State of the nation report: poverty, worklessness and welfare dependency in the UK

HM Government

Foreword by the Secretary of State for Work and Pensions

Addressing poverty and inequality in Britain is at the heart of our agenda for government. It is unacceptable that, in one of the wealthiest nations in the world, millions of adults and children are living in poverty. Whole communities are existing at the margins of society, trapped in dependency and unable to progress. In these areas aspiration and social mobility disappear, leaving disadvantaged children to become disadvantaged adults.

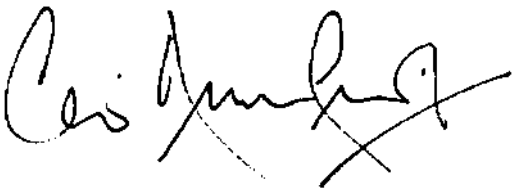
Over the past 13 years we have seen more and more money spent on the benefits system in an attempt to move people from below the 60% poverty threshold to above it. Expenditure on child-related benefits alone has almost doubled. Yet despite this expenditure, the figures in this document show that this approach is failing.

Income inequality is at its highest since records began; millions of people are simply parked on benefits with little hope of ever progressing into work; there are 800,000 more working-age adults in poverty than in 1998/99; and high levels of family breakdown, educational failure, addiction and health inequality are having a severe impact on outcomes for both adults and children.

This Government recognises that tackling these issues will require cross-departmental action. That is why we have established a Social Justice Cabinet Committee. As Chairman of the Committee, I will be championing an approach to poverty that recognises its multifaceted nature. We will tackle the factors that trap people in poverty and thereby break the intergenerational cycle of disadvantage. Our approach will deliver sustainable progress.

At the heart of this fight against poverty must be work. I will work to deliver radical reforms to the welfare system. Our core goal will be to improve the quality of life for the worst off – for pensioners, children and working-age adults.

Only by reforming the welfare system, including benefits reform, will we take welfare into the 21st century.



Iain Duncan Smith
Secretary of State for Work and Pensions

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Some of the data outlined in this document applies across the UK. However, some of the figures apply to England only, or England and Wales only. Where this is the case it has been noted.

Many aspects of policy highlighted in the document are devolved, in differing settlements, to the administrations in Northern Ireland, Scotland and Wales. It is the benefit of devolution that the Devolved Administrations can tailor their policies and thus deliver public services to meet the specific needs of their citizens.

The Government and the Devolved Administrations will continue to work closely together to build a more prosperous, stronger, fairer UK, while recognising that each has particular and varying responsibilities.

Executive summary

The Coalition Government is committed to building a fairer society, where opportunity is more equally distributed. In Britain today, too many people are held back because of poverty, family background and other factors. We will dismantle these barriers and take action to ensure that everyone has the best possible chance to fulfil their potential and leave poverty behind.

This report sets out a comprehensive assessment of poverty in the UK at the start of the new Government, establishing a clear 'state of the nation' overview that will be used to inform policy decisions in the months and years ahead as the Government advances its aims of tackling poverty and improving life chances.

The Coalition Government recognises that poverty is a multifaceted and wide-reaching problem. This report therefore includes a broad range of poverty and deprivation indicators, including income poverty, indebtedness, unemployment, educational and health inequalities, family structure and community breakdown.

Taken together, these measurements set out a clear picture of poverty in the UK. They show that while some progress has been made in some areas, across a wide range of areas the government's performance in tackling poverty and inequality has stalled or deteriorated. This is despite spending billions of pounds on state-led programmes. As a result, poverty and inequality remain a deeply entrenched problem that blights many families and communities across the UK.

Key statistics

- New analysis shows that 5.3 million people in the UK suffer from multiple disadvantage.[1]
- New analysis shows that 1.4 million people in the UK have been on an out-of-work benefit for nine or more of the last 10 years.[2]
- New analysis shows that an estimated 670,000 households in the UK are eligible for benefits and tax credits of over £15,600 per year.[3]
- Income inequality in the UK is now at its highest level since comparable statistics began in 1961.
- Social mobility in Britain is, in terms of sons' earnings relative to their fathers', worse than in the USA, France, Germany, Spain, Sweden, Canada, Finland and Denmark.
- A higher proportion of children grow up in workless households in the UK than in almost any other EU country.
- A higher proportion of young people in the UK are not in work, education or training than in almost any other EU country.
- People living in the poorest neighbourhoods in England will, on average, die seven years earlier than people living in the richest neighbourhoods.
- Health inequalities, as proxied by life expectancy at birth, are higher now than they were in the 1970s.

[1] Social Exclusion Task Force and Strategy Unit internal research.

[2] Department for Work and Pensions, internal research.

[3] Department for Work and Pensions, internal estimates.

- The gap in educational attainment between children from rich and poor backgrounds remains persistently high.
- The gap in income between the middle and the bottom has not improved in the past decade and on some measures appears to have increased.

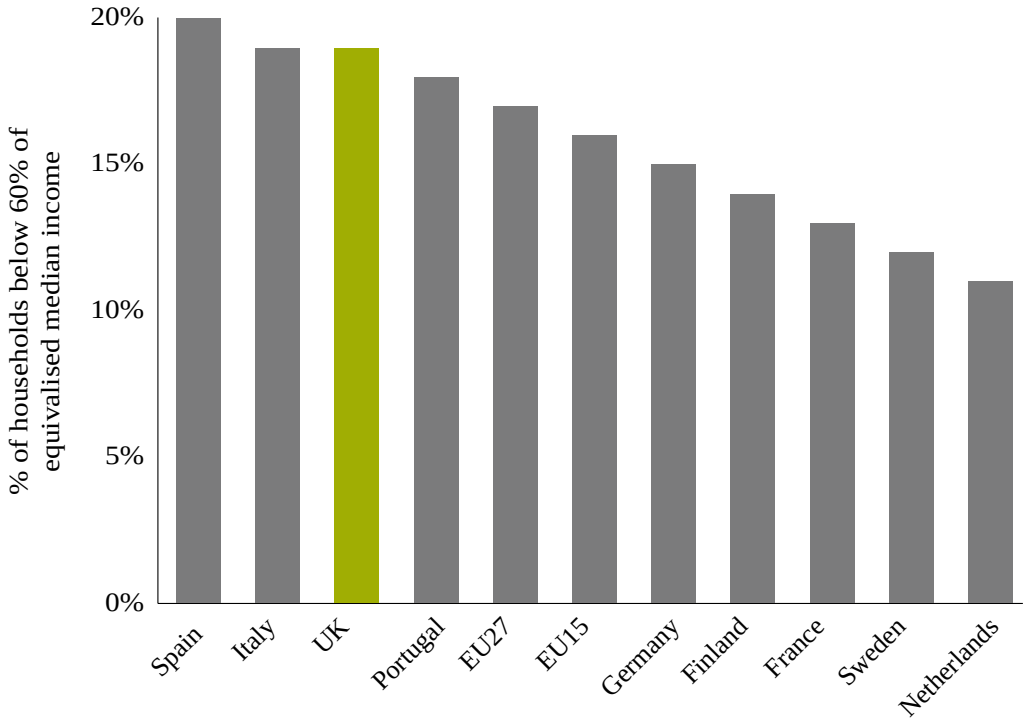
Income poverty, inequality and indebtedness

In 2010, income poverty and inequality remain a major problem in the UK. Severe poverty – defined as a household income lower than 40% of the median household income – has increased in recent years. In addition, relative poverty – defined as a household income lower than 60% of the median household income – has also increased since 1998/99 among single adults and couples without children.

Low income not only results in lower standards of living but also affects people's life chances and opportunities. For example, experiencing income poverty as a child is associated with increased risk of educational under-achievement and unemployment later in life. Parenting, home environment and school experience may be as influential in determining an individual's trajectory in life as household income in childhood. Nevertheless, it is clear that in 2010 low income remains a barrier to many people in the UK. For example, while on some measures relative income poverty has fallen (particularly for pensioners and children):

- severe poverty has increased since 2004/05;
- almost one in ten people (8%) live in persistent poverty, measured as spending three years or longer out of the past four years in relative poverty;
- the proportion of the population living in relative poverty is higher in the UK than in many other European countries, including France, Germany and Portugal; and
- over the past decade, personal debt reached record levels – and UK household debt is among the highest of any developed country.

Figure 1: The UK's relative poverty rate is high compared with other European countries



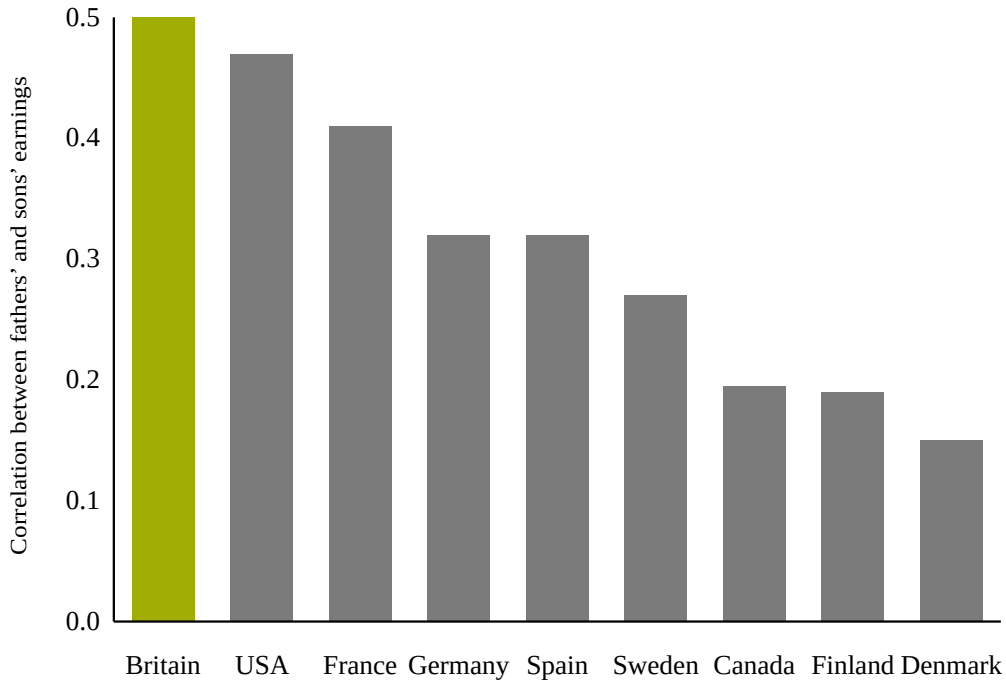
Source: Eurostat, 2007

Risk of poverty is unevenly spread in terms of region, ethnicity, household structure and disability status. Over half (52%) of Pakistanis and Bangladeshis are in relative poverty, while children living in families with at least one disabled member have a 29% chance of living in poverty, compared with 20% for those living in families with no disabled member. The additional costs associated with disability mean that a narrow focus on incomes does not fully capture the levels of disadvantage experienced.

There is also evidence of growing income inequality in the UK. In 2008/09, for the second consecutive year, income inequality measured by the Gini coefficient was at its highest level since comparable statistics began in 1961, and the UK ranks above the Organisation for Economic Co-operation and Development (OECD) average. In the UK today, wealth inequality is even more pronounced than income inequality. According to the latest data, the bottom third of the wealth distribution owns only 3% of total wealth in the UK.

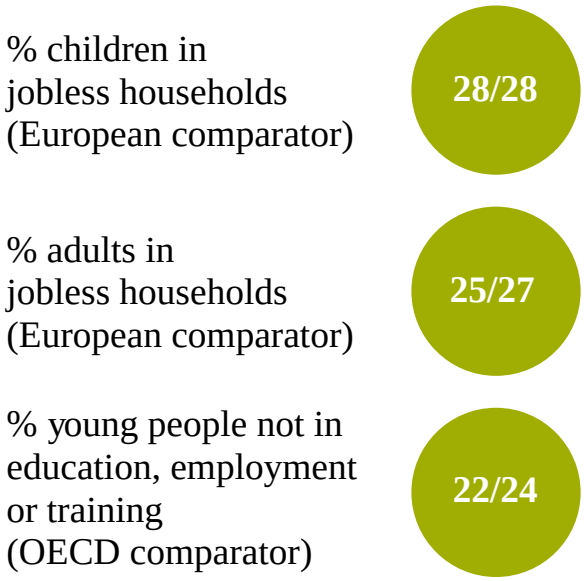
On some measures, social mobility also appears to have stalled in recent years. There is a higher correlation between individual and parental earnings in Britain than in Germany, France and the USA, meaning that family background is a bigger factor in determining life chances in Britain than in many comparable countries (Figure 2).

Figure 2: Britain has a poor record of social mobility, as indicated by the extent to which sons' earnings levels reflect those of their fathers



Source: OECD (2010), Economic Policy Reforms: Going For Growth, Chapter 5

Figure 3: The UK ranks poorly against comparator countries in key statistics



Source: Eurostat, People living in jobless households, 2008 data; and OECD Education at a Glance 2008, 2007 data
Note: Low numbers suggest poor performance against indicators. Base varies depending on the country sample

Worklessness

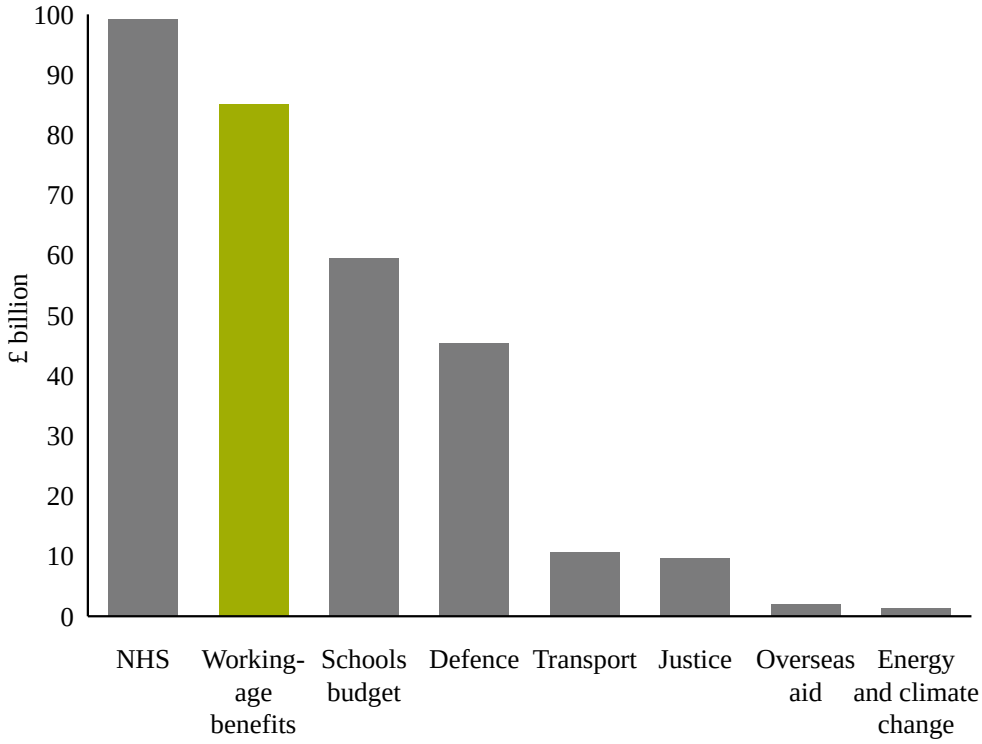
In 2010, unemployment and inactivity is prevalent in many UK communities. A higher proportion of children in the UK live in households where no one works than in almost any other EU country.

Workless households are significantly more likely to experience poverty and severe poverty than households in which at least one adult is in work. For example, children living in couple households where no adult works have over a 64% chance of living in poverty, compared with just a 1% chance for those living in a household with two adults in full-time work. Evidence also suggests that children growing up without a working adult may be less likely to work themselves than children growing up in households where someone is in work. This highlights the importance of measuring employment at a household as well as an individual level.

Key statistics

- More than one in four working-age adults – 10.6 million people – in the UK do not work.
- The UK has one of the highest rates of workless households in the EU, with 4.8 million working-age people living in a household in which no one of working-age is in work.
- The UK has one of the highest rates of children living in workless households in the EU, with 1.9 million children living in workless households (Figure 3).
- Over 2.5 million people are unemployed, including around 940,000 16–24-year-olds, up from around 650,000 in 1997. The unemployment rate for 16–17-year-olds is now 35%.
- Certain groups are particularly likely to be out of work. For example, over a third of Black African households are not in work, while over half of disabled people are not in work.

Figure 4: Annual expenditure on working-age benefits is high compared with many other areas of government expenditure



Source: HMT, 2009, Public Expenditure Statistical Publications (PESA); Department for Work and Pensions. All figures for 2009/10

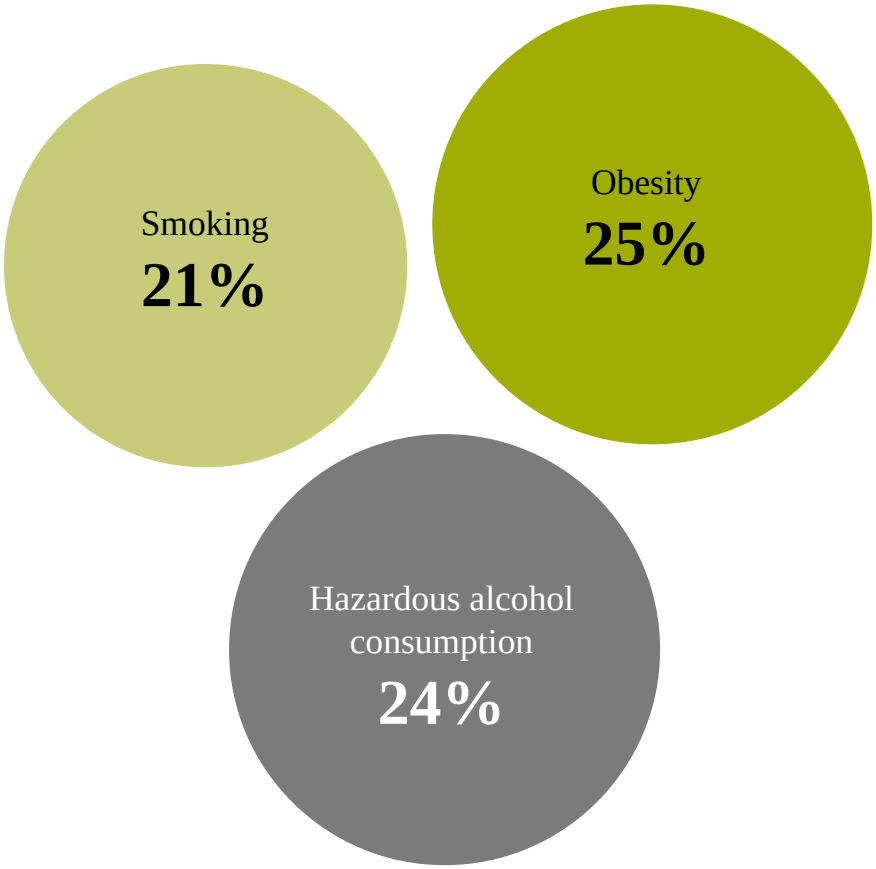
Welfare dependency

In 2010, welfare dependency remains a significant problem in the UK. For too many people, the welfare system does not provide sufficient incentives to work, and people on benefits or low incomes face significant barriers to working their way out of poverty.

Key statistics

- At least 12 million working-age households receive benefits each week (including tax credits and Child Benefit) at a cost of around £85 billion per annum (Figure 4).
- Around 2.6 million people have spent at least half of the last ten years on some form of out-of-work benefit.
- The number of working-age adults claiming Disability Living Allowance has risen by over 40% in the past decade – from 1.2 million in 1997 to 1.8 million in 2009.
- The poorest 20% of households receive on average 58% of their income from the state.
- An estimated 670,000 households in the UK are eligible for benefits and tax credits of over £15,600 per year.
- Some low-income families keep as little as five pence in every additional pound earned (not including additional in-work costs), while 70,000 families face deduction rates over 90%.

Figure 5: Obesity and behaviours that put health at risk are prevalent in England (percentage of adult population)



Source: The Health and Social Care Information Centre (2009) Social Care Statistics

Health disadvantage

In 2010, the health gap in the UK between rich and poor remains wide. Health not only influences quality of life directly, but it can affect the extent to which people are able to participate in the labour market and wider society. In the UK today, too many people's health is determined by their wealth, and there are too many people who experience poor physical and mental health:

- In England, people living in the poorest neighbourhoods will, on average, die seven years earlier than people living in the richest neighbourhoods.
- Disabled people are more likely to live in poverty, to be workless and to have lower skills than non-disabled people. Among disabled people, 32% report difficulties in accessing goods and services, and 22% do not have frequent choice and control over their lives.
- Health inequalities, as proxied by life expectancy at birth, are now higher than they were in the 1970s.

It is also clear that the UK continues to exhibit high rates of obesity and risky health behaviours:

- A quarter (25%) of adults in the UK are obese, up from 15% in 1993. Obesity rates in the UK are significantly higher than the OECD average, and those from lower socio-economic groups are more likely to be obese than the rest of the population.
- Some 2.4 million adults regularly drink more than double the NHS guidelines. British teenagers also drink more and earlier than their European counterparts.
- Some 21% of adults still smoke, while over 4% are dependent on drugs other than alcohol.
- There is a correlation between youth offending and alcohol consumption and drug use.

Educational disadvantage

In 2010, the gap in educational attainment between children from wealthy and deprived backgrounds remains high. A child in the UK eligible for free school meals is half as likely to achieve five or more GSCEs at grade A*–C, including English and maths, as a child from a wealthier background. In addition, too many other people in the UK are held back because of a lack of skills.

Key statistics

- Some 10% of the working-age population have no qualifications, which rises to 24% for disabled adults.
- International benchmarks suggest that the proportion of adults without upper secondary levels of qualifications in the UK is above the OECD average, with the UK also performing relatively poorly in many other studies of attainment.
- The attainment gap for children in care has widened since 2001, with the proportion of children in care achieving five GCSEs or equivalent at grade A*–C rising from 8% in 2001 to 14% in 2008, compared with an overall rise from 48% to 65%.
- Just 1% of children eligible for free school meals go to a university in the Russell Group, compared with 7% of non-free school meal students.
- Of 81,000 pupils on free school meals, only 45 went to Oxbridge.
- In 2008/09 there were around 208,000 persistent absentees in primary, state-funded secondary and special schools, with those eligible for free school meals substantially more likely to be persistently absent, and almost three times as likely to be excluded for fixed periods.

Family structure

Family structure may have a powerful impact on life chances and the risk of poverty in the UK. There is a clear correlation between family structure and wider outcomes. Relationship breakdown is correlated with mental health problems, for example, while children who experience parental separation appear to suffer on a range of educational and behavioural outcomes compared with those who do not.

Key statistics

- The UK has the highest rate of teen births in the EU.
- The UK has one of the highest proportions of lone parent families in the OECD.
- Children in lone parent and step families are twice as likely to be in the bottom 20% of child outcomes as children in married families.
- Of the 142,000 most disadvantaged families in the UK (measured in terms of those who suffer from five or more selected disadvantages), under 20% are from married households, compared with around 65% for all families.
- Women in Britain are 40% more likely to enter poverty if they divorce than if they remain married.
- Lone parent families are twice as likely to be in the bottom income quintile as two-parent families.

Loneliness and lack of social capital

In 2010, loneliness and lack of social capital are a serious problem, impacting on well-being and a wide range of other indicators. People with fewer social networks may, for example, be less successful in job-searching, while loneliness can affect mental health.

Key statistics

- Half of all people aged 75 and over live alone, with nearly half of all older people (45%) considering the television as their main form of company.
- Over 500,000 older people spent Christmas day alone in 2006.
- Over half of the adult population did not participate in any civic activities in the last year.

- Some 6% of people report having no close friends and a further 32% report having only one to two close friends.

Poor housing and local environment

In 2010, poor-quality housing and the growing waiting list for social housing is a significant problem in the UK, and has a direct impact on economic, health and social outcomes:

- Some 7.4 million homes (33%) were classified as non-decent in 2008.
- Social housing waiting lists have grown by over 70% since 1997.
- Some 400 to 800 people may be sleeping rough in London on any one night.
- Some 7% of households in England report noise to be a serious problem.
- Some 10% of households report crime to be a serious problem in their area.

Some of our poorest communities are typified by a combination of poor social and economic outcomes and poor quality living environment that interact and reinforce each other. The result can be concentrations of deprivation that can persist for generations:

- Low-income households are concentrated in inner-city and isolated rural areas.
- Some 40% of people on out-of-work benefits live in the 20% most deprived neighbourhoods.
- The rate of worklessness among those in social housing is more than double that of the general population.
- Indicators of educational disadvantage, such as absence rates, are higher in the most deprived areas.

Multiple disadvantage

In 2010, multiple disadvantage is a significant problem in the UK. Over the past decade, there has been no demonstrable progress in reducing the numbers of people who suffer multiple disadvantage. Over 60% of the indicators in one of the main annual surveys show either no progress or a trend in the wrong direction. New analysis shows 5.3 million people (11%) suffer from multiple disadvantage in the UK, and 3.7 million people do so persistently.

There is strong evidence that multiple disadvantage is intergenerational: 27% of children from families experiencing six or more parent-related disadvantages also have three or more disadvantages, compared with only 4% of those with no parent-related disadvantages.

Chapter 1: Income poverty, inequality and social immobility

Income poverty and inequality continue to be significant problems in the UK today and remain a barrier to social progress. Across a wide range of indicators it is clear that while on some measures progress has been made, on others, including severe poverty, the situation has got worse in recent years.

Income poverty and inequality are important for understanding disadvantage in society. Living in income poverty means being unable to have the standard of living many take for granted. It also affects people's future chances and opportunities. Living in income poverty as a child is associated with increased risks of lower school performance and of being workless in later life, for example, while having low income during working age reduces the chance of being able to build up the pension and savings required for a secure retirement.

However, while income poverty and inequality remain significant, it is important to note that evidence suggests that other factors such as parenting style, home environment and school experience can be as influential in determining an individual's outcomes as household income levels in childhood. It is therefore crucial that policy is not skewed towards increasing incomes alone, but rather takes a holistic approach to poverty and disadvantage and tackles the drivers behind them.

This chapter explores:

- trends and international comparisons of income poverty;
- the persistence of income poverty and groups which are particularly vulnerable;
- levels of personal indebtedness;
- the degree of income and wealth inequality; and
- the extent of social mobility.

Key statistics

- Poverty among single adults and couples without children has risen since 1997/98. Among single adults, for example, poverty has risen by about a third.
- The proportion living in severe income poverty has increased since 2004/05.
- Almost one in ten live in households that experience persistent income poverty.
- The UK has a higher proportion of the population on low incomes than many other European countries.
- There were 10.9 million people living in relative income poverty in 2008/09, 300,000 fewer than in 1998/99, but up 900,000 since 2004/05.
- Almost 7 million people live in absolute poverty.
- While the number of children in relative poverty has fallen, according to Save the Children's material poverty measure the proportion of children living in poverty in the UK has increased from 11% in 2004/05 to 13% in 2007/08.

- The UK has relatively high levels of income inequality compared with the Organisation for Economic Co-operation and Development (OECD) average, while wealth inequality is even greater than income inequality.
- On one measure social mobility is worse in Britain than in the USA, France, Germany, Spain, Sweden, Canada, Finland or Denmark.

Trends in income poverty in the UK

This section considers measures of relative, absolute, and severe poverty, as well as measures of material deprivation.

Relative poverty

Relative poverty is a measure of the proportion of people earning less than a particular percentage of median income. On this measure:

- using a poverty line of 60% of median income, 10.9 million people (18% of the population) live in relative poverty before housing costs[4] (BHC) and 13.4 million people (22%) after housing costs (AHC);[5]
- using a poverty line of 50% of median income, 6.3 million people (10% of the population) live in relative poverty BHC, and 9.4 million people (16% of the population) AHC; and
- in general, relative poverty fell over the period 1997/98 to 2008/09 both before and after housing costs; however since 2004/05 there has been a rise.

Absolute poverty

Absolute measures of income poverty focus on levels of low income compared with a particular point in the past or with the level of income needed to purchase certain items. This measure reflects whether living standards are increasing for those at the lower end of the income distribution.

In the UK the absolute measure of poverty used in recent years has been the number of people living in households with income below 60% of the 1998/99 real-terms median income. The data show that:

- around 8.9 million (15%) of the population live in absolute poverty AHC and around 6.8 million (11%) BHC; and
- absolute poverty levels have fallen over the past decade.

Material deprivation of children

Material deprivation measures attempt to identify the goods and services that a household is able to afford. According to data from *Households Below Average Income 2008/09*, while the vast majority of people in the UK are able to afford basic consumer goods such as a washing machine or colour television, there remain relatively high levels of unmet need for basic consumer goods:

- Around 40% of children are in families where the adults report not being able to afford a week's annual holiday away from home.
- Around a fifth of children are in families where the adults report not being able to afford to provide guests with a meal once a month.
- Over 30% of children are in families where the adults report not being able to afford to replace furniture.

[4] Relative poverty is measured by income net of taxes before or after housing costs are deducted. The after housing costs (AHC) measure tends to provide a better reflection of the living standards of pensioners compared with the rest of society since the majority of pensioners (72% in 2008/09) own their own homes outright. Comparing pensioner incomes with those of the rest of the population BHC does not reflect the fact that working-age people generally have to use some of their income to pay for housing. When assessing working age and child poverty, the BHC measure is a better reflection of relative living standards as these households exercise some choice around the amount of their income they spend on housing.

[5] Department for Work and Pensions. Households Below Average Income, 1994/05–2008/09. Unless otherwise stated, all data are drawn from this source.

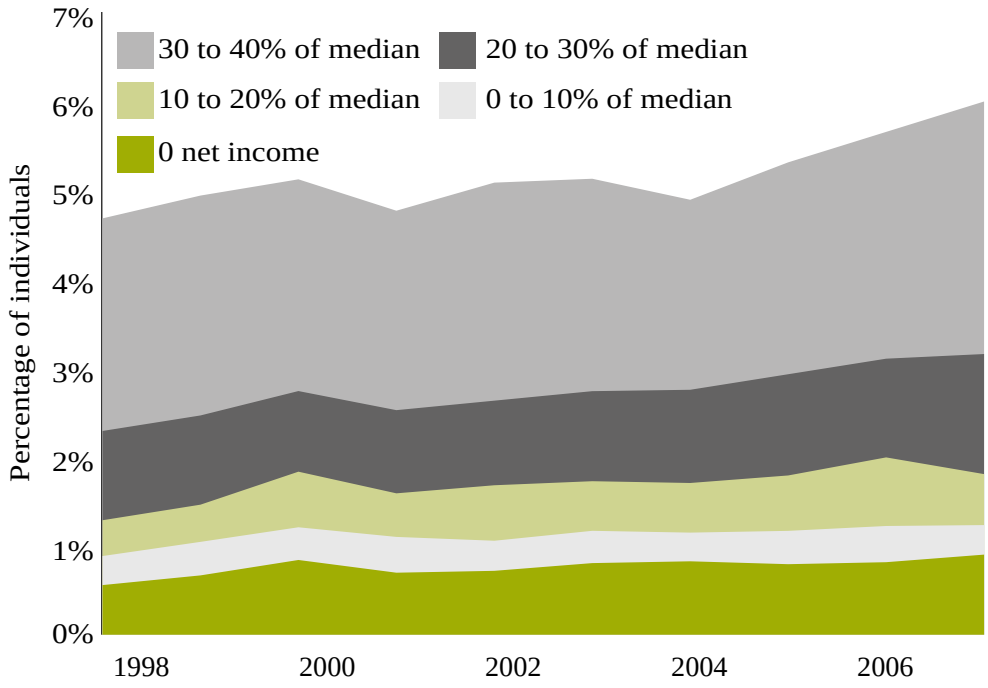
Severe poverty

Despite some progress on relative and absolute poverty, there is some evidence to suggest that severe income poverty – commonly defined as income below 40% of median income – has increased in the past decade. Between 1998/99 and 2008/09, this measure of severe poverty appeared to rise from 5% to 6% BHC (Figure 1.1).

This data must be treated with caution. As the Institute for Fiscal Studies (IFS) notes, increases were accompanied by falls in persistent poverty and no change in severe expenditure poverty.[6] Second, there are difficulties in accurately measuring the incomes of those at the lowest end of the income spectrum.[7] Concerns about measuring very low incomes are also discussed in the *Households Below Average Income* report.

Another way of approaching material measures of severe poverty is proposed by Save the Children.[8] On this measure, 1.7 million children were living in poverty BHC in 2007/08. The proportion increased from 11% of all children in 2004/05 to 13% in 2007/08. In money terms, this means living on less than £12,220 a year (for a couple with one child under 14). This amount leaves families around £113 a week short of what they need to cover food, electricity and gas, phones, other bills, clothes, washing, transport and healthcare.[9]

Figure 1.1: Severe poverty (BHC) – there is evidence that the proportion of households with less than 40% of median income has grown



Source: Institute for Fiscal Studies 2010

[6] Defined by the IFS as less than 40% of median consumption expenditure – see Institute for Fiscal Studies (2010). What has happened to 'severe poverty' under Labour? 2010 Election Briefing Note No. 3

[7] ibid.

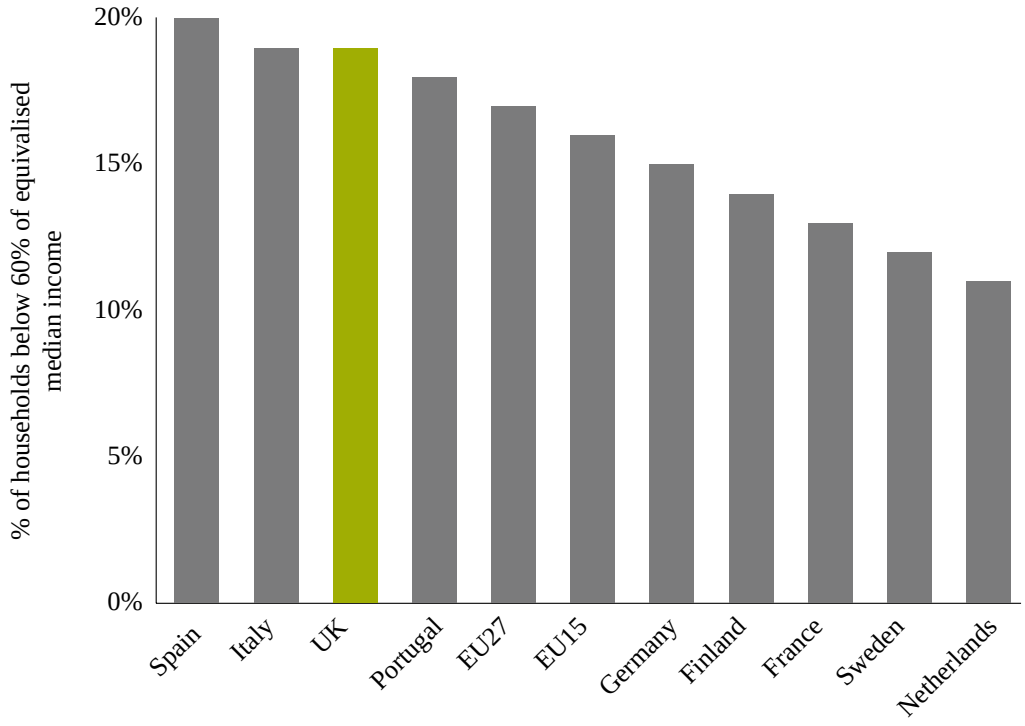
[8] According to this measure, children are living in severe poverty if they live in 'a household with an income of below 50% of the median (AHC), and where both adults and children lack at least one basic necessity, and either adults or children or both groups lack at least two basic necessities'. See Magadi and Middleton (2007). Severe Child Poverty in the UK. Save the Children

[9] Save the Children (2010). Measuring Severe Child Poverty in the UK: Policy Briefing

International comparisons of income poverty

The proportion of the population living on relatively low incomes is higher in the UK than in many other European countries, including France, Germany and Portugal (see Figure 1.2). Compared with our European counterparts, the UK also fares poorly in terms of the risk of poverty for those aged 65 and over (30% compared with an EU average of 19% on a BHC basis); while in 2007, the children at risk of poverty rate for the UK was three percentage points higher than the EU27 average, at 23% (BHC).[10]

Figure 1.2: The UK's relative poverty rate is high compared to other European countries



Source: EU Community Statistics on Income and Living Conditions (2009), 2008 data

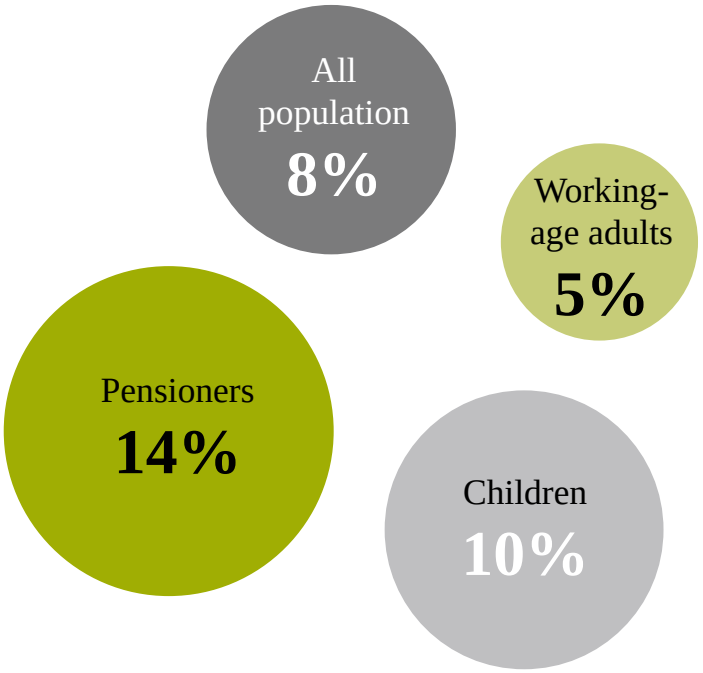
[10] EU Community Statistics on Income and Living Conditions (2009).

Persistence of income poverty

The measures of income poverty used above capture a snapshot of the population at a certain moment in time. But a new entrant to the labour market, for example, may temporarily experience income poverty but then move out of poverty by progressing at work. Persistent poverty figures (here defined as those living below 60% of median income for at least three out of four years, BHC) attempt to filter such groups out. The data suggest that:

- in Great Britain, 8% of individuals live in households that experience persistent poverty BHC, while the figure is 10% AHC;
- the proportion of children and pensioners in persistent poverty is around 10% and 14% respectively BHC, and 15% and 9% respectively AHC; and
- disabled people are twice as likely to be in persistent poverty as non-disabled people at 11% and 5% respectively BHC.

Figure 1.3: The percentage of the population experiencing persistent poverty before housing costs is greatest among pensioners at 14% (2004-07)



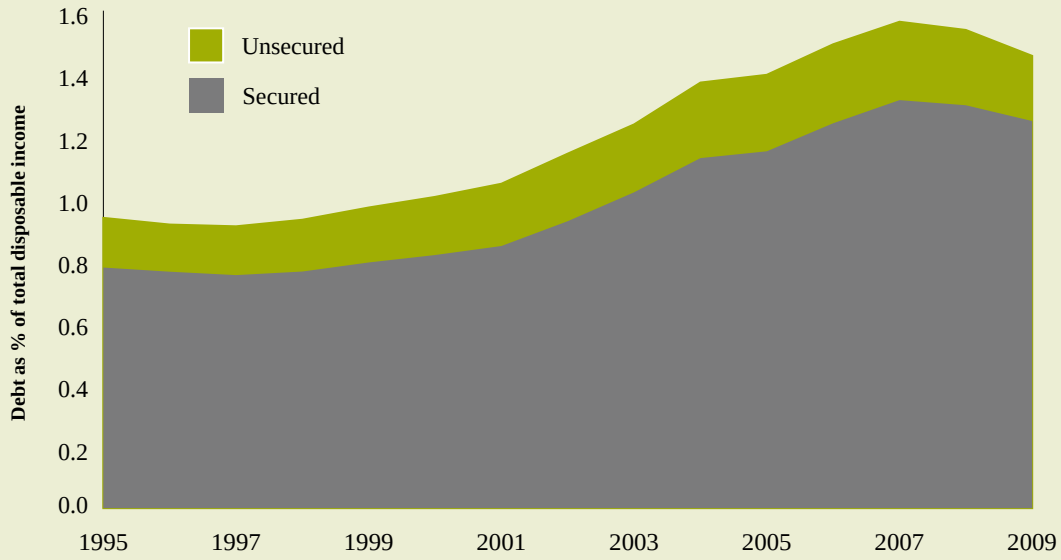
Source: Department of Work and Pensions, Low Income Dynamics, 1991–2007

Personal indebtedness in the UK

Over the past decade personal debt reached record levels (Figure 1.4) and UK household debt was among the highest of any developed country. Other evidence shows that:

- although 24% of borrowing households owed less than £1,000 on unsecured credit, 28% owed in excess of £10,000 in 2008/09;[11]
- between 7 and 9 million people in Britain have reported having had a serious debt problem;[12]
- British consumers are, on average, twice as indebted as those in continental Europe.[13]

Figure 1.4: UK personal debt as a percentage of total disposable income has risen sharply, although secured debt accounts for most of this increase



Source: Office for National Statistics, Financial Statistics Consistent, 2010.

For some households, this may not be a cause for concern. Students, for example, may get into debt but reasonably expect to pay it off as they move into the labour market. However, examination of survey data on arrears – a measure of how different groups are coping with their indebtedness – shows that debt problems seem correlated with groups most at risk of poverty. The Wealth and Assets Survey[14] found that the proportion of households falling behind with payments:

- falls with age. Nearly 25% of those in arrears are between 16 and 24;
- is highest among the unemployed, those looking after a family home and those temporarily sick or disabled;
- is higher in routine occupations and the long-term unemployed. Nearly 25% of those in arrears have never worked or are long-term unemployed; and
- is particularly high among lone parents with dependent children. Over 30% of those in arrears fall into this group, double the percentage in the next largest category.

[11] Department for Business, Innovation and Skills (2010). Over-indebtedness in Britain: Second follow-up report

[12] Social Justice Policy Group (2007). Breakthrough Britain: Volume 5, Serious Personal Debt

[13] ibid.

[14] Office for National Statistics (2009). Main Results from the Wealth and Assets Survey 2006/08

A breakdown of poverty in the UK

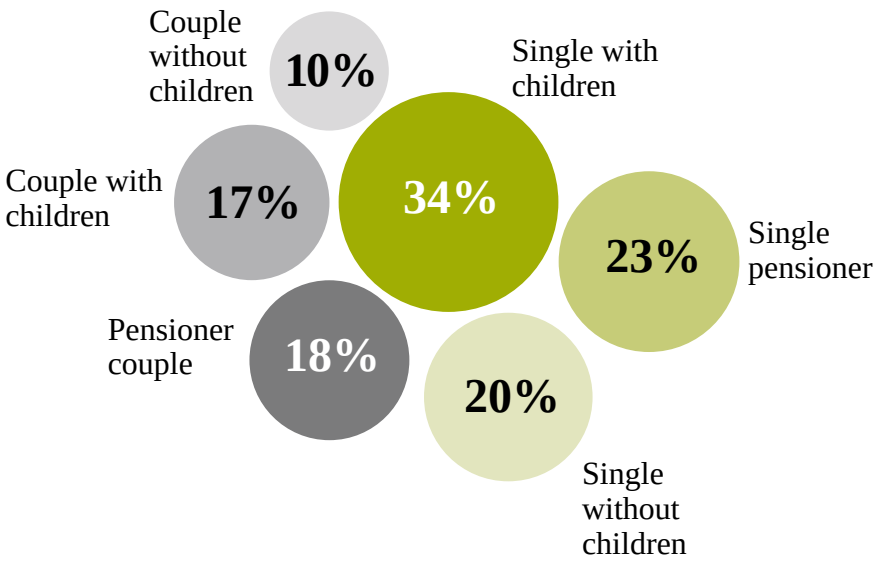
Levels of income poverty are unevenly distributed among household types, regions and constituent countries of the UK, disability status and ethnicity:[15]

- The percentage of pensioners in poverty has declined from 29% to 16% (AHC, 1998/99 to 2008/09), resulting in 1.1 million fewer pensioners in poverty.
- Pensioner poverty continues to be greatest among older and female pensioners, disabled pensioners not in receipt of disability benefits and ethnic minorities.
- In terms of child poverty, the target of a rate one-quarter lower in 2004/05 than the rate in 1998/99 was missed by 100,000 BHC and 300,000 AHC, although relative poverty fell by 600,000 in the 10 years from 1998/99 to 2008/09.
- In terms of household type, single parents are most at risk of poverty (Figure 1.5).
- Couples with children have seen no significant change between 1998/99 and 2008/09, whereas couples with no children have seen a rise in poverty (8% to 10% BHC 1998/99 to 2008/09).
- Poverty is higher in the North East and the West Midlands BHC, and in London (particularly Inner London), the North East and the West Midlands AHC. At the country level, income poverty rates are higher in Wales (BHC and AHC) and Northern Ireland (BHC) than the UK average.
- There is a greater likelihood of disabled people living in poverty. For example, 23% of individuals in families where at least one member is disabled are in poverty, compared with 16% of families with no disabled member (BHC).
- Relative poverty rates vary by ethnicity and are highest among those of Pakistani and Bangladeshi background at 52% BHC and 60% AHC.[16]

[15] The figures in this section refer to relative poverty as 60% of contemporary median income unless otherwise noted.

[16] 60% of median income measure, BHC and AHC.

Figure 1.5: The risk of poverty is greatest among single parents and single pensioners. Figures refer to those at risk of poverty measured as 60% of contemporary median, BHC, by household type 2008/09



Source: Department for Work and Pensions. Households Below Average Income, 1994/95–2008/09

International comparisons of income inequality

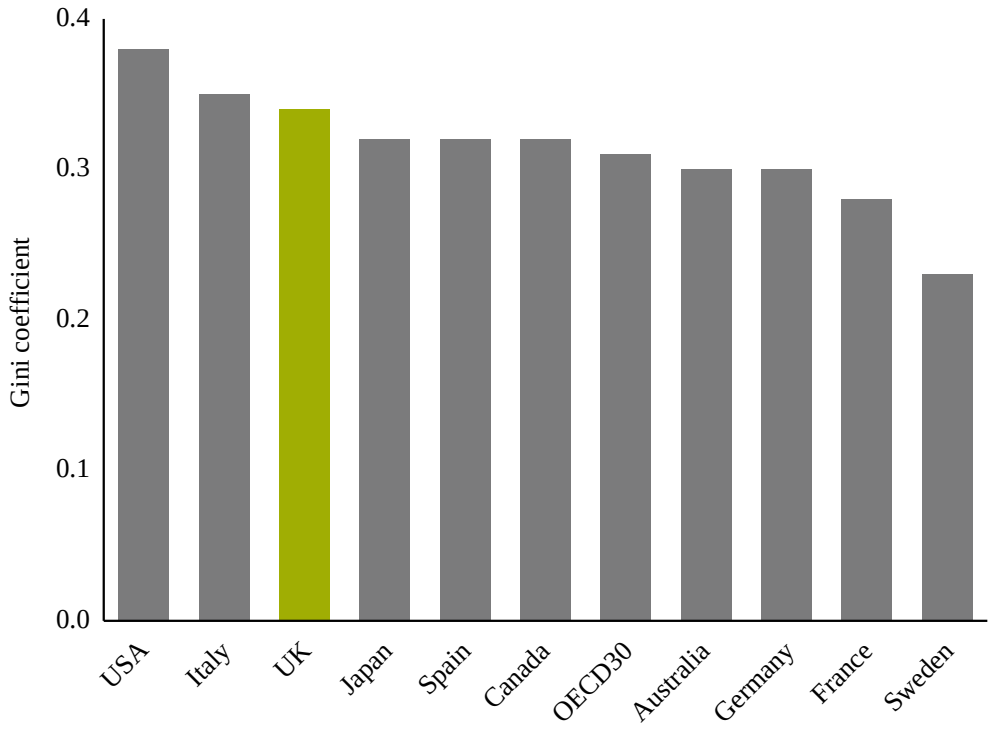
Income inequality, measured in terms of the Gini coefficient, is at its highest level for the second consecutive year since records began in 1961. In addition, the gap in income inequality between the middle and the bottom, measured in terms of the 50:10 ratio, has not improved in the past decade, and it appears that incomes of the bottom 5% have fallen on average in real terms while the median has grown by 1.6% per annum.

Levels of income inequality are generally high compared with other OECD countries (Figure 1.6):

- The UK has higher levels of inequality than Sweden, France, Germany, Australia, Canada, Japan and Spain.
- The UK has lower levels of inequality than Italy and the USA.

While the UK performs poorly in terms of income inequality compared with other G8 nations, the levels of income inequality in the UK are substantially below those of a number of developing countries – Mexico, for example, has a Gini coefficient in excess of 40% of the OECD average. (Although the UK is starting from a high base, most other OECD countries have experienced higher rates of growth in inequality since the mid-1990s.)

Figure 1.6: By international standards, the UK is relatively high in terms of income inequality



Source: Growing unequal: Income distribution and poverty in OECD countries, OECD 2008

Wealth inequality

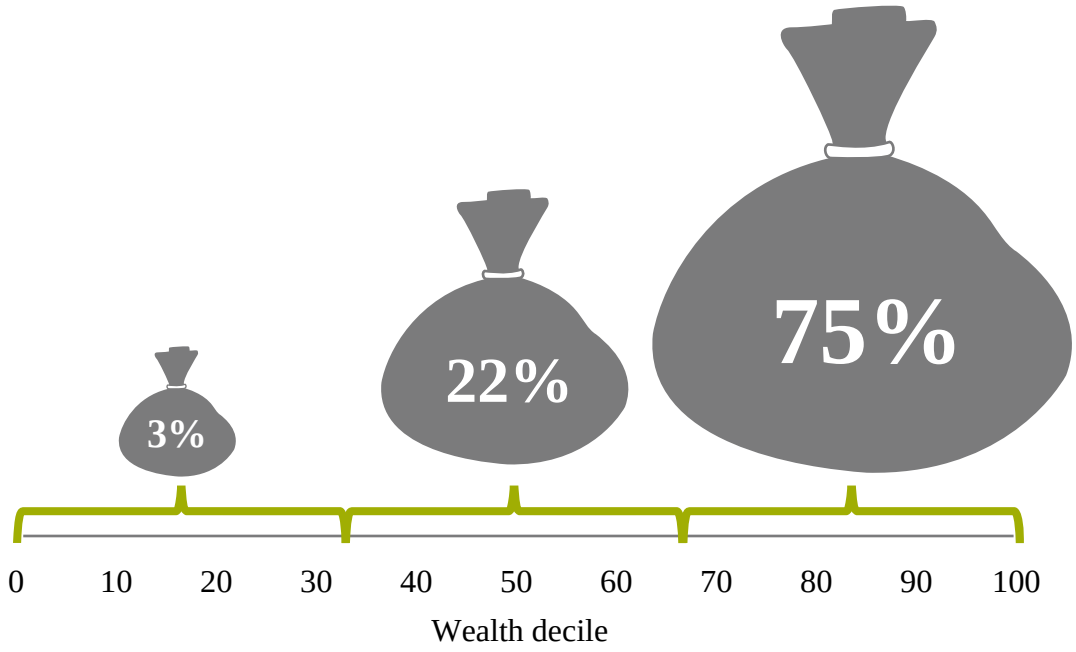
Inequality in wealth is even greater than inequality of income:

- The 2006/08 *Wealth and Assets Survey* finds that the least wealthy half of households owns only 9% of total wealth in Britain, with the lowest third owning 3% (Figure 1.7). The top 20%, by contrast, owns 62%.
- The median hourly wage of the top 10% of households was 3.9 times that of the bottom 10%.
- By contrast, the top 10% of households possess 100 times the wealth of the bottom 10%.

In terms of the trends in wealth inequality, wealth owned by the top 1%, 5% and 10% of the population increased from 1990, peaking around 2000/01 before falling back slightly. Wealth inequality in 2005 was therefore around the same level (at least for the top 1%, 5% and 10%) as in 1996.[17]

[17] Her Majesty's Revenue & Customs. Distribution of Personal Wealth Series

Figure 1.7: Only 3% of total wealth is owned by the bottom third of households



Source: ONS, Wealth and Assets Survey, 2006/08 data

Social mobility

Social mobility is a key component of a fair society. Without it, those who are born to disadvantage will find it difficult or impossible to advance in society and provide effective support for their families. In the absence of social mobility, income inequality also becomes harder to justify. Social mobility is important as it:

- implies equality of opportunity by giving individuals the opportunity, motivation and tools to 'get on'; and
- allows a better allocation of human resources, maximising productivity and individual potential.[18]

Enhancing social mobility has two core components:

- absolute mobility: ensuring a greater proportion of jobs in each successive generation are high skill and high value added ('room at the top'); and
- relative mobility: ensuring within each generation that all groups are able to access the opportunities available by reducing the impact of parental achievement and personal characteristics such as race, gender, disability and sexual orientation.

Absolute mobility

There is some evidence that the quality of jobs on offer in the labour market has improved in the past decade, echoing longer-term trends where the UK has moved away from routine semi-skilled and unskilled manual work towards more managerial and professional jobs, such as that of doctor, lawyer and manager. However it is clear that there is still a long 'tail' of low-skilled employment in the labour market in the UK, with a relatively high proportion of the workforce engaged in low value-added work. There is also evidence to suggest that, while the level of qualification at the low end is improving, the demand for jobs requiring these qualifications is not growing in response, resulting in more jobs that report not requiring qualifications than people with no qualifications.[19]

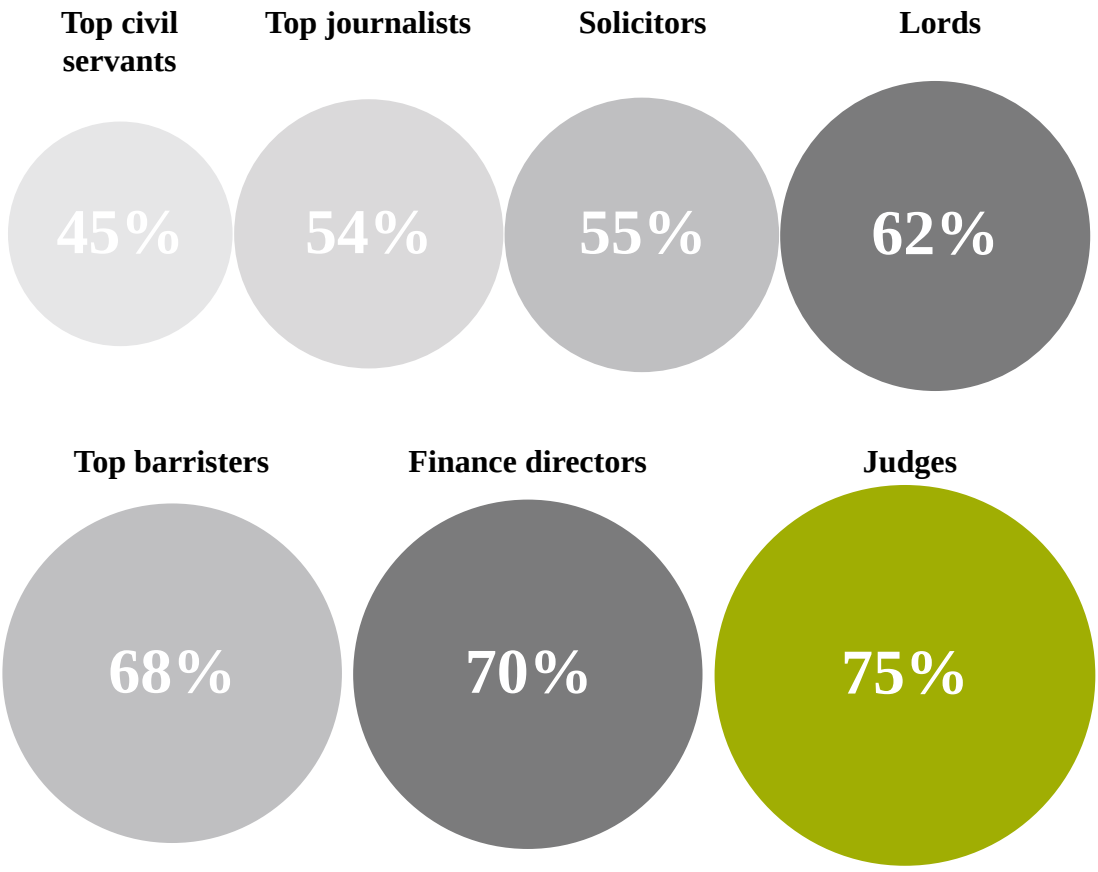
[18] Social mobility can also contribute to improving the well-being of those in work and their families, although this partly depends on the definition of well-being

[19] Felstead, Gallie, Green and Zhu (2007), Skills at Work 1986–2006. The study reports a sizeable and growing gap between the number of jobs that do not require a qualification (6,990 in 2006) and people with no qualification (2,232 in 2006)

Relative mobility

Evidence suggests that background matters to success in the UK: for example, only 7% of the population attended independent schools yet, as Figure 1.8 makes clear, those who attended independent schools make up over half of many professions, including 75% of judges, 70% of finance directors and 45% of top civil servants.

Figure 1.8: A high proportion of those in professional occupations have attended independent schools

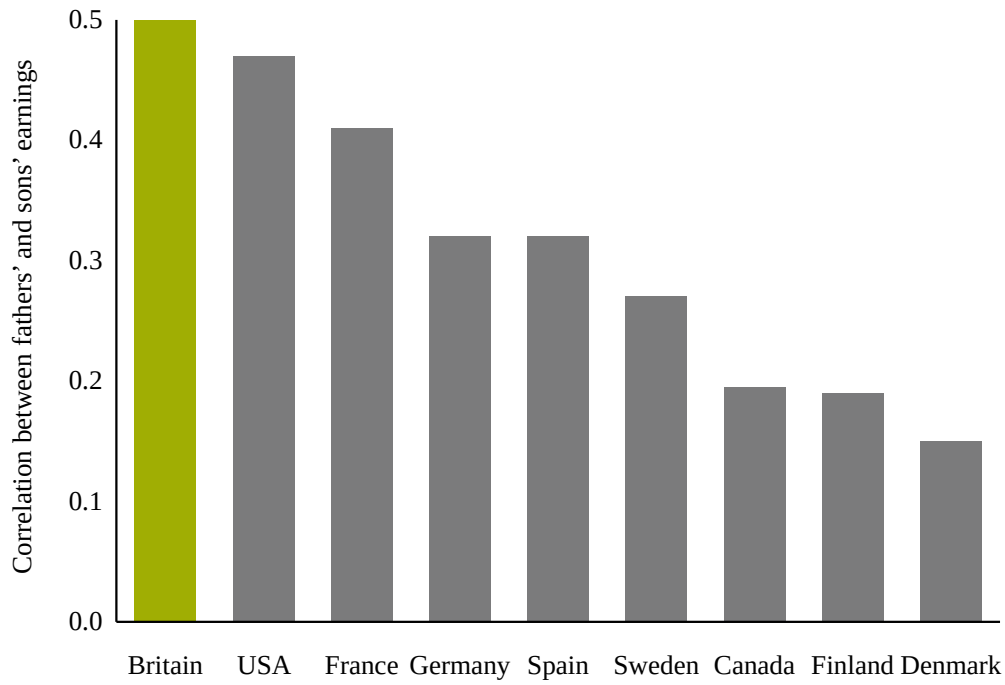


Source: Fair Access to the Professions, 2009

The *Fair Access to the Professions* study also found that senior professionals have increasingly come from wealthier-than-average backgrounds. Across the professions as a whole, the typical professional grew up in a family with an income well above the average family's: today's younger professionals (born in 1970) typically grew up in a family with an income 27% above that of the average family, compared with 17% for today's older professionals (born in 1958), while in nine of the twelve professions recorded, the data shows an increase in people coming from better-off families between the 1958 and 1970 birth cohorts. This is partly explained by the increasing link between family income and educational attainment as the additional opportunities to stay in education for 16–18-year-olds disproportionately benefitted those from better-off backgrounds, as has the further expansion of higher education from the 1980s.[20]

Measured by intergenerational earnings, Britain performs poorly, having the highest correlation between sons' and fathers' earnings, compared with other countries including Canada, Finland and Denmark where social mobility is much higher (Figure 1.9).

Figure 1.9: Great Britain has a poor record of social mobility, as indicated by the extent to which sons' earnings levels reflect those of their fathers



Source: OECD (2010), Economic Policy Reforms: Going For Growth, Chapter 5

[20] Baden, Machin, Gregg, (2005), Changes in intergenerational mobility in Britain, Centre for Economic Performance

Further, using a birth cohort study, evidence shows that:[21]

- of sons born to parents in the bottom 25% of the income distribution, 37% are in the bottom 25% by age 33–34, with only 13% having made it to the top 25%; and
- of sons born to parents in the top 25% of the income distribution, 45% are also in the top 25% by age 33–34, with only 13% in the bottom 25%.

Evidence from international comparisons of the importance of family background to both income and occupational class, relying on data from the 1970s, 1980s and 1990s, is unclear. For children born in the 1960s, according to one study, the UK was at the top of a list of nine countries in terms of the importance of family background on individuals' incomes, but other literature suggests the UK is closer to the mean. Further robust evidence will be available through the Millennium Cohort Study series, but this only began in the early 2000s so evidence will only emerge over time.

[21] ibid

Chapter 2: Worklessness: unemployment and inactivity

In too many communities in the UK, worklessness is prevalent. A higher proportion of children live in households where no one works than in any other EU country[22] and, in total, more than one in four adults of working age are out of work. There is a particular problem with unemployment among young people, with around 940,000 16–24-year-olds currently unemployed[23] and over 300,000 more 16–17-year-olds not in employment or full-time education than there were in 1997.[24]

Workless households are significantly more likely to experience poverty than households in which at least one adult is in work,[25] and evidence shows that children growing up in poor or workless households are more likely to be workless or poor themselves as adults than children who grow up in households where someone is in work.[26] It is therefore important that worklessness is measured at a household level as well as an individual level.

Employment offers the best and most sustainable route out of poverty: children in households where two adults are in full time work have a 1% chance of being in poverty, compared with a 64% chance for children in two-parent households where neither adult works.[27] There is also clear evidence that worklessness contributes to ill health, unhappiness and depression,[28] with people who move into work tending to report substantial improvements in mental health. Periods of unemployment can also have a lasting negative impact on earnings. For example, young people who spend time not in education, employment or training can face a 10–15% wage penalty.[29]

This chapter sets out analysis of:

- employment, unemployment and inactivity trends over the past decade, including evidence of how the UK compares with international comparators; and
- the groups in our society most at risk of worklessness.

It demonstrates that despite relatively high levels of labour market participation, the UK has one of the highest rates of workless households in the EU, with nearly 4.8 million people of working age and a further 1.9 million children living in workless households.[30] Some 2.6 million

[22] Office for National Statistics, Work and Worklessness among Households, 2009. This comparison is based on countries which record these statistics on Eurostat.

[23] Unless otherwise stated, references in this report to unemployment refer to the ILO's internationally recognised measure of unemployment rather than the numbers of people claiming Jobseeker's Allowance. Figures published in Office for National Statistics, Labour Market Statistics, May 2010

[24] Office for National Statistics, Labour Market Statistical Bulletin, 2010

[25] Office for National Statistics, Households Below Average Income, 2010

[26] Gregg, Harkness, and Machin (1999), Child poverty and its consequences, Joseph Rowntree Foundation; and Such and Walker (2002) 'Falling Behind? Research on transmitted deprivation', Benefits

[27] Department for Work and Pensions, Households Below Average Income, 2008/09

[28] Black (2008), Dame Carol Black's Review of the health of Britain's working age population, TSO

[29] Gregg and Tominey (2005) The wage scar from youth unemployment, Labour Economics, 12; and Gregory and Jukes (2001) Unemployment and subsequent earnings: estimating scarring among British men, 1984-1994, Economic Journal, 111

[30] Office for National Statistics, Work and Worklessness Among Households, 2009

people are on incapacity benefits, while over 2.5 million people are unemployed, including around 940,000 16–24-year-olds.[31] A number of the drivers of this worklessness, including disincentives to work inherent in the current benefits system and low levels of educational attainment, particularly among disadvantaged groups, are discussed in subsequent chapters.

Employment, unemployment and inactivity

Labour market participation can be analysed at both the individual level and the household level. This section explores each in turn.

Individual level

In spite of the billions of pounds spent via the New Deal and other government schemes, there has been no improvement in overall employment rates in the past decade. The current rate is 72%, meaning more than one in four of the working-age population – 10.6 million people – are not working.[32]

The relatively constant overall employment rate hides the long-term decline in the employment rate for men which now stands below 75%, compared with over 90% in the 1970s,[33] although this decline has been offset by rising female participation rates.

Of the 10.6 million people not working, around a quarter are classified as unemployed (i.e. actively seeking and available to take up work):

- following the recent recession, almost 2.5 million people of working age are now unemployed, with the numbers continuing to rise (there was a 53,000 increase between October 2009 and March 2010); and
- young people are disproportionately represented among the unemployed. Around 940,000 young people are unemployed (277,000 of whom are in full-time education), consisting of 207,000 16–17-year-olds (an unemployment rate of 35.3%) and 734,000 18–24-year-olds (an unemployment rate of 17.9%).[34]

Even before the recent recession, too many people experienced 'churn' between low-paid jobs and out-of-work benefits. The usual 'snapshot' unemployment data miss this issue. Almost one million people made five or more claims for Jobseeker's Allowance between October 2000 and March 2010.[35] While a high churn rate can reflect a system that is working well in encouraging people to accept temporary jobs instead of benefits, the prevalence of repeated claims over a period of years suggests that more could be done to help people turn a temporary opportunity into sustained employment.

In addition to those who are unemployed and actively seeking and available for work, there are a record 8.2 million people (21.5% of the working-age population) classified as inactive – that is, either not seeking or not available for employment. (Increased numbers are due in part to population change, and not all of these people are disadvantaged as the figures include a growing number of students and those looking after home and family.)[36] There are 2.6 million people in receipt of sickness and disability benefits, 39% of whom have spent at least five years on benefits. After two years on incapacity benefits, the chance of leaving these benefits in the next year is less than 20%.

[31] Figures published in Office for National Statistics, Labour Market Statistics, May 2010

[32] ibid.

[33] Office for National Statistics Labour Market Statistics – Integrated First Release, Time Series Data

[34] Office for National Statistics, Labour Market Statistics, 2010

[35] Office for National Statistics, Economic and Labour Market Review, June 2010

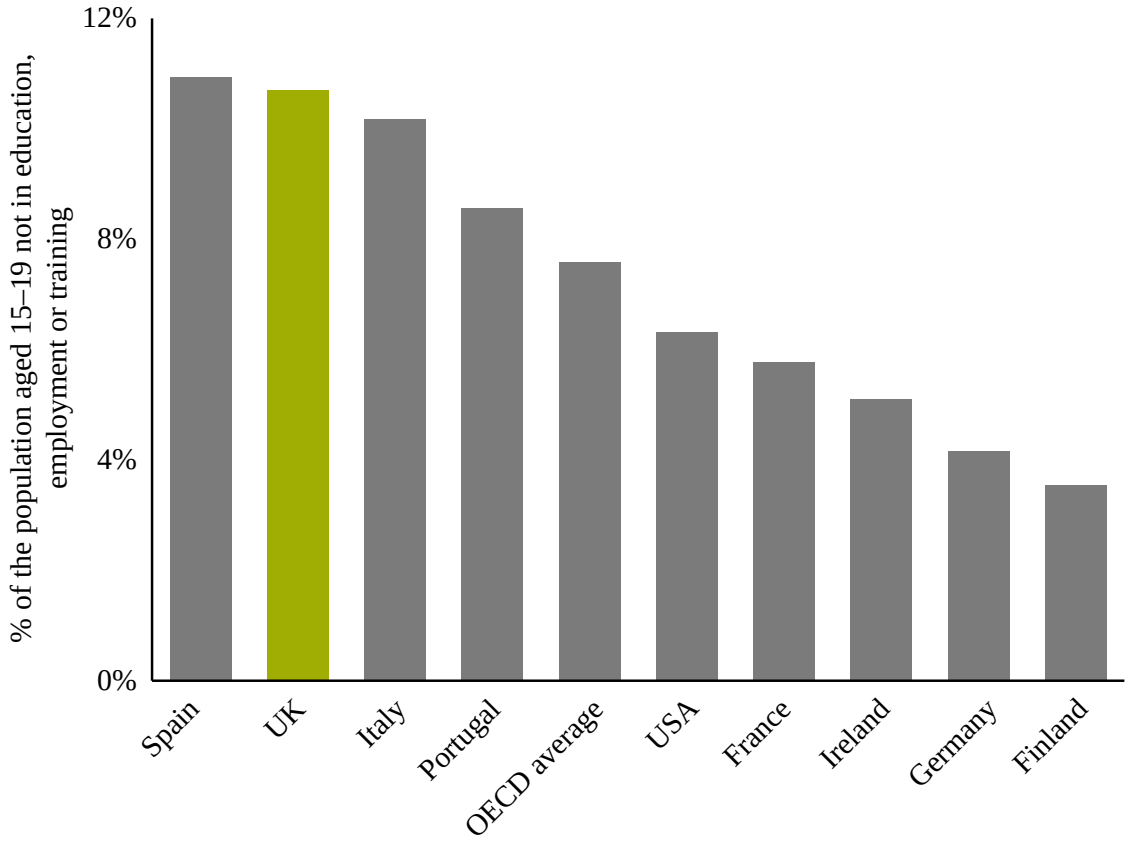
[36] Office for National Statistics, Labour Market Statistics, 2010

One of the fastest growing inactive groups is the under-25s. In the first quarter of 2010, over half of the 1.4 million under-25s not in full-time education or employment were classified as inactive, with the remainder unemployed.[37] Some 45% of those in this group have never had a paid job.

The employment rate for 16–17-year-olds not in full-time education has been declining and is now just 36.4% while inactivity among this group has risen from 14.2% in 1992 to 39.4% today.[38] Between February–April 1997 and January–March 2010, the number of 16–24-year-olds not in employment or full-time education increased from 1.1 million to 1.4 million, an increase of over 300,000 (although part of this increase reflects population growth).[39]

Spending time not in education, employment or training can have a lasting impact on wages, with evidence of a 10–15% wage penalty for young people.[40] The UK still suffers from a relatively high proportion of young people not in education, employment or training compared with most other OECD countries (Figure 2.1).

Figure 2.1: The UK has a high proportion of young people not in education, employment or training compared with most EU and OECD countries



Source: OECD, Education at a Glance 2009 (figures relate to 15–19-year-olds, 2007 data)

[37] Office for National Statistics, Labour Force Survey

[38] ibid.

[39] Office for National Statistics, Labour Market Statistical Bulletin, 2010

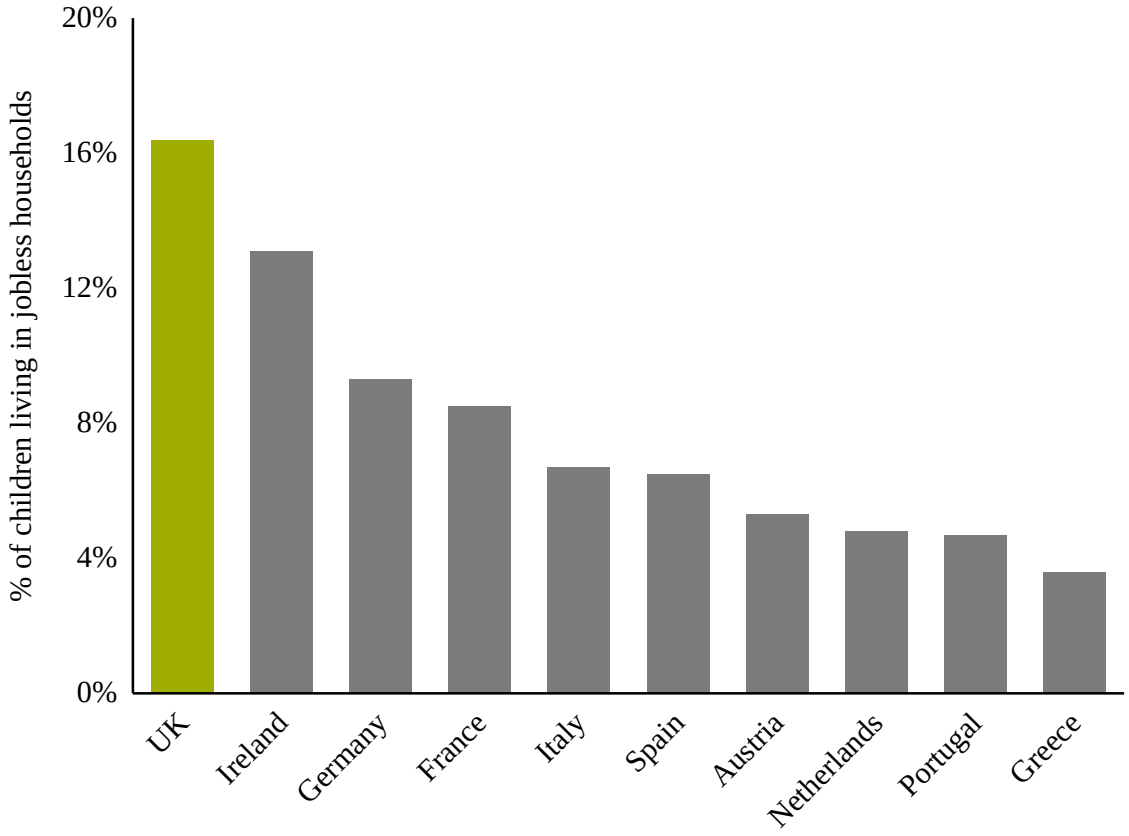
[40] Gregg and Tominey (2005) The wage scar from youth unemployment, Labour Economics, 12; and Gregory and Jukes (2001) Unemployment and subsequent earnings: estimating scarring among British men, 1984-1994, Economic Journal, 111

Workless households

Measuring disengagement from the labour market at the household rather than the individual level highlights the severity of the situation in the UK compared with our EU counterparts, and the lack of progress that has been made over the past decade:

- the UK has the third highest overall rate of adults living in workless households in the EU, behind only Belgium and Hungary,[41] with 4.8 million working-age people living in a household in which no one is in work;
- the UK has the highest rate of children in workless households in the EU, with 1.9 million children living in workless households (Figure 2.2);[42]
- the workless household rate has remained consistently above 15.5% since 1999;[43] and
- around 30% of people who have lived in workless households in the past 10 years did so for at least half of that period.[44]

Figure 2.2: The UK has the highest rate of children in workless households in the EU, with 1.9 million children under 16 living in a household in which no one of working age is in work



Source: Eurostat, People living in jobless households aged 0–17, 2008 data

[41] Eurostat, People living in jobless households, 18-59, 2008 data

[42] Office for National Statistics, Work and Worklessness among Households, 2009. This comparison is based on countries which record these statistics on Eurostat

[43] Office for National Statistics, Work and Worklessness among Households, 2009

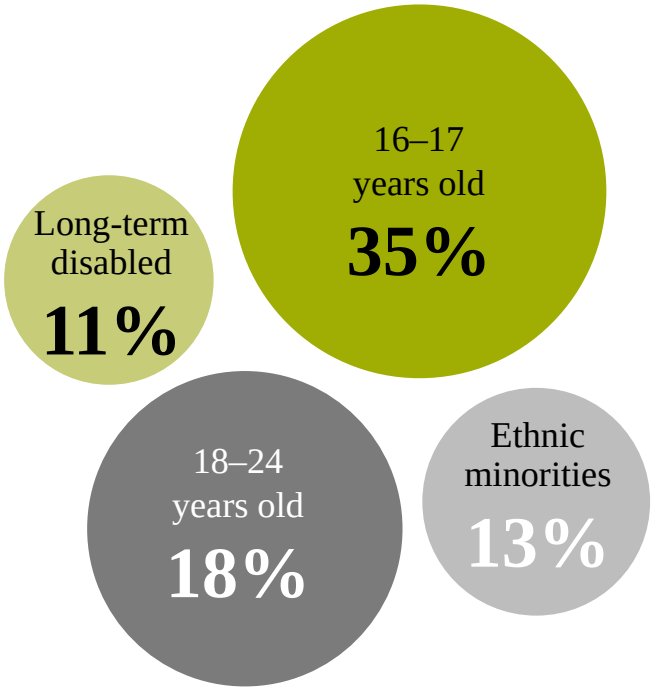
[44] British Household Panel Survey data, 1997/98 – 2007/08

Geographical concentrations of worklessness

There are strong geographical disparities in workless household rates. At a regional level, the highest rates are in the North East, followed by Wales, London and the North West. The lowest rates are in the East of England. Worklessness is also highly concentrated at a local authority and neighbourhood level:

- a third of people in workless households live in just 10% of local authority areas; and at ward level, four out of 10 people on out-of-work benefits live in the 20% most deprived neighbourhoods – over 1.6 million individuals;[45]
- there is a strong link between worklessness and social housing – half of workless households are in social housing;[46] and
- the employment rate in the most deprived 10% of neighbourhoods was 54.9% in 2008/9 compared with 75.2% in the rest of England.[47]

Figure 2.3: Unemployment rates in the UK are particularly high among certain groups, including the young, disabled people and certain ethnic minorities



Source: Office for National Statistics and Department for Work and Pensions

[45] Department for Work and Pensions, Administrative Data, NOMIS

[46] Office for National Statistics, Labour Force Survey

[47] Communities and Local Government analysis of Department for Work and Pensions working-age client group data 2009

Vulnerable groups

Rates of unemployment and inactivity vary across the UK by age, ethnicity, education, disability status, family type and region (Figure 2.3). The data suggest that there are a number of groups who have been particularly disadvantaged over the past decade:

- As mentioned earlier in the chapter, and consistent with other countries, young people face significantly higher unemployment rates than the wider working-age population.
- Unemployment rates also vary significantly between ethnic minorities. For example, the ethnic minority group with the lowest unemployment rates is Indians (6.8%), and the highest rate is among Pakistanis (19.0%), compared with an average unemployment rate among ethnic minorities of 12.8%. Black African workless household rates are 36%, more than double the national average.[48]
- Less than half of all people with no qualifications are in work. In 2008 those people with no qualifications experienced unemployment rates of 18.0% compared with just 4.2% for people with degrees or equivalent level qualifications.[49]
- Less than half of all disabled people are employed, with some groups such as people with learning disabilities having a significantly lower employment rate, and a further 10% are unemployed.[50]
- Employment rates among lone parents are significantly lower than the national average (57% compared with 72%), while a quarter of all workless households (23%) are made up of a single adult and dependent children.[51]

[48] Office for National Statistics, Labour Force Survey, Quarter 1, 2010

[49] ibid.

[50] Labour Force Survey, 2009

[51] Office for National Statistics, Work and Worklessness among Households, 2009

Chapter 3: Welfare dependency

Welfare dependency is a significant problem in the UK today. Around 1.4 million people have been on an out-of-work benefit for nine or more of the last 10 years,[52] and at least 12 million working-age households receive financial support from the Government each week. This costs around £85 billion per annum.[53]

Welfare dependency creates a number of costs for individuals and for society. For individuals, it can set people apart from the rest of society, with evidence to suggest that the source of income may be more important than the level of income in determining levels of social exclusion.[54] This is mainly due to disengagement from the labour market, which can have wider effects: the longer people remain out of work, for example, the more likely it is that their health will deteriorate and more obstacles to work will develop. Welfare dependency can also have wider unintended consequences such as, creating disincentives to save. For society, welfare dependency implies high levels of government expenditure on transfer payments and the loss of potential tax revenue.

The benefits system itself also impacts negatively on incentives to work. The combined rates at which benefits and tax credits are withdrawn as people increase their hours of work can be as high as 95.5%, meaning families keep less than five pence in every additional pound earned (not including additional in-work costs). Some 70,000 families face deduction rates of over 90%.

Working-age benefit dependency

Volumes

Even following prolonged economic growth for much of the 1990s and 2000s, and with substantial expenditure on employment programmes, claimant numbers for many out-of-work benefits remain too high. These have risen as a result of the recent recession. For example:

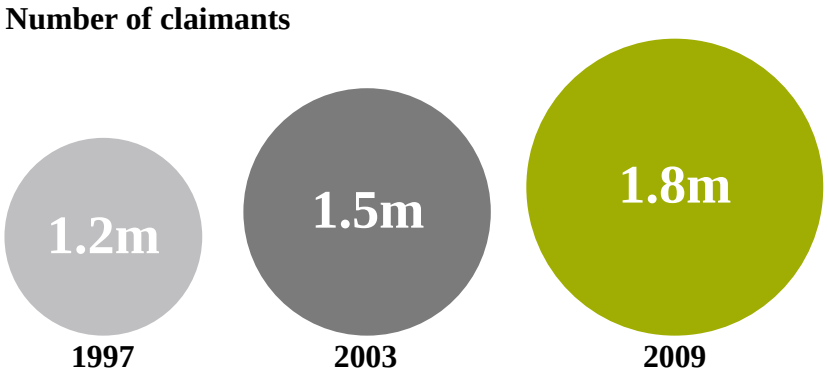
- claimant numbers of the main out-of-work working-age benefits have now reached 4.9 million, their highest level since 1998/99;
- in-work benefit claimant numbers have risen substantially, partly as a result of policy decisions to expand eligibility, with, for example, 2.4 million households now receiving Working Tax Credit;
- the numbers of working-age people receiving some of the benefits that may be claimed both out of work and in work have also risen substantially. For example, the numbers of working-age people claiming Disability Living Allowance have risen by over 40% since 1997 to 1.8 million (Figure 3.1). (Overall numbers of Disability Living Allowance claimants have grown from 2.0 million in 1997 to 3.1 million, including pensioners and children); and

[52] Department for Work and Pensions, internal research, 1999–2009

[53] Office for National Statistics, Family Resources Survey 2007/08. These figures include Child Benefit and tax credits

[54] http://research.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_219.asp

Figure 3.1: The numbers of working-age Disability Living Allowance claimants have increased by over 40% since 1997, from 1.2 million to 1.8 million



Source: DWP Tabulation Tool and Quarterly Statistical Releases

- for several other benefits that may be claimed both out of work and in work, claimant numbers have remained high. For example, 3.2 million working-age households now claim Housing Benefit each week.[55]

Duration of benefit claims

There is a high degree of persistence among claimants of many low-income and out-of-work benefits. For example:

- around 2.6 million people spent at least half of the last 10 years on some form of out-of-work benefit and 1.4 million people have been on an out-of-work benefit for nine or more of the last 10 years;[56]
- almost 2.5 million working-age people have been claiming Income Support or incapacity benefits for two years or more, of whom around two million are claiming on incapacity grounds;[57]
- around 2.2 million people, including 1.1 million people of working age, have been claiming Disability Living Allowance for over five years;[58] and
- around half of all Housing Benefit claimants, and 40% of working-age claimants, have been receiving the benefit for over five years.

Just a third of those who have been claiming out-of-work benefits for two years or more are aged over 55, a further third are aged between 45 and 54 and the remaining third are aged under 45.

Fraud and error

In addition to the large numbers of people claiming benefits and tax credits legitimately, there remain significant numbers of people either claiming fraudulently or being paid too much in error. The total amount lost to fraud and error every year is estimated at over £4.5 billion. Official estimates of fraud and error in the tax-credit system alone run at around £1.7 billion a year. Regarding other benefits, estimates of loss stand at £1.0 billion in 2009/10 for fraud (up £200 million since 2007/08) and £2.1 billion for customer and official error.

[55] Department for Work and Pensions Tabulation Tool

[56] Department for Work and Pensions, Work and Pensions Longitudinal Study, 1999–2009

[57] www.poverty.org.uk/14/index.shtml

[58] Department for Work and Pensions Tabulation Tool

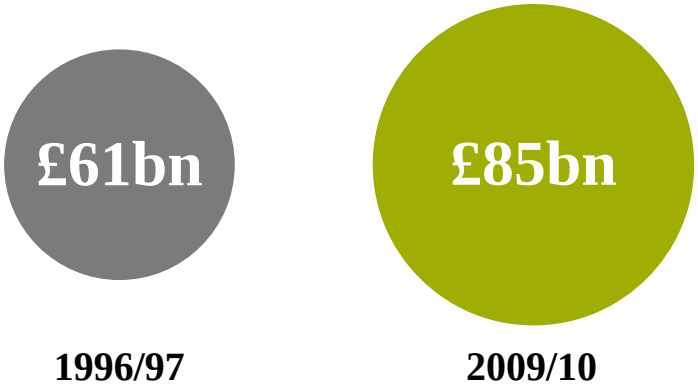
Working-age benefit costs

Partly due to rising volumes, the costs of these working-age benefits and tax credits have increased dramatically to £84.6 billion from £60.9 billion in 1996/97 (Figure 3.2, both figures in 2009/10 prices). Much of this increase is due to the introduction of tax credits, however, in addition:

- expenditure on working-age Housing Benefit has increased by nearly 40% from £10.4 billion in 1996/97 to £14.2 billion in 2009/10 (both figures in 2009/10 prices). The maximum Housing Benefit award is now over £93,000 a year, with the average award in the private rented sector over £5,500 a year; and
- expenditure on Disability Living Allowance for working-age claimants has increased by almost 60% from £3.9 billion in 1996/97 to £6.2 billion in 2009/10 (both figures in 2009/10 prices).

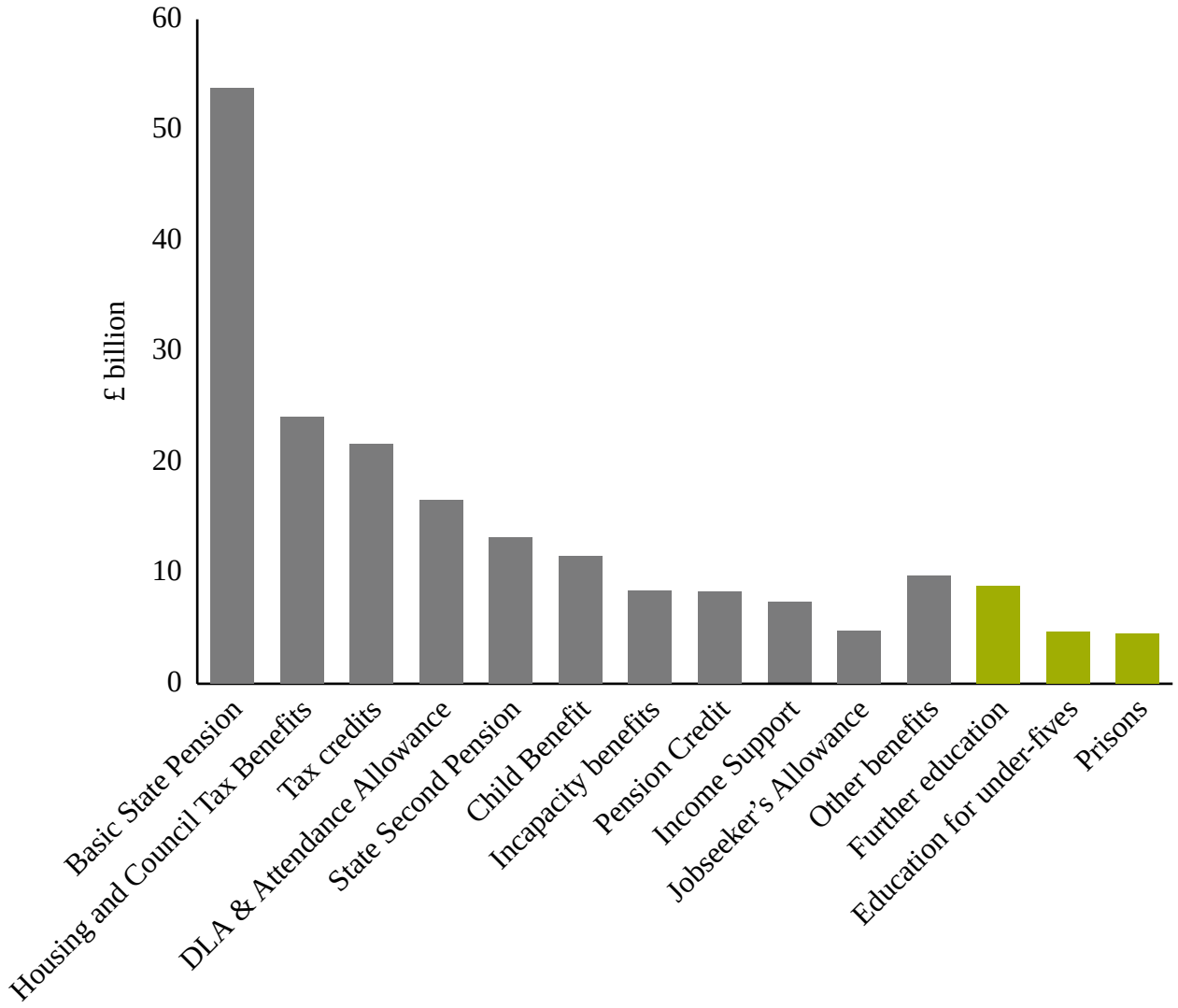
Figure 3.3 places expenditure on out-of-work benefits such as Incapacity Benefit, Income Support and Jobseeker's Allowance in the context of other benefits and tax credits and other selected departmental expenditure.

Figure 3.2: Spend on working-age household benefits and tax credits increased by almost 40% from 1996/97 to 2009/10



Source: Department for Work and Pensions and HM Revenue and Customs, costs in 2009/10 prices

Figure 3.3: The cost of the most expensive benefits and tax credits relative to selected other departmental expenditure



Sources: DWP Tabulation Tool, DWP Statistical Analysis 2010, HMRC Child and tax credit statistics 2007 and 2009, and House of Commons Written Answers 12 March 2010

Low-income households

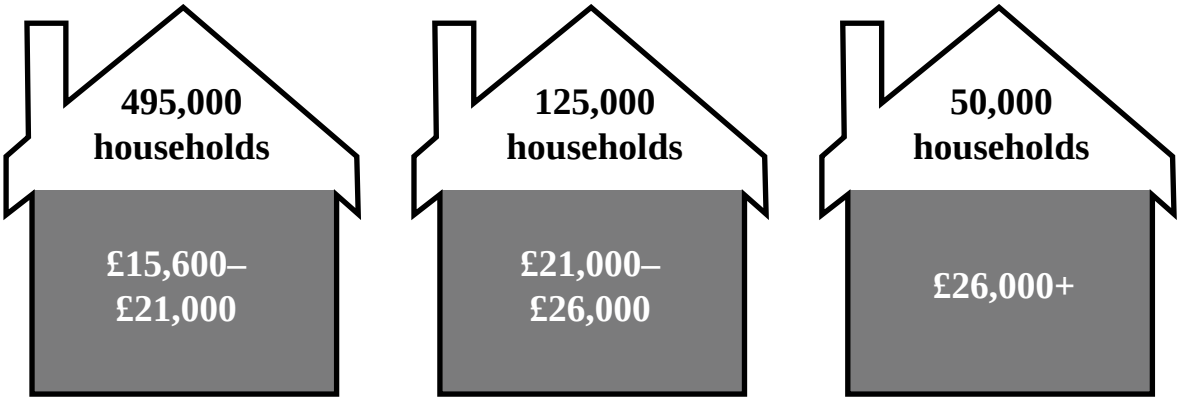
For the poorest 20% of households, state support in the form of benefits and tax credits constitutes 58% of their gross income,[59] and when multiple benefits are paid – usually to families facing high rents, caring for large numbers of children, and/or living with severe disabilities – rates can be high relative to working peers. For example, it has been estimated that around 175,000 households in the UK are entitled to over £400 a week in cash benefits and tax credits, the equivalent of over £20,000 a year, of which:

- 125,000 households are entitled to £400 to £500 a week (£20,800 to £26,000 a year); and
- 50,000 households are entitled to over £500 a week (over £26,000 a year)[60] (Figure 3.4).

[59] Office for National Statistics, The effect of taxes and benefits on household income, 2009

[60] Department for Work and Pensions, internal estimates

Figure 3.4: 670,000 households are entitled to benefits of over £15,000 per year



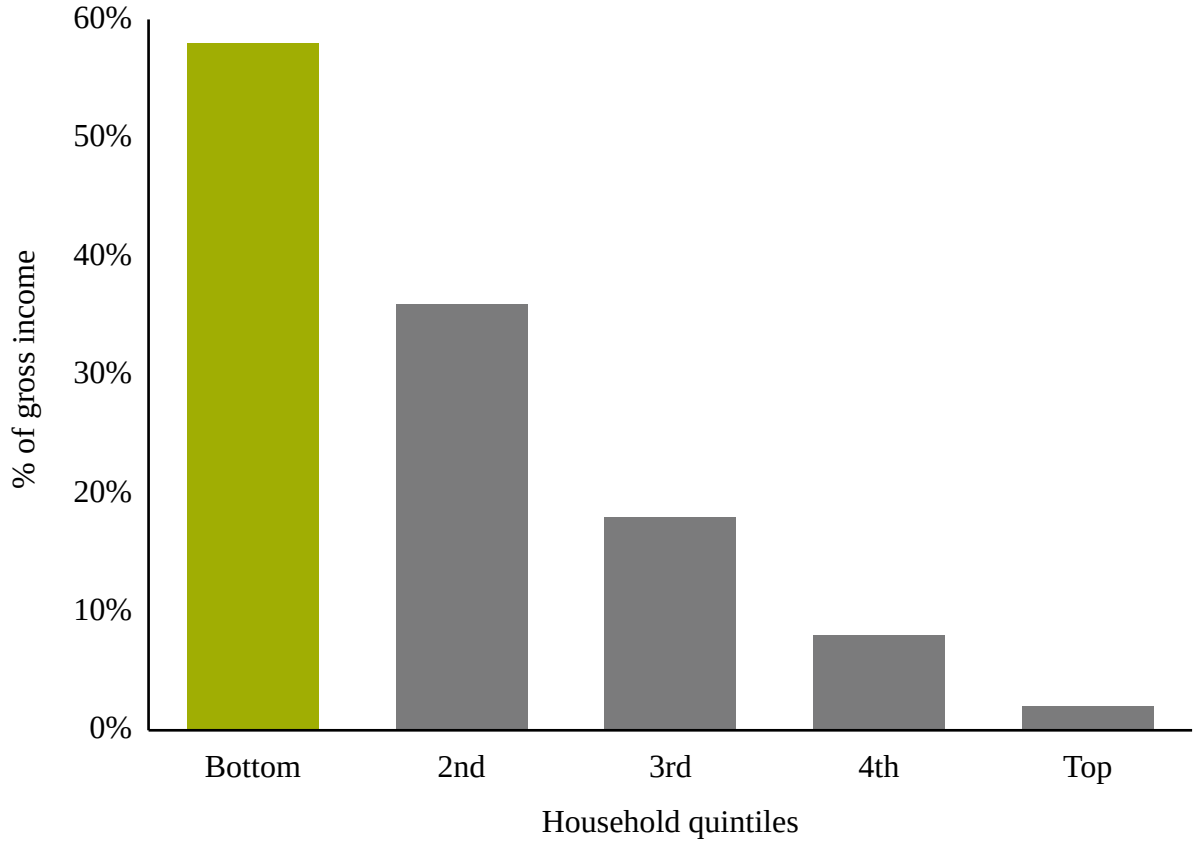
Source: Department for Work and Pensions, internal estimates

Incentives to work

The benefits system continues to adversely affect the work incentives of those who most need an incentive to work. Of the various disincentives to work, three of the most significant are that:

- because of the additional costs associated with work (such as travel, clothing and child care) and the loss of out-of-work benefits, some people will see relatively small gains from entering work and may even have less money after taking account of these costs than they had on benefits;
- for those on a number of benefits that can be claimed in work, the combination of how the separate benefits are withdrawn as income rises means that some individuals see very small gains to progressing in work. These combined withdrawal rates can be as high as 95.5% for families on low incomes, meaning they keep less than five pence in every additional pound earned (not including additional in work costs), and 70,000 families face rates of over 90%; and
- the complexity of the benefits system means that with some people receiving multiple benefits, all with differing eligibility rules, the financial impact of work can be difficult to calculate. The often confusing and frustrating experience of claiming benefits can also mean claimants are reluctant to take on a job that may not work out.

Figure 3.5: Transfers from the State makes up 58% of the income of the poorest 20% of households, and 2% of the income of the richest 20% of households



Source: Office for National Statistics (2009). The effects of taxes and benefits on household income, 2007/08

Higher income households

It is not just the poorest households in the UK that receive financial support from the State. Households in the top five income deciles receive an average of £2,885 each year in cash benefits, and even the top income quintile of households receive 2% of their gross income from the State (Figure 3.5). Households with children are eligible for Child Benefit and maternity benefits, regardless of income, and over one in five of Disability Living Allowance claimants are in the top two income quintiles (when Disability Living Allowance is included as income and no account is taken of extra costs of disability).

Welfare dependency among pensioners

This chapter has focused on welfare dependency among the working-age population, given the potential of disincentives to work for this age group. There has however also been an increase in the number of pensioners receiving benefits, driven in part by the introduction of Pension Credit. Over three million pensioner households are now in receipt of means-tested benefits, primarily in the form of Pension Credit, raising issues around the extent to which this has created disincentives to save.

Vulnerable groups

The numbers of people claiming benefits and the duration of benefit claims vary across the UK by ethnicity, education, family type and region:

- Level of qualification is strongly correlated with rates of benefit claiming. For example almost half (46%) of the 2.6 million people on incapacity benefits have no formal qualifications, and a further 13% hold qualifications below a recognised Level 2.[61] More than one in five of new Jobseeker's Allowance claimants (22%) have no qualifications.[62]
- Likelihood of claiming benefits also varies according to family type, with it likely that more lone parents receive financial support from the State than two-parent families.
- Those outside the South East of England are significantly more likely to be claiming certain benefits. For example, 6.1% of working-age people claim Disability Living Allowance in the North West compared with 3.5% in the South East.[63]
- Over 40% of benefit claimants are found in the 20% most deprived neighbourhoods. The rate of Incapacity Benefit claimants in these neighbourhoods is nearly double the rate in England for the working-age population (13.2% compared with 6.9%). This amounts to roughly 820,000 people.[64]

[61] Department for Work and Pensions, New Deal for Disabled People: Eligible Population Survey Wave Three, 2006

[62] Knight, (2010), Research Report No 624: Jobseekers Regime and Flexible New Deal, the Six Month Offer and Support for the Newly Unemployed evaluations: An early process study, Department for Work and Pensions

[63] Department for Work and Pensions tabulation tool; Office for National Statistics population estimates 2008

[64] Communities and Local Government analysis of Department for Work and Pensions Working Age Client Group data, 2009

Chapter 4: Poor health and educational disadvantage

In 2010, the health gap, proxied by life expectancy at birth, between those from high and low socio-economic backgrounds is wider now than in the 1970s,[65] while the gap in educational attainment between children from wealthy and deprived backgrounds remains high.

Heath not only influences quality of life directly, but can also affect the extent to which people are able to participate in the labour market and in wider society. Despite growing life expectancy, there are many people who continue to experience poor physical and mental health, and the prevalence of risky behaviours remains an issue. Children's health and well-being appear particularly poor relative to other countries. A recent report by the Organisation for Economic Co-operation and Development (OECD)[66] suggests that – except for material well-being and quality of school life – the UK ranks below the middle on most other dimensions and our young people rank almost bottom on risky behaviours.

In terms of education, a child in the UK eligible to free school meals is half as likely to achieve five or more GSCEs at grade A*–C, including English and maths, as a child from a wealthier background. In addition, many people in the UK are held back because of a lack of skills, with qualifications being correlated with stronger employment outcomes, higher wages and better health. Of the working-age population, 10% still have no qualifications, which rises to 24% for working-age disabled adults.[67] International benchmarks suggest that the proportion of adults without upper secondary levels of qualifications in the UK is above the OECD average.[68]

Health disadvantage

Although life expectancy continues to increase,[69] large numbers of people in the UK still suffer from poor health outcomes. Around 2.7 million adults (6%) aged 16 and over in England report having bad or very bad health.[70] The number of people who report having a long-term health condition is around 18 million, of which around 10 million report suffering from a limiting long-standing illness.[71] Some 32% of disabled people report difficulties in accessing goods and services, and 22% do not have frequent choice and control over their lives.

[65] ONS Longitudinal Study estimates of life expectancy, by social class 1972–2005

[66] OECD, Doing Better for Children, 2009

[67] Labour Force Survey, Quarter 2, 2008

[68] OECD, Education at a Glance 2009

[69] Life expectancy has risen to 77 years for males and 82 years for females, a rise of six and five years respectively over 25 years. Office for National Statistics (2009) *Social Trends No. 39*

[70] NHS Information Centre. Health Survey for England, 2008. This figure has fluctuated between 6% and 7% between 2003 and 2008. Figure provided for 2008

Mental health

There are particular concerns around the state of the UK's mental health, because of the profound effect this has on quality of life and because over 40% of people claiming health-related social security benefits cite mental-health problems as the reason.[72] The overall cost of mental illness has been estimated at £77 billion a year.[73] Several studies show or imply the prevalence of mental illnesses, in particular:

- around 6 million (15%) adults aged 16 and over have at least one common mental-health disorder[74] and 3 million adults have symptoms severe enough to require treatment;[75]
- the number of prescription items for anti-depressant drugs has increased from nine million in 1991 to 34 million in 2007[76] (although greater availability of drugs and better diagnoses will account for some of this increase); and
- roughly 1% of the population suffers from a severe mental illness like schizophrenia.[77]

Alcohol, smoking and drugs consumption

It is notable that the UK experiences relatively high levels of risky behaviours such as alcohol consumption, smoking and drug dependency. The volumes of alcohol consumption by international standards are high (Figure 4.1), and the pattern of consumption exacerbates this:

- Around 2.4 million adults regularly drink more than double the amount specified by NHS guidelines – an average of 78 units per week.[78] Alcohol consumption has doubled over the last 50 years, with nearly a quarter of the adult population drinking nearly three-quarters of all the alcohol consumed in England.[79]
- Around 1.6 million adults are moderately or severely dependent on alcohol.[80]
- Societal harm from alcohol each year includes approximately one million incidents of violent crime, over 100,000 cases of domestic abuse, and over 600 deaths from drink driving,[81] while costs to society are estimated at between £17 billion and £22 billion.[82]

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[71] Office for National Statistics. General Lifestyle Survey, 2008 data. Data for 2008 shows 17.8 million reporting long-term health conditions and 10.4 million reporting suffering from limiting long-standing illness.

[72] Department for Work and Pensions Tabulation Tool (Incapacity Benefit/Severe Disablement Allowance data, 2009)

[73] Sainsbury Centre for Mental Health (2003) The economic and social costs of mental illness. Policy Paper 3

[74] The Clinical Interview Scheduled – Revised, 2007 data. The Clinical Interview Schedule – Revised (CIS-R) is an interviewer-administered structured interview schedule covering non-psychotic symptoms in the week prior to interview. It can be used to provide prevalence estimates for 14 types of neurotic symptoms, six types of common mental disorder, and a continuous scale that reflects the overall severity of neurotic psychopathology. It provides a more accurate estimate of the prevalence of common mental disorders in a population than survey-based measures, such as the GHQ or SF-36/12.

[75] McManus, Meltzer, Brugha, Bebbington & Jenkins (2009), Adult psychiatric morbidity in England, 2007. Results of a household survey. A survey carried out for The NHS Information Centre for health and social care by the National Centre for Social Research and the Department of Health Sciences, University of Leicester.

[76] Young Foundation (2009) Sinking and Swimming: Understanding Britain's Unmet Needs, based on Office for National Statistics Social Trends data, 2009

[77] ibid.

[78] According to the NHS guidelines, men should not regularly drink more than 3–4 units a day and women should not regularly drink more than 2–3 units a day.

[79] Department of Health analysis of General Lifestyle Survey, January 2010.

[80] McManus, Meltzer, Brugha, Bebbington & Jenkins (2009), Adult psychiatric morbidity in England, 2007. Figures in 2007 were 111,340 incidents of alcohol-related violent crime and 608 deaths from drink driving.

[81] ibid.

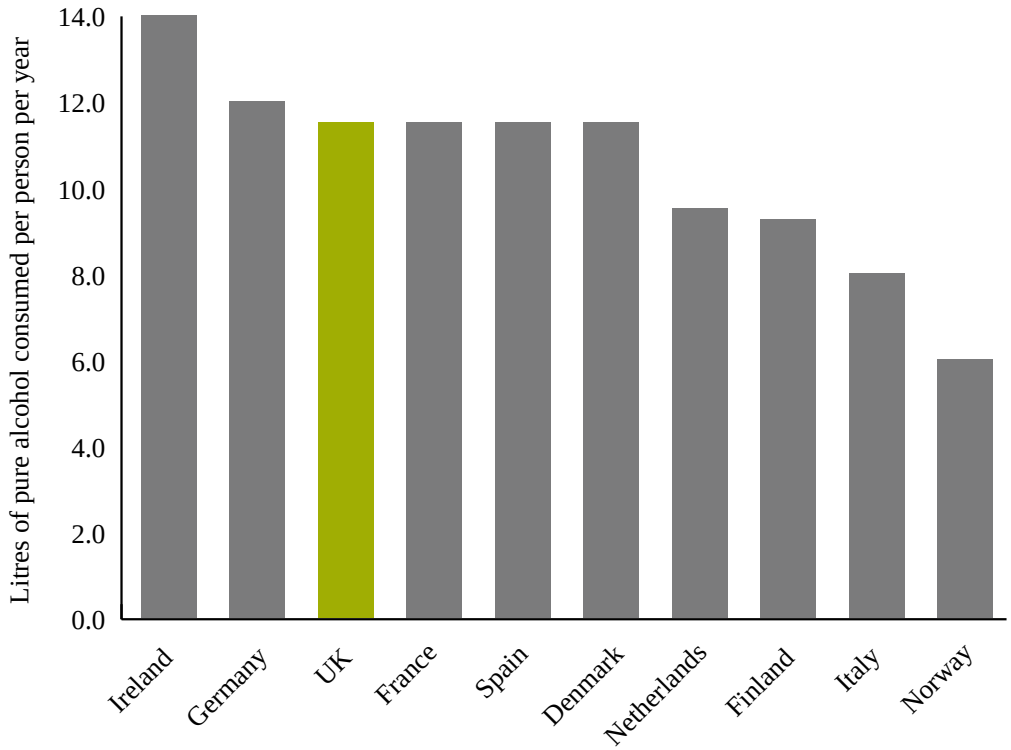
[82] From Cabinet Office (2003) Alcohol misuse: how much does it cost? With updated estimates from Home Office and Department of Health. Costs from disorder and crime between £8 billion and £13 billion, unemployment and workplace sickness £6.4 billion and NHS costs £2.7 billion.

- British teenagers drink more and earlier than their European counterparts, with UK 15-year-olds more likely to have both drunk alcohol and been drunk in the last 12 months than the European average (88% and 57% compared with 82% and 39% respectively).[83]

In terms of drugs and smoking:

- around 3.4% of adults aged 16 and over in England are dependent on drugs other than alcohol;[84]
- the problem is particularly acute among young adults, with 10.2% of 16–24-year-olds dependent on drugs other than alcohol;
- cannabis is the most common drug of dependency with 8.7% of 16–24-year-olds being dependent on it (2.7% of the overall population);[85] and
- 21% of adults smoke cigarettes.[86]

Figure 4.1: The average person in the UK consumes 11.5 litres of pure alcohol per year



Source: World Health Organization Global Information System on Alchol and Health (GISAH), 2008. 2003 data, for adults over 15

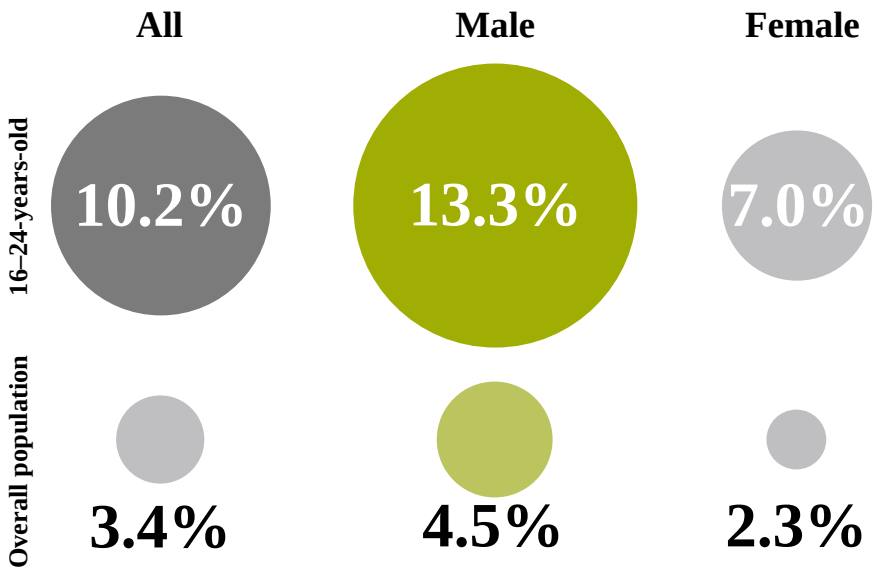
[83] European School Survey Project on Alcohol and Other Drugs, 2007.

[84] The NHS Information Centre, Adult psychiatric morbidity in England, 2007. Other drugs of dependency include cocaine, heroin and methadone but drugs that are less associated with dependency like LSD, magic mushrooms, etc, are not included

[85] ibid.

[86] General Lifestyle Survey 2008

Figure 4.2: There is strong drug dependence among adults in England, with addiction concentrated among young adults



Source: Understanding the risks of social exclusion across the life course: Families with Children. Social Exclusion Task Force, Cabinet Office, 2009

Obesity

The UK also suffers from rising levels of obesity:

- around 10 million adults (24.5%) in England aged 16 years and over are obese (Figure 4.3), up from 14.9% in 1993;[87]
- of those, 800,000 (2.0%) are morbidly obese;[88]
- around 1.4 million children aged 2–15 years (16.0%) are obese, up from 11.7% in 1995;[89] and
- the prevalence of obesity in the UK is much greater than the average for OECD countries (24.0% versus 16.2%), with only the USA and Mexico reporting higher rates in 2006.[90]

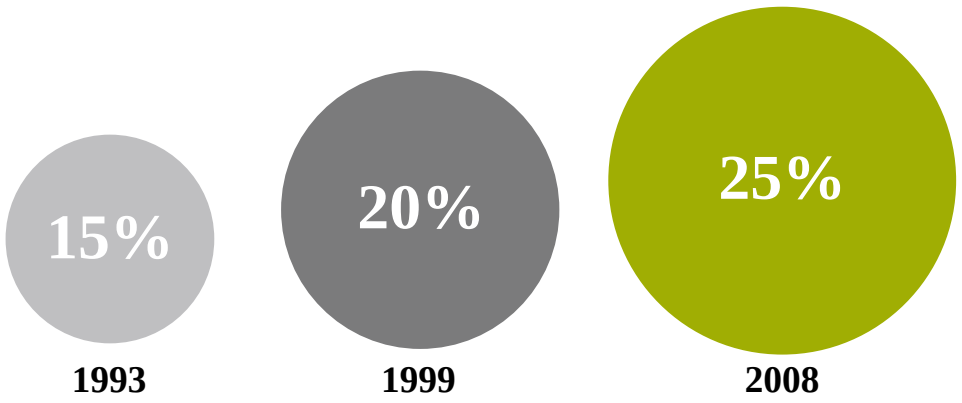
87 The NHS Information Centre, Health Survey for England 2008, 2009.

88 ibid.

89 ibid.

90 OECD Health Data 2009. Note that data is only available for 14 of the 30 OECD countries in the sample.

Figure 4.3: 25% of the UK adult population was obese in 2008



Source: NHS Information Centre. Health Survey for England 2008 Trend Tables, 2009

Children's health and well-being in the UK appears particularly poor relative to other countries. A recent OECD report suggests that – except for material well-being and quality of school life – the UK ranks below the middle on other dimensions.[91] Our young people rank almost bottom on risky behaviours.

Distribution of health inequalities

Health problems and diseases are not experienced equally. As a recent independent report, *Fair Society, Healthy Lives*, has identified, there remain significant and systematic differences in health: the poorer and more disadvantaged you are, the more likely you are to die early and to spend significantly more of your shorter life in poor health.[92]

- In England, people living in the poorest neighbourhoods die, on average, seven years earlier than people living in the richest neighbourhoods. Between the very richest and poorest, the gap is even larger.[93]
- The gap in terms of quality of life, as measured by disability-free life expectancy, is greater still with the average difference between those living in the poorest and richest neighbourhoods being 17 years; the gap between the very richest and poorest is also larger.
- The death rate for females under 75 from circulatory diseases in the most deprived wards is almost three times higher than in the least deprived wards (2.7 times higher for men).
- The death rate for females under 75 from cancer in the most deprived wards is 1.4 times higher than for those in the least deprived wards (1.7 for men).[94]

In terms of obesity and risky behaviours:

- around 26% of those in routine or manual occupations smoke, with 7% being heavy smokers, compared with 3% in managerial and professional occupations;[95] and

[91] Organisation for Economic Co-operation and Development (2009) Doing better for children

[92] The Marmot Review (2010) Fair Society, Healthy Lives. Strategic Review of Health Inequalities in England post-2010

[93] i bid., 2003 data

[94] Mortality by deprivation and cause of death in England and Wales, 1999–2003 (Ester Romeri, Allan Baker and Clare Griffiths) in Health Statistics Quarterly 32 (Winter 2006), ONS data for 1999–2003 for England and Wales by the Office for National Statistics. A similar link between health and deprivation is observed in other main causes of death, including ischaemic heart disease, stroke, all cancers, respiratory diseases, and general accidents

[95] NHS, information centre, statistics on smoking, England 2009

- around 34% of those in routine or manual occupations are expected to be obese by 2012 compared with 29% of those in non-manual occupations, with the gap expected to widen by 2015.[96]

These systematic gaps cannot be explained in terms of chance or genetics alone. They are partly driven by clustering effects. In 2003, around 30% of men in social class V reported at least two combinations of being smokers, drinking alcohol at unsafe levels and having a poor diet; this compares with less than 10% of adult males from the highest social class.[97]

Educational disadvantage and a poor start for children

In the future, the Government may use different benchmarks to measure the health of our society and the levels of disadvantage within it. Yet it is clear that, despite large increases in expenditure on education and growth in the proportion of children attaining current expected levels of educational achievement over the past decade, there are still a substantial number of children and adults who are not achieving their full potential, especially in the most disadvantaged communities. Moreover, the UK scores poorly on a range of other indicators of child well-being;[98] a recent World Health Organization survey showed the UK's performance on social and psychological indicators of child health and happiness to be disappointing.[99] As a consequence, it has been estimated that the UK spends a third more than other countries in Europe on addressing social problems.[100]

Early years

Social class is strongly associated with levels of development in the early years. This is shown by research into the 1970 birth cohort where a group of children's ability levels were assessed at four points in time. The results imply that during primary schooling (around age 6), children with low ability (as assessed at 22 months) from families in the high Socio Economic Status (SES) overtake the children with high ability from families in the low SES group (Figure 4.4).[101] This appears to be confirmed by a recent study suggesting an emerging social class gap in the early years for children born in 2000, although recent analysis of qualifications at 16 suggests a weakening link between parental income and child outcomes at that age.[102]

[96] NHS information centre, statistics on obesity, physical activity and diet, England 2010

[97] Department of Health analysis of Health Survey for England 2003, published in Department of Health (2008) Health Inequalities: Progress and Next Steps

[98] Bradshaw and Richardson (2009 published online) 'An Index of Child Wellbeing in Europe', Child Indicators research

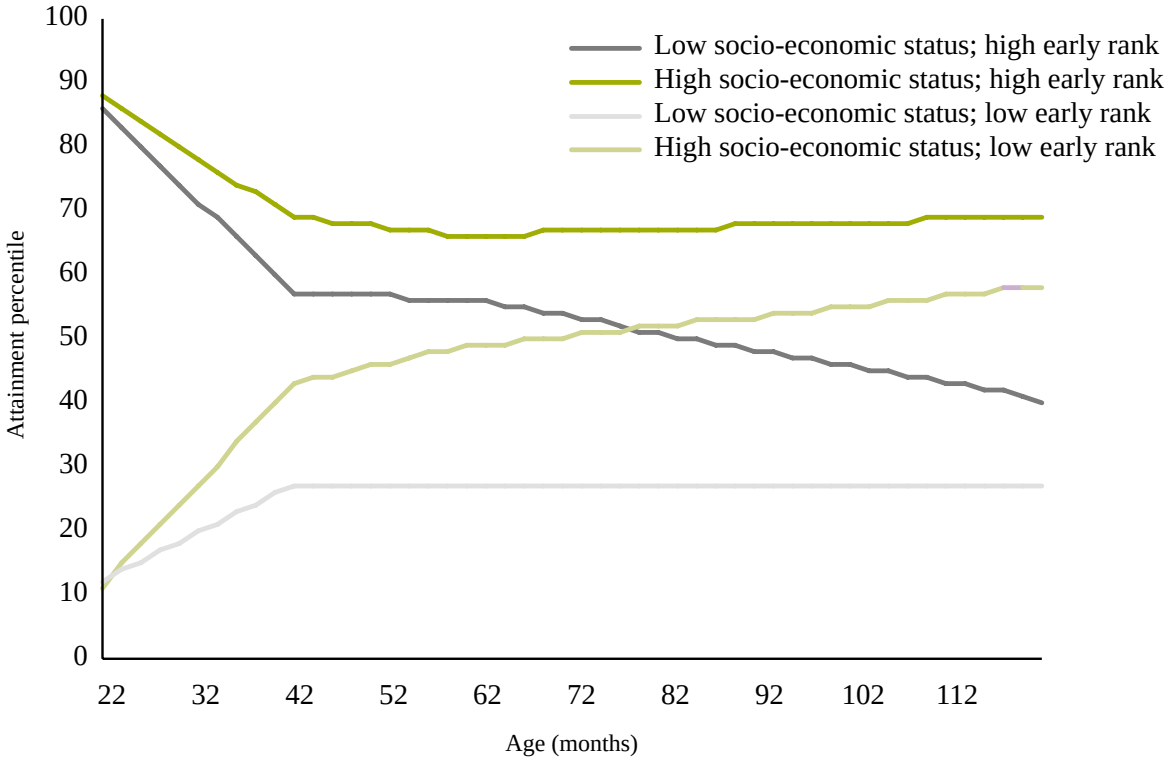
[99] World Health Organisation Regional Office for Europe (2008) 'Social Cohesion of mental wellbeing among adolescents' WHO/HBSC forum 2007 final report

[100] Aked et al (2009) Backing the Future: 'Why Investing in Children is Good for us All', New Economics Foundation

[101] Feinstein (2003) Inequality in the Early Cognitive Development of British Children in the 1970 Cohort, Economica Vol.70

[102] Blanden and Machin (2007) Recent Changes in Intergenerational Mobility

Figure 4.4: Socio-economic background is strongly associated with early-years attainment



Source: Feinstein (2003) Inequality in the Early Cognitive Development of British Children in the 1970 Cohort. Economica Vol. 70

Evidence from long-term studies, such as the Effective Pre-school and Primary Education (EPPE) study, shows that in the early years good-quality childcare is second only to parenting in determining the child's outcomes – both short and long term. Good-quality childcare as well as good-quality parenting programmes are therefore particularly important for children from disadvantaged backgrounds and can help to narrow gaps in achievement which are still visible up to age 10.[103] The EPPE study also found that the quality of the learning environment of the home (where parents are actively engaged in activities with children) promotes intellectual and social development in all children.

By international standards, the UK ranks 11th in the OECD countries in terms of the percentage of the population taking part in early years education.[104]

Children at primary and secondary school

There is a clear link between poverty and under-attainment throughout the education system; pupils who are eligible for free school meals have, on average, lower attainment than other pupils. By the end of Key Stage 2 (end of primary education) the chance of a pupil who is eligible for free school meals achieving Level 4 in reading, writing and maths is almost 1.5 times lower than that of a pupil who is not eligible for free school meals.[105] In secondary education, a child eligible to free school meals is half as likely to achieve five or more GSCEs at grade A*–C, including English and maths, than a child from a wealthier background.[106]

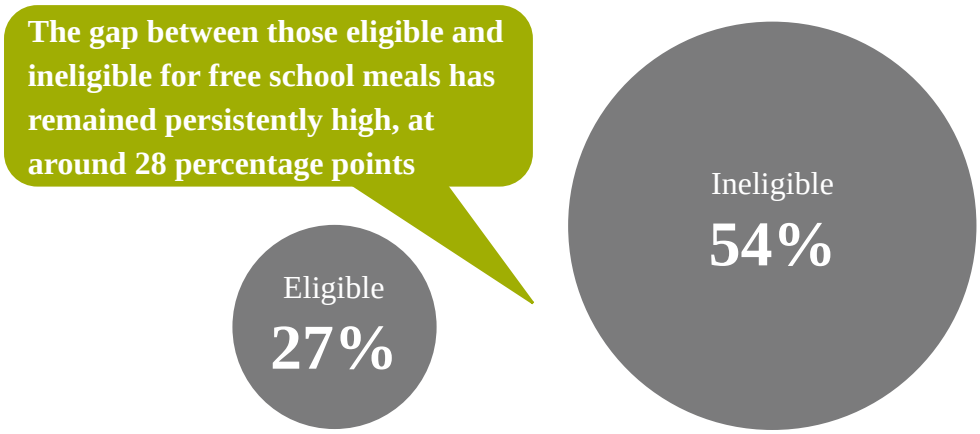
[103] Sylva et al (2008) Final Report from the Primary Phase of the Effective Pre-school and Primary Education (EPPE) study, published as DCSF RR061

[104] OECD, Education at a Glance 2009

[105] The percentage of FSM pupils achieving level 4 and above in English and maths is 53%, compared with 76% for non-FSM pupils

[106] Department for Children, Schools and Familes Achievement tables, Time series of GCSE achievements by pupil characteristics, England 2006–09

Figure 4.5: There is a clear and consistent link between poverty and educational attainment



% achieving 5+ A*–C grades, including English and maths

Source: Department for Children, Schools and Families, Achievement Tables, time series of GCSE achievement by pupil characteristics, England 2006–09

Although the gap in attainment between those eligible for free school meals and those who are not has narrowed in recent years, it has done so only slightly. By 2009, the gap was 23 percentage points at Key Stage 2 (with 76% of children ineligible for free school meals reaching Level 4 in English and maths, compared with only 53% of children eligible for free school meals) and around 28 percentage points at GCSE (54% of children ineligible for free school meals obtained five or more A*–C grades including English and maths, compared with 27% of children eligible for free school meals – see Figure 4.5).

There are also large gaps in attainment in terms of the area in which pupils live. Although differences have narrowed slightly recently, there is still, for example, a 39 percentage point gap in gaining five or more A*–C grades at GCSE between those living in the most and in the least deprived areas.

Other disadvantaged groups are also falling behind, with a growing education gap for children in care. While the proportion of children in care achieving five GCSEs or equivalent at grade A*–C has risen from 8% in 2001 to 14.8% in 2009 (and to 21% on new data taking in a broader range of qualifications), over the same period the proportion of all children achieving those grades at GCSE has risen from 48% to 70%. The gap has therefore widened from 40 percentage points in 2001 to about 55 percentage points by 2009.

Pupil achievement is hampered by absence from school. The number of persistent absentees fell from 273,000 in 2006/07 to 208,000 in 2008/09, but there are still relatively high numbers of pupils from disadvantaged backgrounds who are persistently absent:

- An average of 8% of half days are missed in the most deprived areas, compared with 4.6% in the least deprived.
- Those known to be eligible for free school meals are much more likely to be persistent absentees (7.3% versus 2.5% for other pupils in 2008/09).
- Of pupils resident in the most deprived areas, 5.7% are persistent absentees, compared with just 1.3% in the least deprived areas.
- Of those with a statement of special educational needs (SEN), 9.2% are persistent absentees, compared with 2.1% of pupils with no identified SEN in 2008/09.[107]

[107] For all the bullets above, Department for Children, Schools and Families, Achievement Tables, England 2006–09

Even more critical than persistent absenteeism is the issue of pupils who are permanently excluded from school. In 2007/08 there were around 8,100 permanent exclusions (11 in every 10,000) and around 380,000 fixed-period exclusions (5.1% of the school population). Children eligible for free school meals are around three times more likely to receive either a permanent or fixed-period exclusion than children who are not eligible. For fixed-period exclusions, the rates were 11.6% and 4.0% respectively. Black Caribbean pupils have consistently been around three times more likely than the overall average to be permanently excluded and twice as likely to receive fixed-period exclusions.[108]

By international standards, the UK ranks in the middle of 18 OECD countries surveyed in terms of overall reading achievement of 10-year-olds.[109] For secondary education, the UK ranks 14th out of 57 countries in science (behind, for example, Finland, Canada, Japan and Germany), 17th in reading and 24th in maths.[110]

Higher education

Research shows that individuals with higher qualifications are more likely to be employed than those with lower qualifications, and once in work they earn more on average than similar individuals with lower-level skills.

Participation in higher education is marked by socio-economic background. For example:

- fewer than one in five young people from the most disadvantaged areas participate in higher education compared with more than one in two for the most advantaged areas;[111]
- just 1% of pupils eligible for free school meals go on to a Russell Group university, compared with 7% of pupils who are ineligible;[112] and
- out of the 81,000 pupils eligible for free school meals in 2006/07, only 45 went to Oxbridge.

Adult population

Despite a growing 'lifelong learning' culture in the UK, it is clear that there are millions of adults who may be regarded as suffering from educational disadvantage:

- 7.3 million adults in England (24%) lack at least a Level 2 qualification, i.e. those academic and vocational qualifications, that are equivalent to five GCSEs A*–C;[113]
- those with lower-level skills are less likely to receive work-related training through their employer, are less likely to participate in informal training, and face greater barriers to learning, with just 47% of those with no qualifications engaging in further learning (compared with 97% of those with a higher degree);[114] and
- 3% to 5% of adults lack basic numeracy or literacy skills.[115]

International benchmarks suggest that the proportion of adults without Level 2 qualifications in the UK is higher than the OECD average, and substantially above levels in Germany, Sweden and the USA.[116]

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[108] In 2007/08, 0.36% of Black Caribbean pupils were permanently excluded compared with 0.12% of the school population as a whole (11.1% versus 5.77% for fixed-period exclusions).

[109] IEA, PIRLS 2006

[110] OECD, PISA 2006. It should be noted that the scores of many countries are similar, and therefore rankings should not be over-interpreted as many countries have scores that are not statistically different.

[111] HEFCE 2010/03: www.hefce.ac.uk/pubs/hefce/2010/10_03/

[112] BIS analysis of matched National Pupil Database and HESA student record

[113] 2009 data, Statistical First Release on Post-16 Education & Skills: www.thedataservice.org.uk/statistics/sfrmar10/

[114] National Adult Learning Survey, Department for Education and Skills (2006) Research Report 815

[115] Estimates for 2002–03, Skills for Life Survey. The survey is currently being updated.

[116] OECD (2009) Education at a glance

Chapter 5: Families and communities

There are severe problems in the UK today related to family breakdown, low levels of social capital, the shortage of good-quality housing and the extent of neighbourhood deprivation.

Around three million children in the UK have experienced the separation of their parents,[117] and the UK has one of the highest rates of teenage births in Europe.[118] Some 6% report having no close friends,[119] while over 500,000 older people spent Christmas day alone in 2006.[120] Some 7.4 million homes (33%) are classified as 'non-decent'[121] while 7% of households in England report noise to be a serious problem.[122]

As with other aspects of disadvantage, these problems are unevenly spread. People in managerial and professional occupations are more likely than all other occupational groups to have participated in civic engagement, for example.[123]

There is a clear relationship between these aspects of disadvantage and those set out in earlier chapters. In terms of family structure, there is, for example, a strong correlation between relationship breakdown and adult ill-health,[124] and there is also evidence of significant differences between children who experience parental separation compared with children in 'intact couple families' across a range of educational, behavioural, emotional and health outcomes. In terms of social capital, young people from lower socio-economic backgrounds are less likely to establish social networks beyond their immediate circle, for example, and this may restrict job opportunities.[125]

In terms of housing, links have been found between poor quality housing (such as homes that are damp or hard to heat) and a range of health outcomes, such as respiratory conditions and stomach problems. At a neighbourhood level, growing up in a neighbourhood with high levels of crime and antisocial behaviour increases the chances of being either a victim or perpetrator of crime, while certain areas have

[117] Her Majesty's Government (2004) Parental Separation: Children's Needs and Parents' Responsibilities

[118] OECD (2009) Doing better for children

[119] Communities and Local Government (2009) Citizenship Survey 2007/08

[120] Young Foundation (2009) Sinking and Swimming: understanding Britain's unmet needs

[121] Communities and Local Government (2010) English Housing Survey: Headline Report 2008/09

[122] Communities and Local Government (2009) Survey of English Housing 2007/08

[123] Communities and Local Government (2009) Citizenship Survey 2007/08

[124] Coleman and Glenn (2009) When Couples Part: Understanding the consequences for adults and children

[125] Webster et al (2004) Poor Transitions: Young Adults and Social Exclusion

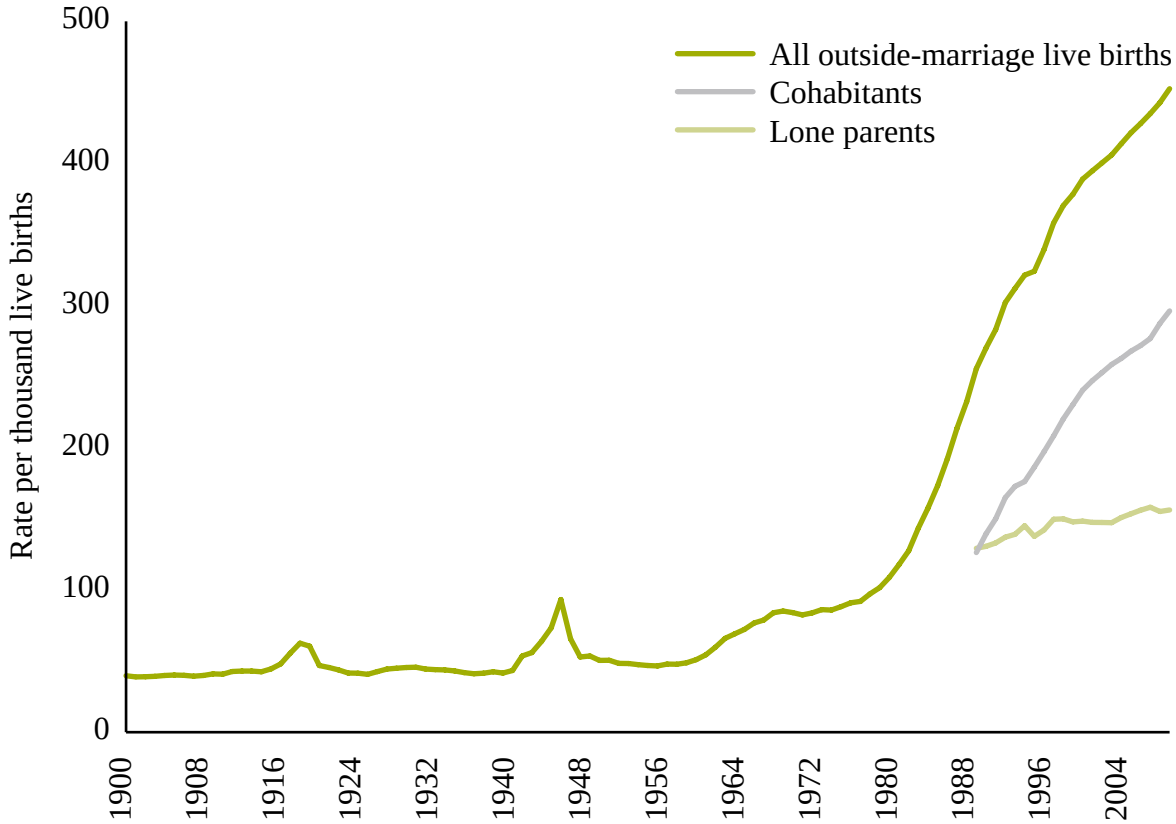
concentrations of worklessness and welfare dependency. There is also a strong link between social housing, poverty and worklessness; half of all workless households are in social housing.[126]

Changes in family structure

There is evidence of significant changes in family structures in the last 30 years across a range of measures:

- Around 3 million children in the UK have experienced the separation of their parents. This is partly attributable to a rise in cohabitation, given the increased likelihood of break-up for cohabiting couples relative to married couples.[127] Approximately one in three of those parents cohabiting at birth will separate before the child is five years old, compared with 1 in 10 married parents.[128]

Figure 5.1: The proportion of children being born outside of marriage has risen from under 5% in the 1950s to 45% in 2008



Source: Institute for Fiscal Studies (2010) Cohabitation, Marriage and Child Outcomes

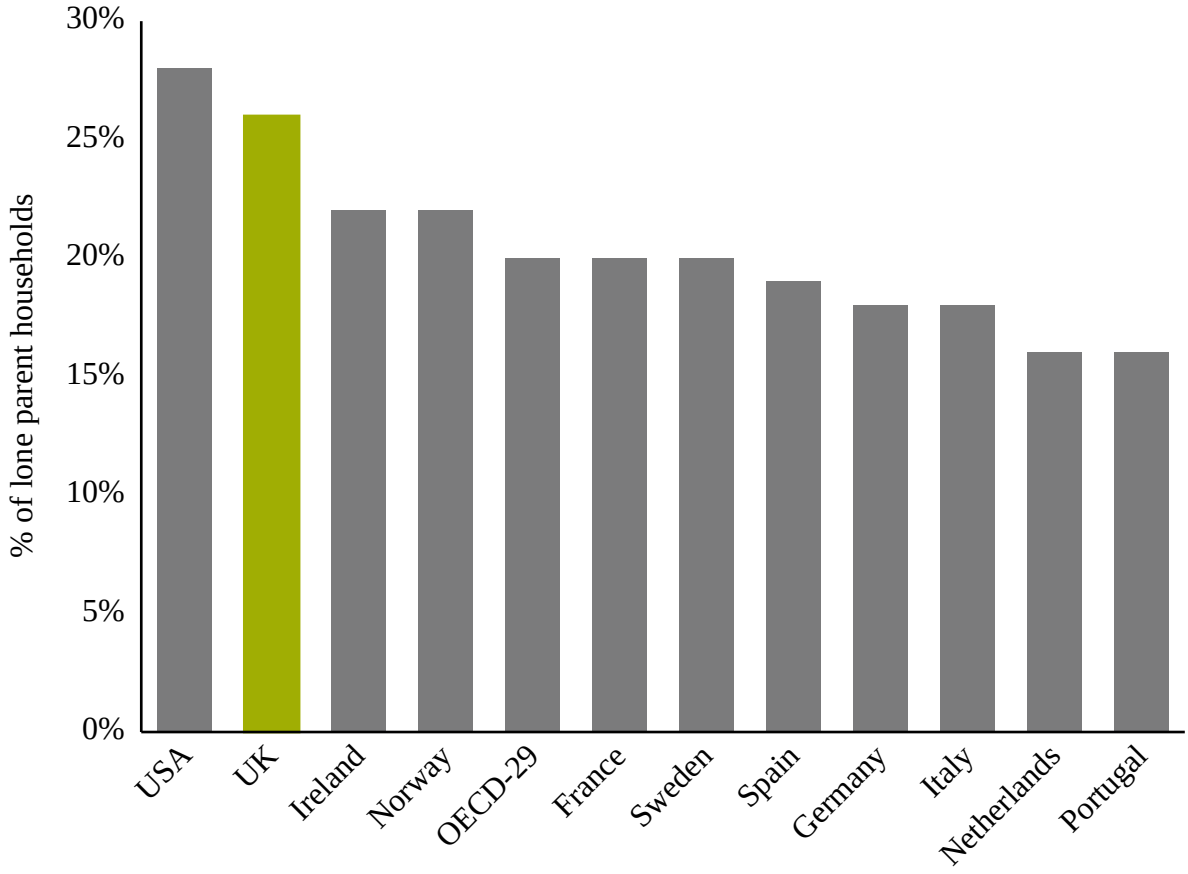
[126] Strategy Unit / Social Exclusion Task Force analysis of Labour Force Survey 2009

[127] Benson (2009) Family policy, breakdown and structure. BCFT

[128] Kiernan and Mensah Partnership trajectories, parent and child wellbeing in Hansen, Joshi and Dex (2010) Children of the 21st Century Volume 2: the first five years

- Births outside of marriage rose from 37% to 45% between 1997 and 2008 (Figure 5.1), composed almost entirely of an increase in births to cohabiting parents.[129] This is consistent with trends across Europe.[130]
- The marriage rate has declined by 38% since 1970, in line with the European average; the number of dependent children in married-couple families fell by 1.3 million, from 9.6 million to 8.3 million, between 1997 and 2009,[131] but this remains the most common family form.
- There are around 2 million families headed by a lone parent (90% of which are headed by a mother, and the majority resulting from relationship breakdown). This represents around a quarter of all families with children, the fifth highest proportion in the OECD (Figure 5.2, for selected countries only). [132] The rate varies significantly by ethnicity in the UK, with 56% of Black or Black British children living in lone parent families.[133]

Figure 5.2 The UK has one of the highest proportions of lone-parent families in the OECD (selected countries only)



Source: OECD (2009) Family Database SF1: Family size and composition

[129] Institue for Fiscal Studies (2010) Cohabitation, marriage and child outcomes

[130] Roberts, Stafford, Duffy, Ross and Unell (2009) Literature review on the impact of family breakdown on children, Brussels: European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities, Unit for Social and Demographic Analysis

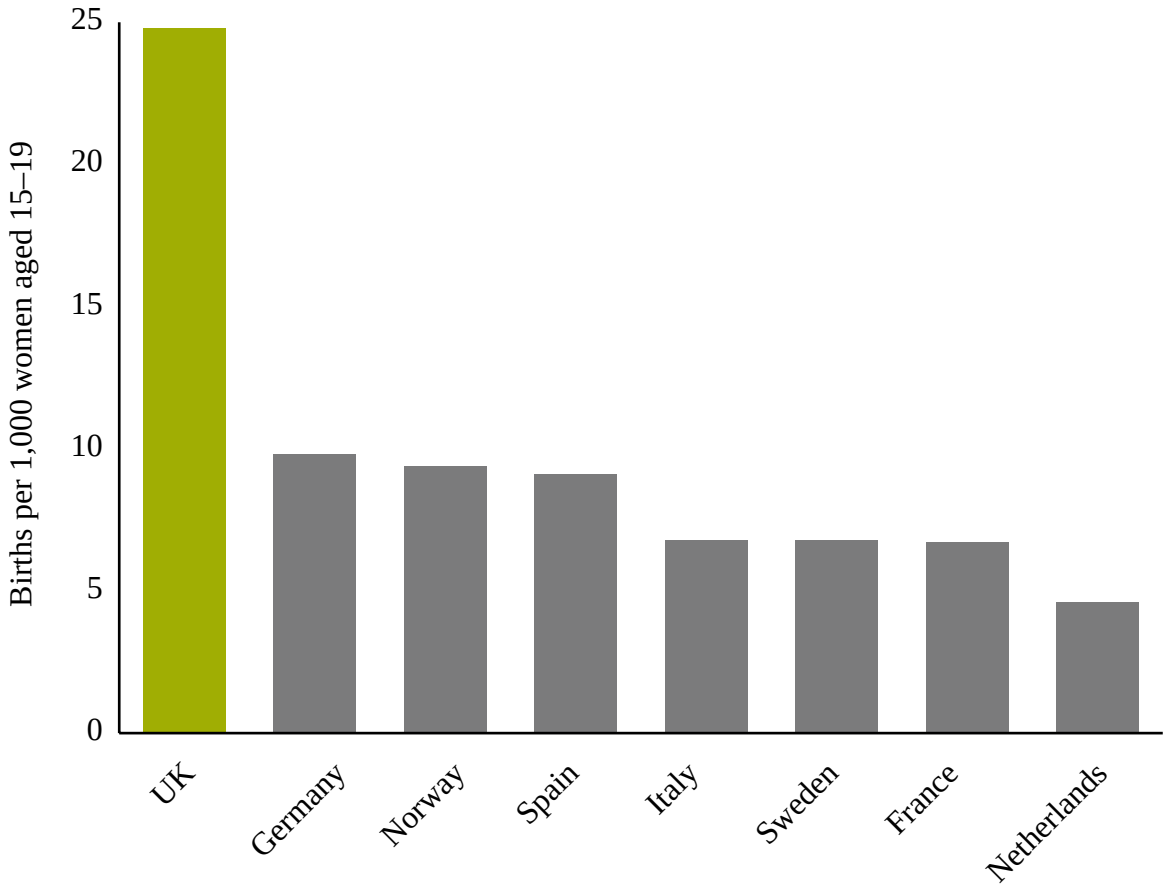
[131] Office for National Statistics (2009) Social Trends 40

[132] OECD (2009) Family Database SF1: Family size and composition

[133] Office for National Statistics (2009) Social Trends 40

- In 2007 the divorce rate in England and Wales was 11.9 per 1,000 married population; divorce rates have remained relatively stable since the mid-1980s.[134]
- Stepfamilies are the fastest growing family type in the UK.[135] Around 1 in 10 children now live in stepfamilies, above the OECD average.[136]
- While births among under-18s are at their lowest rate for over 20 years, the UK has the highest teenage birth rate in Europe (Figure 5.3).[137]

Figure 5.3: The UK has the highest teenage birth rate in Europe



Source: OECD (2009) Doing better for children. Teenage fertility rates (15–19) per 1,000 women aged 15–19, 2005

[134] Office for National Statistics (2009) Social Trends 40

[135] Mooney, Oliver and Smith (2009) Impact of family breakdown on children's wellbeing: evidence review

[136] OECD (2009) Doing better for children

[137] OECD (2009) Doing better for children

Family breakdown is associated with a number of poor outcomes for the adults and children involved. For example, there is a strong correlation between couple relationship breakdown and adult ill-health,[138] particularly maternal mental health: mothers living with the father of their child report less depressive symptoms than those living with other partners or as lone parents.[139] There is also evidence of significant differences between children who experience parental separation compared with children in 'intact couple families' across a range of educational, behavioural, emotional and health outcomes. For example, children in lone-parent and stepfamilies are twice as likely to be in the bottom 20% of child outcomes as children in married families.[140] It is also noteworthy that of the 142,000 most disadvantaged families in the UK (measured in terms of those who suffer from five or more selected disadvantages) under 20% were from married households, compared with around 65% of all families (Figure 5.4).[141]

Lone-parent families are twice as likely to be in the bottom income quintile as two-parent families (39% before housing costs and 44% after housing costs for lone parent families, compared with 20% and 21% respectively for two-parent families).

These correlations should, however, be interpreted with some caution because it is difficult to assess accurately the direction and extent of causality between family breakdown, risk factors (such as poverty and maternal mental health) and outcomes.[142] For example, children in households headed by married couples may have better outcomes due to the fact that people who have had a better education are more likely to get married, rather than marriage itself causing those outcomes. The scale and duration of the impact on children is also contested. Research indicates that outcome gaps vary significantly within family structures and are relatively small compared with socio-economic factors, while separation may in fact benefit children where there are high levels of parental conflict.[143]

Nevertheless, the strong evidence linking the experience of family breakdown and dysfunction to poorer outcomes for both adults and children indicates the importance of family structure and home environment for policy.

[138] Coleman and Glenn (2009) When Couples Part: Understanding the consequences for adults and children

[139] Brown and Moran (1997) Single mothers, poverty and depression; Hetherington (1999) Should we stay together for the sake of the children?; Hetherington (1999) Coping with divorce, single parenting and remarriage

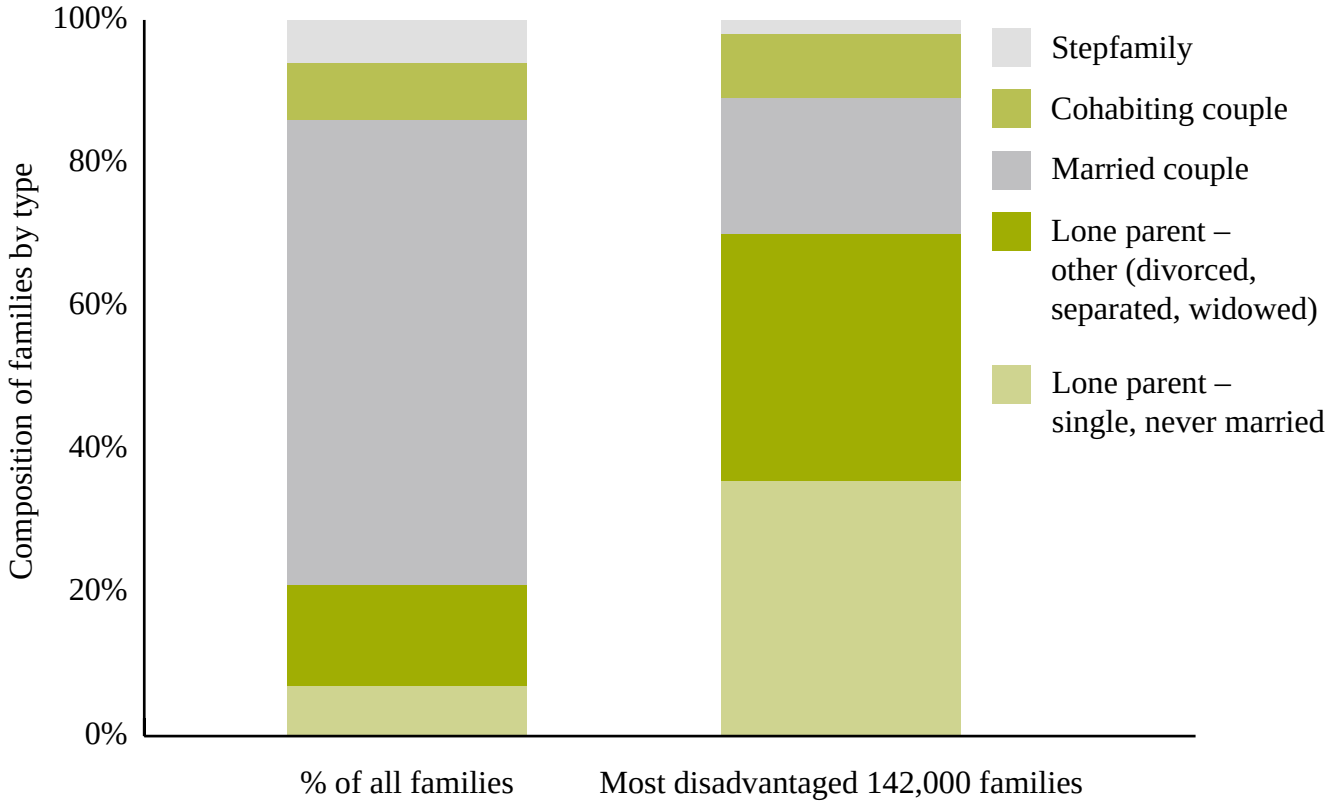
[140] Lexmond and Reeves (2009) Building Character (Demos)

[141] Social Exclusion Task Force analysis of FACS 2006 data, 2010

[142] Given the inter-relationships between lone parenthood, income, maternal mental health and parenting, there remains debate over the validity of controlling for these highly correlated variables. For example, women in Britain are 40% more likely to enter poverty if they divorce than if they remain married (with an average fall of income of 17%), since separation often means the direct loss of a family earner and may also make it harder for the mother to work, so simply discounting for income ignores this causal pathway

[143] Mooney, Oliver and Smith (2009) Impact of family breakdown on children's wellbeing: evidence review

Figure 5.4: Under 20% of the most disadvantaged families have married couples heading them



Source: Social Exclusion Task Force analysis of GHS and FACS 2006 data, 2010

There is stronger agreement that family breakdown is most detrimental to children where there are repeated changes to family structure for example from an 'intact couple family', to lone parenthood, to stepfamily status, and back to lone parenthood. Family transitions are often linked to a number of other changes in living circumstances, parental employment, schools, and fluctuations in income, and the effects of these changes are believed to be cumulative, with multiple transitions being particularly detrimental to children's well-being.[144] Recent research indicates that risks of poverty, maternal depression and children having emotional and behavioural problems are highest where lone mothers experience 'periods of partnership' with the father and/or other partners (Figure 5.5).[145]

Family breakdown does not affect all parts of the country or all sections of communities equally. For example, lone parent families are heavily concentrated in deprived urban areas, which have rates of over 40%, compared to under 15% in several parts of South East and East England,[146] while studies have found a clear association between living in a deprived ward and adolescent pregnancy in the UK.[147]

The evidence also suggests that risk of family breakdown is likely to be transmitted inter-generationally, with children of divorced parents estimated to be twice as likely as children of non-divorced parents to experience divorce themselves.[148]

[144] Mooney, Oliver and Smith (2009) Impact of family breakdown on children's wellbeing: evidence review

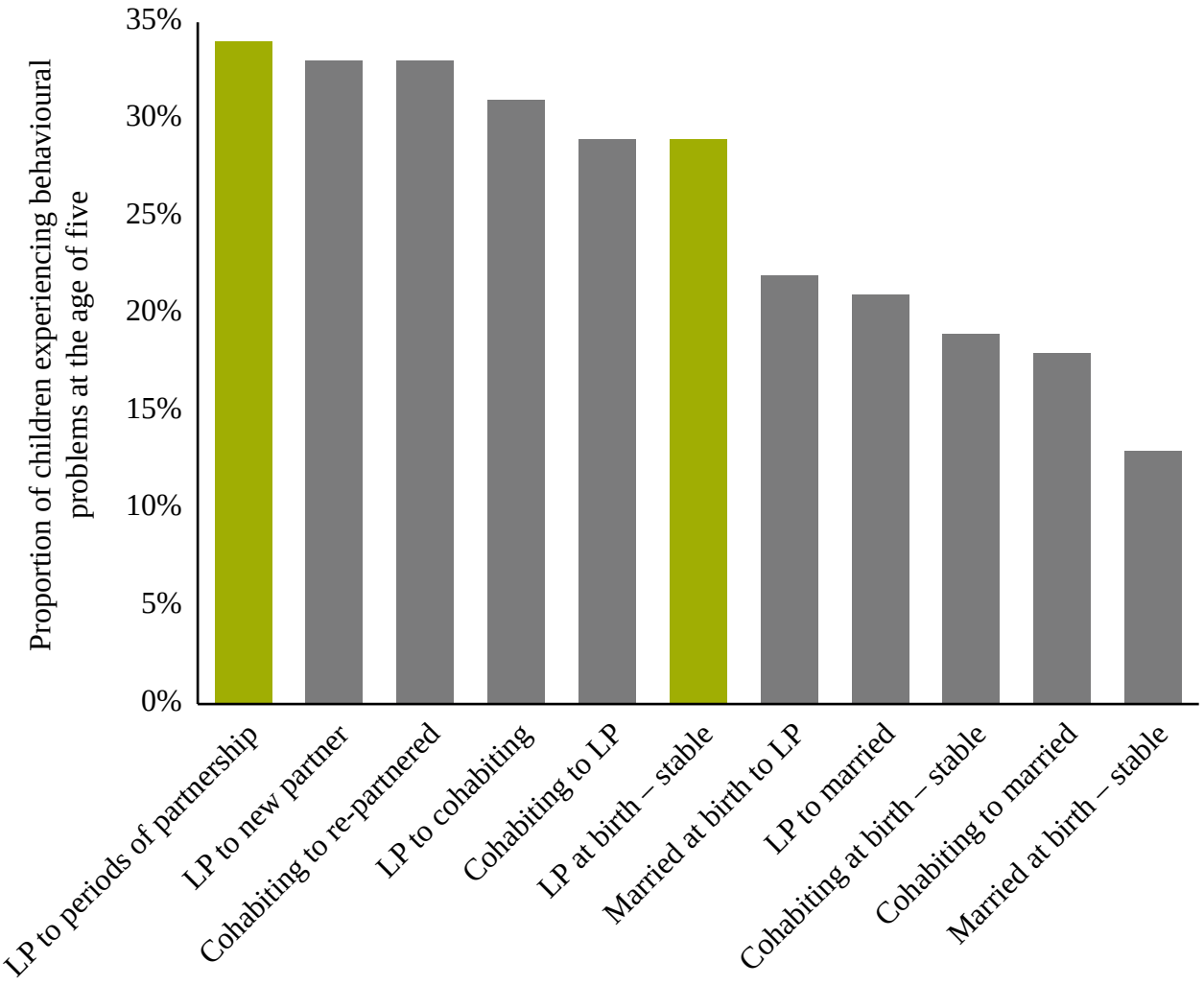
[145] Kiernan and Mensah, Partnership trajectories, parent and child wellbeing, in Hansen, Joshi and Dex (2010) Children of the 21st Century Volume 2: the first five years

[146] Office for National Statistics (2007) Focus on families

[147] Slogget and Joshi (1998); McCulloch (2001) reviewed in World Health Organization (2004) Adolescent Pregnancy: Issues in Adolescent Health and Development

[148] Mooney, Oliver and Smith (2009) Impact of family breakdown on children's wellbeing: evidence review

Figure 5.5: Proportion of children experiencing behavioural problems at age five by family structure and relationship structure



Source: Kiernan and Mensah, 2010 Partnership trajectories, parent and child wellbeing in Hansen, Joshi and Dex, Children of the 21st Century: the first five years.

Loneliness and lack of social capital

The nature and quality of people's social relations, whether with friends and family or wider civic engagement through organisations and other social networks, plays an important role in determining wellbeing. Although the UK compares favourably with other countries on a number of indicators of social capital, such as willingness to donate to charity, there remain substantial numbers who suffer from disadvantage in either civic or personal social capital.

In terms of civic engagement, large numbers of citizens are actively involved in their communities, with 47% of all people carrying out at least one form of civic engagement activity in the last year.[149] Even more citizens (64%) take part in some form of volunteering at least once a year.

Nonetheless, there seems to be some untapped demand for greater involvement:

- only 39% of people agree they can influence decisions that affect their local area, and even fewer (22%) agree they can influence decisions affecting the country as a whole;

[149] Communities and Local Government (2010) Citizenship Survey 2008/09. Civic engagement activity includes civil activism, civic consultation and civic participation. All other references in this section are to the 2008/09 Citizenship Survey unless otherwise stated

- 49% of people say that they would like to be more involved in decisions affecting their local area; and
- only 10% of people have, in the last year, participated in civic activism.[150]

Moreover, there are differences in the characteristics of people who are likely to get involved:

- White people are more likely than most other ethnic groups to say that they have participated in civic engagement;
- people aged 16–25 are less likely than most age groups to participate in civic engagement; and
- people with managerial and professional occupations are more likely than all other occupational groups to have participated in civic engagement.

In terms of social networks, many people (41%) report having three to five close friends.[151] However, there seem to be some people who have few social networks and a perceived lack of social support:

- around 2.9 million people (8%) feel they lack one or more of the following: someone to listen, someone to help in a crisis, someone to relax with, someone who appreciates them and someone to count on to offer comfort. Some 2% of the population lack all of these forms of support, indicating a minority who experience a deep form of social isolation;[152]
- around 2.5 million people (6%) report having no close friends and a further 13.3 million (32%) report having only one or two close friends;[153]
- the English Health Survey of 2005 found that one quarter of the population suffered 'some lack' of social support, with 14% suffering a 'severe lack';[154] and
- only half of people feel that people in their neighbourhood can be trusted, with trust lowest among those aged 16–24 years (33%) and those in the most deprived areas (21%).

The elderly are most likely to suffer from loneliness. Half of all people aged 75 and over live alone, with nearly half of all older people (45%) considering the television as their main form of company and over 500,000 older people spending Christmas day alone in 2006.[155]

Housing and quality of local environment

Poor quality housing remains a problem for many people in the UK:

- overcrowding remains a problem in certain areas. Across all tenures, 6.8% of households in London, for example, were living in overcrowded accommodation in 2007/08;[156]

[150] 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

[151] Citizenship Survey 2007-08. The question is asked: 'Some people have close friends. These are people they feel at ease with, can talk to about private matters, or call of for help. Would you say you have no friends, one or two, three to five, six to ten, or more than that?'.

[152] Based on indicators in the British Household Panel Survey, 2008

[153] Citizenship Survey 2007-08, based on mid-year population estimates

[154] Reported in Young Foundation (2009) Sinking and Swimming: understanding Britain's unmet needs

[155] ibid

[156] Communities and Local Government (2009) Survey of English Housing 2007/08

- some 7.4 million homes (33%) were non-decent in 2008 (including 4.8 million homes with potentially serious hazards under the Housing Health and Safety Rating System). Overall, social sector homes were in a better condition than private sector homes;[157]
- in 2008, 3.1 million 'vulnerable households' were living in the private sector of which 1.2 million (39%) were living in non-decent homes;[158]
- 53,000 households are dependent on their local authority for housing having been accepted as homeless and placed in temporary accommodation;[159]
- it is difficult to estimate rough-sleeping levels with accuracy, but around 3,500 people were recorded as having contact with rough-sleeping charities in London in 2008/09[160] and some 400 to 800 people could be sleeping rough in London on any one night;[161] and
- around 540,000 people in England live away from their homes in institutions, predominantly either in nursing and residential care homes, in prison or in local authority care. Living in an institution does not necessarily imply disadvantage (particularly where elderly people require residential care), but in many instances, being removed from the family home does constitute a form of deprivation, and the quality of accommodation in many institutions can be poor.[162]

In terms of quality of local environment; in England

- 7% of households report noise to be a serious problem and 9% of households report vandalism and hooliganism to be a serious problem;[163] and
- 10% of households report crime to be a serious problem in their area and 4% report neighbours to be a serious problem.[164]

Crime is not evenly distributed across the country. The British Crime Survey[165] records a higher risk of crime in the most deprived and urban areas:

- London has the highest rates of police recorded crime and the East of England the lowest; and
- 59% of robberies in England and Wales were recorded by just three police forces: the Metropolitan, Greater Manchester and the West Midlands.

Some of our poorest communities are typified by a combination of poor social and economic outcomes and poor quality living environment that interact and reinforce each other, effectively trapping people who are unable to move out and seek opportunities elsewhere. The result can be concentrations of deprivation which can persist for generations.

[157] Communities and Local Government (2010) English Housing Survey: Headline Report 2008/09

[158] Communities and Local Government (2010) English Housing Survey: Headline Report 2008/09

[159] Communities and Local Government. Statutory Homelessness Oct-Dec 2009, England

[160] Broadway (2009) Street to Home: Annual Report for London

[161] Broadway quarterly report to the London Mayor's Rough Sleeping Delivery Board, May 2010; CHAIN database. 400 to 800 range refers to number of people seen sleeping rough in 2009/10 that have been seen sleeping rough on multiple occasions for two or more consecutive years. These individuals may not be included in a one-off street count for many reasons e.g. temporarily out of area or in prison, and therefore CLG annual total street count figure is likely to produce a lower estimate of rough sleeping levels

[162] For example, 23% of care homes for older people were rated as adequate or poor by the Care Quality Commission in the year to March 2009, Care Quality Commission (2009), The quality and capacity of adult social care services

[163] Communities and Local Government (2009) Survey of English Housing, 2007/08

[164] Communities and Local Government (2009) Survey of English Housing, 2006/07

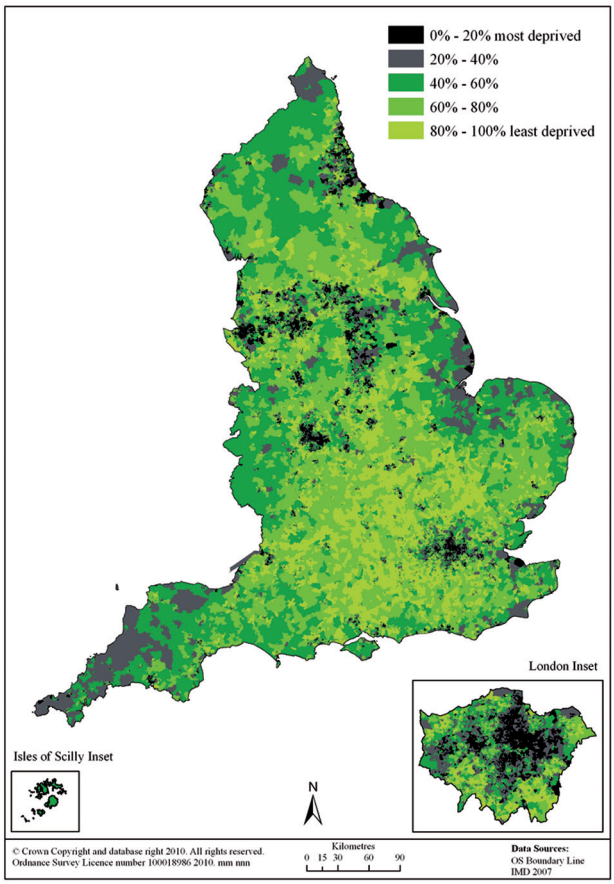
[165] Home Office (2009) Crime in England and Wales 2008/09. Volume 1 Findings from the British Crime Survey and police recorded crime

Concentrations of disadvantage in communities

Deprived areas are identified using the Index of Multiple Deprivation, which is a summary measure of area disadvantage based on indicators of employment, income, crime, health, education, housing and environment. This shows that disadvantage is consistently concentrated in a number of neighbourhoods, many clustered in urban areas (Figure 5.6). In particular:

- 50% of all children living in families reliant entirely on benefits and 42% of people out of work for mental health reasons live in the 20% most deprived neighbourhoods;
- 27% of lone parents out of work are found in the 10% most deprived neighbourhoods; and
- there is a correlation between individuals with multiple disadvantages and deprived areas. Around two out of five people who experience five or more disadvantages are concentrated in the 10% most deprived neighbourhoods.[166] The greater the number of disadvantages, the more likely individuals are to be concentrated in the most deprived areas.

Figure 5.6: English Index of Multiple Deprivation 2007



[166] Based on selected disadvantage indicators using the Annual Population Survey, and Index of Multiple Deprivation 2007 (LSOA level).

Chapter 6: Multiple disadvantage

In 2010, multiple disadvantage remains a significant problem in the UK with 5.3 million people suffering and 3.7 million doing so persistently.

This chapter explores the nature and extent of multiple disadvantage in the UK.[167] It is often the interaction of the problems explored in previous chapters that can lead to entrenched, deep-seated disadvantage that can cut people off from opportunities to participate in the normal activities of society and lead to a lifetime of dependency and wasted potential. For example, the experience of a serious mental health problem can prevent someone from getting a job, while an ex-offender with no qualifications might also have problems with drugs and alcohol. Multiple disadvantage also costs the state: it is estimated that a family with five or more disadvantages costs public services between £55,000 and £115,000 per year as a result of its use of multiple services.[168]

This chapter:

- summarises evidence on the prevalence of multiple disadvantage and trends over time;
- examines the persistence of multiple disadvantage; and
- identifies groups most at risk of multiple disadvantage, including intergenerational disadvantage.

It illustrates that there has been little progress in reducing the numbers of people who suffer the most multiple disadvantage. Over 60% of the indicators in one of the main annual reports of poverty and disadvantage show either no progress or a trend in the wrong direction in the past five years,[169] while over 5 million people (11%) suffer from multiple disadvantages and 3.7 million do so persistently.[170]

[167] Multiple disadvantage refers to individuals or families who experience two or more disadvantages, such as low income, poor health and no qualifications.

[168] HM Treasury. (2007) Aiming High for Children: Supporting Families.

[169] MacInnes, Kenway & Parekh (2009). Monitoring poverty and social exclusion 2009. Joseph Rowntree Foundation and New Policy Institute.

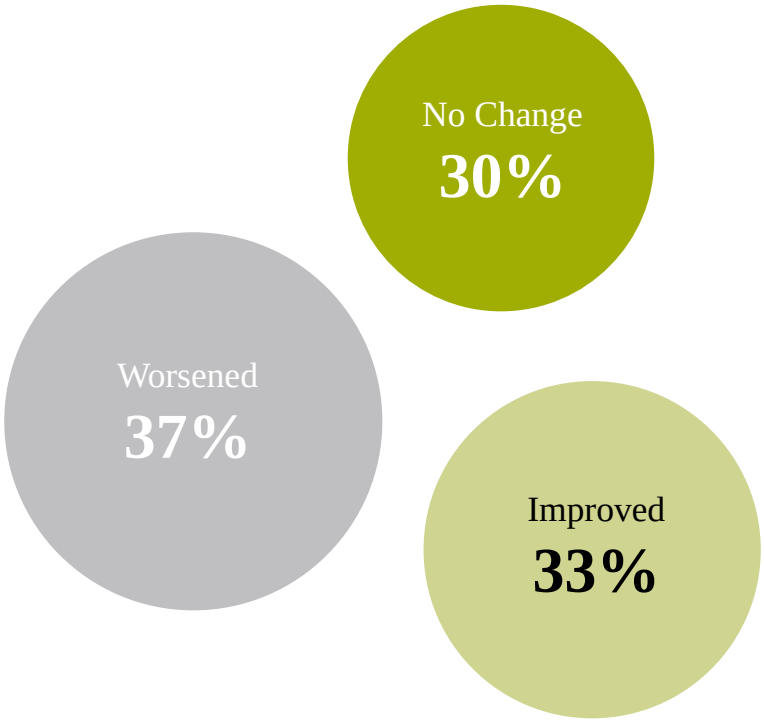
[170] Analysis by Strategy Unit and Social Exclusion Task Force.

Prevalence of multiple disadvantage and trends over time

Although in some areas there has been a reduction in disadvantage over the past 10–15 years, in recent times progress has slowed or stopped, and in other areas trends have moved in the wrong direction. The *Opportunity for All* report suggests that around 40% of indicators have not moved in a positive direction in recent years.[171] The *Monitoring Poverty and Social Exclusion 2009* report suggests even lower levels of progress, with over 60% of indicators not moving in a positive direction in the past five years (Figure 6.1),[172] including (as set out in earlier chapters):

- people on very low incomes;
- income inequality;
- children in low-income working families;
- young adult unemployment; and
- 16–19-year-olds not in education, employment or training.

Figure 6.1: Over 60% of indicators of disadvantage have shown either no progress or a deterioration in the past five years



Source: Derived from Monitoring poverty and social exclusion 2009, Joseph Rowntree Foundation and New Policy Institute

[171] Department for Work and Pensions (2007). Opportunity for All: Indicators update 2007.

[172] MacInnes, Kenway & Parekh (2009). Monitoring poverty and social exclusion 2009. Joseph Rowntree Foundation and New Policy Institute.

New analysis from household survey data confirms the prevalence of multiple disadvantage in the UK.[173]

- On a wide definition of disadvantage, 5.3 million people (11% of all adults) are disadvantaged at any one time in three or more of six areas (education, health, employment, income, social support, housing and local environment). [174]
- On a tighter definition, 1.2 million people (2.5% of all adults) are disadvantaged at any one time in three of these six areas.[175]

Persistence of multiple disadvantage

It is clear that a sizeable proportion of those suffering multiple disadvantage do so over time. Recent estimates show that:[176]

- on a wide definition, 3.7 million people (7.7% of the population) are disadvantaged in three or more of six areas (education, health, employment, income, social support, housing and local environment) for five or more years out of 10;
- on a tighter definition, flows in and out of severe deprivation are limited: 800,000 (1.7%) are disadvantaged in three of these six areas for five or more years out of 10 on a tighter definition; and
- only 14% of the most multiply disadvantaged families are likely to be described as 'not disadvantaged' a year later.[177]

Those at risk of multiple disadvantage

Those most at risk of multiple disadvantage in key life stages are:

- families with children with some or all of the following characteristics: lone parents, those living in social housing or rented accommodation, those living in large families (i.e. those with three or more children), those who have a young mother, those who have a black mother, and those who live in urban and the most deprived areas. Families with these characteristics, as well as those in which one or both partners has a physical disability, limiting illness or mental health problem, are also most at risk of persistent multiple disadvantage;[178]
- young people aged 16–24 with some or all of the following characteristics: females, those living independently with their own children, those living with a lone parent, social and private renters, and those living in more deprived areas;[179]
- working-age people without dependent children with some or all of the following characteristics: women, older working-age people, those from manual occupational groups, home-makers, early retirees, sick and disabled people, those who never married, and those living in single-person households;[180] and

[173] Analysis by Strategy Unit and Social Exclusion Task Force using BHPS 2007 data.

[174] The wide definition of multiple disadvantage uses the following indicators: either live in a workless household or are unemployed; are either in income poverty or material disadvantage or financial stress; lack social support; either have poor physical or mental health; either live in poor housing or a poor living environment; have low qualifications.

[175] The tighter definition of multiple disadvantage uses the following indicators: live in a workless household; are in income poverty and experience material disadvantage; lack social support; are disabled; live in poor housing and a poor living environment; have no qualifications.

[176] Analysis by Strategy Unit and Social Exclusion Task Force, using BHPS 2007 data.

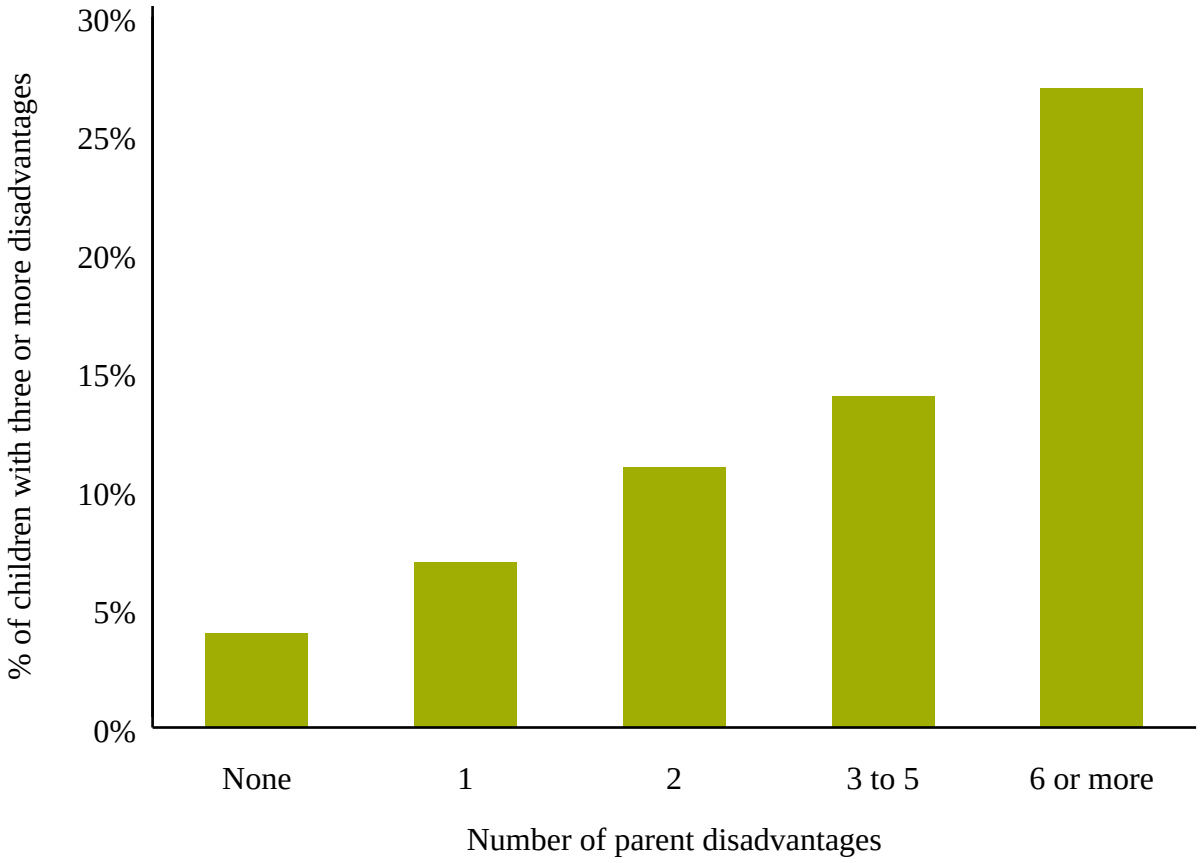
[177] Oroyemi, Damioli, Barnes & Crosier (2009). Understanding the risks of social exclusion across the life course: Families with Children. Social Exclusion Task Force, Cabinet Office. Analysis by Strategy Unit and Social Exclusion Task Force.

[178] Ibid

[179] Cusworth, Bradshaw, Coles, Keung & Chzhen (2009). Understanding the risks of social exclusion across the life course: Youth and young adulthood. University of York.

[180] Fahmy, Levitas, Gordon & Patsios (2009). Understanding the risks of social exclusion across the life course: Working age adults without dependent children. University of Bristol.

Figure 6.2: Children from multiply disadvantaged families are much more likely to be multiply disadvantaged themselves than those from families with no disadvantages



Source: Understanding the risks of social exclusion across the life course: Families with Children. Social Exclusion Task Force, Cabinet Office, 2009

- older people aged 60 and over with some or all of the following characteristics: those aged 80 years and over, those who live alone and those who have poor access to services.[181]

There are also a number of groups who are generally not represented in household surveys but who are significantly more likely to experience multiple disadvantages. These groups can be particularly vulnerable and include the following, some of whom may lead chaotic lifestyles:

- those with serious and enduring mental health problems;
- those with learning disabilities;
- those with physical disabilities or limiting illnesses;
- the homeless;
- those with drug and alcohol problems;
- offenders and ex-offenders; and
- children in care and care leavers.

[181] Becker & Boreham (2009). Understanding the risks of social exclusion across the life course: Older age. National Centre for Social Research.

Intergenerational disadvantage

Those at heightened risk of multiple disadvantage also include children who grow up in households where one or both parents experience disadvantage themselves. This is often referred to as the intergenerational transmission of disadvantage, whereby disadvantage is passed from one generation to the next, potentially leading to a damaging cycle of disadvantage. As Figure 6.2 makes clear, just over a quarter (27%) of children from families experiencing six or more parent-related disadvantages also have three or more disadvantages themselves, compared with only 4% from families with no parent-related disadvantages.[182]

[182] Oroyemi, Damioli, Barnes & Crosier (2009). Understanding the risks of social exclusion across the life course: Families with Children. Social Exclusion Task Force, Cabinet Office.

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