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Poverty

David Phillips, IFS

May 13th, 2011

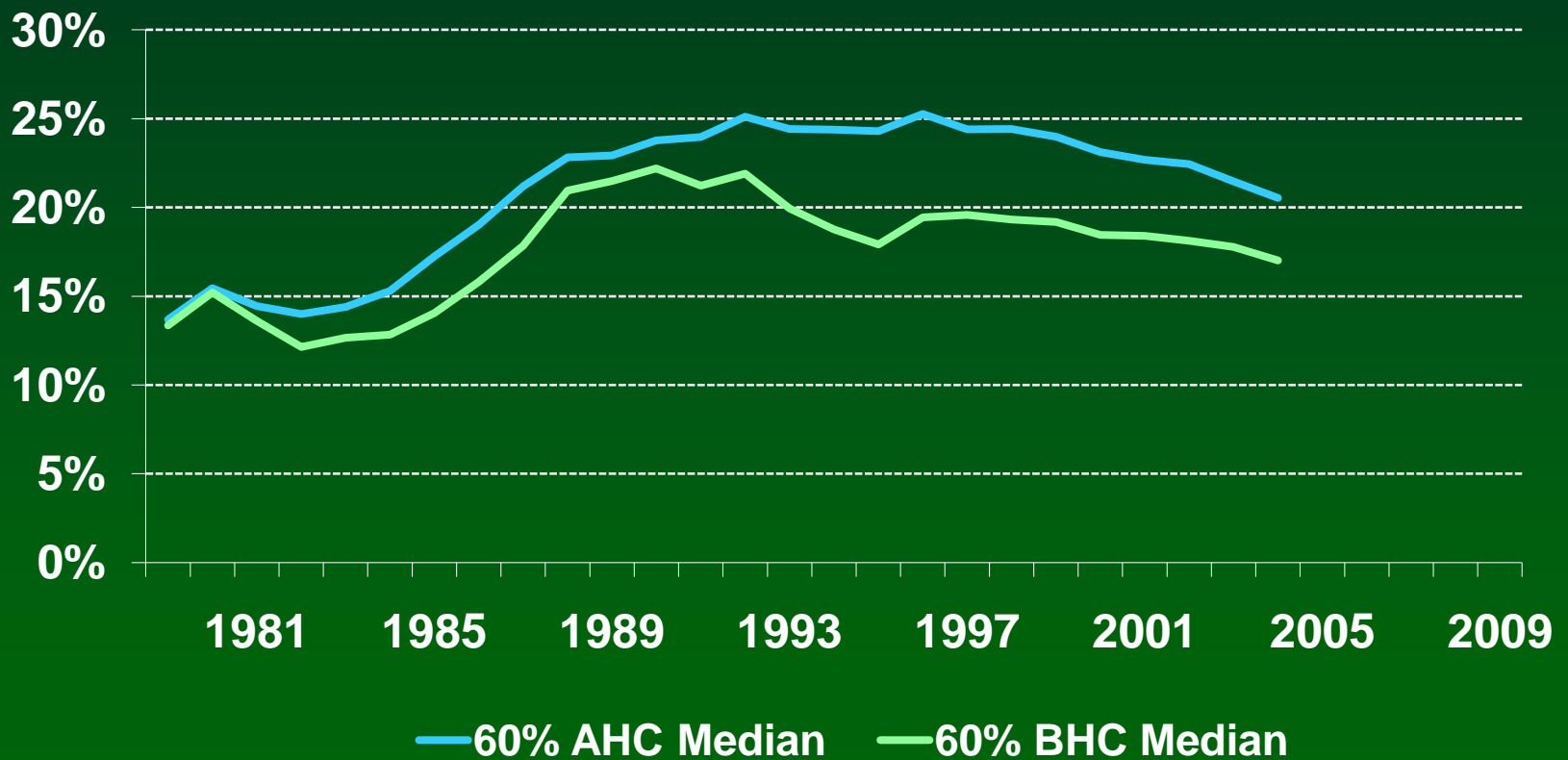
Poverty: what's coming up

- Relative poverty fell significantly under Labour
 - Fell for pensioners and children
 - Rose for working age adults without children
 - Progress stalled in Labour's third and final term
- In 2009-10 poverty measured BHC fell by 500,000
 - 200,000 for each of pensioners and children (BHC)
 - 100,000 for working-age parents (BHC)
 - Unchanged for working-age non-parents (BHC)
- Unchanged measured AHC

Defining poverty for HBAI

- Focus on rates rather than numbers
- Relative notion of poverty
 - Individuals in households below 60% of the contemporary BHC and AHC median
- No account of depth of poverty

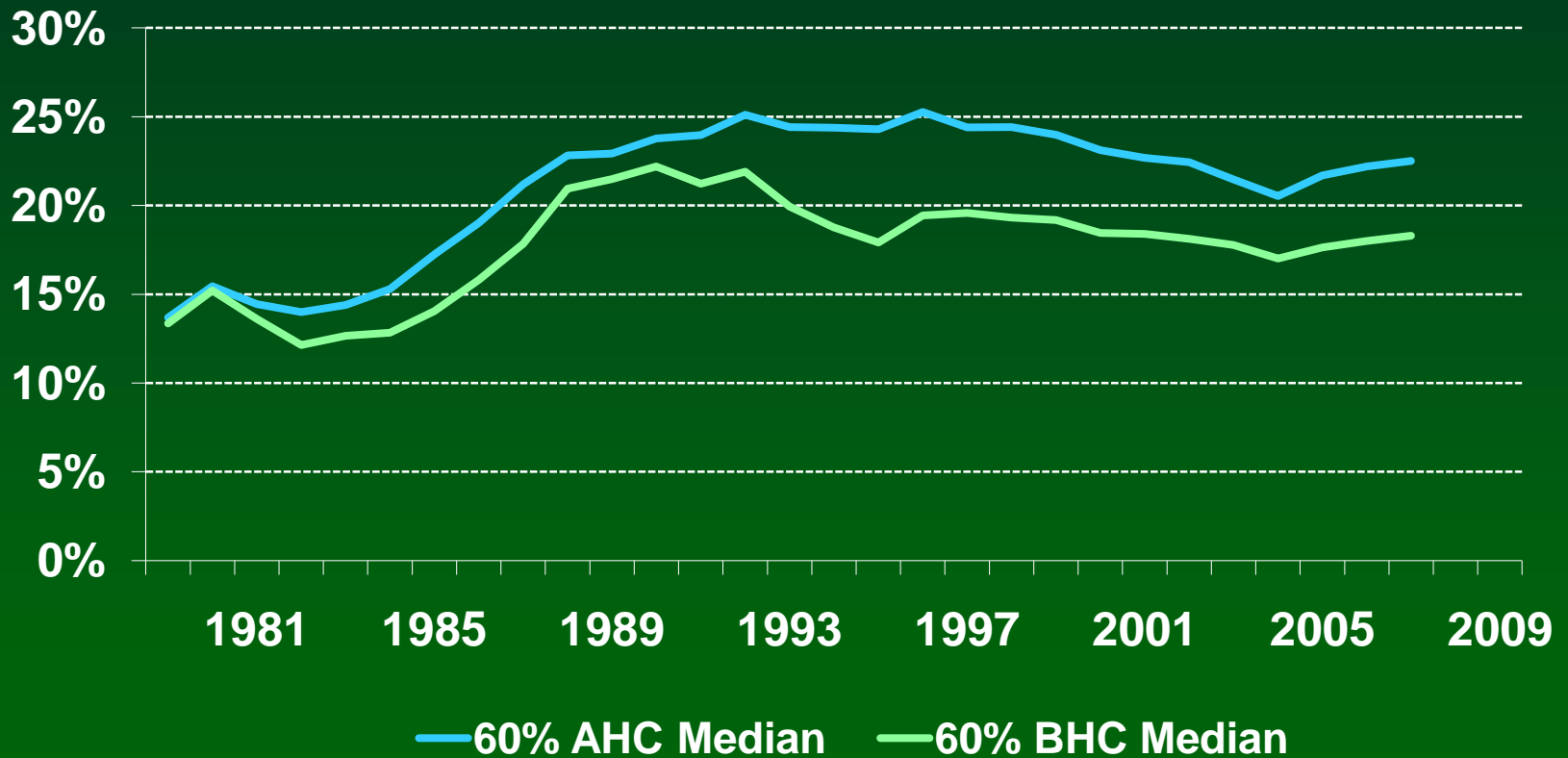
Poverty fell in Labour's first two terms...



Source: HBAI Data (FES and FRS)



... rose between 2004/5 and 2007/8 ...

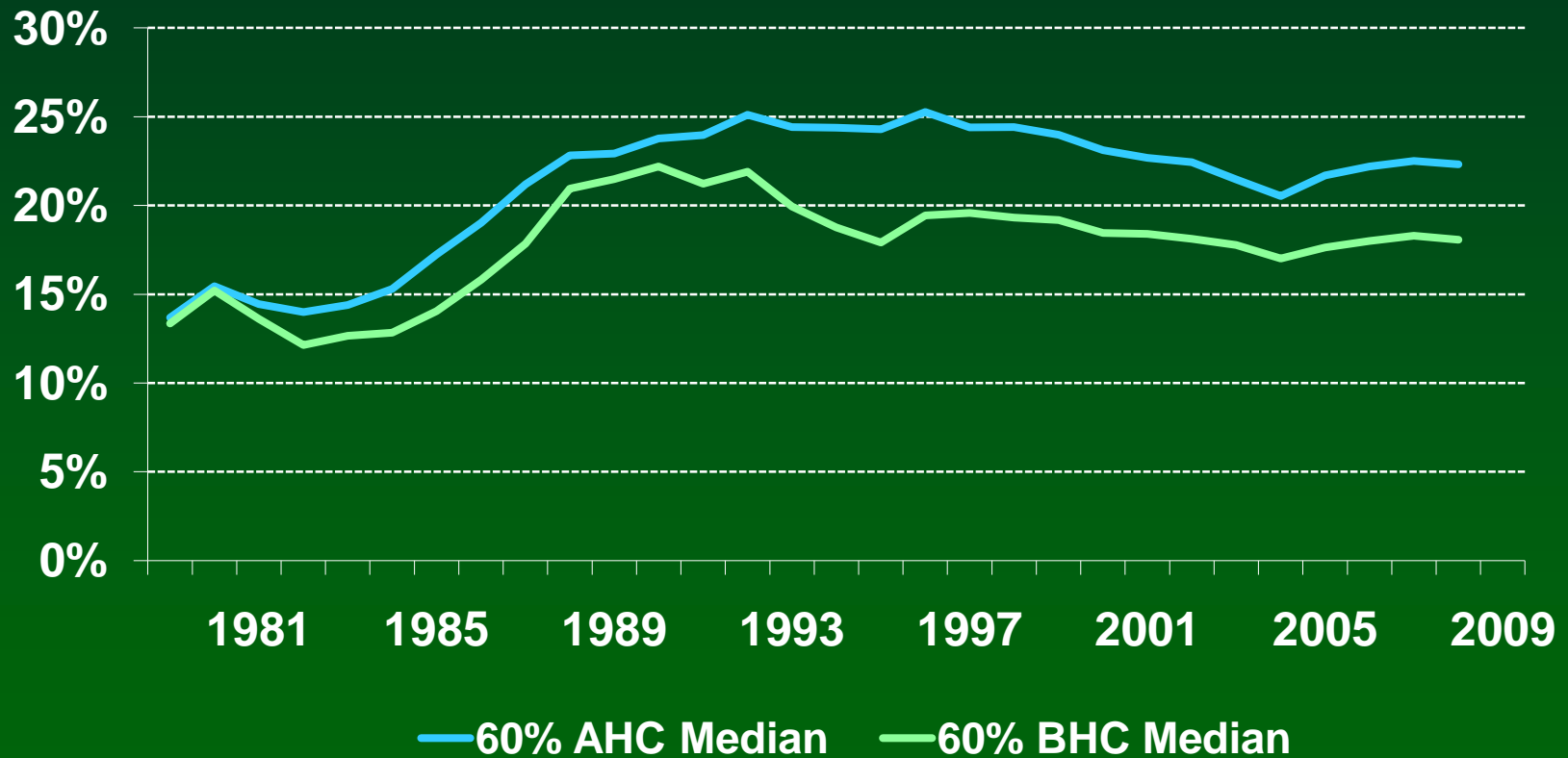


Source: HBAI Data (FES and FRS)



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... it fell a bit in 2008/9...

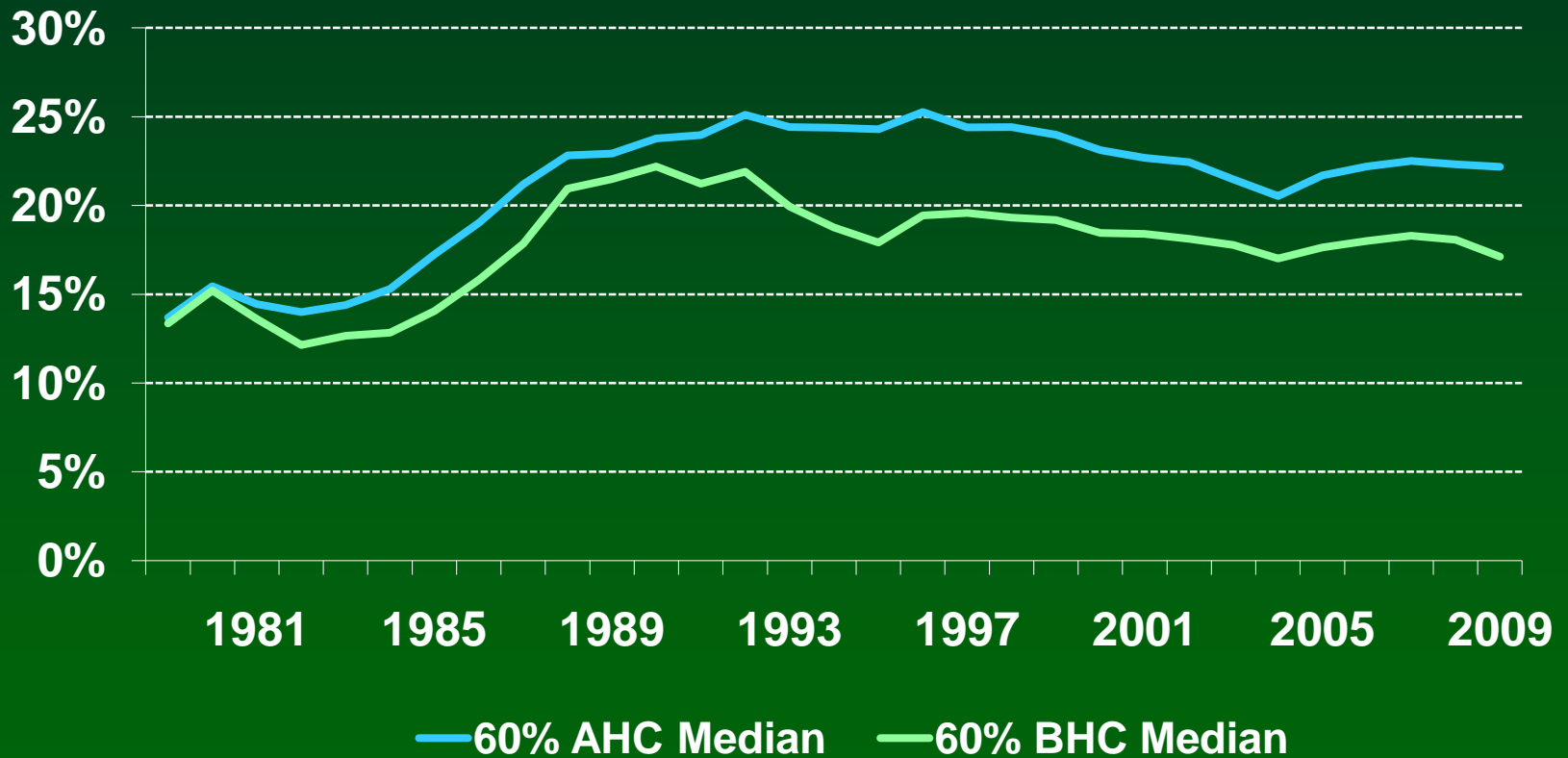


Source: HBAI Data (FES and FRS)



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... and fell again in 2009-10



Source: HBAI Data (FES and FRS)



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What about different poverty thresholds?

	70% of BHC Median	60% of BHC Median	50% of BHC Median	40% of BHC Median
1996-97 Rate	28.1	19.4	10.6	4.3

Source: HBAI Data (FRS)



What about different poverty thresholds?

	70% of BHC Median	60% of BHC Median	50% of BHC Median	40% of BHC Median
1996-97 Rate	28.1	19.4	10.6	4.3
Change	-2.7	-2.3	-0.8	+1.0
2009-10 Rate	25.4	17.1	9.8	5.4

Source: HBAI Data (FRS)



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What about different poverty thresholds?

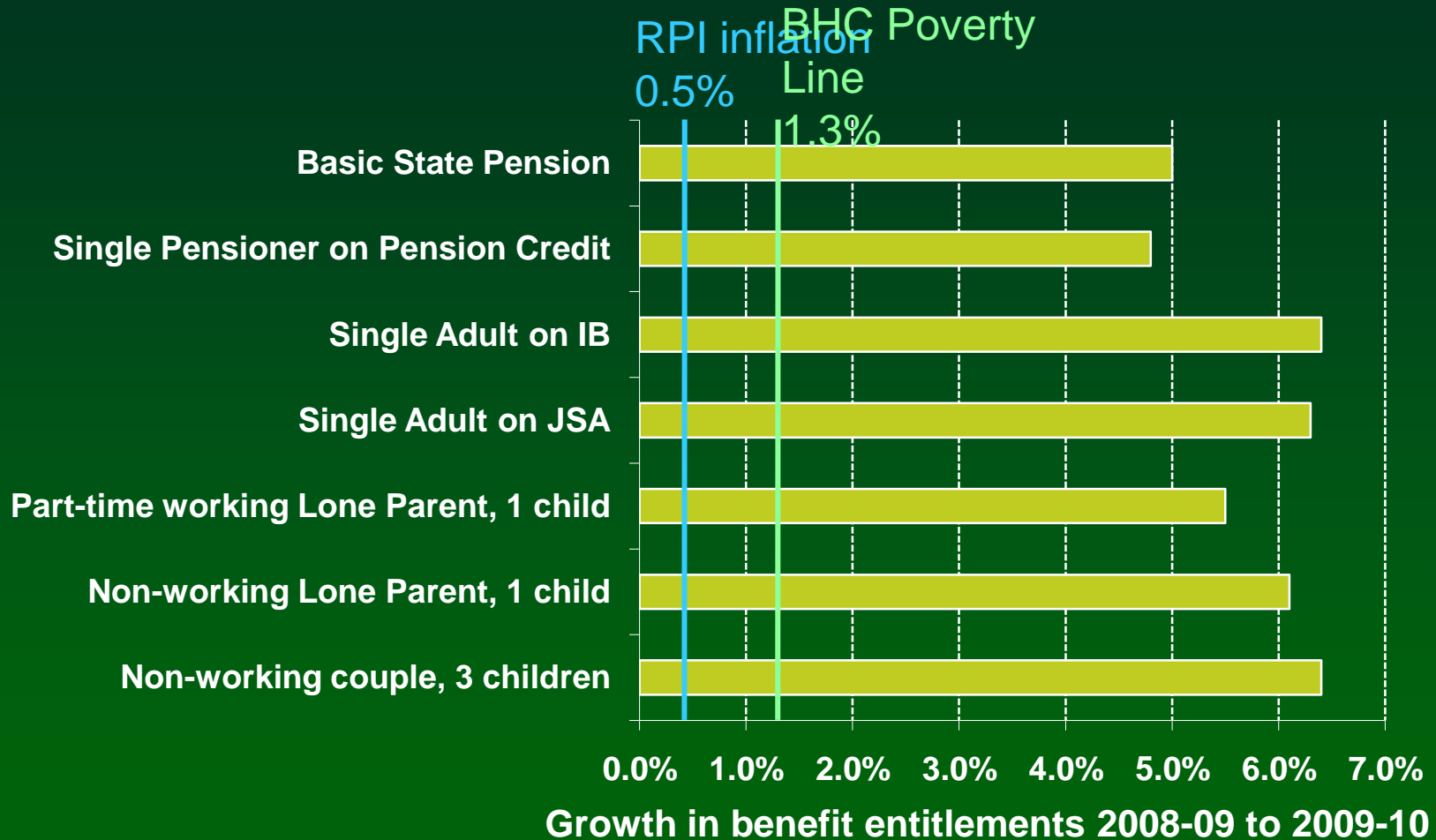
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1996-97 Rate	28.1	19.4	10.6	4.3
Change	-2.7	-2.3	-0.8	+1.0
<i>Of which</i>				
Third Term	(-0.5)	+(0.1)	(+0.2)	(+0.5)
2009-10 Rate	25.4	17.1	9.8	5.4

Source: HBAI Data (FRS)



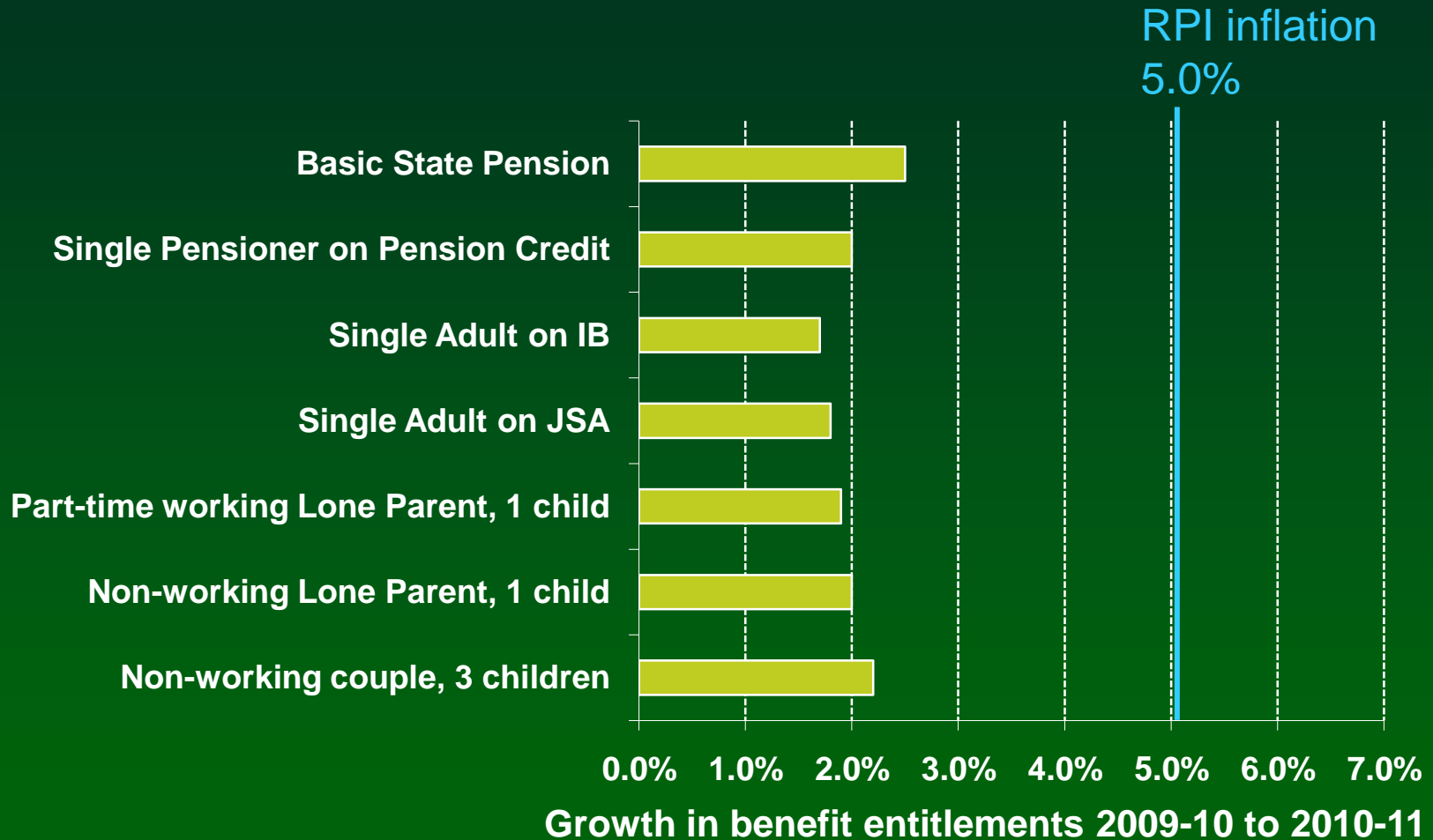
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Benefit rates increased strongly in 2009-10...



Source: HBAI data

But fell back relative to inflation in 2010-11



Source: HBAI data

Child Poverty

- Child poverty fell in 2009–10
 - By 200,000 to 2.6 million or 19.7% (BHC)
 - By 100,000 to 3.8 million or 29.1% (AHC)
 - Measured BHC it is lowest since 1985
- Reduced rate of poverty for lone parents, single earner and non-working couples
 - Increase in worklessness amongst couples acted to increase poverty

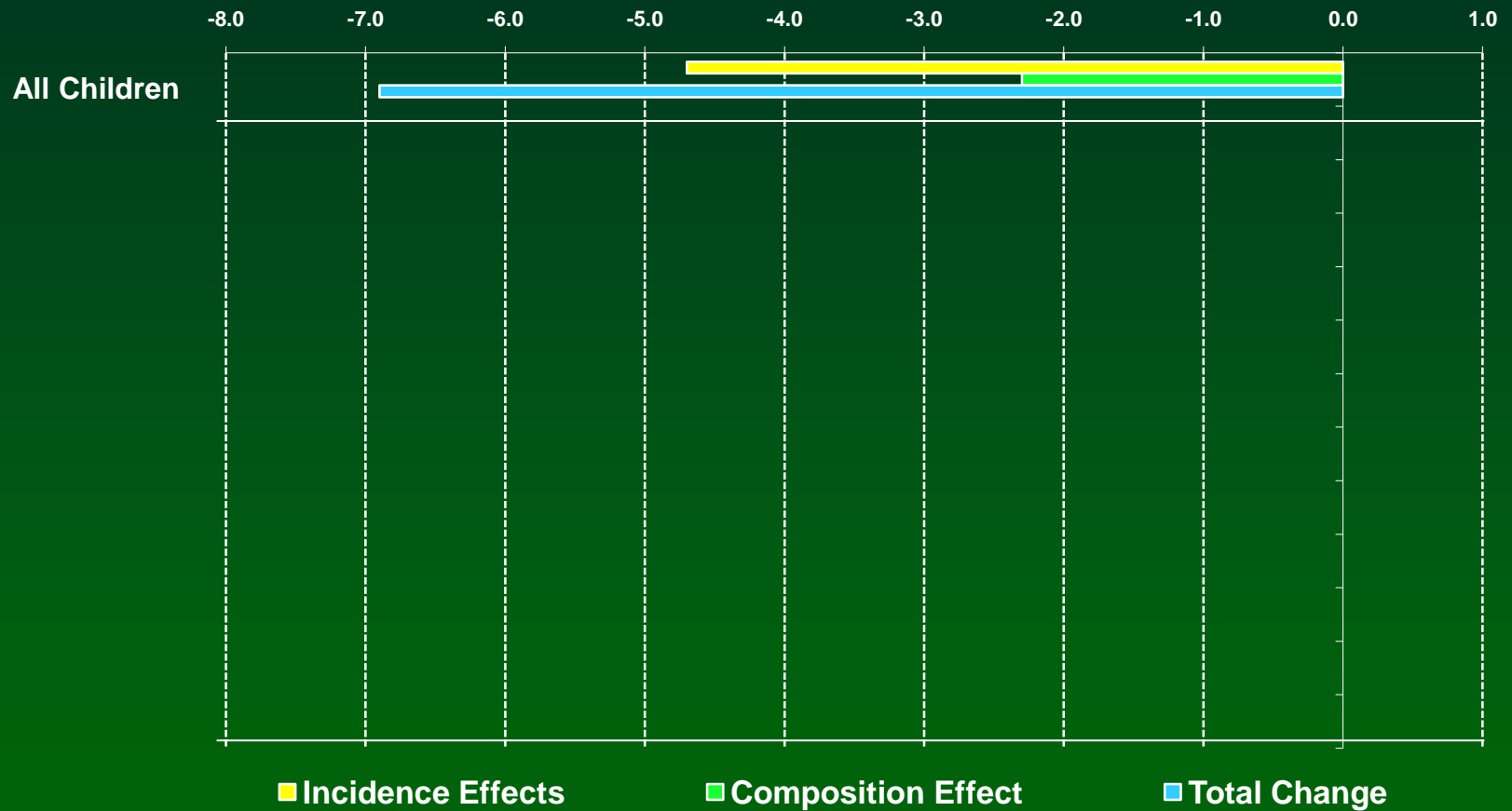
Falls in poverty rates not evenly spread

Group	Poverty Rate		Fraction of Child population	
	1996-97	2009-10	1996-97	2009-10
Lone parents				
Full time (f/t)	12%	9%	4%	6%
Part time (p/t)	29%	16%	4%	6%
Workless	64%	45%	14%	11%
Couples				
Self employed	22%	23.5%	13%	12%
Two f/t	1.5%	3%	13%	16%
One f/t, One p/t	4%	4%	23.5%	21%
One f/t	23%	19%	17%	17%
One or two p/t	61%	49.5%	3%	4.5%
Workless	72%	62%	9%	6%
ALL	27%	20%	100%	100%

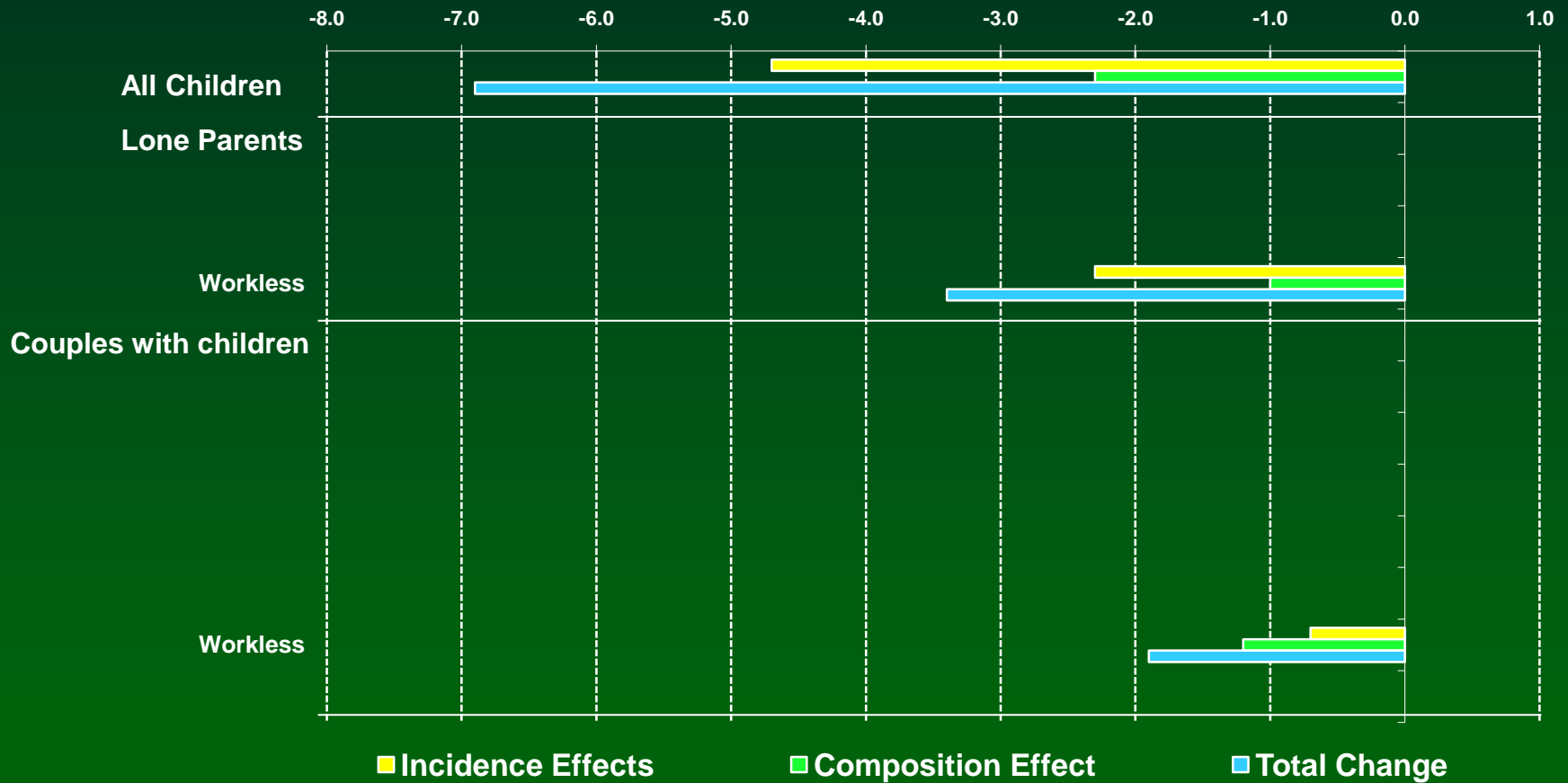
A decline in worklessness

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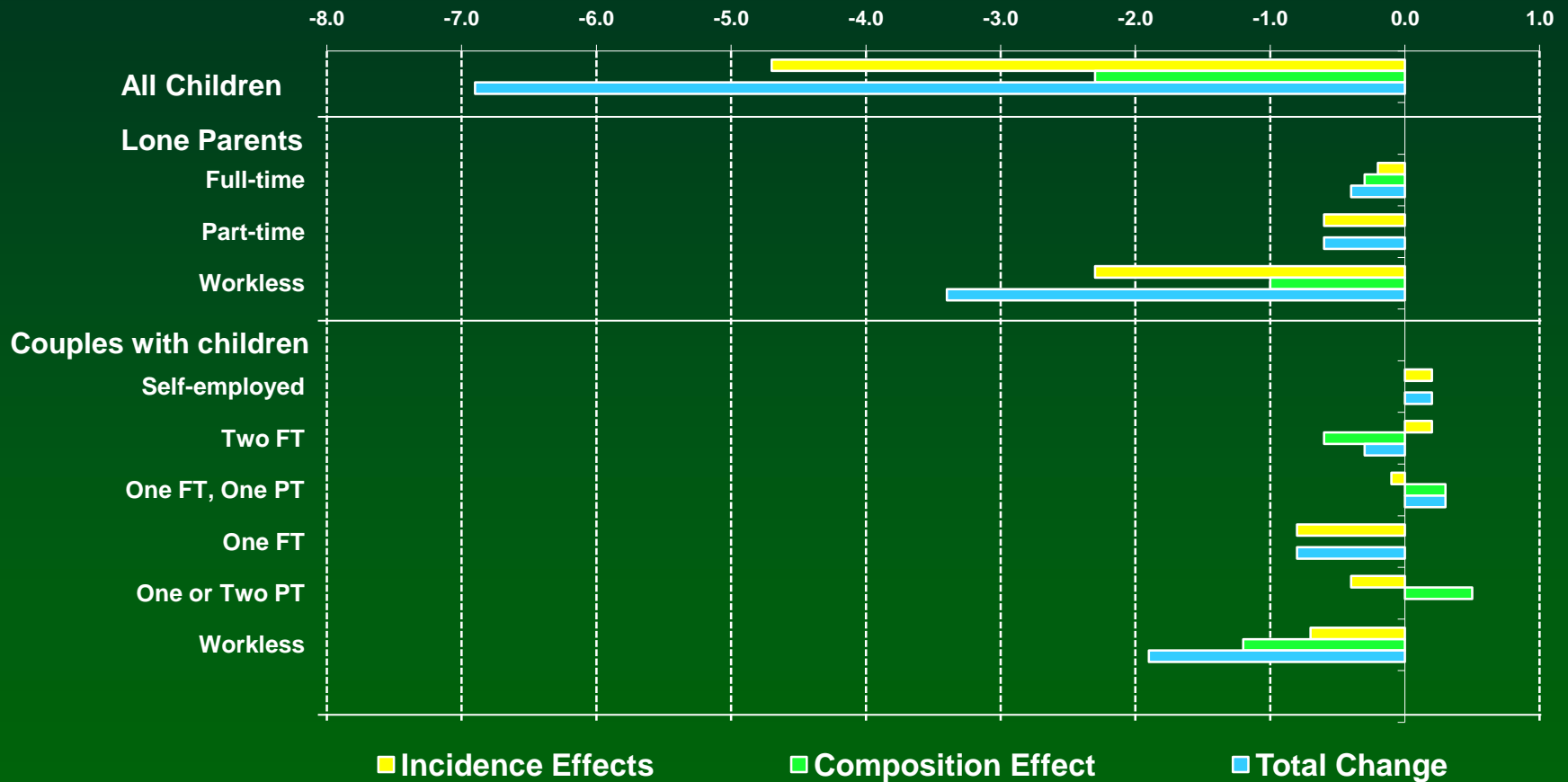
Contributions to the overall fall in child poverty



Contributions to the overall fall in child poverty



Contributions to the overall fall in child poverty



Child poverty to 2013-14

- Almost certain the last Government's 2010-11 target of 1.7 million or fewer in poverty will be missed
- IFS research suggests 2.6 million children in poverty in 2010-11 (Joyce (2011))
- Rising to 2.9 million by 2013-14
- Of this projected 300,000 increase in child poverty, 200,000 is due to reforms announced by the coalition Government

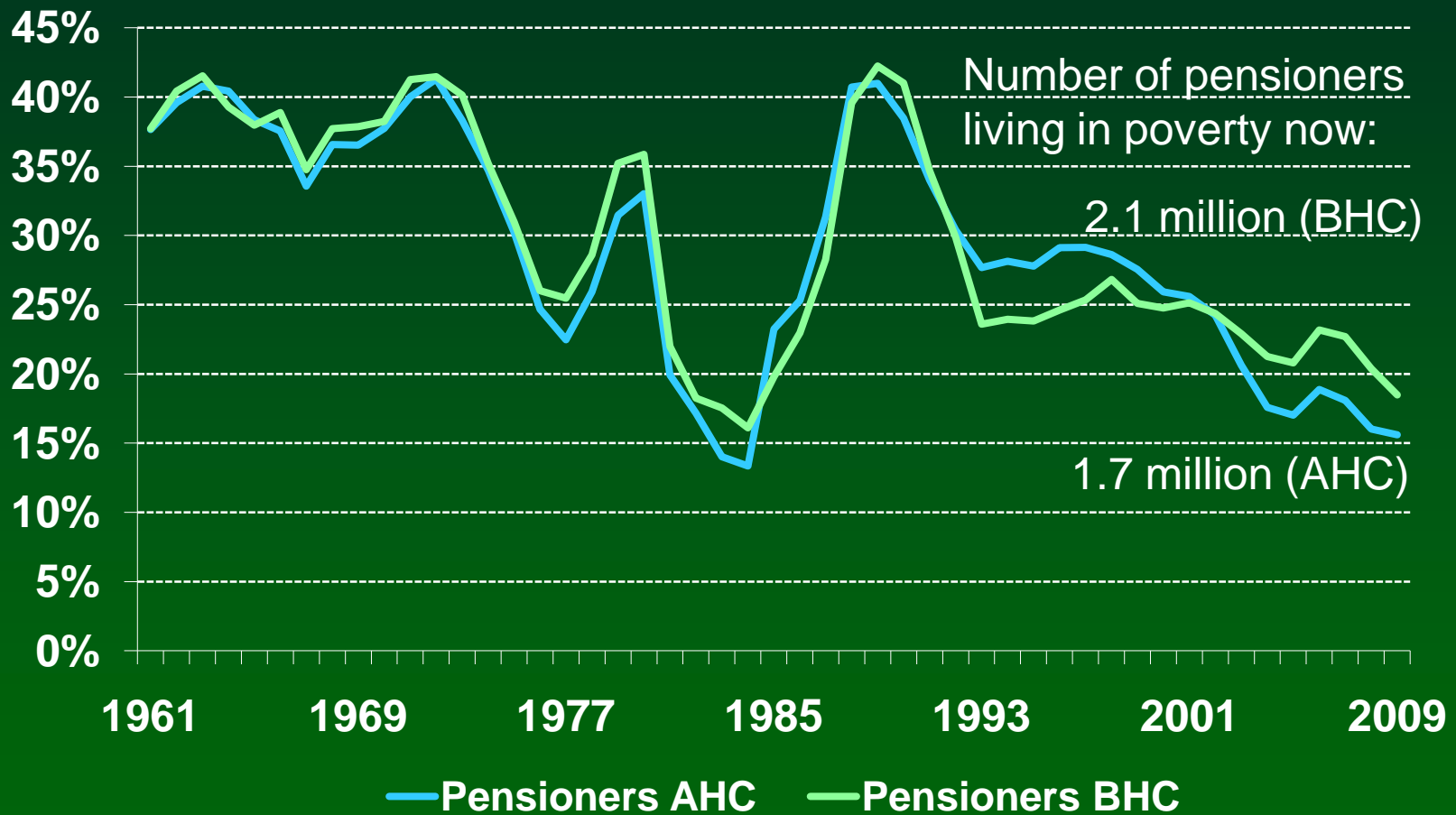
The Child Poverty Strategy (1)

- ‘Eradication’ of child poverty by 2020 is obligatory.
- Coalition government has published its first strategy on how it plans to meet this
 - Universal Credit (reduce relative child poverty by 350,000)
 - Work Programme, increased conditionality of benefits
 - Reducing family breakdown and supporting families with “multiple and interrelated problems”
 - Expansion of care part time childcare to 110,000 low income 2 year olds
 - Pupil Premium

The Child Poverty Strategy (2)

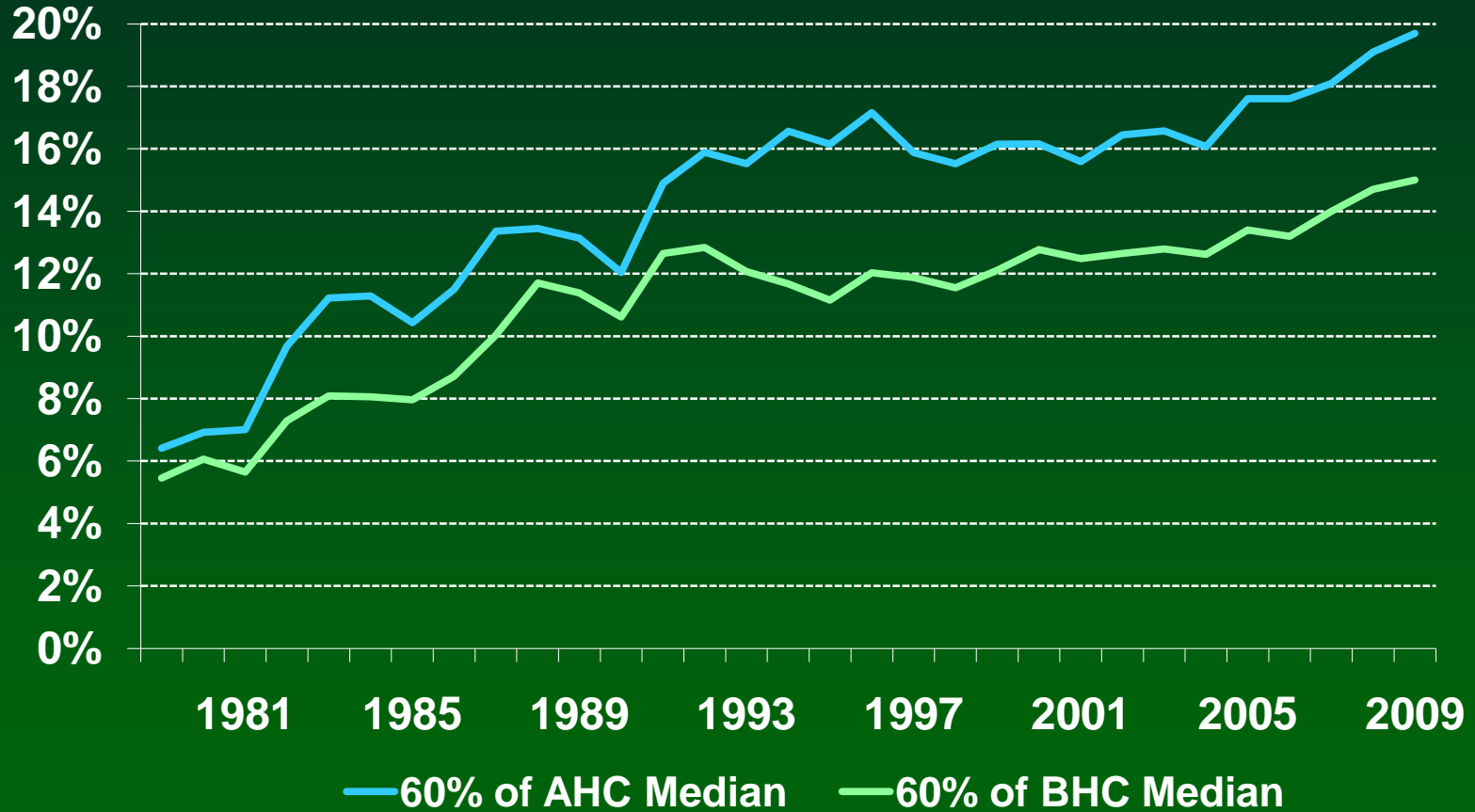
- New targets introduced
 - Material deprivation and very low income
 - Employment, educational inequalities, teen pregnancy, crime rates amongst children
- Are these as important as or supplementary to those in child poverty act?
- Many similarities with last Government's strategy
 - Identified similar issues and policy priorities
- Spending and welfare cuts make targets very challenging

Pensioner falls and is at its lowest level since 1984...



Source: HBAI Data (FES and FRS)

Working-age adults without dependent children



Source: HBAI Data (FES and FRS)



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Regional trends in poverty

- DWP publish regional poverty rates
- But do not account for differences in cost of living
- Here we make use of regional price indices constructed by ONS for 2004-05.
 - Unlikely that relative prices remained constant
 - But better than assuming same price level across country

Regional trends in poverty

Before adjusting for price differences:

- The rate of poverty is
 - Highest in West Midlands, Lowest in South East
 - London has only the 9th highest poverty rate
 - Fell most in Scotland, rose in West Midlands

After adjusting for price differences:

- The rate of poverty is
 - Highest in West Midlands, Lowest in South East
 - London has the 2nd highest poverty rate
 - Wales has 8th highest instead of 4th highest poverty rate



Regional trends in poverty by group

- Child poverty
 - Fell in every region or nation under the last Labour government, except in the West Midlands
- Pensioner poverty
 - Fell in every region or nation under the last Labour government
- Working-age non-parent poverty
 - Rose in every region of the country under the last Labour government

Poverty: summary

- Relative poverty fell for second year running on a BHC basis
 - Child and pensioner poverty lowest since mid 1980s
 - Poverty amongst working age adults without dependent children at historically high levels
- Poverty fell under Labour
 - Decline in first two terms stalled in third term
- 2010-11 may be a challenging year
 - Benefits rates fell in real terms