones is a good idea.

The second indicator looks at material deprivation. The concept of material deprivation, which is used in the child poverty duty, is quite complicated to measure. Families are asked if they lack certain essential items (nine child items, ten adult or household items) and, if so, whether this is because they cannot afford them.

Each item has a weight, based on how common it is that the general population has the item – the more common, the larger the weight. The combined weights for adults and children are scaled in such a way as to total 100 per cent, so that any family that lacked all the child and all the adult items would be given a score of 1. For each household, these weights for the items lacked for reasons of cost are then summed to give an index of material deprivation.

In the child poverty duty, there is no defined target for the number of children living in material deprivation. Rather than taking this measure directly, the graphs deconstruct it, looking at exactly which items children lack, and whether they lack more than their parents.

### 17 Children in workless households

- Around 1.8 million children were living in workless households in the UK in 2008, a lower figure than for any time in the previous decade and down by a fifth since 1998.
- Most of this decline happened before 2004. Since then, there has been little or no change in the number of children in workless households. This fits with the picture above on unemployment, which itself stopped falling in 2004.
- The majority of these children, around 1.2 million, lived in lone parent households.
- Around half of all children in lone parent households live in workless households, compared to only one in fifteen children in couple households.

The declining number of children in workless households is shown also in indicator 11B. The two indicators complement each other, as the former shows the shift from workless to part-working families and this indicator shows the prevalence of worklessness in lone parent families.



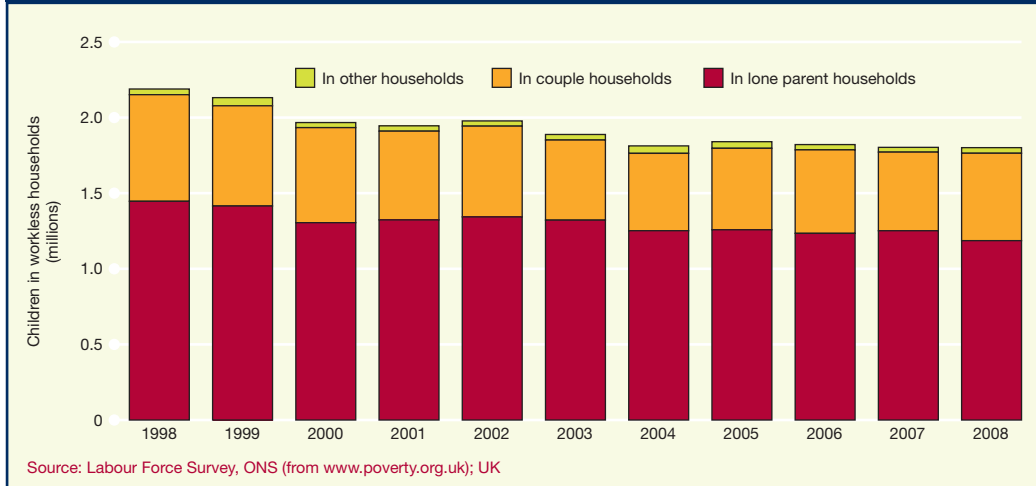
## 18 Children living in material deprivation

- Over half of children in low-income households do not go on holiday at least once a year because their family cannot afford it. With the exception of holidays, most children even in low-income households do not go without essential items for reasons of cost.
- Very few children not in low-income households go without any items for reasons of cost.
- It appears that in low-income households, it is the parents who go without items, either for themselves or for the household as a whole, rather than the children. Around one-third of children lack no essential items for reasons of cost, compared to one-fifth of parents. More than half of parents lack four or more items, compared to around one-tenth of children.
- This suggests that parents in low-income households prioritise spending on their children ahead of themselves or their households in general. This backs up previous studies (for example Middleton, S., Ashworth, K. and Braithwaite, I., *Small fortunes: spending on children, childhood poverty and parental sacrifice*, York: Joseph Rowntree Foundation, 1998) which showed that parents even went without food and clothes to provide for their children.

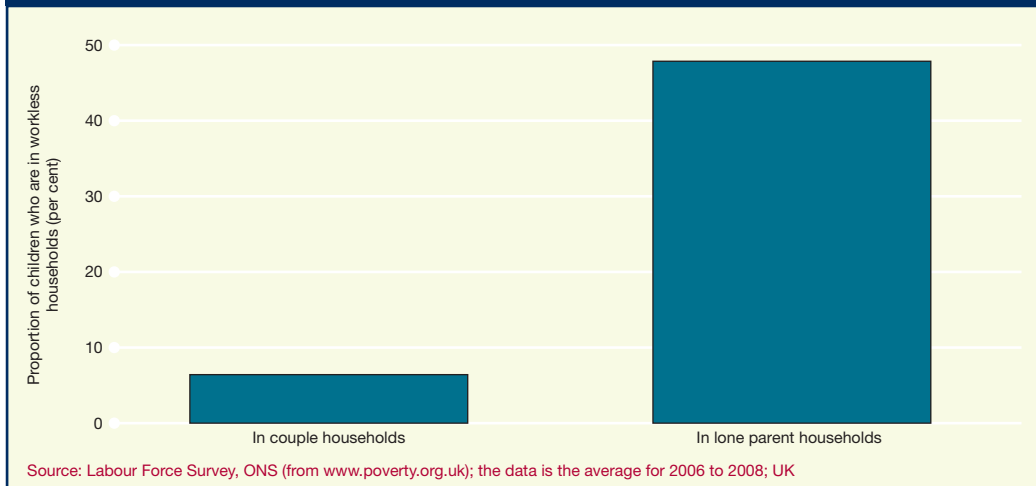
The data suggests that many of the children who would be deemed to be in material deprivation are in that position because their parents are going without certain items so that the children do not have to. The children themselves may not be lacking essential items.

# Children in workless households

**17A: The number of children in workless households in 2008 was down by a fifth on a decade earlier.**



**17B: Half of all children of lone parents live in households which are workless. This compares to one in fifteen for children of couples.**



The first graph shows the number of children living in working-age households in which none of the working-age adults is in paid work. Results are shown separately for couple households, lone parent households and other households.

The second graph shows the proportion of children living in workless households by household type – in couple households and those in lone parent households.

A working-age household is one in which at least one of the people is aged 16 to 59/64. Full-time students have been ignored in determining how many such adults belong to a household. In line with ONS methods, children comprise all those under the age of 16 (i.e. not including people aged 16 to 18 in full-time education).

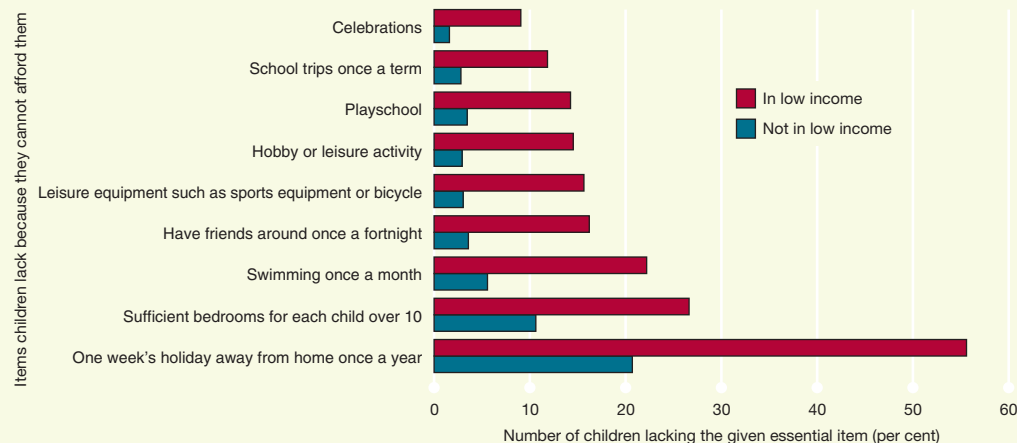
# Children living in material deprivation

Child and young adult well-being

Economic circumstances

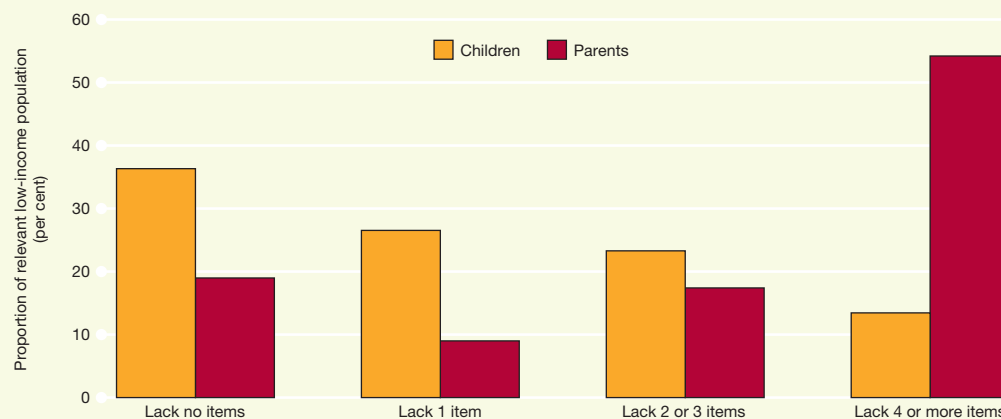
Indicator 18

**18A: With the exception of holidays away from home, no more than one-quarter of children in low-income households lack any particular essential item. Only a very small proportion of children not in low income lack an item because it cannot be afforded.**



Source: Family Resources Survey 2005/06 to 2007/08, DWP; UK

**18B: Children in low-income households tend to lack fewer items for reasons of cost than their parents.**



Source: Family Resources Survey 2005/06 to 2007/08; UK

The first graph shows the proportion of children who 'do not have because they cannot afford' particular kinds of 'essential' items and activities. Results are shown separately for children in low-income households and for other children.

The second graph shows the number of children and parents in low-income households who lack zero, one, two, three or four or more 'essential' items because they cannot be afforded.

'Do not have because they cannot afford' means that the household lacks the item/activity due to hardship rather than choice.

'Essential' means that more than half of the population consider 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*, Department for Work and Pensions Working Paper Number 13, available at <http://research.dwp.gov.uk/asd/asd5/WP13.pdf>)

'Low-income households' are those where equivalised (adjusted) income, after housing costs, is less than 60 per cent of median household income.

Comment: The adequacy of this indicator as a measure of deprivation is unclear. The data, which have only been collected for three years, are wholly subjective. Moreover, the extent to which households with average incomes, and particularly parents in such households, report that they cannot afford 'essentials' casts doubt on the interpretation placed upon the data.

# Education

## Choice of indicators

The first indicator looks at 11-year-olds and the second at 16-year-olds. These ages are chosen as they represent transition points, into high school and out of compulsory education. Both look at trends over time, then at differences by ethnicity and free school meal status, using the latter as a proxy for low income.

In line with the rest of the report, where we look at the least well off, rather than the average, we concentrate here on those children doing least well, rather than those obtaining average grades. So, for instance, the indicator on GCSE results looks at those 16-year-olds not obtaining five GCSEs of any grade, rather than those obtaining five grade A\*–C which forms the headline measure.

The third indicator focuses on looked-after children, a particularly excluded group whose educational outcomes are well below the average. Sufficient data is now available to look at how their outcomes have changed over time, both in compulsory education and after.

Finally, we look at young adults who have left school without any qualifications at all. The links between qualifications and work, and well-paid work, are well established. One of the issues we investigate here is the likelihood of obtaining qualifications after leaving school.

## 19 Educational attainment at age 11

- The proportion of 11-year-olds not reaching the expected level of attainment in maths and English has continued to come down steadily. This reduction is evident in schools with high levels of deprivation as well as schools on average.
- In 1998, around half of children in schools with the highest proportion of children receiving free school meals did not attain the expected standard at English, and close to 60 per cent did not attain the required level at maths. In 2008, these figures were both around 30 per cent.
- The decrease in the most deprived schools has mirrored the national average. Across all maintained schools, around 35 per cent of pupils did not attain the required level for English in 1998, and around 40 per cent did not do so in maths. In 2008, both these figures were close to 20 per cent.
- Around 35 per cent of white British pupils eligible for free school meals do not attain the required standard at age 11. This is higher than for any ethnic group except white other. Around 15 per cent of white British pupils not eligible for free school meals do not attain this required level. This is lower than any other ethnic group except Indian.
- While differences by free school meal eligibility undoubtedly exist across all ethnic groups, they are by far the most pronounced among white British.

Free school meals eligibility is only a proxy for low income. Children are eligible for free school meals if their parents receive means tested out-of-work benefits. So, for instance, children from low-income, working families – around half of all children in low-income households – would not be included.

## 20 Educational attainment at age 16

- The number of pupils not obtaining five GCSEs has come down for four successive years and now stands at 70,000, lower than at any time in the last decade. The number not getting any GCSEs has come down from 35,000 in 2002/03 to 15,000 in 2008.
- Around one in five white British pupils eligible for free school meals do not obtain five GCSEs, far higher than for any other ethnic group, regardless of free school meal status.
- As was the case at age 11, differences by free school meal eligibility are most pronounced among white British pupils. Among Indian, Pakistani and Bangladeshi pupils, there is little difference in terms of attainment between those who are eligible for free school meals and those who are not. The difference is never greater than two or three percentage points.
- There is a larger difference between black African and black Caribbean pupils by free school meal eligibility – but still only around five percentage points. The difference among white British is fifteen percentage points.
- Also notable is the very high proportion – around 15 per cent – of white other pupils not eligible for free school meals who do not obtain five GCSEs. This figure is higher than any other ethnic group except white British, regardless of free school meal status.

In previous reports, the key finding on GCSE results has been that, despite the improving headline A\*–C figures that make the news every summer, results at the bottom were not improving. Thanks to this recent improvement, this is not the case any more.

## 21 Looked-after children

- Around one-third of looked-after children obtain no GCSEs and more than half obtain fewer than five. Both these proportions are markedly lower than at the start of the decade, the result of consistent year-on-year falls, but still far higher than for children on average.
- On leaving care, a higher proportion of looked-after children were in full-time education in 2008 (around one-third) compared to 2004 (around one-quarter). Still, though, around 30 per cent are not in education, employment or training.

On the basis of these figures, it would be wrong to conclude that the care system itself is the cause of the poor outcomes for looked-after children. These poor outcomes are far more likely to be the result of the disadvantage they faced that led to their being placed in care.

## 22 Lacking qualifications at age 19

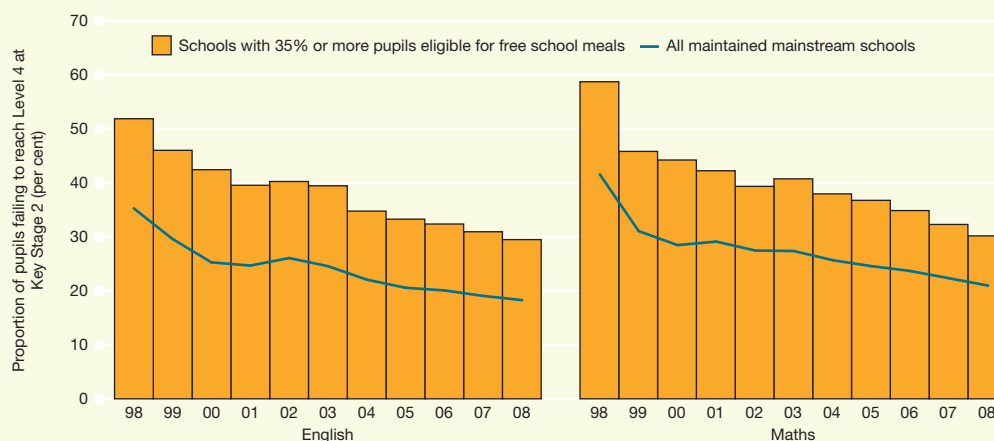
- One in four 19-year-olds lack basic qualifications, interpreted here as Level 2, the equivalent of five good GCSEs or the vocational equivalent. One in twelve have no qualifications at all.
- Although half of young adults do not have a Level 2 qualification (that is five GCSEs) at age 16, this proportion reduces to a quarter by age 21. Most of the change occurs by the age of 19.

In terms of assessing the change over time, it is very difficult to reconcile the differences between the two data sources. The Department for Children, Schools and Families (DCSF) administrative data shows a decline from 35 per cent to 25 per cent over four years. The Labour Force Survey (LFS) data shows nothing approaching such a change over ten years. In addition, whereas four years ago, the DCSF data showed a higher proportion of 19-year-olds lacking qualifications than the LFS estimate, the most recent DCSF figures show a lower proportion than the current LFS estimate. It is not at all clear why these trends should be so different. The discrepancy deserves proper investigation.

# Educational attainment at age 11

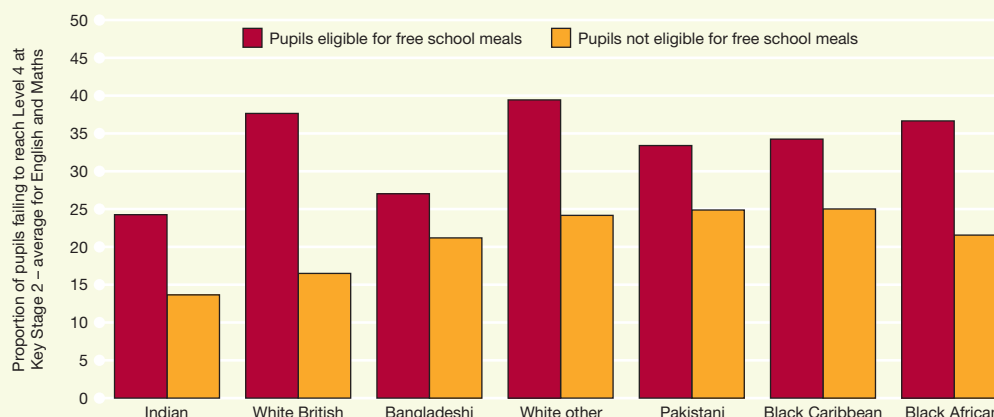
## Indicator 19

### 19A: Progress continues to be made in reducing the proportion of 11-year-olds who fail to reach a basic level of literacy and numeracy – including those in schools with high levels of deprivation.



Source: DCSF Performance Tables (from [www.poverty.org.uk](http://www.poverty.org.uk)); England

### 19B: Differences in achievement between 11-year-old pupils by eligibility for school meals are greatest among white pupils.



Source: National Pupil Database, DCSF (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is for 2007/08; England

The first graph compares the proportion of children failing to reach Level 4 at Key Stage 2 (11-years-old) in schools which have at least 35 per cent of pupils eligible for free school meals with that for all maintained 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 ethnicity of the pupil and whether or not the pupil is eligible for 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).

The 35 per cent threshold is a level commonly used by the government when looking at examination results for schools with a high level of children eligible for free school meals.

'Maintained mainstream schools' includes all local education authority schools except for special schools.

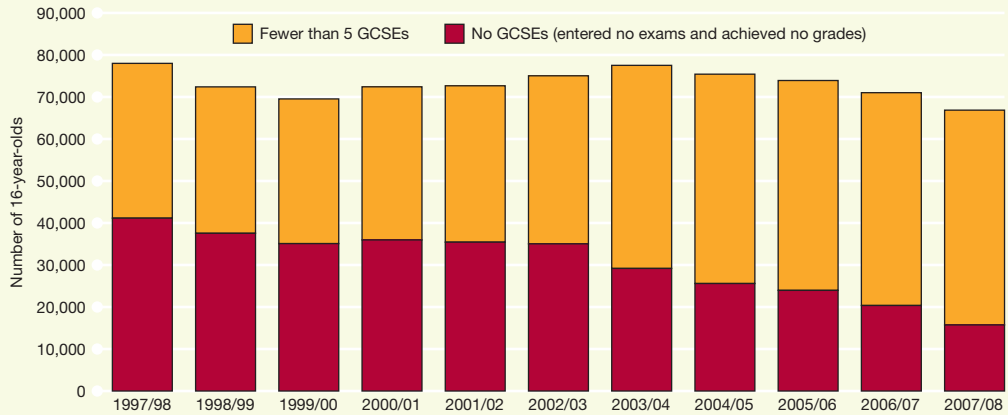
Some ethnic groups have been excluded from the second graph, notably Chinese and mixed ethnicity on the grounds of sample size. Rather than combine them into a diverse 'other' group, they have been left out of the analysis.

Comment: With eligibility for free school meals confined to children in workless households, the free school meal statistics is at best no more than a proxy for educational attainment of all children in low-income households (half of whom belong to working households).

## Educational attainment at age 16

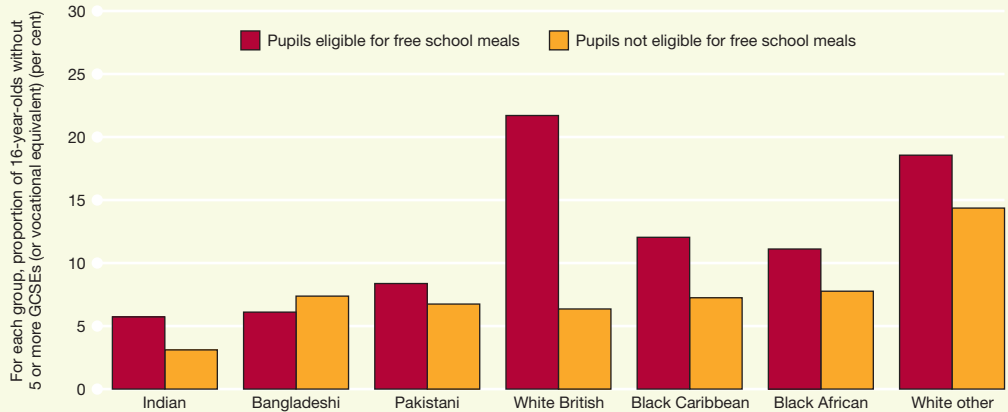
### Indicator 20

#### 20A: 70,000 16-year-olds obtain fewer than five GCSEs, the lowest number in at least a decade.



Source: Statistical Releases from DCSF (England) and the National Assembly for Wales (Wales) (from [www.poverty.org.uk](http://www.poverty.org.uk)); England and Wales

#### 20B: A fifth of all white British pupils eligible for free school meals do not obtain five or more GCSEs, a much higher proportion than that for any other ethnic group.



Source: National Pupil Database, DCSF (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is for 2008; England

The first graph shows the proportion of 16-year-old students failing to obtain five or more GCSEs (or vocational equivalent) at grade C or above. The results are shown separately for those who obtain no GCSE grades at all (either because they do not enter for exams or achieve no passes) and those who get some GCSEs but fewer than five.

The second graph shows, for the latest year, how the proportion of students failing to achieve five or more GCSEs (or vocational equivalent) varies by ethnicity and whether or not the pupil is eligible for free school meals.

The data cover all maintained schools and relate to pupils who were aged 15 at 31 August in the calendar year prior to sitting the exams.

The scope of what was counted as an 'equivalent' in England was widened in 2003/04 while in 2004/05, the 'no GCSEs' threshold was changed to 'no qualifications' and appears to exclude 'entry level qualifications which do not contribute towards GCSE grade G thresholds'. Both changes may reduce the proportion considered to have no grades in those years and beyond but do not materially affect the higher threshold of five GCSEs.

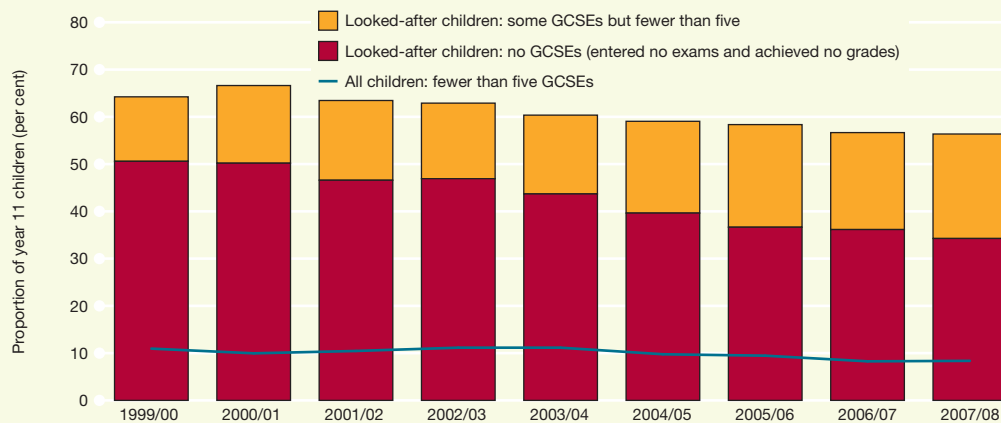
Some ethnic groups have been excluded from the second graph, notably Chinese and mixed ethnicity on the grounds of sample size. Rather than combine them into a diverse 'other' group, they have been left out of the analysis.



# Looked-after children

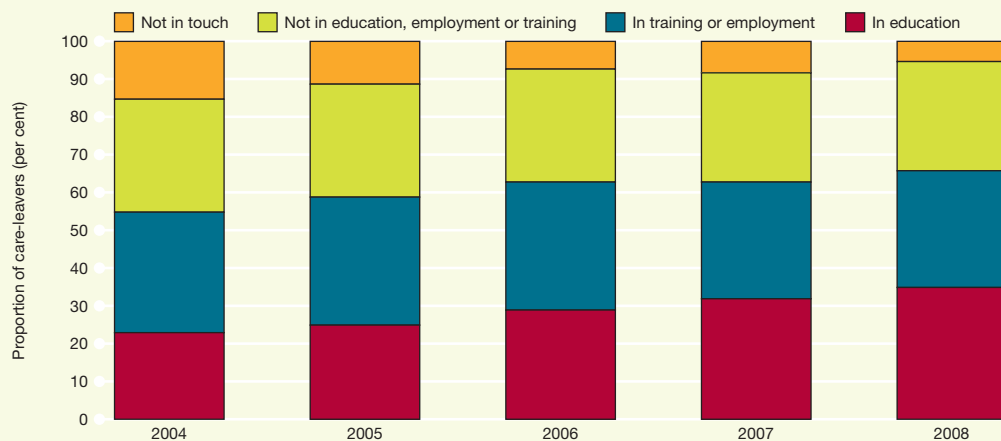
## Indicator 21

**21A: Around a third of looked-after children obtain no GCSEs and more than half obtain fewer than five, but both these proportions are markedly lower than at the start of the decade.**



Source: Statistical Releases from DCSF (from [www.poverty.org.uk](http://www.poverty.org.uk)); England

**21B: The proportion of care-leavers in further or higher education has risen by around one-third in the last five years, but still around one in three are not in education, employment or training.**



Source: Statistical releases from DCSF

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 who obtained no grades at all. By way of comparison, the figure for all children – the national average – is shown.

The second graph shows the destinations of care-leavers at age 19, divided into education, employment or training or neither. The fourth category – not in touch, indicating that the whereabouts of the care-leaver is unknown – accounts for around 5 per cent of the total, down from 15 per cent five years ago.

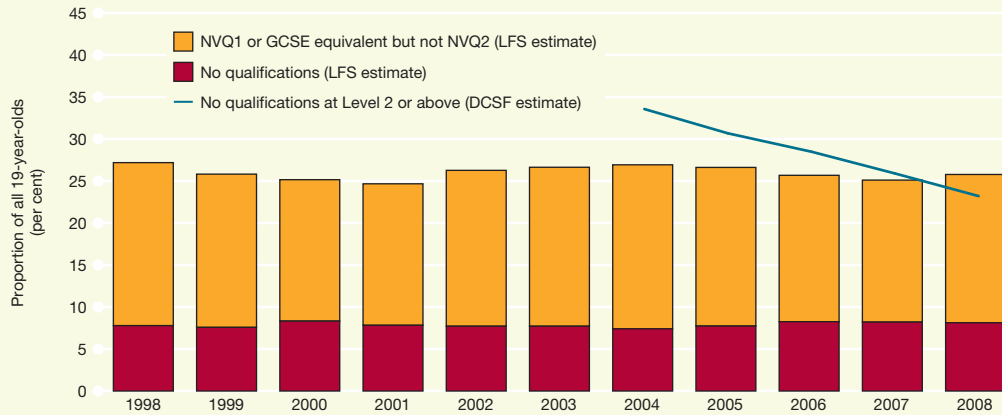
The term 'looked-after' was introduced by the Children Act 1989 and refers to children who are subject to care orders and those who are voluntarily accommodated.

Comment: The graph shows a decreasing number of care-leavers who lose touch with Connexions services. This decrease is similar to the increase in the number in education, but it is unlikely that it accounts for this increase, as it is unlikely that a care-leaver can be both in the education system and not in touch with Connexions services at the same time.

# Lacking qualifications at age 19

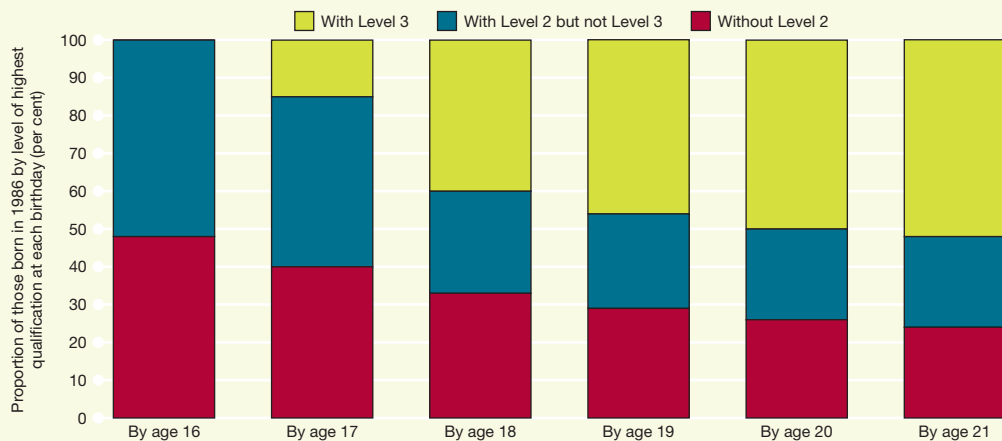
## Indicator 22

### 22A: One in four 19-year-olds lacks a basic level of qualification and one in twelve has no qualifications at all.



Source: Labour Force Survey, ONS (UK data) and DCSF publication Level 2 and 3 attainment by young people in England measured using matched administrative data (from [www.poverty.org.uk](http://www.poverty.org.uk)); England

### 22B: Most of those who first acquire a Level 2 qualification after the age of 16 have done so by the age of 19.



Source: DCSF publication Level 2 and 3 attainment by young people in England measured using matched administrative data (from [www.poverty.org.uk](http://www.poverty.org.uk)); England; data is for 2008

The first graph shows the proportion of 19-year-olds without a basic qualification, with the principal results (over the full-time period) shown separately for those without NVQ2 or equivalent and those without any GCSEs at grade G or above. The graph also shows a separate estimate of the proportion without a basic qualification, from a different data source (available only from 2004) and for England only.

The second graph shows, for people born in 1987, the proportion who achieving certain educational levels at each age from 16 (in 2003) to 21 (in 2008). The educational levels shown are: below Level 2; Level 2 but not Level 3; and Level 3 or above.

In the first graph, Department for Children, Schools and Families (DCSF) equivalence scales have been applied to the Labour Force Survey (LFS) data to translate academic qualifications into their vocational equivalents.

Level 2 and Level 3 (shown in the second graph) are similar, but not quite identical, to NVQ2 and NVQ3 (shown in the first graph).

For the second graph, several data sources are matched together and cross referenced at an individual level, including the pupil level schools census database, awarding body data collected as part of the achievement and attainment tables exercise, National Information System for Vocational Qualifications (NISVQ) database and the Individualised Learner Record (ILR) database covering participation and qualifications. The ages in the second graph are the ages the children reach in that school year.

Comment: The adequacy of this indicator is called into question by the inconsistency of the results from the two data sources in the first graph. In particular, the discrepancy in the trends makes it impossible to draw robust conclusions about the success of policy in this area.

# Health

## Choice of indicators

Poor health outcomes are one of the consequences of low income. Having looked at economic circumstances, we now look at the associated burdens and, in doing so, get a fuller picture of the nature of poverty and disadvantage.

Even at a young age, health inequalities by class or income are obvious. The first indicator looks at low birth-weight babies, over time and by the social class of the parent.

The second indicator looks at mortality, firstly infant mortality then mortality at other ages up to 25. The first graph shows the trend over time and the second analyses deaths in 2008 by cause.

The third indicator considers under-age pregnancy, again beginning by looking at the trend over time, then by geographical differences. This indicator looks specifically and intentionally at under-age pregnancy, not teenage pregnancy. There is a huge difference between a girl of 15 becoming pregnant before completing compulsory education and a young woman of 19 having a child.

### 23 Low birth-weight babies

- Babies born to parents from manual social backgrounds were more likely to have a low birth weight; around 7.5 per cent of babies in this class had low birth weights in 2007 compared to around 6 per cent of babies from non-manual social backgrounds.
- However, the rates in 2007 were lower than those in 2002 with the manual class showing a greater improvement in the rates than the non-manual, closing this gap slightly.
- The reason this matters is that low birth weight is closely related to high infant mortality – two-thirds of all deaths among babies under the age of 12 months were among those with a low birth weight.

Whilst low birth weight is strongly related to infant mortality, it must be noted that the trends in low birth weight and the trends in infant mortality are not the same, as the next indicator shows. Evidently improvements in medical science have meant that the risk of infant mortality even for a low birth-weight baby have come down, at 38.3 per 1,000 in 2007 compared to 46.9 per 1,000 in 1999 (source: ONS infant and perinatal mortality statistics). There are, though, wider health concerns for the child and mother beyond the risk of infant mortality.

### 24 Child and young adult deaths

- Infant mortality rates were down by a fifth on a decade ago. In 2007, around five infants per 1,000 live births died before the age of one in social classes 5–8. The figure for social classes 1–4 was around 4 per 1,000. This means that infant deaths were 50 per cent more common among those from manual backgrounds as those from non-manual backgrounds, a gap that has not decreased in the last ten years.
- Among those aged under 15, there is little gender difference in the risk of mortality. However, a significant gap exists between men and women aged 15 to 24. The mortality rate for men aged 15 to 24 is, at around 5 per 10,000, two-and-a-half times higher than that of women of the same age.

- Most of this is due to much higher risks of deaths by external causes, such as accidents or assaults. Young men, though, do face a higher risk of mortality from disease than young women.

The typical analysis of health statistics by class is impossible for this age group as it includes children living at home and those living independently.

The difference that opens up at age 16 and 25 between young men and young women is in itself significant enough to warrant the inclusion of this indicator. The large part of this difference is due to what the statistics refer to as external causes, and could be put down to the higher tendency towards risk-taking behaviour for young men compared to young women. The notable exception is the much higher prevalence of self-harm and suicide among young men. The difference in health outcomes more generally is also noteworthy and less easily explained.

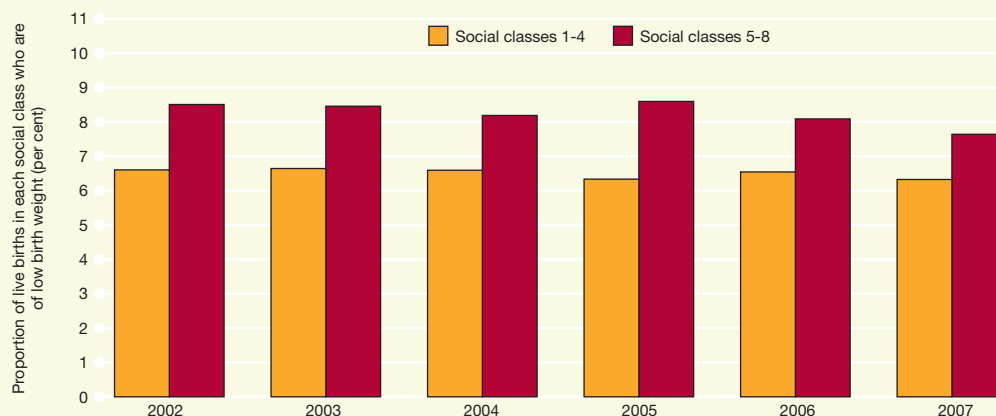
### **25 Under-age pregnancy**

- The rate of under-age conceptions has increased since 2005 and in 2007 was back to the level of late 1990s at around 8 per 1,000 girls aged 13 to 15. The rate of abortions was the highest in a decade, the proportion of deliveries having dropped since 1997.
- Regionally, the rate of under-age conception was highest in the North East at around 10 per 1,000, closely followed by Yorkshire and the Humber. It was the lowest in the East of England, at around 6 per 1,000, representing a substantial variation by region.

The statistics that go down to the level of local authorities on under-age pregnancies used in previous MPSE reports are now out of date but used to show enormous differences between areas, with, for instance, some Inner London boroughs having rates several times the national average.

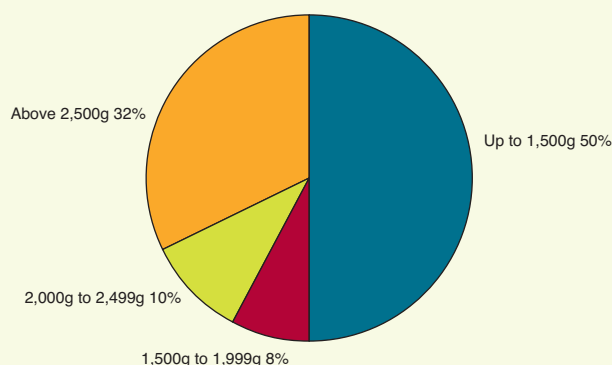
# Low birth-weight babies

**23A: Babies born to parents from manual social backgrounds continue to be somewhat more likely to have a low birth weight than those born to parents from non-manual social backgrounds.**



Source: Childhood, infant and perinatal mortality statistics, DH3, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); England and Wales

**23B: Two-thirds of all deaths among the newborn and infants are among those with a low birth weight.**



Source: DH3 childhood, infant and perinatal mortality statistics, ONS, 2005 to 2007; 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 kilograms (5.5 lbs). The proportions are shown separately for babies according to the social class of the father.

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

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

The data is for live births only (i.e. it 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 1 year.

Comment: 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 low birth weights and 7 per cent of all births are excluded.

# Child and young adult deaths

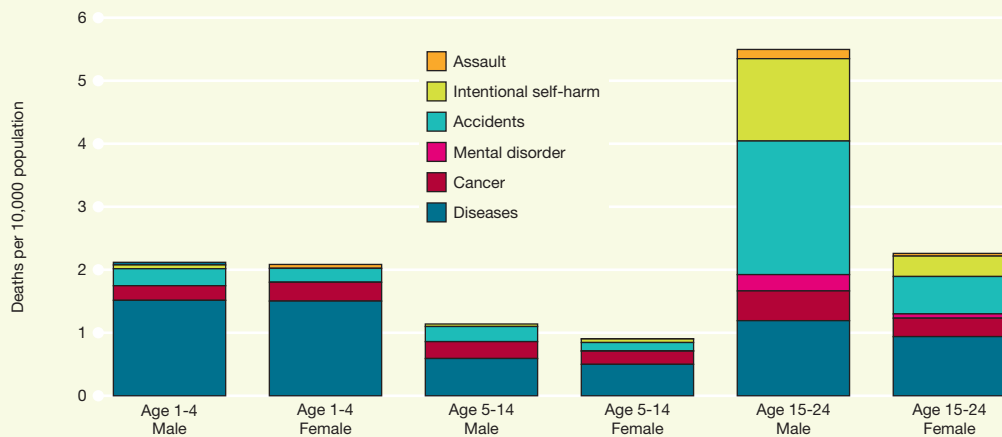
## Indicator 24

**24A: Although down by a fifth on a decade ago, infant deaths are 50 per cent more common among those from manual backgrounds than among those from non-manual backgrounds.**



Source: Childhood, infant and perinatal mortality statistics, DH3, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); England and Wales

**24B: The risk of death for young men aged 15-24, particularly in accidents, assaults or through self-harm, though also for illnesses, is far higher than for women of the same age.**



Source: Mortality Statistics, ONS; 2008; England and Wales

The first graph shows the annual number of infant deaths per 1,000 live births, with the results shown separately according to the social class of the father.

The second graph shows the number of deaths per 10,000 people recorded by cause, grouped using the ICD10 classification system. Rates for each age group are obtained by dividing the number of deaths by the relevant population for 2008.

'Infant deaths' are those which occur before the age of one year.

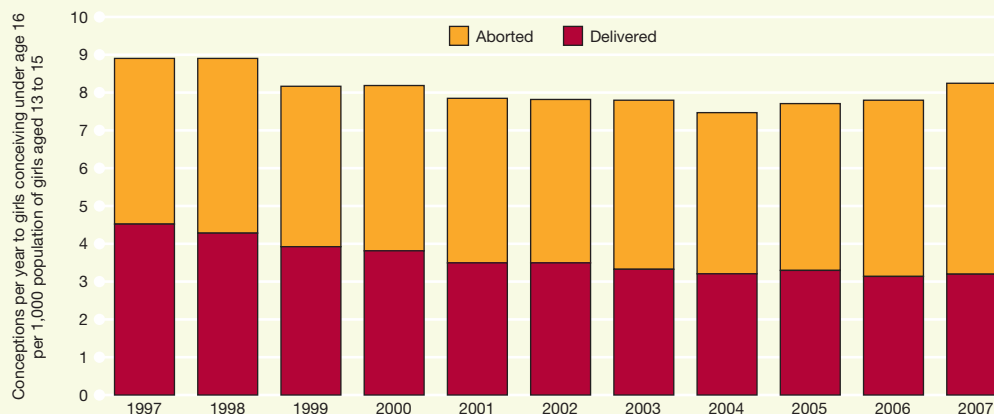
The social class classifications are those introduced in 2002 which range from 1 (higher managerial and professional) to 8 (never worked and long-term unemployed). The categorisation was introduced in 2002, but the figures back to 1997 were later recoded, allowing the full time-series presentation.

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.

# Under-age pregnancy

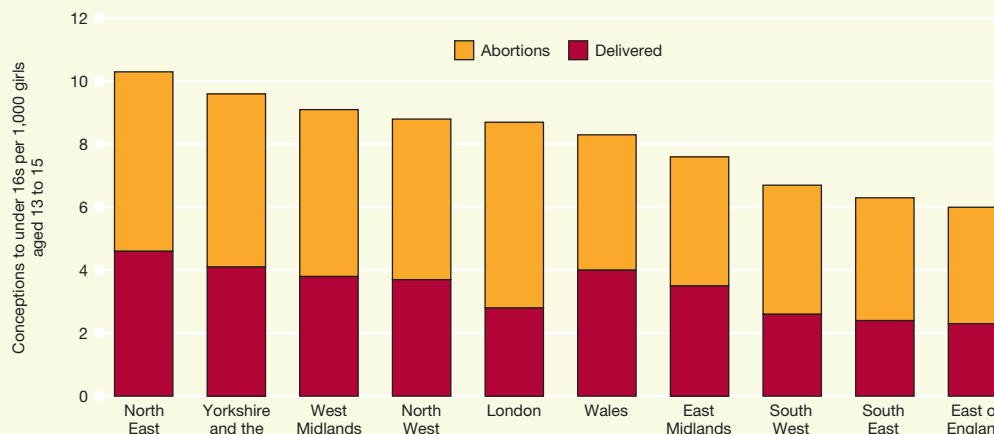
## Indicator 25

**25A: The rate of under-age conceptions, which has been rising for three years, is approaching the level recorded in 1997.**



Source: Conception statistics, ONS and ISD Scotland (from [www.poverty.org.uk](http://www.poverty.org.uk)); Great Britain

**25B: The rate of conceptions to under-age girls is highest in the North East.**



Source: Conception statistics in England and Wales, ONS, 2007

The first graph shows the number of conceptions per year to girls conceiving under the age of 16, with the data shown separately for delivered babies and for abortions.

The second graph shows the rate of conceptions to girls aged under 16 for Wales and each English region. The rate is shown as a number per 1,000 girls aged between 13 and 15.

English and Welsh conceptions leading to births are counted during the actual year of conception. ONS population projections have been used for the number of 15-year-old girls.

## Exclusion

### Choice of indicators

The first indicator looks at 16- to 18-year-olds not in education, employment or training, colloquially known as NEETs. A difficult group to define, they are nonetheless the subject of much media and political focus. The first graph looks at the proportion of 16- to 18-year-olds defined as NEET over the last decade. The second looks at whether or not they live independently, and if they receive social security benefits.

The final pair of indicators in this chapter look at school exclusion and children with a criminal record. Children excluded from school often do not return to full-time education, so the one-off event of exclusion has a long-term impact on their life chances. The heightened risks of being socially disadvantaged, either immediately or later on as a result of acquiring a criminal record, underpins the choice of this indicator. Moreover, high reconviction rates of those aged under 17 discharged from custody illustrate the greater risks of young offenders developing criminal careers which may exclude them from mainstream society on a long-term basis.

### 26 Not in education, employment or training (NEETs)

- There has been little change in a decade in the proportion of 16- to 18-year-olds who are not in education, employment or training. At 10 per cent, the figure is almost identical to that of 1998, and has stayed within a percentage point of the 2008 figure for most of the last decade.
- In the years 2006 to 2008, around 60 per cent of NEETs were living with their family and not claiming benefit. Only around one-tenth were living independently and claiming benefit. Overall, two-thirds of NEETS were not claiming benefits.

NEETS receive a lot of media attention, being seen as a 'lost generation', or some sort of indicator thereof. Being NEET may, in fact often will, have negative long-term implications for a young person, but the majority do have some form of family support.

### 27 School exclusions

- At around 8,000, the number of children permanently excluded from school in 2007/08 was as low as it has been at any time in the last decade. The number has fallen by around 2,000 in the last four years.
- There were clear gender differences in school exclusions, with boys consistently accounting for more than three-quarters of the total exclusions over the decade.
- Black Caribbean pupils had the highest rate of permanent exclusions, while Indian students were least likely to be excluded. At 3.5 exclusions per 1,000 pupils black Caribbean students were three times as likely to be permanently excluded from school as white pupils. This difference has been observed consistently for several annual MPSE reports.
- It is worth noting that children from a mixed white/black Caribbean background also had a high risk of being excluded from school, at around 3 per 1,000.

Permanent school exclusions are actually rare – the figures above are expressed as numbers per 1,000. Most schools exclude no pupils. The issue of school exclusion is as much an administrative one as it is one of behaviour, as can be seen by the huge decline in numbers in the late 1990s. Temporary exclusions are far more common. In 2007, the equivalent of one in nine secondary school pupils were temporarily excluded.



## 28 With a criminal record

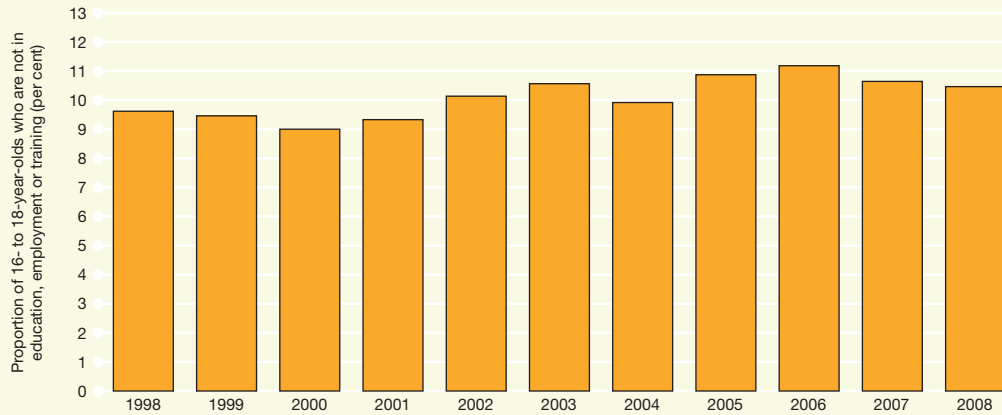
- At 120,000, the number of children found guilty or cautioned for an indictable offence was at its highest level for a decade in 2007, having risen every year since 2003. Since 1998, the number of children found guilty remained more or less constant at 50,000 while the number of cautions, which stood at 70,000 in 2007, has varied much more year-to-year.
- The rate of offending rises steadily between the ages of 10 and 16, and then falls again at age 18. Around 40 offences were committed per 1,000 people aged 16 or 17.
- Other research shows that theft makes up around one-third of offences committed by boys under 17 and the majority of crimes by girls of the same age (see [www.poverty.org.uk/28/index.shtml](http://www.poverty.org.uk/28/index.shtml)).

There is little data on the risk of being a victim of crime under the age of 16, as it is not collected by the British Crime Survey. Information on this would help illuminate this indicator further, as, anecdotally and going by media reports, many of the victims of teenage criminals are teenagers themselves.

# Not in education, employment or training (NEETs)

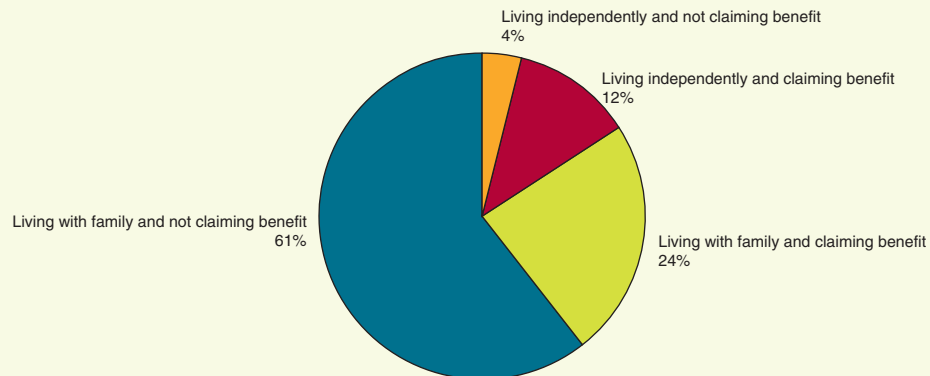
## Indicator 26

**26A: One in ten 16- to 18-year-olds is not in education, employment or training, the same as a decade ago.**



Source: Labour Force Survey, ONS; UK

**26B: Two-thirds of 16- to 18-year-olds not in education, training or work live with their family and are not claiming benefit.**



Source: Labour Force Survey, ONS, 2006 to 2008 (adapted from [www.poverty.org.uk](http://www.poverty.org.uk)); UK

The first graph shows the proportion of 16- to 18-year-olds who are neither in education, employment nor training (NEETs). The second shows, for the most recent three years, the proportions of 16- to 18-year-olds not in education, employment or training according to whether they are living with their family or not, and whether they are claiming benefit or not. The number of NEETs is estimated by deducting those in education, employment or training from the total population. NEETs are essentially the remainder.

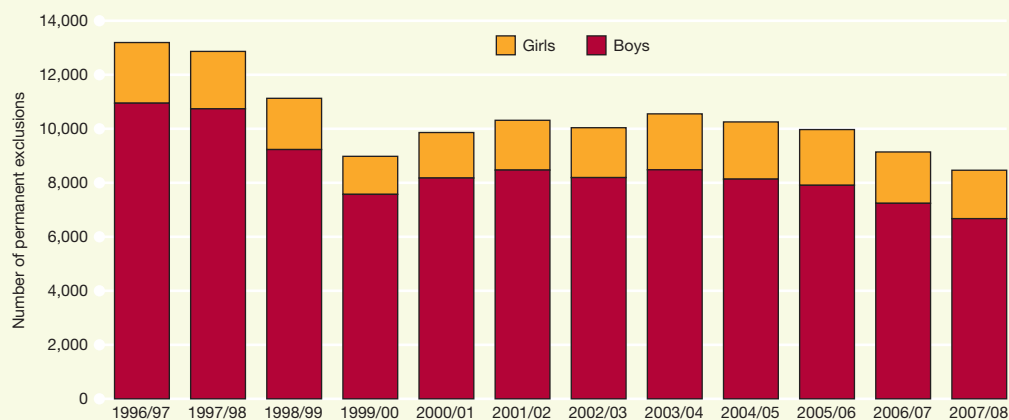
The Department for Children, Schools and Families (DCSF) uses a slightly different method for calculating the number of NEETs in England for measurement towards the Public Service Agreement and the method combines data from a variety of sources. DCSF still, however, still publishes separately figures from the Labour Force Survey. These are the figures used in the graph.

Comment: Although the LFS is a large, well-established, quarterly government survey designed to be representative of the population as a whole, the sample sizes here are small. Furthermore, LFS may not always capture all types of education or training that a person is engaged with.

# School exclusions

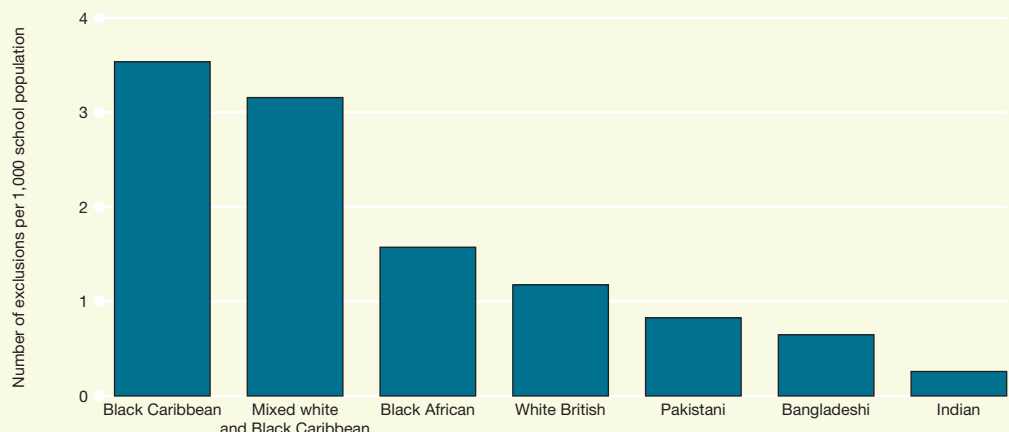
## Indicator 27

**27A: The number of children permanently excluded from school has come down by a fifth over the last five years, taking it to the lowest level in at least a decade.**



Source: DCSF Statistical Bulletins, National Assembly for Wales and the Scottish Executive; Great Britain

**27B: Black Caribbean pupils are three times as likely to be permanently excluded from school as white pupils.**



Source: DCSF Permanent and Fixed Period Exclusions from Schools in England; the data is for 2007/08

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 shows, for the latest year, how the rate of permanent exclusions varies for children from different ethnic backgrounds.

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

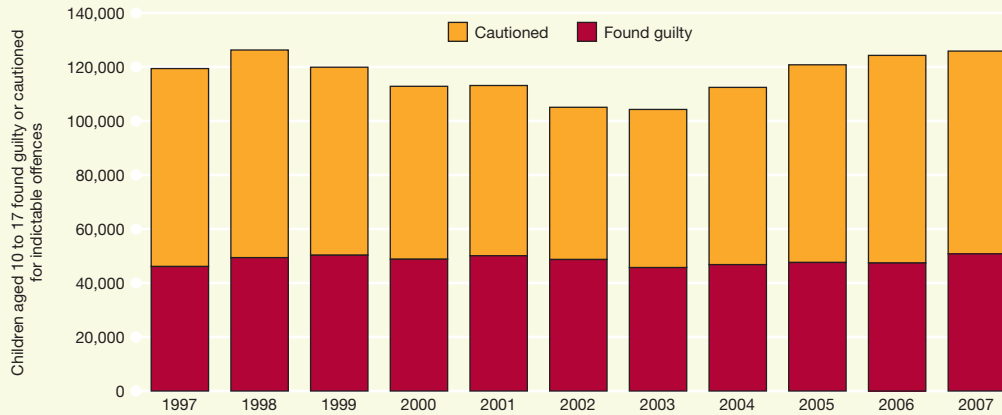
For reasons of sample size, the second graph does not include Chinese, mixed white and Asian and mixed white and black African pupils. The other Asian, other black and other or undefined ethnic groups are likewise not included.

Comment: 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.

# With a criminal record

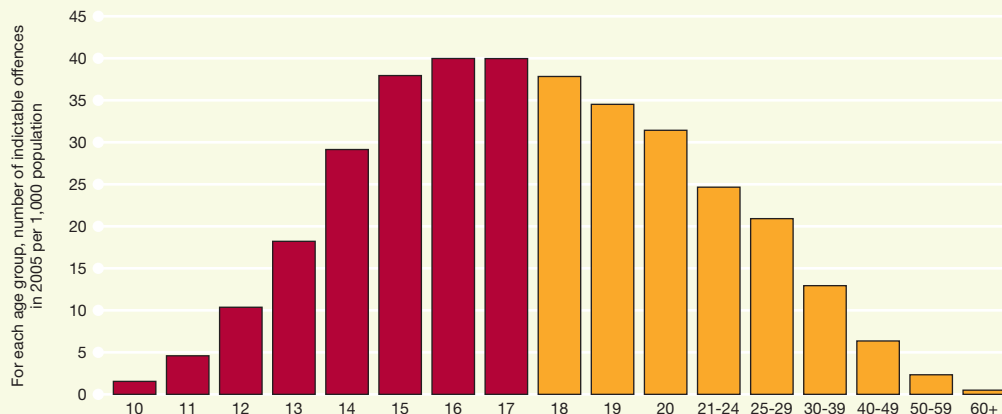
## Indicator 28

**28A: The number of children found guilty of, or cautioned for, an indictable offence was at its highest level in 2007 for a decade.**



Source: Criminal Statistics, Ministry of Justice (from [www.poverty.org.uk](http://www.poverty.org.uk)); England and Wales

**28B: The peak rate for offending is at ages 16 and 17.**



Source: Criminal Statistics, Ministry of Justice (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is for 2007; England and Wales

The first graph shows the number of children between the ages of 10 and 17 who were either formally cautioned for, or convicted of, an indictable offence.

The second graph shows, for all ages from 10 upwards, the number of indictable offences committed per 1,000 population. Indictable offences are more serious offences that must be tried at a crown court. Both a guilty verdict and a caution result in a criminal record.

Comment: The figures are police-recorded crime only and should not therefore be taken as a reflection of the overall level of crime committed by children.

# Chapter 4 Adult well-being

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## Economic circumstances

### Choice of indicators

The first two chapters looked at low income and work rates for individuals. The first two indicators in this chapter look at households. Low income is measured at the household level, so looking at, for instance, workless households, or the work status of lone parents is an important part of understanding the broad poverty picture.

The first indicator looks at workless households. The first graph shows the proportion of households that are workless by various types of household, the second shows the type by percentage.

The second indicator looks at how work rates have changed over time for lone parents and people with and without disabilities. Getting lone parents into work has long been a focus of government policy. The first graph tracks this with additional information on the overlap with disability. The second graph then elaborates on this by comparing lone parents with others, split by gender and also by disability. Is lone parenthood more important as a barrier to employment than disability – or less?

The third indicator looks at disadvantage in work and the issue of low pay. Earlier indicators have looked at the rising incidence of in-work poverty. Low hourly pay is one of the reasons why working families still live in low income. Since women are more likely than men to be low paid, we look at the trends for each separately in the first graph. Some sectors of the economy have a much greater proportion of low-paid workers than others, hence the second graph which looks at the gender distribution of low-paid work.

In the final indicator, we take a broader look at pay inequality, comparing high and low earners to average earners. Again, we look at the differences by gender, and analyse how this has changed over time in the first graph. The second graph looks at pay across part-time and full-time work, again split by gender. This is a very important analysis, as discussion of the 'gender pay gap' often confuses the difference that the number of hours worked makes to the risk of low pay.

### 29 Workless households

- Single adult households, both with and without children, are more likely to be workless than couple households. In 2008, around 40 per cent of single adult households with children and 25 per cent of those without children were workless. This compares to around 5 per cent for couple households whether with or without children.
- In the last ten years, the proportion of single adult households with children that are workless has come down from around 50 per cent to around 40 per cent. The proportions for other household types have remained broadly unchanged. As a result, while the gap between lone parent households and other types of household has narrowed significantly, the gap between single adult households without children and couple households has barely changed at all.
- Half of all workless working-age households are single adult households without children. Around a third of workless households contain children.

### 30 Disability, lone parenthood and work

- In the decade to 2008, the proportion of non-disabled lone parents not in work fell a lot, while the proportion of disabled people not in work fell only slightly. In 1998, around 45 per cent of non-disabled lone parents were not working, compared to 30 per cent in 2008. As in previous indicators, much of the fall was before 2005. This mirrors the fall observed in the previous indicator on workless households.
- Over the same period, the proportion of disabled lone parents not in work fell from 75 per cent to 70 per cent. The proportion of other disabled people not in work barely fell at all.
- The proportion of adults who were not disabled or lone parents and lacked paid work remained between 10 per cent and 15 per cent for the ten years in question.
- Disability affects work status much more than lone parenthood or gender. Around 40 per cent of disabled men and women are in work, compared to 65 per cent of non-disabled lone parents. 90 per cent of non-disabled men who are not lone parents are in work, as are 80 per cent of non-disabled women who are not lone parents.

The policy emphasis on getting lone parents into work, embodied in the New Deal for Lone Parents, has resulted in an increase in the number of lone parents working. As a result, the number of workless lone parent households has come down as well. In comparison, the New Deal for Disabled People has not been as successful, with work rates for disabled adults little different in 2008 from 1998. The introduction of Employment Support Allowance to replace Incapacity Benefit in the autumn of 2008 is the most recent attempt to encourage people with disabilities into work.

### 31 Low pay by industry and gender

- The proportion of employees aged 22 and over who are low-paid fell between 2002 and 2005 but has been rising slightly since then. Around one in eight men and one in four women are paid less than £7 per hour.
- The proportion of men in low-paid work fell significantly from 2000, from around 15 per cent to around 11 per cent in 2005. The proportion of women in low-paid work fell until 2006, from around 33 per cent in 2000 to around 25 per cent.
- Low pay is most common in hotels and restaurants. Around 70 per cent of those employed in this sector are paid less than £7 per hour. Around 50 per cent of people working in retail are paid less than £7 an hour.
- In both these sectors, the majority of the low-paid are women. While the overall rate is lower in the public sector, almost all of the low-paid workers in that sector are women. The only sector in which the majority of low-paid workers are men is manufacturing.

Looking at these numbers another way, we see that, thanks to its large size, the public sector accounts for around one-quarter of those in low paid work (see [www.poverty.org.uk/52/index.shtml](http://www.poverty.org.uk/52/index.shtml)). This demonstrates the part that the government and public sector have to play as an employer in reducing the proportion of jobs that are low paid.

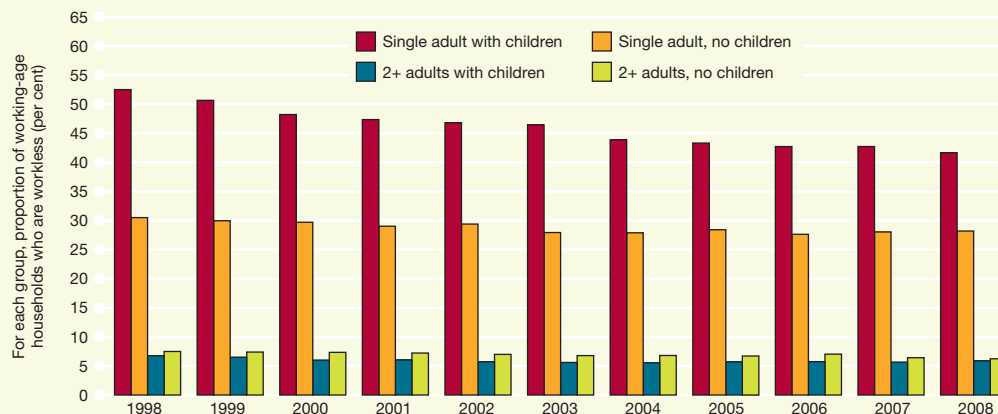
### 32 Pay inequalities

- Pay inequalities between men and women have reduced at the bottom but not at the top. At the 10th percentile point (the low end of the distribution) female pay has risen from 45 per cent of the male median to 50 per cent of the male median in 2008. Male pay at the 10th percentile point is 55 per cent of the male median, as it has been for the last decade.
- At the upper end of the distribution, male pay at the 90th percentile point has risen over ten years from 210 per cent of the male median to 220 per cent in 2008. Female pay at the 90th percentile point has remained constant at 170 per cent of the male median. This aspect of the gender gap – at the top of the earnings distribution – has therefore widened, because high-paid men have seen their salaries go up so much more than the average.
- Around half of both male and female part-time employees are paid less than £7 per hour. This compares to 15 per cent of full-time female employees, and 10 per cent of full-time male employees. Thus while full-time women are more likely than full-time men to be low-paid (an aspect of a gender pay gap), part-time women are not more likely than part-time men to be low-paid.
- In addition, on this measure, there is also a much bigger gap between part-time and full-time work regardless of gender.

The chairman of the Statistics Commission has recently made a related point regarding the gender pay gap. He emphasised that if the pay gap is to be expressed as a difference between women's wages and men's wages, it should also be expressed as a difference between women's full-time wages and men's full-time wages. The gap between women's wages (full- and part-time) and men's wages is 23 per cent. The gap between women's full-time wages and men's full-time wages is 13 per cent.

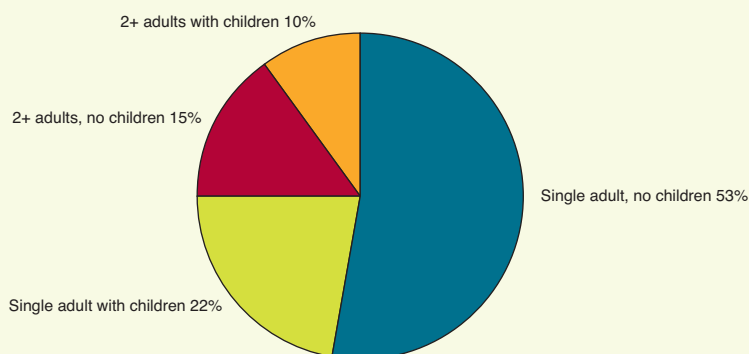


## 29A: Single adult households – both with and without children – are much more likely to be workless than couple households.



Source: Labour Force Survey, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); UK

## 29B: Half of workless, working-age households are single adults without dependent children.



Source: Labour Force Survey, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is the average for 2006 to 2008; UK

For each of a number of working-age household types, the first graph shows the proportion of the households who are workless. The four household types shown are single adult with dependent children, 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.

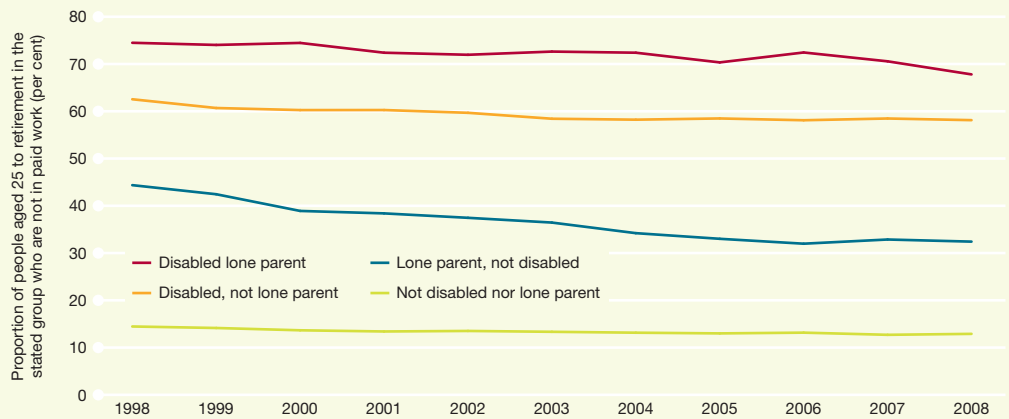
A working-age household is one in which at least one of the people is aged 16 to 59/64 and not a full-time student. Children comprise all those under the age of 16.

A workless household is one in which no working-age adult is in paid work.

# Disability, lone parenthood and work

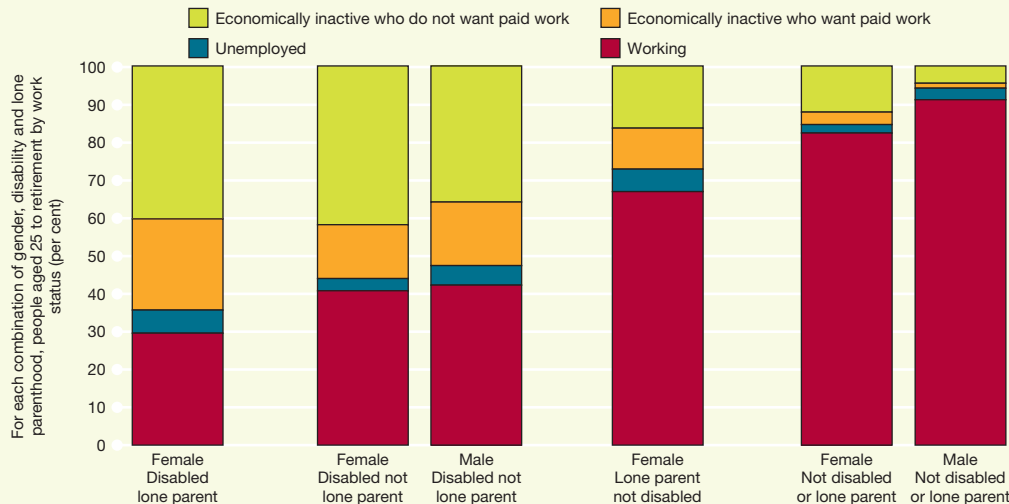
Indicator 30

**30A: While the proportion of lone parents who are not in paid work has fallen a lot, the proportion of disabled people who are not in paid work has fallen only slightly.**



Source: Labour Force Survey, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); UK

**30B: Disability affects work status much more than gender or lone parenthood.**



Source: Labour Force Survey, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is the average for 2006 to 2008; 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 each combination of disabled/not disabled and lone parent/not lone parent.

The second graph shows, for the most recent three years, the distribution across the different work status of working-age adults aged over 25. The data is shown for each combination of lone parent status, disability and gender. Note that male lone parents are not shown as the sample sizes are not sufficient to derive reliable estimates.

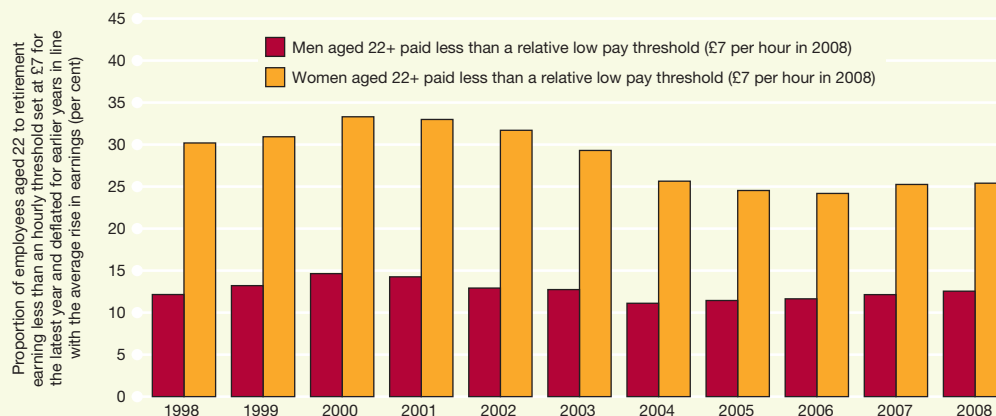
The definition of disability used here is that of 'work-limiting disability', a Labour Force Survey (LFS) classification comprising those people who stated that they have had health problems for more than a year and that these problems affect either the kind or amount of work that they can do. The reason for using this definition, rather than that of the Disability Discrimination Act (DDA), is that those who are disabled according to the DDA but not according to the work-limiting definition have work rates which are similar to those who are not disabled under either definition.

The lower age limit of 25 has been used because the high prevalence of unemployment among younger adults combined with the low prevalence of disability in that age group arguably distorts, and certainly changes, the comparisons.

# Low pay by industry and gender

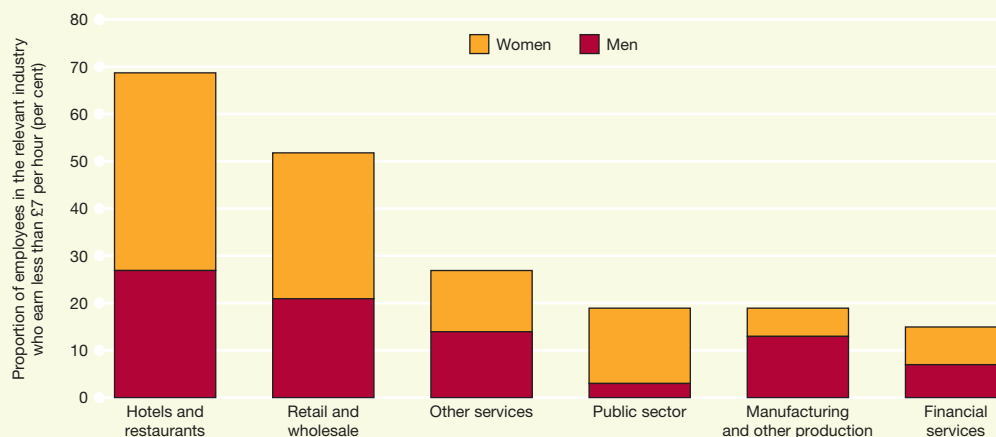
Indicator 31

**31A: The proportion of employees aged 22 and over who are low-paid fell between 2002 and 2005 but has risen slightly since then. In 2008, 25 per cent of the women and 13 per cent of the men were paid less than £7 per hour.**



Source: NPI calculations based on ONS estimates (from [www.poverty.org.uk](http://www.poverty.org.uk)); UK

**31B: 70 per cent of employees in hotels and restaurants and 55 per cent in retail and wholesale earn less than £7 per hour. Three-fifths of these people are women.**



Source: Labour Force Survey, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is for 2008

The first graph shows the number of employees aged 22 to retirement who were paid below an hourly pay threshold that rises in line with average earnings and reaches £7 in 2008. The data is shown separately for men and women.

The second graph shows the number of workers paid less than £7 per hour by age group and industrial sector.

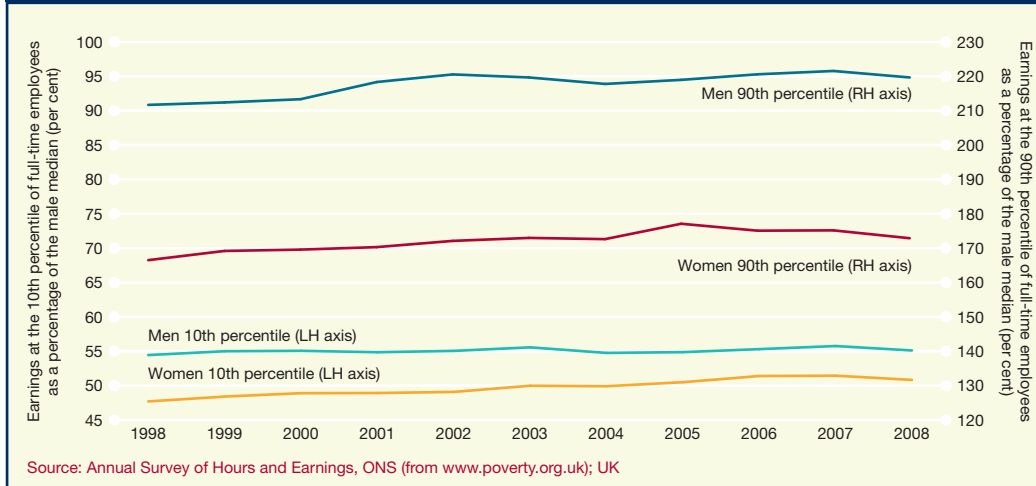
The figure of £7 per hour is chosen because it is roughly two-thirds of the Great Britain median hourly earnings and is commonly used as a threshold when analysing low pay. The first graph shows the estimated proportion of employees aged 22 to retirement who were paid below an hourly pay threshold that rises in line with average earnings and reaches £7 in the latest year. It is therefore £4.64 in 1998, £4.85 in 1999, £5.12 in 2000, £5.36 in 2001, £5.52 in 2002, £5.71 in 2003, £5.93 in 2004, £6.20 in 2005, £6.45 in 2006, £6.73 in 2007 and £7.00 in 2008.

No data is available for years before 1998 and the available data only distinguishes between the 18 to 21 and 22+ age groups. The figures are from published Office for National Statistics (ONS) statistics which were themselves derived from a combination of data from the Labour Force Survey (LFS) and Annual Survey of Hours and Earnings (ASHE), with adjustments by the ONS.

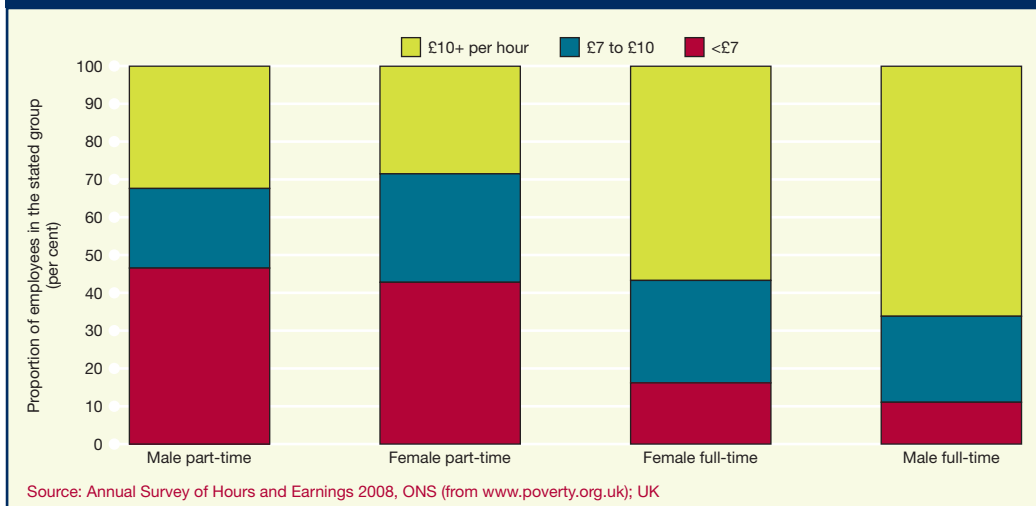
# Pay inequalities

Indicator 32

## 32A: Pay inequalities between men and women have reduced at the bottom but not at the top.



## 32B: Almost half of all part-time workers – both men and women – are paid less than £7 per hour.



The first graph compares four separate time series – the pay of men and women at the top and bottom of their respective pay distributions, relative to male median pay in the same year.

The second graph shows, for the latest year, the distribution of employees across the pay spectrum with the data shown separately for part-time women, part-time men, full-time women and full-time men.

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 average (median) hourly pay of full-time male employees. The left-hand axis shows proportions at the 10th percentile and the right-hand axis shows the proportion at the 90th percentile.

Comment: The 90th percentile is chosen because above that point, the data is not reliable. By looking at the 90th percentile as the measure of high pay, this indicator does not consider the pay at the very top, the highest percentiles.

## Ill-health

### Choice of indicators

The purpose of this section is to look at how low income is associated with other forms of disadvantage – in this instance, poor health. The relationship is not straightforward, and there are notable differences by gender and age. We consider both of these dimensions, as well as important differences by geography.

We have chosen to look at both physical and mental illness to demonstrate the inequalities across the spectrum of health problems. The first indicator looks at mental health, using two different measures – a calculated score based on an interview from the Health Survey for England, and another based on the prevalence of common mental disorders.

The second indicator looks at health more widely, in particular the prevalence of limiting long-standing illness. In this indicator, we look at people aged over 45 as they are far more likely to suffer from such an illness. Again we look over time and by income.

The final indicator in this section looks at premature death – death before the age of 65. The gender difference here is striking, as is the difference by geography, shown in the second graph.

### 33 Mental ill-health

- In 2006, around 15 per cent of women and 10 per cent of men were judged to be at risk of mental illness. The proportion of people who are at risk of mental illness is somewhat lower than a decade ago, by about 5 per cent among women and rather less among men.
- Around one in four men and one in four women in the lowest income quintile have one or more common mental disorders.
- At higher income levels, the reduction in this proportion is much greater for men than women. So around 10 per cent of men on average or higher incomes have a common mental disorder – less than half the proportion of those in the lowest quintile. By contrast, around one in six women in the highest income quintile have a common mental disorder, only about one-and-a-half times the risk for women in the lowest quintile.

Poor mental health may be a cause as well as an effect of low income. Around two-fifths of the 2.7 million people who have been claiming sickness or disability benefits for two years or more claim for reasons of mental or behavioural disorders (see for instance [www.poverty.org.uk/13/index.shtml](http://www.poverty.org.uk/13/index.shtml)).

### 34 Limiting long-standing illness

- In 2007, around 50 per cent of those aged over 75 and 40 per cent of those aged between 65 and 75 said they had a long-standing illness that limited their activities in some way. Around 20 per cent of those aged 45 to 64 said they had such an illness.
- The proportion of adults aged over 65 with a limiting long-standing illness was the same in 2007 as it had been a decade earlier. For adults aged between 45 and 65, the proportion is slightly lower.

- Among those aged over 45, those with low incomes are more likely to have a limiting long-term illness than those on average or higher incomes. This difference is less pronounced among the over 65s.
- Among those aged over 65, 25 per cent of those in the top income quintile have a limiting long-term illness, compared with 45 per cent of those in the bottom quintile.
- Among those aged 45 to 64, 15 per cent of those in the top quintile have a limiting long-term illness, compared to 45 per cent in the bottom quintile.

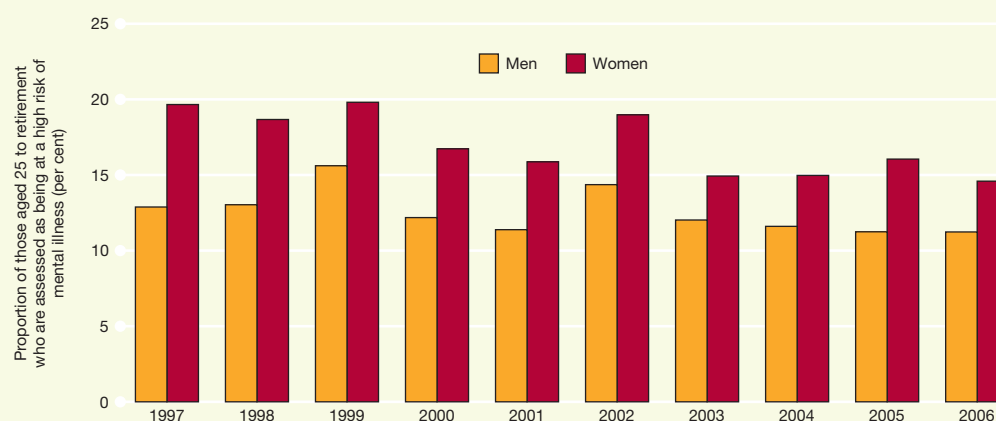
For working-age people, having a disability may decrease their ability to work, meaning their income is lower, so there are issues of cause and effect in this indicator. By age 65, the differences by income have narrowed as long-standing illness simply becomes more common with age.

### **35 Premature death**

- The rate of premature death has fallen for both men and women in the last decade. For both men and women, the rate is around one-sixth lower than a decade ago, and has declined every year for the last ten.
- The rate is higher for men than women. In 2007, around 150 women per 100,000 died before the age of 65, compared to 235 men per 100,000.
- Premature death is much more common in Scotland than other parts of the UK, particularly among men. In 2007, 310 men per 100,000 died before the age of 65 in Scotland, far higher than the next highest region, the North West, where the rate was 260 per 100,000. In the South of England outside London, the rate was below 200.
- The rate of premature death is also higher for women in Scotland than elsewhere, though the differences are less pronounced. Around 180 women per 100,000 died before the age of 65, compared to 160 per 100,000 in the next highest region, which was again the North West.
- The figures indicate that the risk of premature death for men in Scotland is over 50 per cent higher than for men in the South of England. This is one of the largest statistical regional differences, and one of the few examples where Scotland is far worse than the rest of the UK.

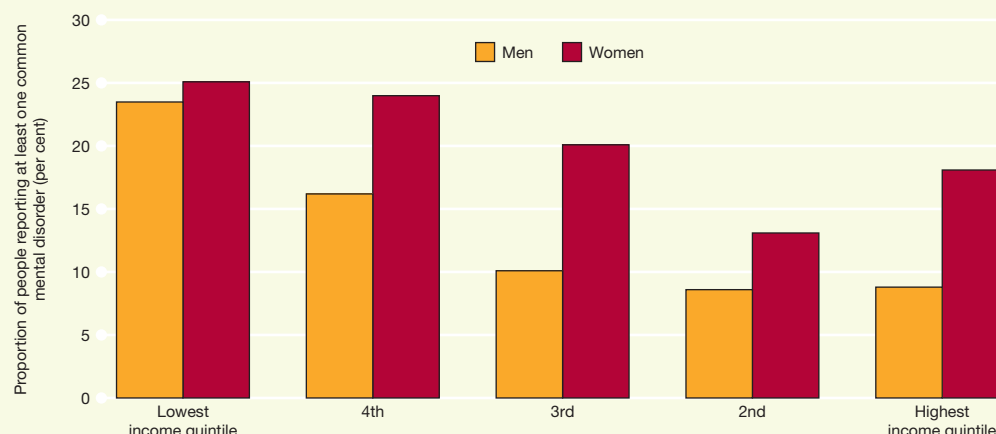
Other statistics shows that men from manual backgrounds are twice as likely to die before the age of 65 as men from professional backgrounds. Moreover, the most common killers – heart disease and lung cancer – are far more likely to be a cause of premature death for someone from a manual background than a professional background (see [www.poverty.org.uk/60/index.shtml](http://www.poverty.org.uk/60/index.shtml)).

**33A: The proportion of adults aged 25 to retirement who are deemed to be at a high risk of developing a mental illness is somewhat lower than a decade ago. Women are more at risk than men.**



Source: Health Survey for England, DH (from [www.poverty.org.uk](http://www.poverty.org.uk)); England

**33B: Mental disorders are much more common among people on lower incomes. The difference is more marked for men than women.**



Source: Survey of Psychiatric Morbidity, NHS Information Centre, England; 2007

The first graph shows the proportion of people aged 16 to retirement who are classified as being at high risk of developing a mental illness, with the data shown separately for men and women.

The second graph shows, for each income quintile, the proportion of adults who had reported at least one common mental disorder. This is a different measure to the first graph.

In the first graph, a high risk of mental illness is determined by asking informants a number of questions about general levels of happiness, depression, anxiety and sleep disturbance over the previous four weeks, which are designed to detect possible psychiatric morbidity. A score is constructed from the responses, and the figures published show those with a score of 4 or more. This is referred to as a 'high GHQ12 score'. 'Working-age people' is defined as everyone aged between 16 and 59/64.

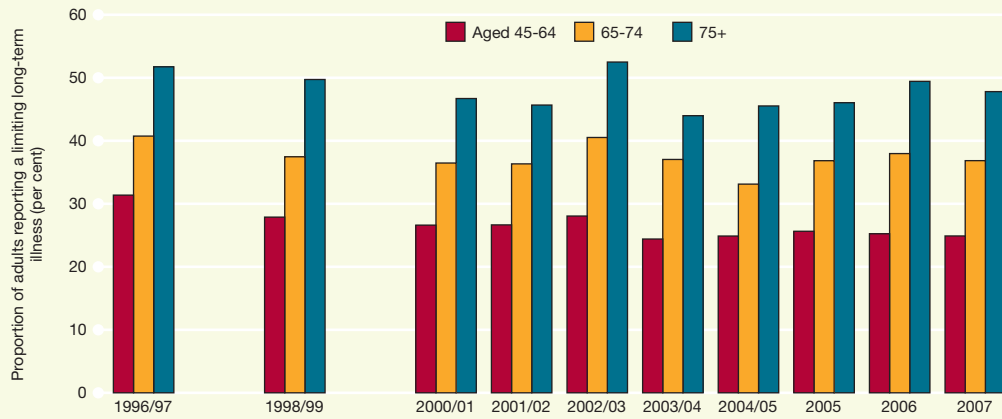
In the second graph 'common mental disorders' (CMDs) are mental conditions that cause marked emotional distress and interfere with daily function, but do not usually affect insight or cognition. They comprise different types of depression and anxiety. The income quintiles are based on equivalised (adjusted) income, that is, gross household income adjusted for household size, before taxes and housing costs.

Comment: Both surveys have smaller sample sizes than many of the datasets used in this report. Both rely on the respondent's accurate reporting of their own mental health, and have different metrics of mental health.

# Limiting long-standing illness

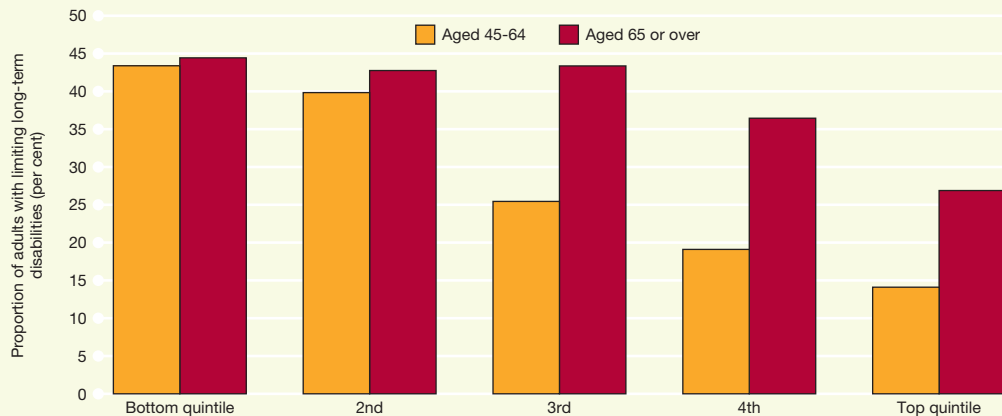
Indicator 34

**34A: For adults over 65 the proportion with a limiting long-term illness is similar now to that of a decade ago. For adults between 45 and 65, the proportion is slightly lower.**



Source: General Household Survey, Great Britain

**34B: Adults on lower incomes are more likely to have a limiting long-term illness than those on higher incomes. The difference is more pronounced among those aged 45 to 64 than those aged 65 or over.**



Source: General Household Survey, Great Britain; the figures are an average for 2004 to 2006

The first graph shows, separately for those aged 45 to 64, 65 to 74 and over 75, the proportion of people reporting a limiting long-term illness.

The second graph shows, separately for those aged 45 to 64 and those aged over 65, the proportion of people reporting a limiting long-term illness by each income quintile.

In both graphs, a limiting long-term illness is self-reported in answer to the question, 'Do you have any long-standing illness, disability or infirmity? Long-standing is anything that has troubled you over a period of time or that is likely to affect you over a period of time. Does this illness or disability limit your activities in any way?'

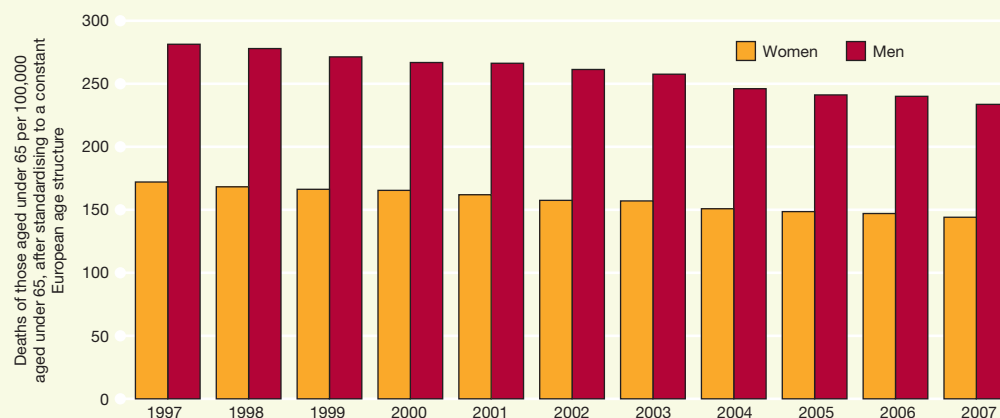
The income quintiles in the second graph are based on gross, unequivalised (unadjusted) income.



# Premature death

## Indicator 35

**35A: The rate of premature death has fallen by a sixth over the last decade. It is, however, still one-and-a-half times as high among men as among women.**



Source: General Register Office for Scotland and Mortality Statistics Division, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); Great Britain

**35B: Premature deaths are much higher in Scotland than elsewhere, particularly for men.**



Source: General Register Office (Scotland), Registrar General (Northern Ireland) and Mortality Statistics Division, ONS (England and Wales) (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is for 2007; UK

The first graph shows the number of deaths of people aged under 65 per 100,000 population aged under 65, with the results shown separately for men and women.

The second graph shows the same results for Scotland, Wales, Northern Ireland and the English regions.

All data has been standardised to a constant European age structure. This allows for comparisons between parts of the UK with slightly different age structures, for instance the younger population of Northern Ireland compared to the older population of South West England.

## Access to services

### Choice of indicators

The next set of indicators looks at a range of services, from financial through to long-term care. They show different types of access, from access to state services, such as care for older people, access to state entitlements, such as uptake of benefits, and access to financial services provided by the private sector.

Whereas previous indicators have looked at income and work, which are central to the understanding of poverty, this issue of access is at the heart of what we mean by 'social exclusion'. In the indicators that follow, we look at how people can be disadvantaged due to decisions made by private or public sector service providers.

The indicator on social care for the elderly shows how access can vary simply according to the area one lives in. The indicators on benefit take-up show how targeted benefits can fail to reach those who most need them. The indicators on financial services show how market mechanisms can leave people without services that are now taken for granted by the majority of the population.

### 36 Help to live at home

- The proportion of people helped by social services to live at home has halved since 1994. In 2008, around 80 households per 1,000 people aged over 75 were helped to live at home compared to around 160 per 1,000 in 1994.
- The proportion receiving intensive help has risen slightly since 1998 suggesting that resources are being concentrated on those in the most need.
- On average, English county councils help fewer people to live at home than urban authorities. Over the last three years, county councils have helped an average of 150 households per 1,000 people aged over 75 to live at home. Inner London boroughs help around 225 people per 1,000 aged over 75.

### 37 Take-up of benefits

- Around 40 per cent of pensioner households eligible for Pension Credit and Council Tax Benefit do not claim them. In 2007/08, these proportions were higher than a decade ago, where the figures were closer to 30 per cent, although the most recent years have seen no rise.
- A lower proportion of pensioner households eligible for Housing Benefit do not take it up. Again, though, at around 15 per cent, this figure was higher in 2007/08 than it was a decade earlier.
- Older people who own their own homes are least likely to claim Pension Credit. Around half of owner-occupiers eligible for Pension Credit do not claim, compared to one-quarter of those in private rented accommodation and one-sixth of those in social rented accommodation.

These take-up levels should be compared with those for certain non means-tested benefits. In particular, take up of the State Retirement Pension, to which entitlement is earned as a result of National Insurance contributions paid during working life, is close to 100 per cent (see [www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/169/16905.htm#note6](http://www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/169/16905.htm#note6)).

The fact that those in social housing are most likely to claim the Pension Credit for which they are eligible suggests that those who already have contact with the state, in this case through their tenancy, are more likely to claim the benefits they are entitled to. At the same time, the amount of Pension Credit may be larger, and hence more worth claiming, for social housing tenants than for owner-occupiers.

### **38 Without private income or savings**

- 1.3 million pensioners have no income other than the state pension and Pension Credit. Most of those without private income are single pensioners. The overall number is little changed in a decade.
- Over half of the two million pensioners in low-income households have less than £3,000 in savings. A further 700,000 pensioners live just above the low-income threshold and have little or no savings.

Proportionately more pensioners are just above the low-income threshold (that is, between 60 per cent and 70 per cent of median income) than people in other age groups. This is because many rely on the state pension and Pension Credit, and so have very similar earnings, especially before housing costs. The type of analysis in the second graph would look quite different for working-age adults, for instance.

Whereas the number of pensioners just above the low-income threshold with minimal savings is around one-third of the number in low income, the equivalent group for working-age adults is only around a fifth of the number in low income.

### **39 Without a bank account**

- The proportion of low-income households without a bank account fell sharply between 2003 and 2005. By 2007/08, around 5 per cent of low-income households did not have a bank account, compared to around 25 per cent ten years earlier.
- While only 6 per cent of the poorest fifth of households now have no account, this rises to 11 per cent if Post Office Card Accounts (POCA) are not considered.

Given that the proportion of average-income households without a bank account is around 3 per cent, the proportion of low-income households without a bank account is close to being as low as it could get at 5 per cent. However, there is an important qualification on the progress made with regards to the significantly limited functionality of the POCA. This also raises the question of what its successor should be and what functionality it should have when the contract ends in 2010.

### **40 Without home contents insurance**

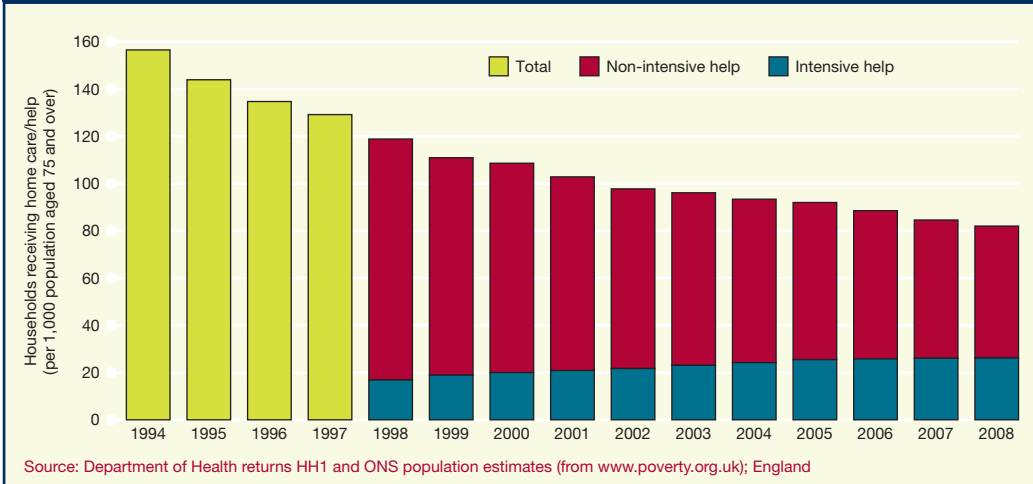
- Half of the poorest households do not have home contents insurance, the same as a decade ago and more than twice the rate for households with average incomes.
- Households with no contents insurance are more than three times as likely to be burgled as homes with insurance. In 2007/08, around 6 per cent of households without insurance were burgled, compared to 2 per cent of households with insurance.

In contrast to the progress made on access to banking services, there has been no improvement in the number of low income households without home contents insurance. This is despite the fact that access to both banking and home contents insurance were given equal priority in the 1999 report from the Social Exclusion Unit's Policy Action Task Force.

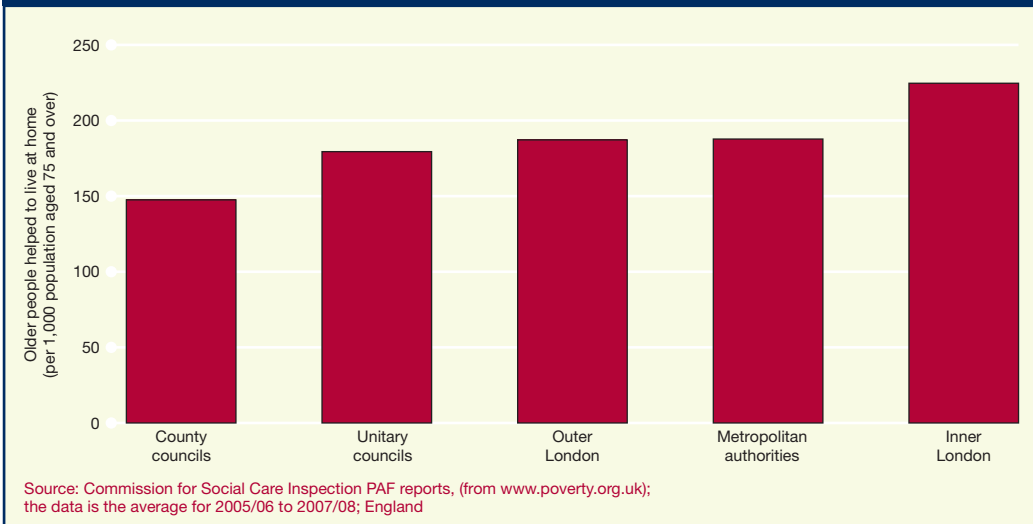
# Help to live at home

Indicator 36

**36A: The proportion of older people receiving home care has halved since 1994 as available resources are increasingly focused on those deemed most in need.**



**36B: On average, English county councils support fewer older people to live independently at home than urban authorities.**



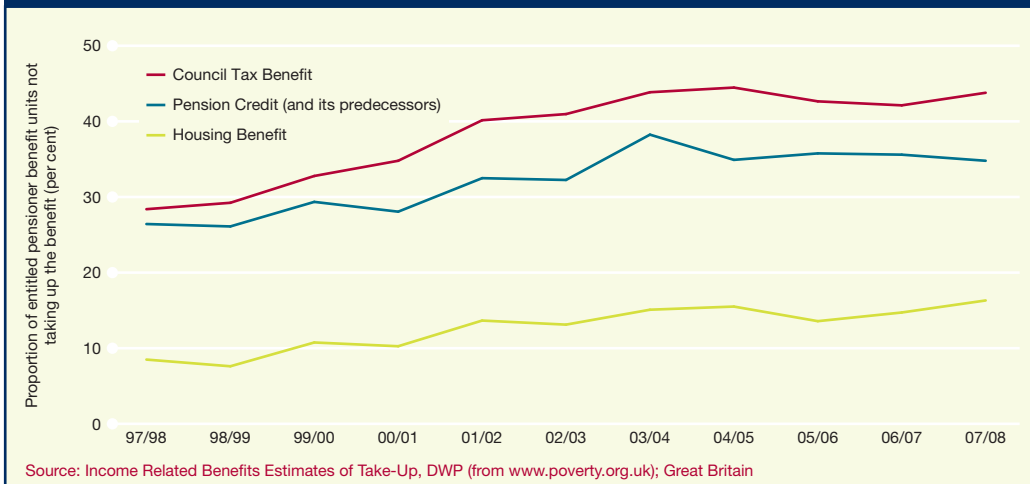
The first graph shows the number of households receiving home help/care from their local authority. The results are expressed per 1,000 population aged 75 and over on the grounds that the majority of people receiving home help/care are in this age group.

From 1998 onwards, the data is shown separately for those receiving intensive help (more than 10 hours per week or 6 or more visits) but this division is not available for the earlier years.

The second graph shows how the proportion of people being helped to live at home varies by type of local authority in which they live. Note: that 'being helped to live at home' is a wider measure than the 'receiving home help/care' in the first graph as it includes meals-on-wheels, day care etc.

Comment: The underlying data has been collected for a number of years and can be considered reliable. However, 'receiving home help/care' is only one possible measure. Furthermore, comparisons between local authorities have to be qualified by the fact that statistics ought ideally to be measured in relation to need and levels of support from friends and relatives.

**37A: Around two-fifths of pensioner households entitled to Council Tax Benefit and Pension Credit are not claiming them. These are much higher proportions than a decade ago.**



**37B: Half of the owner-occupiers entitled to Pension Credit are not claiming it, a much higher proportion than for those in other tenures.**



The first graph shows, for a number of selected benefits, the estimated proportion of pensioner households entitled to the benefit who are not taking up their entitlement. The benefits shown are the three major benefits of older people, namely Council Tax Benefit, Pension Credit (and its predecessors) and Housing Benefit. The results shown are the averages for low end and high end estimates published by DWP.

The second graph shows the estimated proportion of pensioner households in each housing tenure who are entitled to Pension Credit but are not taking up their entitlement. The results group households renting from registered social landlords with private renters rather than with those renting from local authorities. Data by tenure is not available for either Housing Benefit or Council Tax Benefit.

Comment: The figures are Department for Work and Pensions (DWP) estimates only, based on the modelling of data from surveys such as the Family Resources Survey (FRS). In all the graphs, the figures shown are the mid-points of quite wide range estimates, so the figures for any particular benefit in any particular year are subject to considerable uncertainty.

# Without private income or savings

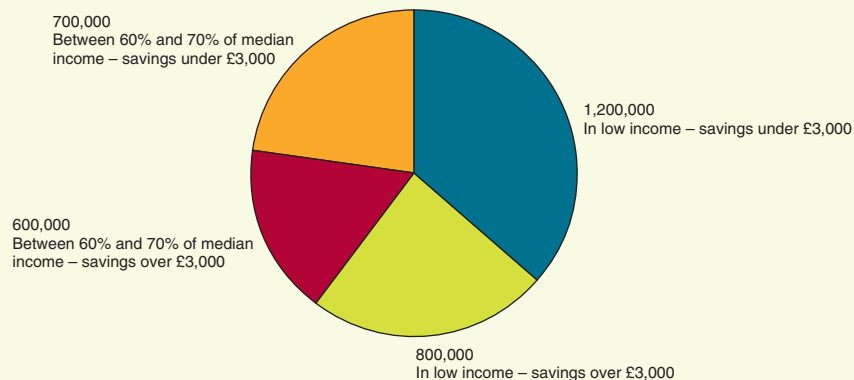
Indicator 38

## 38A: 1.3 million pensioners have no income other than the state retirement pension and state benefits.



Source: Households Below Average Income, DWP (from www.poverty.org.uk); Great Britain

## 38B: Over half of the 2 million pensioners in low-income households have little or no savings. A further 700,000 are just above the low-income threshold but have less than £3,000 in savings.



Source: Family Resources Survey, DWP; the figures are an average for 2005/06 to 2007/08

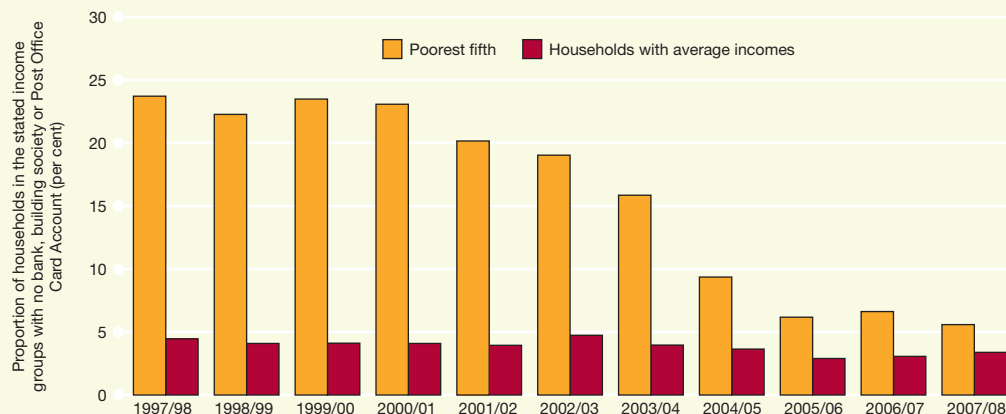
The first graph shows over time the number of pensioners, in couples and living alone, who have no source of income other than state support in the form of the state retirement pension and Pension Credit.

The second graph shows, for all pensioners whose household income is below 70 per cent of the median income, split by those living above or below 60 per cent, the numbers with savings over or under £3,000.

'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.

## 39A: The proportion of low-income households with no bank account has fallen sharply in recent years.



Source: Family Resources Survey, DWP (from [www.poverty.org.uk](http://www.poverty.org.uk)); Great Britain

## 39B: While only 6 per cent of the poorest fifth of households now have no account, this rises to 11 per cent if Post Office Card Accounts are not considered to be accounts.



Source: Family Resources Survey, DWP (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is the average for 2005/06 to 2007/08; UK

The first graph shows the proportion of households without a bank, building society or any other kind of account. The data is split to show households in the poorest fifth of the income distribution and for households on average incomes (middle fifth of the income distribution) separately.

Income is defined as household disposable income, equivalised (adjusted) to take account of household composition and is measured after deducting housing costs.

The second graph shows, for the latest three years, the proportion of households by income with only a basic bank account or a post office card account. The results are shown separately for households in each fifth of the income distribution.

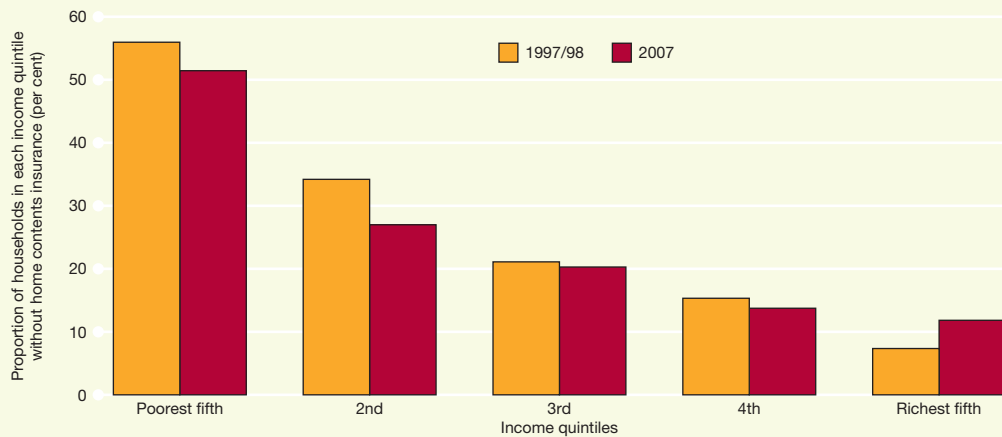
As well as bank and building society accounts, the figures also count any savings or investment accounts as well as post office card accounts. Stocks and shares, premium bonds, gilts, save as you earn arrangements and credit unions are excluded.

The Post Office Card Account is shown separately in the second graph as it has less functionality than a standard current account, for example it does not allow the account holder to set up a direct debit.

## Without home contents insurance

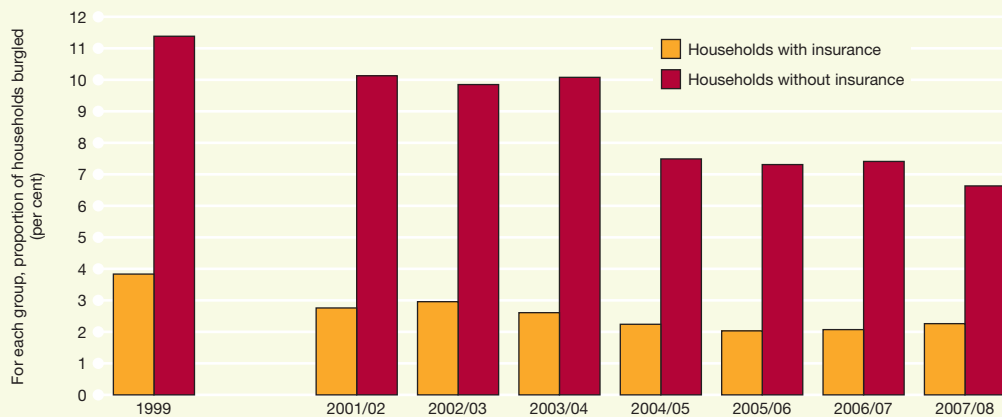
### Indicator 40

**40A: Half of the poorest households do not have home contents insurance, the same as a decade ago, and more than twice the rate for households with average incomes.**



Source: The Family Expenditure Survey (1997/98) and The Expenditure and Food Survey (2007), ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); UK

**40B: Households with no home contents insurance are more than three times as likely to be burgled as those with insurance.**



Source: NPI calculations using the British Crime Survey, Home Office and Expenditure and Food Survey, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); England and Wales

The first graph compares the proportion of households without home contents insurance in the latest year with the proportion ten years ago. The results are shown separately for each fifth of the household income distribution.

The second graph shows the proportion of households with, and without, home contents insurance that were victims of a burglary one or more times in each of the years shown.

The division into income quintiles is based on gross income. For the latest year, this is after equivalisation (adjustment) for household size and composition. By contrast, the results for a decade earlier are based (due to limitations in that data) on unadjusted unweighted income.

The second graph uses data from separate sources – the Expenditure and Food Survey and the British Crime Survey – to calculate the risk of burglary for those with and without insurance.



# Chapter 5 Communities

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## Location of disadvantage

### Choice of indicators

Whereas much of the analysis so far has looked at individuals and households, the first set of indicators in this chapter looks at the location of disadvantage. They look at the most deprived small areas and the different types of exclusion found in rural and urban areas. As well as the current position, the indicators look at how the patterns have changed over time.

The location of disadvantage used to be a key dimension of the government's anti-poverty strategy. The Neighbourhood Renewal programme was aimed at improving the areas poor people lived in. As the 2008 *Monitoring Poverty and Social Exclusion* report argued, the narrowing of this focus towards the very specific aim of reducing household, and particularly child, poverty has been one of the defining features of government policy in this area in recent years.

The first indicator looks at areas with high concentrations of out-of-work benefit recipients. The first graph looks over time at how these concentrations have changed, the second at their changing location.

The second indicator looks at households where the head of household is not in paid work, and how this varies by tenure. The first graph looks over time, the second at regional variation.

The next two indicators look at aspects of disadvantage that have particular geographical dimensions. The indicator on homelessness shows, in its supporting graph, how high the numbers of people in temporary accommodation are in London. The next indicator, on fuel poverty, shows the increased risks for people in rural areas.

### 41 Concentrations of benefit recipiency

- A quarter of all benefit recipients live in the 10 per cent of areas with the highest concentration of recipients. A further quarter live in the next 15 per cent. This means that, in total, half of all benefit recipients live in the 25 per cent of areas with the highest concentrations of recipients.
- The number of recipients had come down in all areas until 2008 before rising sharply, again in all areas, in 2009. There is no indication that either of these changes were most marked in the most deprived areas or vice versa.
- Further analysis of this data shows that around one in eight of the areas in the bottom 25 per cent in 2000 have moved out of the bottom quarter by 2009.
- The location of the areas in the 'bottom' 25 per cent has changed somewhat since the start of the decade. Broadly, the proportion of such areas has declined in Inner London and other large cities and risen elsewhere.
- This means that the proportion of small areas in large cities that are in the 'bottom 25 per cent' has declined from 46 per cent to 44 per cent. The proportion of areas in Inner London that are in the bottom 25 per cent fell even more sharply from 41 per cent to 35 per cent.
- In contrast, the proportion of areas in other cities that are in the bottom 25 per cent rose from 34 per cent to 36 per cent, from 14 per cent to 18 per cent in Outer London and 16 per cent to 18 per cent in other districts.

The observation that the overall level of poverty in Inner London, while still high, has reduced in the last decade, while the level in Outer London has risen, is further explored in NPI's report *London's Poverty Profile*, published with City Parochial Foundation (<http://www.londonspovertyprofile.org.uk/>).

#### **42 Polarisation of work status by housing tenure**

- In two-thirds of all households in social housing, the head of household is not in paid work (that is, they may be retired or working-age and not in paid work). This figure has remained quite steady for the last decade, though it has decreased slightly in recent years. By contrast, only half of households in the social rented sector had a head of household not in paid work some 30 years ago.
- In owner-occupied housing, around one-third of households have a head of household not in paid work. This figure is practically unchanged since 1997, and little different to the figure of 1981.
- The degree of polarisation is most pronounced in Northern Ireland, where three-quarters of heads of households in social housing are not working.
- In Wales, 40 per cent of heads of household in owner-occupied housing are not working, higher than any other region in the country.

If this indicator only went back as far as the mid-1990s it would miss a crucial point. While the degree of polarisation regarding worklessness between social housing and owner-occupied housing has changed little, comparison with 1981 shows that this contrast was once nowhere near so sharp. Notably, 1981 coincides with the introduction of the right-to-buy policy (as part of the 1980 Housing Act), whereby council tenants were able to buy their own council houses, turning a social housing tenancy into an owner-occupied (or, later, private rental) tenancy.

#### **43 Homelessness**

- After reaching a peak in 2003/04, the number of households in England presenting as homeless, and the number in temporary accommodation have both declined significantly.
- In 2003/04, around 200,000 households presented as homeless, of whom 135,000 households were accepted as homeless and in priority need, and 65,000 presented but were not in priority need.
- In 2008/09, around 75,000 households presented as homeless, of whom 50,000 were accepted as being in priority need.
- In March 2009, some 70,000 households in England were in temporary accommodation arranged by local authorities under homelessness provisions compared to around 100,000 in 2004/05.
- There is a strong geographical dimension to the problem of households living in temporary accommodation. The majority of households in temporary accommodation in England are in London. Around two-fifths are in Inner London, and a further third in Outer London.

- Other data from the Department of Communities and Local Government suggest that the reason for this is that not only are there a greater number of households in London being placed in temporary accommodation but also that, once there, their average stay is much longer than elsewhere in England.

Research by the charity Crisis (*No one's priority: The treatment of single homeless people by local authority homelessness services*, Crisis, 2009) found some evidence of 'gatekeeping' on the part of local authorities; that is, deterring people from applying to be accepted as homeless. The government's policy since the middle of the decade has been focused on homelessness prevention, providing assistance to households that may mean they do not end up applying to be homeless. The research from Crisis indicates that, particularly for single adults, the 'prevention' may result in people not receiving the statutory help they are entitled to. This would mean they do not appear in the indicators above.

#### **44 Fuel poverty**

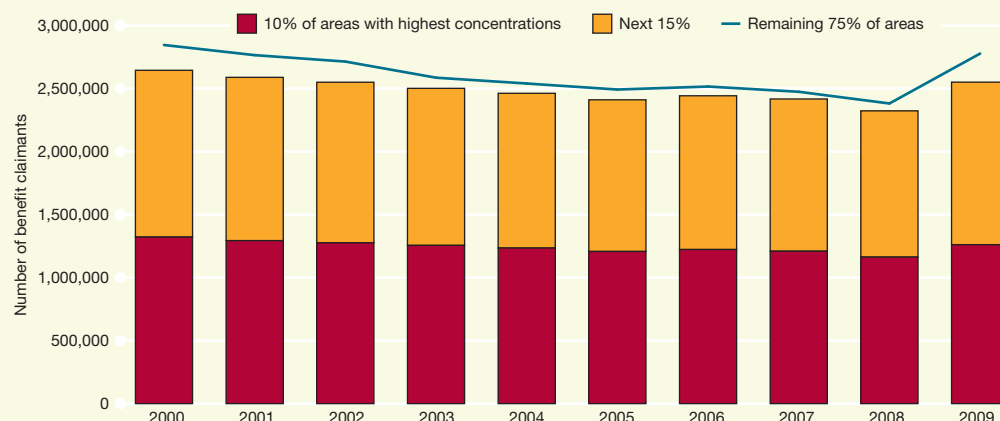
- In 2007, around 2.8 million households in England were in fuel poverty. This was around 1.3 million more than in 2005, but little over half of the number in 1996. The majority of households in fuel poverty in 2007 and previous years were owner-occupied.
- Low-income households in all areas were more likely to be in fuel poverty than other households. In 2006, almost half of low-income households in rural areas were in fuel poverty, as were a third of low-income households in cities and suburban areas.

There are observable variations by household type underlying this data. Other NPI research (*Cold and poor, the overlap between fuel poverty and low income*) demonstrates that single adults of working-age were at particularly high risk of fuel poverty. This is important because single adults are largely neglected by anti-poverty policies, which tend to focus on households with children, and older people.

# Concentrations of benefit reciprocity

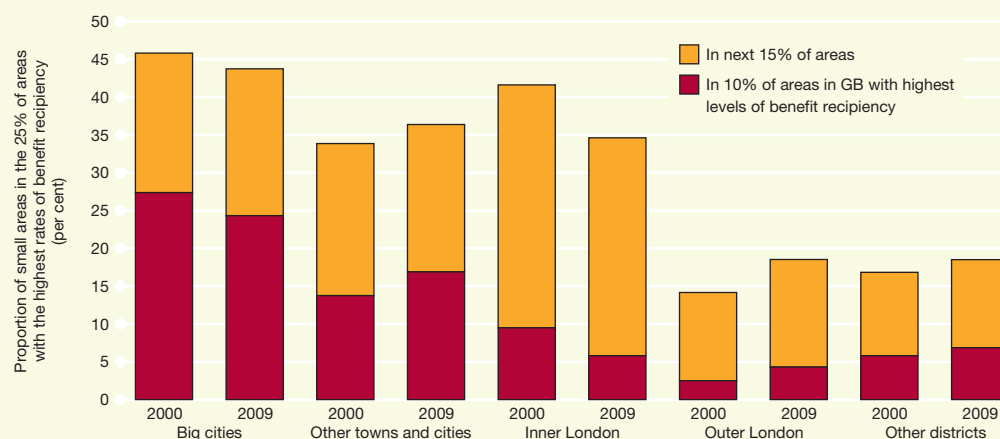
## Indicator 41

**41A: As many benefit claimants live in the 25 per cent of areas with the highest concentration of claimants as in the remaining 75 per cent of areas. These concentrations have changed little over the last decade.**



Source: Longitudinal Series, DWP (adapted from [www.poverty.org.uk](http://www.poverty.org.uk)); Great Britain

**41B: While still higher than average, the proportion of small areas in Inner London and other big cities that are in the quarter of areas with highest rates of benefit reciprocity has declined since 2000.**



Source: Longitudinal Series, DWP; Great Britain

The first graph shows the concentration of benefit recipients in small local areas (each typically containing some 1,200 residents) in Great Britain. For each of these small areas, the proportion of working-age recipients of key out-of-work benefits is calculated. The graph shows the zones in three groups – the 10 per cent with the highest proportion of benefit recipients, the next 15 per cent of areas and the remaining 75 per cent of areas.

The second graph shows the proportion of small areas that are in the 25 per cent of areas with highest levels of benefit reciprocity. The data is split by the type of area – London's inner and outer boroughs, larger cities, other cities and other districts or counties. It shows how this pattern has changed since the start of the decade.

The small areas are Lower Super Output areas in England and Wales and Data Zones in Scotland.

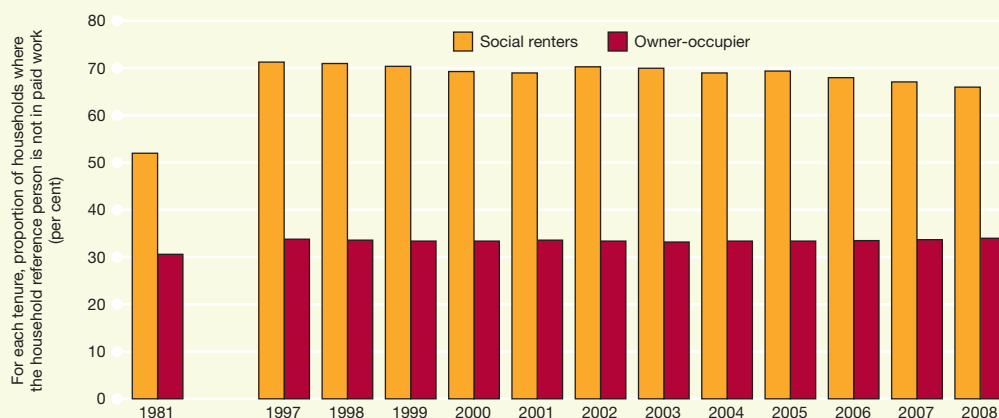
Note that a small area may be in the 10 per cent of areas with the highest concentration in 2000, but, for example, the next 15 per cent in 2008.

Comment: The classification into small towns and other districts is essentially a matter of judgement, and rests largely on the type of local council. There is not GB or UK wide definition of rurality or city size that can be used in this indicator.

# Polarisation of work status by housing tenure

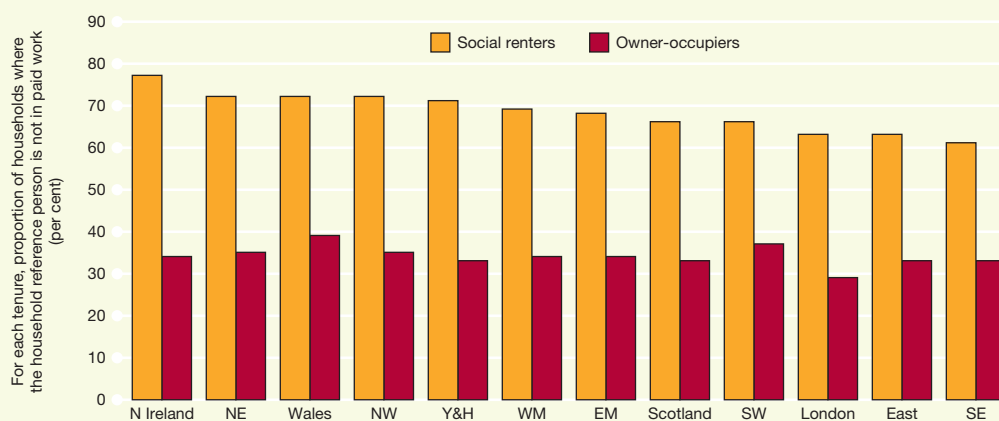
## Indicator 42

**42A: In two-thirds of households in social housing, the head of household is not in paid work. Although slightly lower than the start of the decade, this is far higher than at the start of the 1980s.**



Source: Labour Force Survey, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); UK

**42B: Three-quarters of heads of households in social housing in Northern Ireland are not in work, more than in any other part of the UK.**



Source: Labour Force Survey, ONS (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is the average for 2006 to 2008; UK

The first graph shows the proportion of heads of household not in paid work by their housing tenure. Results are shown separately for social housing households and for owner-occupied households.

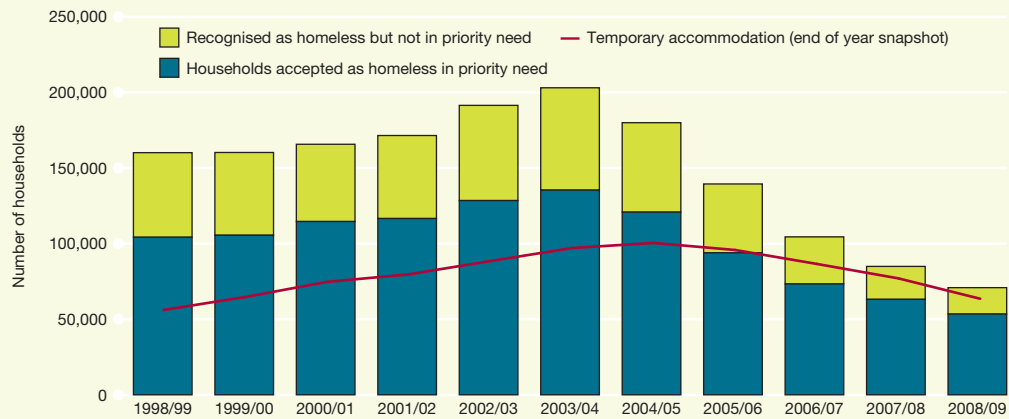
The second graph shows the same data for each English region, Scotland, Wales and Northern Ireland.

In both graphs, we use the household reference person to stand for the head of household. The household reference person is the household member who owns the accommodation; or is legally responsible for the rent; or occupies the accommodation as reward of their employment, or through some relationship to its owner who is not a member of the household. If there are joint householders, then the household reference person is the one with the highest income. If their income is the same, then the household reference person is the eldest one.

In 2001 this replaced the previous definition of head of household, which in a mixed sex couple would always have been the male.

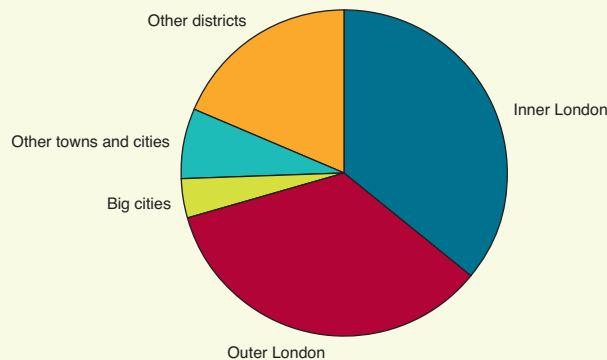
These graphs show households of all ages, not just working-age households.

**43A: The number of households accepted as homeless has fallen by two-thirds in five years. The number in temporary accommodation has declined by one-third.**



Source: Statistics on homelessness, DCLG (adapted from [www.poverty.org.uk](http://www.poverty.org.uk)); England

**43B: Around three-quarters of all households in temporary accommodation are in London.**



Source: Statutory Homelessness England, Statistical Releases, DCLG; 2009

The first graph shows the number of people newly accepted as homeless in each year. The bars are split between those who are deemed in priority need, often households with children, and those not deemed 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. Essentially, therefore, the graph combines the flow of people into homelessness and the stock of people accommodated by local authorities under homelessness provisions at any one time.

The second graph shows the number of people living in temporary accommodation under homelessness provisions by the same geographical classification as used in indicator 41B.

The number of households officially recognised by their local authority as newly homeless includes those 'in priority need', those 'not in priority need' and the intentionally homeless (a small number). Temporary accommodation includes bed and breakfast, hostel accommodation, as well as some households placed in private rental and other accommodation.

It is important to note that these two measurements are of different types: the former is the cumulative number over the period of each year while the latter is a point-in-time number at the end of the year.

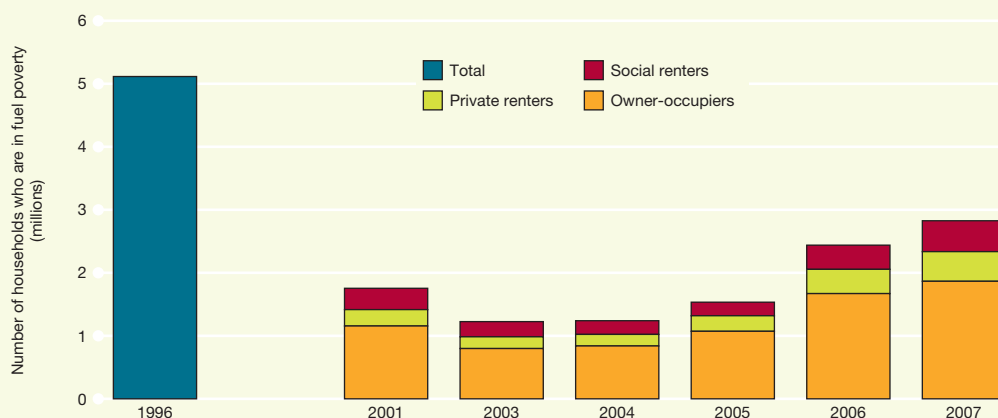
Neither is a complete count: the former excludes those recognised as homeless in previous years but still homeless while the latter excludes homeless households whom their local authority has no duty to accommodate.

Comment: While there is no reason to believe there is any problem with the underlying data, the extent to which it leaves 'homelessness' dependent on administrative judgement is not satisfactory. In particular, the figures do not include many single people who are effectively homeless, as local authorities have no general duty to house such people and therefore many may not apply.

# Fuel poverty

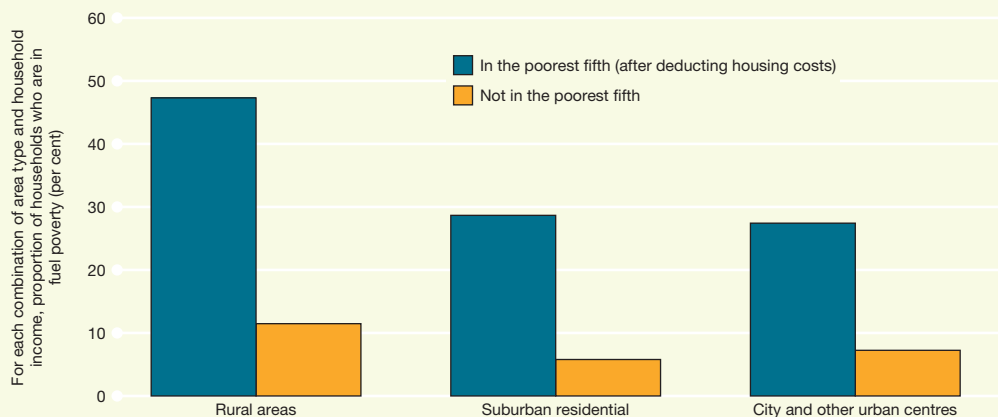
## Indicator 44

**44A: 2.8 million households in England were classified as being in fuel poverty in 2007, lower than 1996 but higher than at any point this decade.**



Source: English House Condition Survey, DCLG (from [www.poverty.org.uk](http://www.poverty.org.uk)); England

**44B: Among low-income households, those in rural areas are much more likely to be in fuel poverty than those in urban areas.**



Source: English House Condition Survey, DCLG (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is for 2006; England

The first graph shows the number of households deemed to be in fuel poverty over time, with the results shown by housing tenure.

The second graph shows how the proportion of households that are in fuel poverty varies by location and household income. The results are shown separately for those in urban, suburban and rural areas and for those in the poorest fifth of households and others.

Following the official definition, 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. This is one 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. Household income is disposable household income before deducting housing costs, with Housing Benefit and Income Support for Mortgage Interest both counted as income.

Comment: The calculation of required fuel costs is both complex and obscure. It is heavily dependent on accurate fuel pricing data, which has fluctuated a lot in recent years.



## Communities and neighbourhoods

### Choice of indicators

The second set of indicators in this chapter look at issues that may broadly be defined as social capital – such as participation in local organisations or satisfaction with neighbourhoods. It also looks at crime and fear of crime, as both issues emerge as major factors determining how people feel about living in their areas.

Critics of the government from both sides of the political spectrum speak of some kind of breakdown of social capital, or corrosion of community, whether ‘broken Britain’ or the ‘social recession’. Issues such as participation and these broader measures of social capital used to be part of the government’s agenda. We are, in essence, returning to an area we have looked at in previous MPSE reports, but the renewed impetus comes from outside government, not within it.

The first indicator looks at participation in the first graph and whether people feel empowered to affect local decision-making in the second.

The next indicator looks at ability to travel, an issue that greatly affects people’s ability to participate.

The third and fourth indicators look at measures of trust and satisfaction that people feel towards their local areas. Both indicators look at the issues over time, with their supporting graphs breaking the data down by some measure of disadvantage.

The final two indicators look at crime and fear of crime. The first graphs in both take a view over the last 15 years or so, and the second highlight the groups who are most affected.

### 45 Civic participation

- The proportion of adults who were engaged in volunteering or other civic activity remained fairly constant throughout the decade. Between 35 per cent and 40 per cent engaged in some form of civic participation, around 20 per cent in civic consultation and 10 per cent in civic activism. Around 35 per cent volunteered informally, and 25 per cent formally over the period.
- Most adults did not feel that they could influence decisions that affect their local area. This was true for all groups, but slightly higher for those on lower incomes, those who lived in deprived areas and those who were not working.
- Other figures from the Department for Communities and Local Government show that the proportion of people who do not feel they can affect decisions locally has not changed since the start of the decade. Other research (see [www.poverty.org.uk/88/index.shtml](http://www.poverty.org.uk/88/index.shtml)) shows that there has been little change in overall rates of participation since New Labour took over in 1997.

It is the very fact that so little has changed that is significant. In particular, in the last years of the Tony Blair prime ministership, volunteering as a means of enhancing some form of British ‘identity’ was proposed several times by the now Prime Minister Gordon Brown. But this has not led to any change at all in participation rates. More broadly, there has been no change in the way people engage with their communities or civic organisations in the last decade.

#### **46 Ability to travel**

- Around half of households in the poorest fifth do not have a car. Around one in ten households in the richest half of the income distribution do not have a car, presumably out of choice.
- So while not everyone has a car, there appears to be a 'normal' level of non car-ownership of around 10 per cent. This means that households in the poorest fifth are five times more likely to lack a car than the norm.
- Across all essential services, those without a car are more likely to have difficulty with access than those with a car.
- Around 40 per cent of those living in households without a car found it difficult to access the hospital, although this was also true of 20 per cent of those living in households with a car.

Other statistics (see [www.poverty.org.uk/75/index.shtml](http://www.poverty.org.uk/75/index.shtml)) show strong gender differences in car ownership and use. Women are slightly less likely than men to live in a household with a car, but much less likely to be the main driver of that car. While the gender difference has reduced steadily over the last few decades, around 40 per cent of women either live in a household with no car or cannot drive the car their household owns.

#### **47 Neighbourliness**

- In 2006, around two-fifths of adults felt that their neighbourhood was not the type of area where people would help each other out. This figure had fluctuated over the previous 20 years, but was similar in 2006 to the 1984 level. In particular, more adults felt their neighbourhood was the type of place where people would help each other out in 2006 than was the case in the 1990s.
- People with lower incomes and in more deprived areas were more likely than average to feel that they lived in an area where people did not help each other out. Around one in four of those in the social rented sector felt that their neighbours would not help each other out.

#### **48 Satisfaction with local area**

- Most people are happy with their local areas. Around one in eight adults in households where the head of household has an income of less than £200 per week are dissatisfied with their neighbourhoods. While quite low, it is still higher than for adults in wealthier households, where around 1 in 12 feel dissatisfied. These proportions have remained broadly unchanged for the last decade.
- When prompted, people in more deprived areas were more likely than others to think that certain issues represented a serious problem in their area. For example, over half of people in the most deprived areas felt that drug use or dealing, litter and vandalism were serious problems where they lived. This compared to between one-quarter and one-third in other areas.

- In the most deprived areas, more people felt that drug use and dealing was a more important problem than the other problems mentioned. In other areas, this was not the case – rubbish and litter was the problem that most people thought was serious.

When combined with the indicator on neighbourliness above, this indicator shows two things. Firstly, that general satisfaction with the area people live in and the people they live with has not really changed since the late 1990s. So, either ‘broken Britain’ and the ‘social recession’ refer to something else, or to sometime long past. Secondly, there is a poverty angle to these issues. People with lower incomes are both less likely to like the areas they live in and less likely to see their neighbours as helpful.

There is, though, a confounding variable among this. When looking at whether people trust their neighbours, or feel that they belong in their neighbourhoods, both of which affect quality of life, one very important factor was how long people had lived in the area. Inevitably, people who had lived there longest felt the strongest bonds both to their neighbourhoods and their neighbours. Transient populations, who have the lowest levels of trust in their neighbours, need not themselves be poor. In fact, young professionals, a group desired by property developers and local area regeneration programmes alike, are very transient but have high levels of disposable income.

#### **49 Victims of crime**

- The number of people who have been victims of burglary or violent crime has fallen since the mid-1990s. In 2008/09, there were 1.1 million incidents of violence with injury and 0.8 million burglaries. Both these figures are roughly half the 1997 level.
- Young adults are at greatest risk of violent crime, and young households are at greatest risk of burglary. On average, around 10 per cent of those aged 16 to 24 (men and women) were victims of some form of violent crime each year between 2006/07 and 2008/09. For other adults, the figure was 1 per cent.
- Over the same period, an average of 7 per cent of households headed by an adult aged 16 to 24 were burgled each year, compared to 2 per cent of other households. These differences by age are much more pronounced than differences by gender, location or type of tenure.

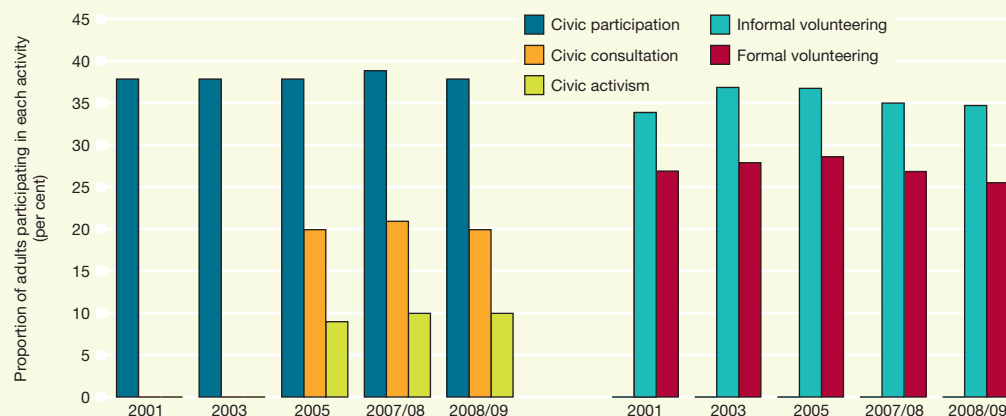
The 10 per cent chance of a young adult being a victim of violent crime is itself only an annual figure. Over the nine years between 16 and 24, the risk of being a victim at least once will be significantly higher (theoretically as high as 60 per cent).

## 50 Fear of crime

- The proportion of adults who are very worried about being the victim of violent crime or burglary is much lower now than it was a decade ago. Most of this fall, though, took place in the years before 2004/05. Any decline since then has been small.
- In 2008/09, around 15 per cent said they were very worried about being the victim of violent crime, and 10 per cent said they were very worried about being the victim of burglary.
- Older women are much more likely to be worried about going out at night than older men. In particular, 30 per cent of women aged over 60 living in households with lower incomes (an income below £10,000) feel very unsafe out at night, compared to 10 per cent of men aged over 60 in similar households. 20 per cent of women in higher income households said they were worried about going out at night compared with 5 per cent of men aged over 60 in households with a higher income. In this instance, the differences by gender are larger than the differences by income.

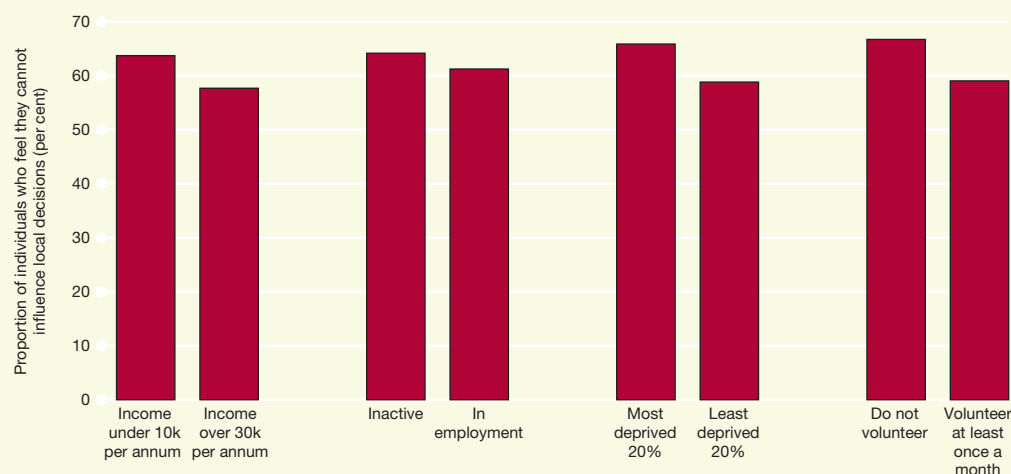
The first graph looks very similar to the first graph from the previous indicator on victims of crime. In both cases, overall levels are down. In both cases, too, the fall was more pronounced in the late 1990s and earlier part of this decade. While it may seem unsurprising, it is nonetheless worth stating that fear of crime has fallen as crime itself has fallen.

## 45A: The proportion of people involved in volunteering and other civic activity has remained constant throughout the decade.



Source: Citizenship Survey 2008/09, DCLG; England

## 45B: Although a majority of adults feel that they cannot influence decisions made locally, the proportion who feel this is somewhat higher among those with low incomes or who live in more deprived neighbourhoods.



Source: Citizenship Survey 2005 and 2007, DCLG; England

The first graph shows the proportion of adults who had taken part in one of five activities in the 12 months before the survey – civic activism, civic consultation, civic participation, formal and informal volunteering.

The second graph analyses the responses to one particular question, 'Do you feel you can influence decisions made at a local level?' The figure in the graph is the number of respondents who answered negatively (either disagree or strongly disagree) as a proportion of all those who gave any answer. The answers are given by income, employment, deprivation of area and volunteer status.

Civic activism is defined as involvement either in direct decision-making about local services or issues, or in the actual provision of these services by taking on a role such as a local councillor, school governor or magistrate.

Civic consultation refers to active engagement in consultation about local services or issues through activities such as attending a consultation group or completing a questionnaire about these services.

Civic participation covers wider forms of engagement in democratic processes, such as contacting an elected representative, taking part in a public demonstration or protest, or signing a petition.

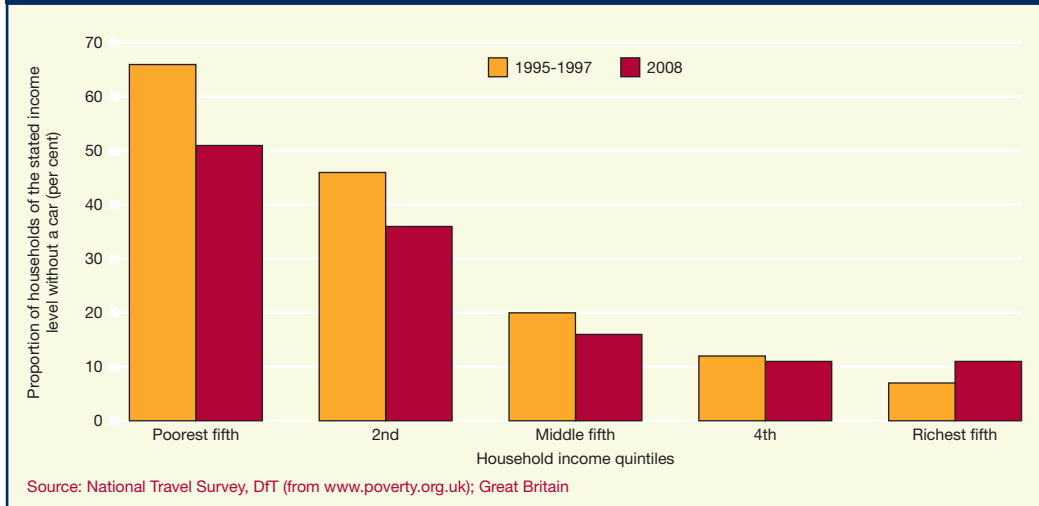
Formal volunteering is defined as volunteering through a group, whereas informal volunteering is arranged through the participant alone. Volunteering is defined as time given free to any activity or non-family member.

Comment: The definitions of, for instance, civic participation are broad enough to cover quite different levels of activity, from organising a petition to simply signing one. The second graph looks at a subjective measure of how much people feel they can influence decisions, a question which may mean different things to different people.

# Ability to travel

Indicator 46

## 46A: Just about all households with above-average incomes have a car but half of low-income households do not.



## 46B: The proportion of households who find it difficult to access essential local services is much higher for those without cars than for those with cars.

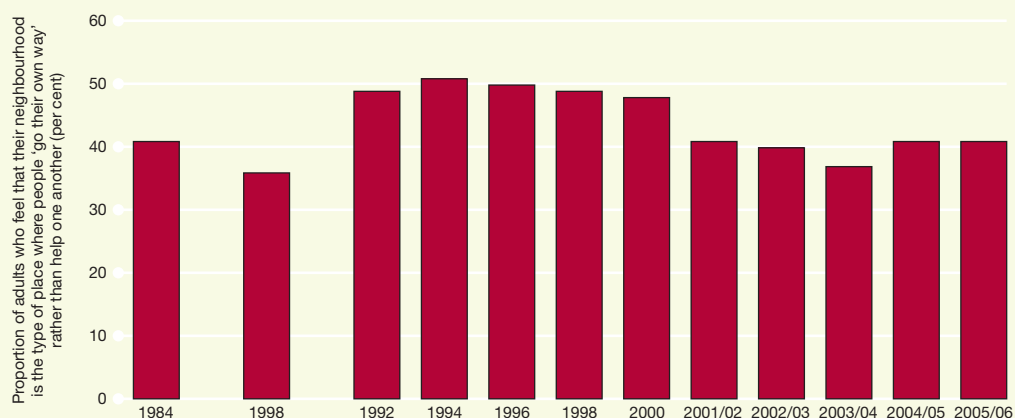


The first graph shows the proportion of households without a car, comparing 2008 with 1997. Results are shown separately for each fifth of the income distribution.

The second graph shows, for households with and without a car, the proportion of people who find it hard to access certain basic amenities.

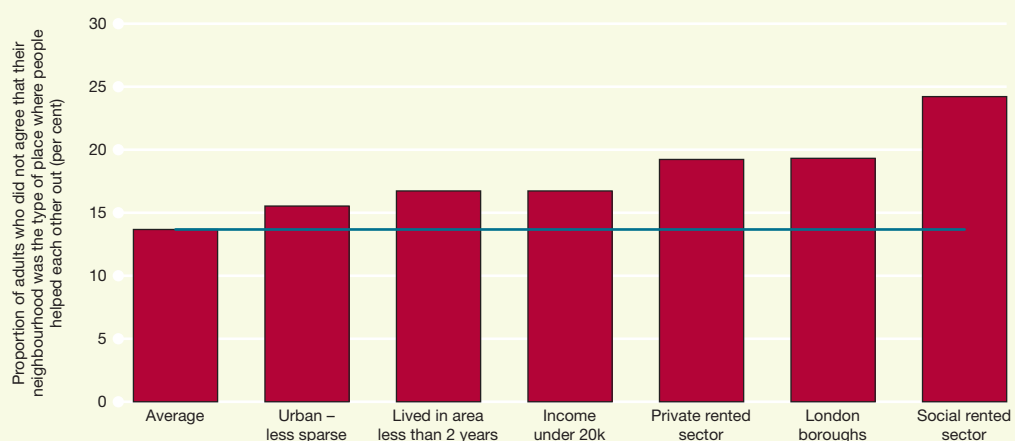
The household income in the second graph has been equivalised (adjusted) for household size.

**47A: Around two-fifths of people feel that their neighbourhood is the type of place where people do not help each other out, a similar proportion to 20 years ago and lower than a decade ago.**



Source: British Crime Survey; England and Wales

**47B: The proportion of people who did not feel that people in their neighbourhood help each other out was highest in inner city areas, low-income households and among social renters.**



Source: British Crime Survey 2006/07 and 2007/08; England and Wales

The first graph shows the proportion of adults who felt that their area was one in which people did not help one another out. The second graph shows, for the most recent year, the proportion of people who did not feel their neighbourhood was one where people would help each other by a range of characteristics.

The question that underlies the first graph is whether respondents felt that their area was the type of place where people help each other out, go their own way or some mix of the two. The figure in the graph is the proportion of respondents who replied with the second option as a proportion of all respondents. Figures from 2000 onwards come from the dataset itself, figures from 1984 to 1998 come from an Office for National Statistics (ONS) publication (Investing in each other and the community: the role of social capital; *Social Trends* vol 33).

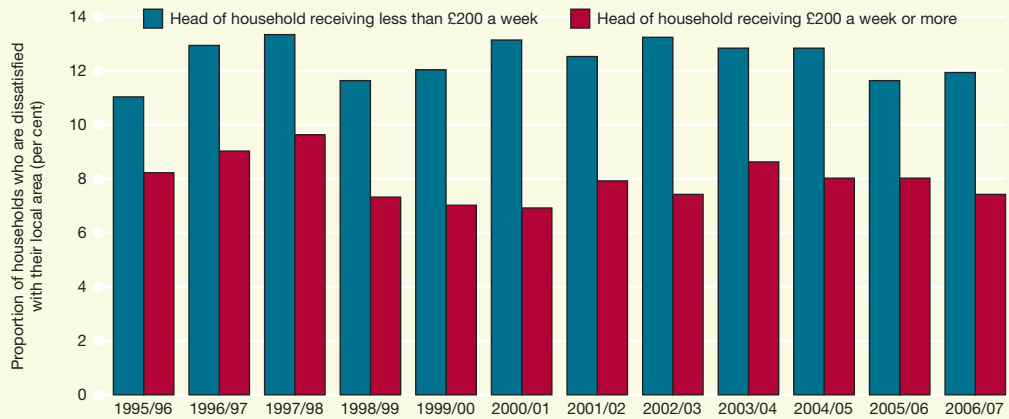
This question was discontinued in 2006, and the second graph analyses a slightly different question. Rather than giving the three options listed above, respondents were given a statement, 'This neighbourhood is the type of place where people help each other out' and were asked to agree or disagree. The figure in the graph is the number of people who disagreed as a proportion of all those who responded either positively or negatively.

Comment: The British Crime Survey is a long-standing national survey, but the questions in both graphs were only answered by one quarter of respondents.

## Satisfaction with local area

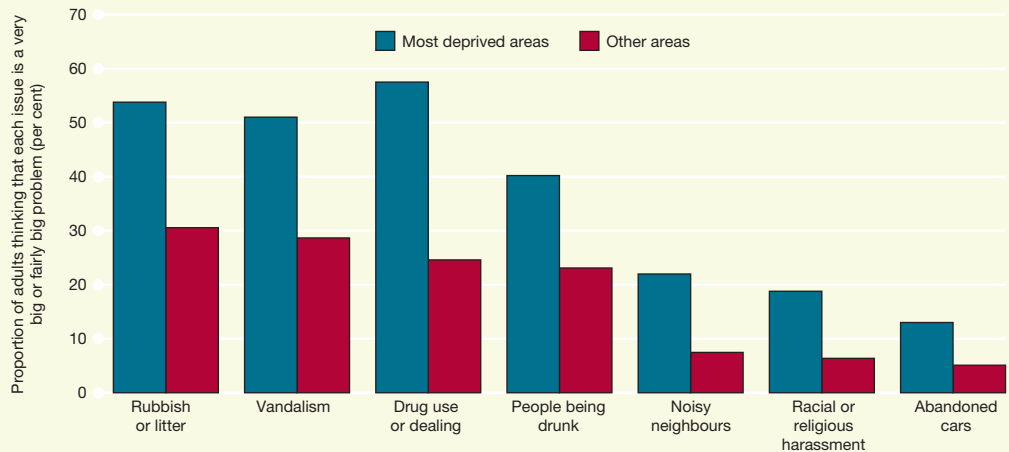
### Indicator 48

**48A: Low-income households are more likely than richer households to feel dissatisfied with their neighbourhood, but the proportion is still small.**



Source: Survey of English Housing, DCLG (from [www.poverty.org.uk](http://www.poverty.org.uk)); England

**48B: People in deprived areas were more likely to see any of the mentioned issues as a serious problem in their neighbourhoods than people living in non-deprived areas.**



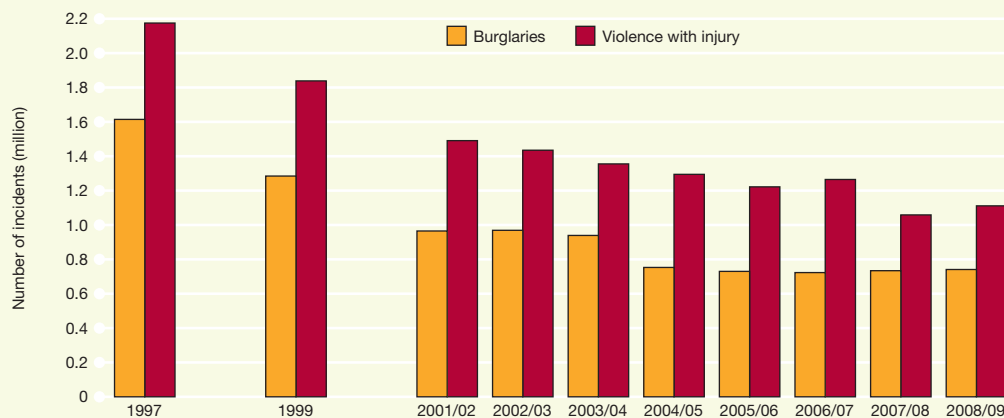
Source: Citizenship Survey 2007; England

The first graph shows the proportion of adults who say they are dissatisfied with their local area, shown separately for heads of households with incomes above and below £200 per week.

The second graph shows the proportion of people in deprived areas and non-deprived areas who, when prompted, responded that any of seven different issues were a serious problem in their area. An area is defined as deprived if it is in the fifth of most deprived areas in the sample.

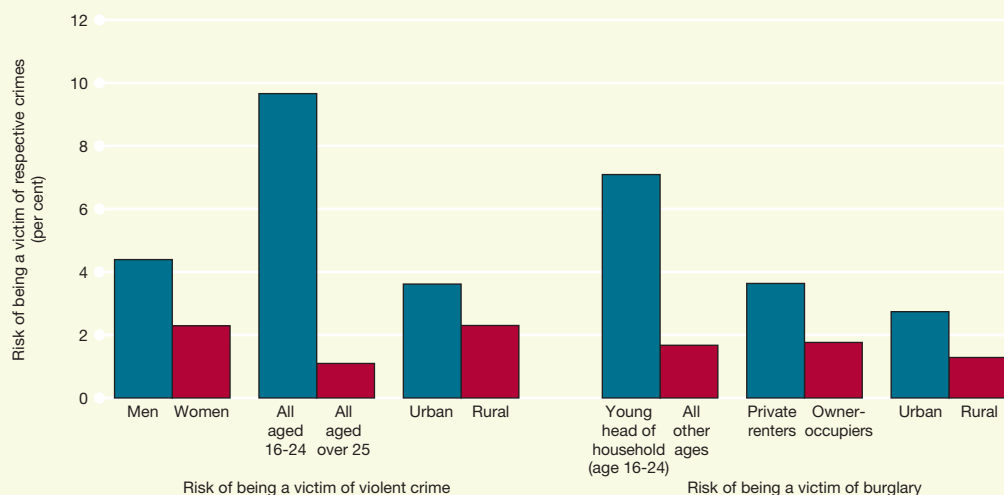


**49A: The number of victims of violent crime and burglary was lower in 2008/09 than a decade ago, but the number of burglaries stopped falling in the middle of this decade.**



Source: British Crime Survey, Home Office (from [www.poverty.org.uk](http://www.poverty.org.uk)); England and Wales

**49B: Young adults face a high risk of being a victim of violent crime, and young households face a high risk of being a victim of burglary.**



Source: British Crime Survey; 2006/07 to 2008/09; England and Wales

The first graph shows the number of incidents of burglary and violence with injury over the last decade.

The second graph shows the proportions of people who were a victim of either a crime of violence or a burglary. Results are shown separately by gender, age and whether living in an urban or rural area and are the average for the most recent three years.

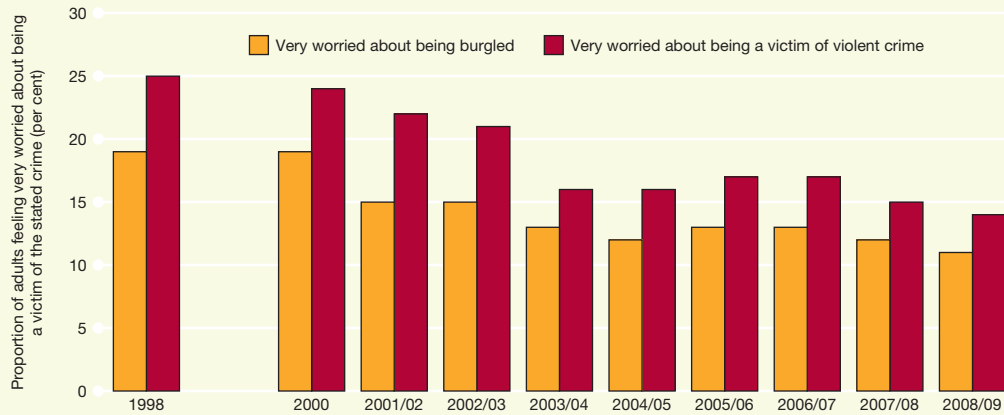
Violent crime includes attacks with and without injury, robbery and wounding.

Note that burglary is a crime against a household so the figures are presented as a proportion of households whereas violent crime is a crime against the individual so the figures are presented as a proportion of adults. This difference also restricts the groups for which data on both burglaries and violent crime exists. In the second graph, the age status for burglaries is the age of the household reference person.

# Fear of crime

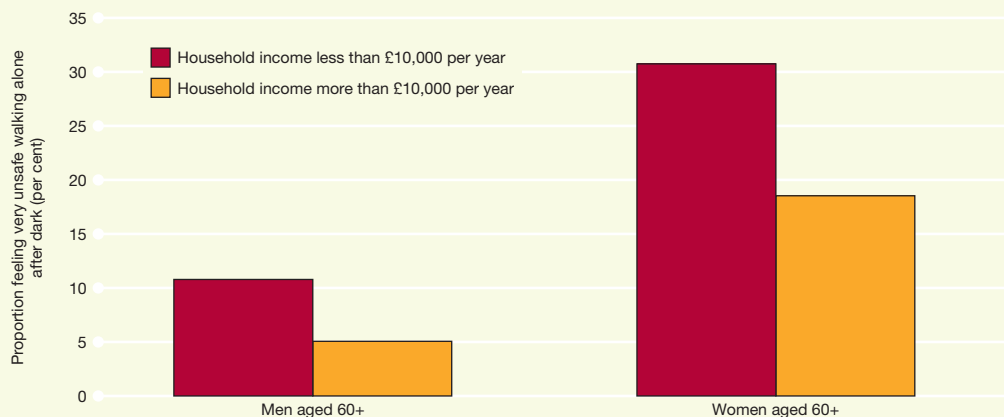
## Indicator 50

**50A: The proportion of adults who are very worried about being the victim of crime is much lower than a decade ago.**



Source: British Crime Survey, Home Office (from [www.poverty.org.uk](http://www.poverty.org.uk)); England and Wales

**50B: Among women aged 60 and over, those from lower-income households are one-and-a-half times as likely to feel very unsafe out at night as those from higher-income households.**



Source: British Crime Survey, Home Office (from [www.poverty.org.uk](http://www.poverty.org.uk)); the data is the average for 2005/06 to 2007/08; England and Wales

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

The second graph shows the proportion of over 60s who are worried or very worried about going out at night, split by gender and income.

Comment: The British Crime Survey 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.



