Press Release

Least well-off in society better identified by low spending than low income

Those with the lowest reported income are not those with the lowest spending or those living in the most severe forms of deprivation. This is one of the main results from research by IFS researchers Mike Brewer and Cormac O’Dea. These findings have important implications for the measurement of poverty because official government poverty measures in the UK are all based on income. Other measures of poverty can complement the standard income measure and give a better impression of which groups in society have the lowest living standards as well as whether poverty is rising or falling.

The relatively high expenditure at the bottom of the income distribution is being caused by two factors. The first is that incomes at the bottom of the distribution are sometimes mismeasured, with some individuals underreporting their income. Second, some individuals reporting low income have incomes that are only temporarily low and are able to use their assets or borrowing to maintain their expenditure at a high level for a short period of time. Ongoing work at the IFS aims to shed some light on the extent to which each of these two factors can explain the finding of relatively high expenditure at the bottom of the income distribution.

This research extends and builds on previous work undertaken at the IFS which has found that, across a wide variety of measures of living standards (including expenditure, housing conditions, assets and material deprivation), the lowest living standards are not found at the bottom of the income distribution. It was presented at a workshop at the Centre for Microdata Methods and Practice (cemmap) on the 11th March 2011 that explored the measurement of well-being and living standards. The workshop was sponsored by the ESRC National Centre for Research Methods (NCRM) and was attended by researchers from both inside and outside government in the UK and internationally.

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Notes to Editors:

1. The research was funded by the Economic and Social Research Council and extends and updates the results contained in a number of previous IFS publications. These include “The living standards of families with children reporting low incomes” written by Mike Brewer, Cormac O’Dea, Luke Sibieta and Gillian Paull in 2009 and funded by the Child Poverty Unit (http://www.ifs.org.uk/publications/4523) and “Household spending in Britain”, written by Mike Brewer, Alissa Goodman and Andrew Leicester in 2006 and funded by the Joseph Rowntree Foundation (http://www.ifs.org.uk/publications/3620)

2. For embargoed copies of the workshop paper please contact the IFS press office: 020 7291 4800 or 07730 667013

ESRC Economic and Social Research Council

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