

Poverty and low pay in the UK: the state of play and the big challenges ahead

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Poverty in the UK: past trends and future outlook

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Measuring poverty

Focus on material living standards

- Measured as annual net household income
- Equivalised to account for household size
- Consider income before/after housing costs deducted (BHC/AHC)

Relative poverty:

- Income less than 60% of contemporaneous median

Absolute poverty:

- Income less than 60% of 2010/11 median (adjusted for inflation)

Measuring poverty

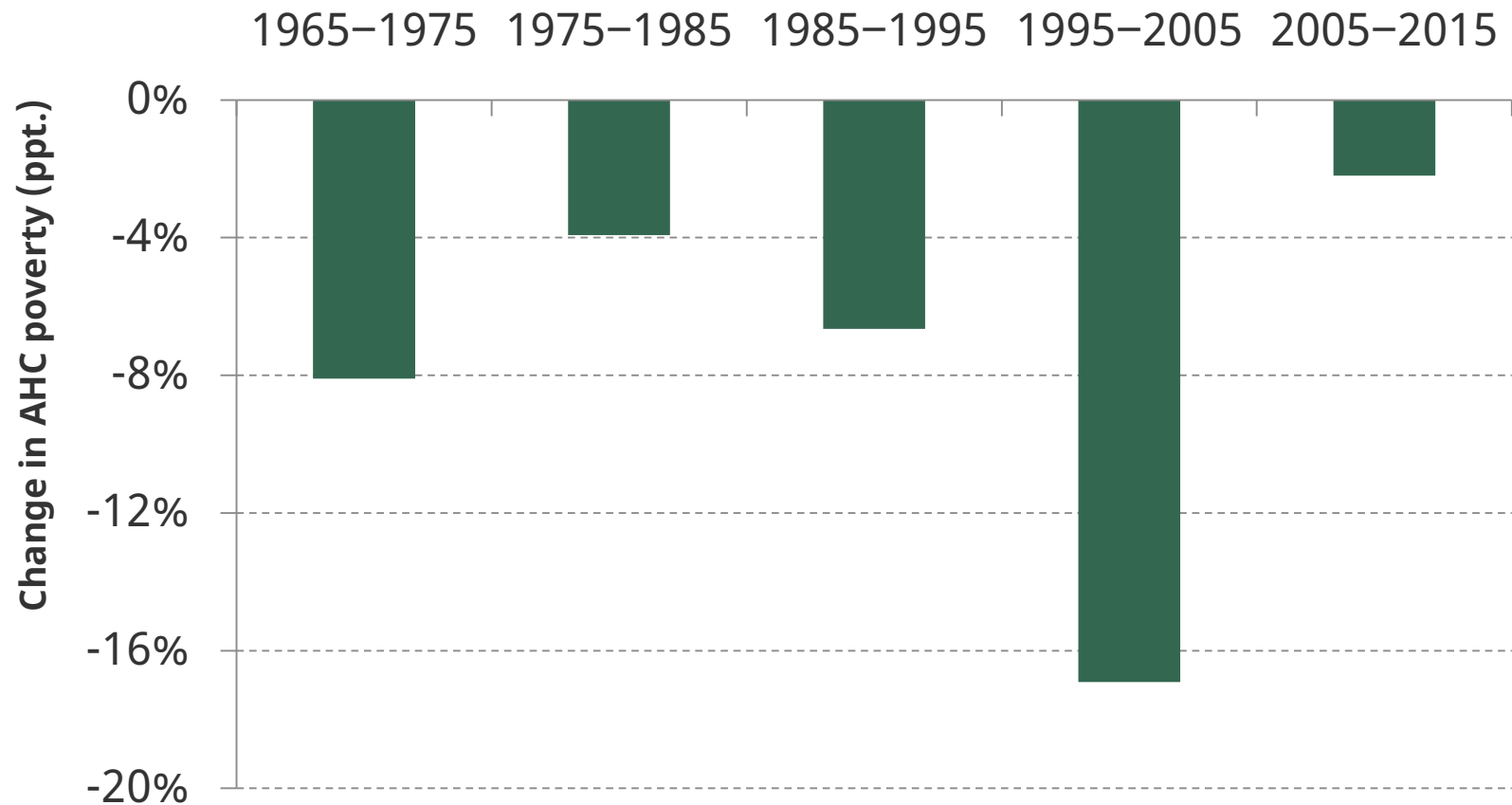
Incomes required to not be in absolute AHC poverty

	Single		Couple	
	no children	2 children	no children	2 children
Household net income (AHC)	£7,250	£12,250	£12,500	£17,490
Household gross earnings	£14,700	£1,900	£20,700	£9,400
...e.g. if paid NLW would have to work	38 hrs p.w.	5 hrs p.w.	head: 35 hrs p.w. spouse: 20 hrs p.w.	head: 25 hrs p.w.

Note: Assumes full take-up of means-tested benefits and tax credits. Children are assumed to be aged less than 14. All example households are assumed to be private renters in Greater Manchester with rent equal to the median rent of their household type among renters in the bottom half of the AHC income distribution. All amounts calculated under the April 2016 policy system and expressed in 2016/17 prices.

Source: Author's calculations using the Family Resources Survey, various years, and the IFS micro-simulation model

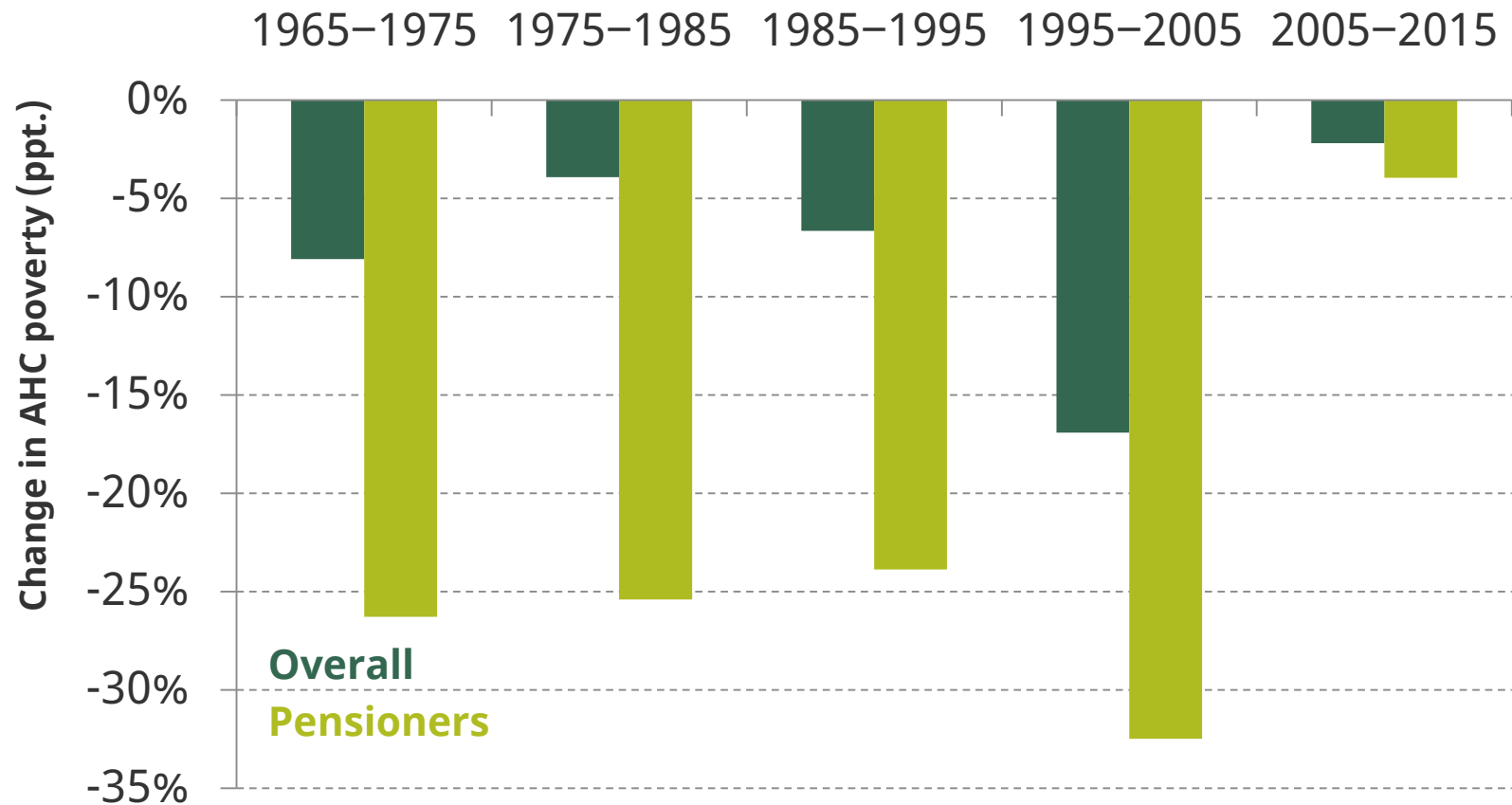
Poverty in the Britain over the last 50 years



Note: Years refer to calendar years up to and including 1992 and to financial years from 1993-94 onwards. Figures are presented for GB up until 2001-02 and for the whole of the UK from 2002-03 onwards. The absolute poverty line is defined as 60% of median income in the middle year of each 10-year period.

Source: Figure 4.2 of Cribb et al. (2017)

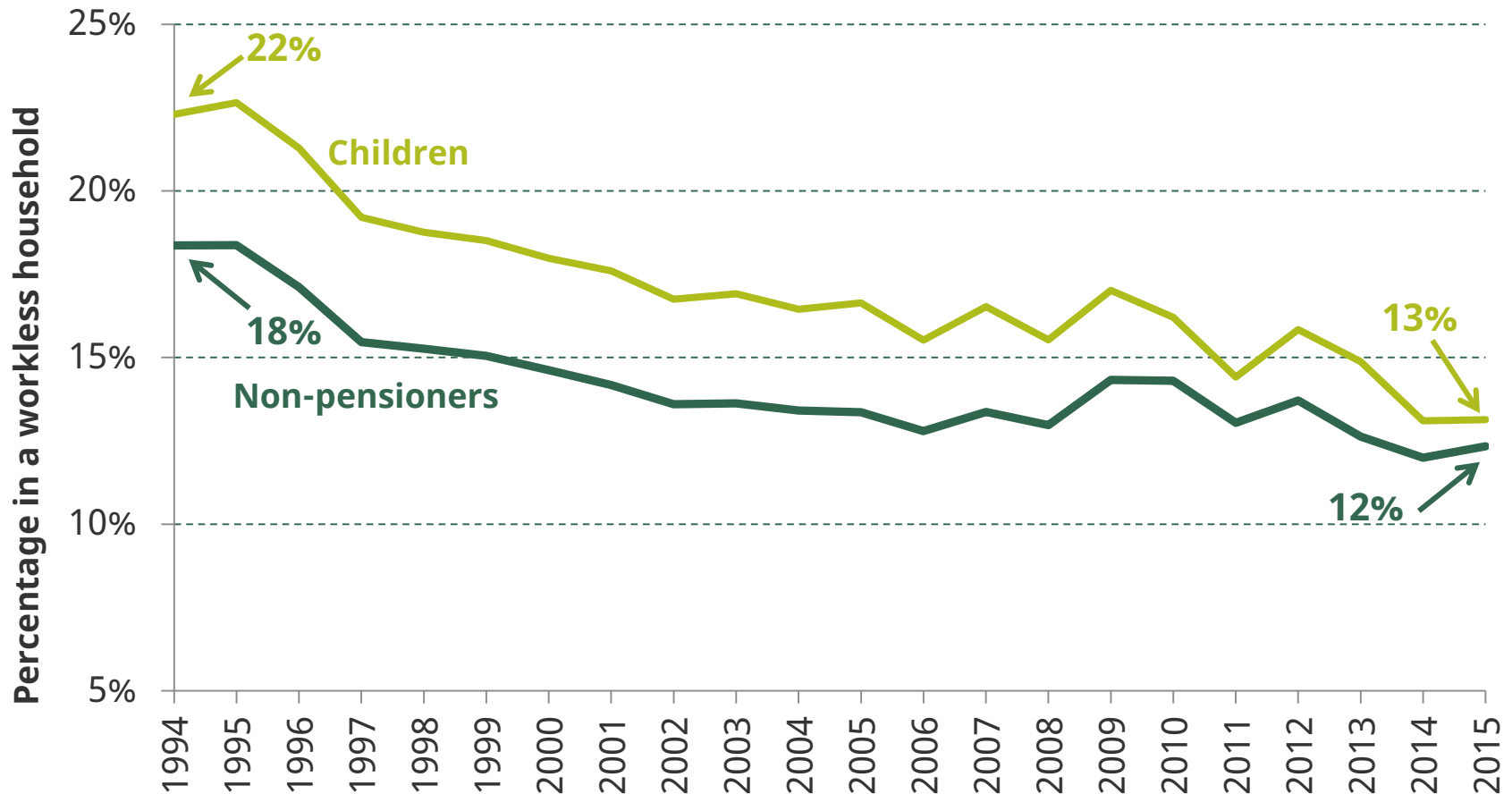
1. Falls in poverty greatest among pensioners



Note: Years refer to calendar years up to and including 1992 and to financial years from 1993-94 onwards. Figures are presented for GB up until 2001-02 and for the whole of the UK from 2002-03 onwards. The absolute poverty line is defined as 60% of median income in the middle year of each 10-year period.

Source: Figure 4.2 of Cribb et al. (2017)

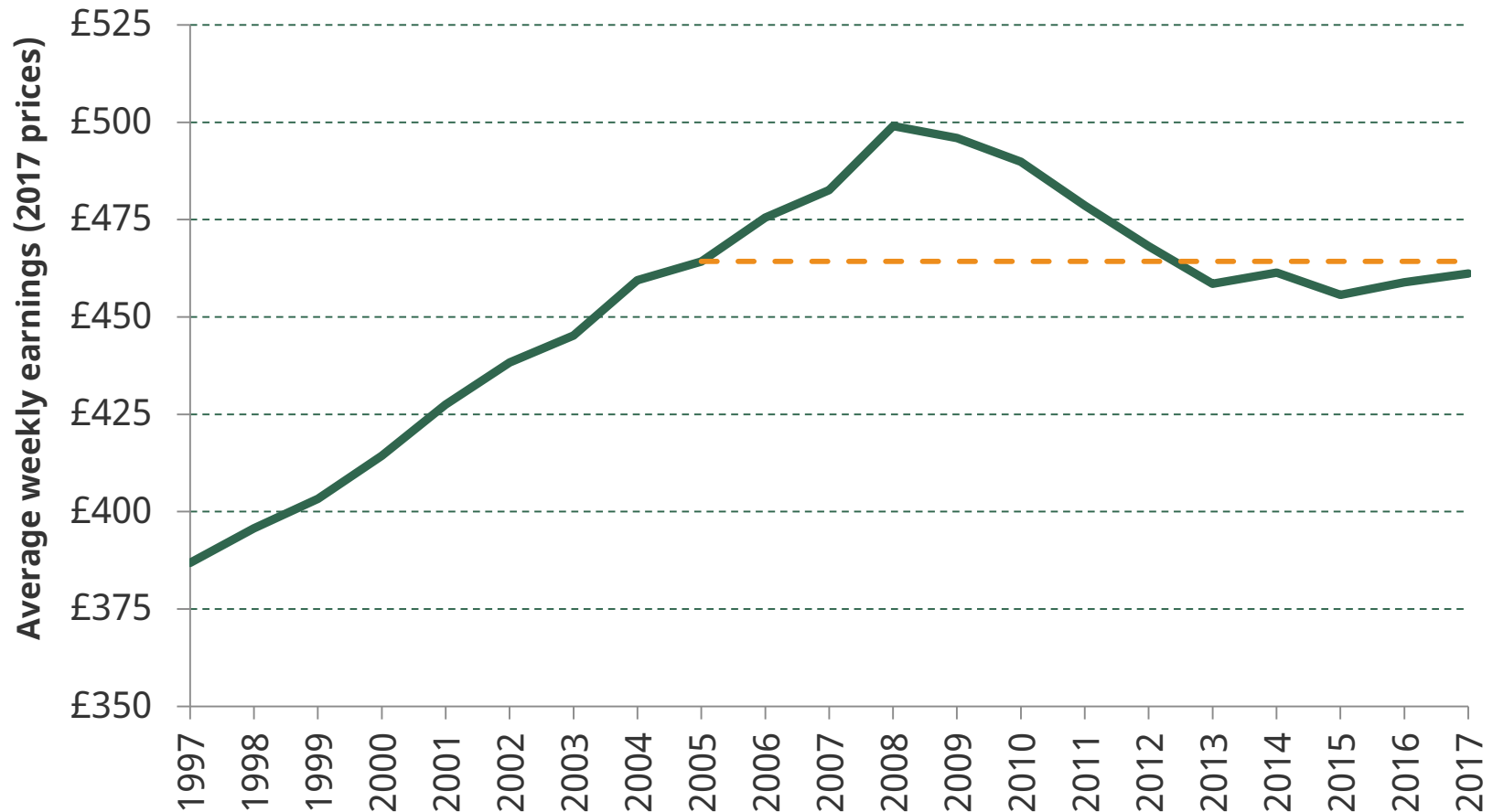
2. Considerable falls in household worklessness



Note: Years refer to financial years.

Source: Authors' calculations using the Family Resources Survey, various years.

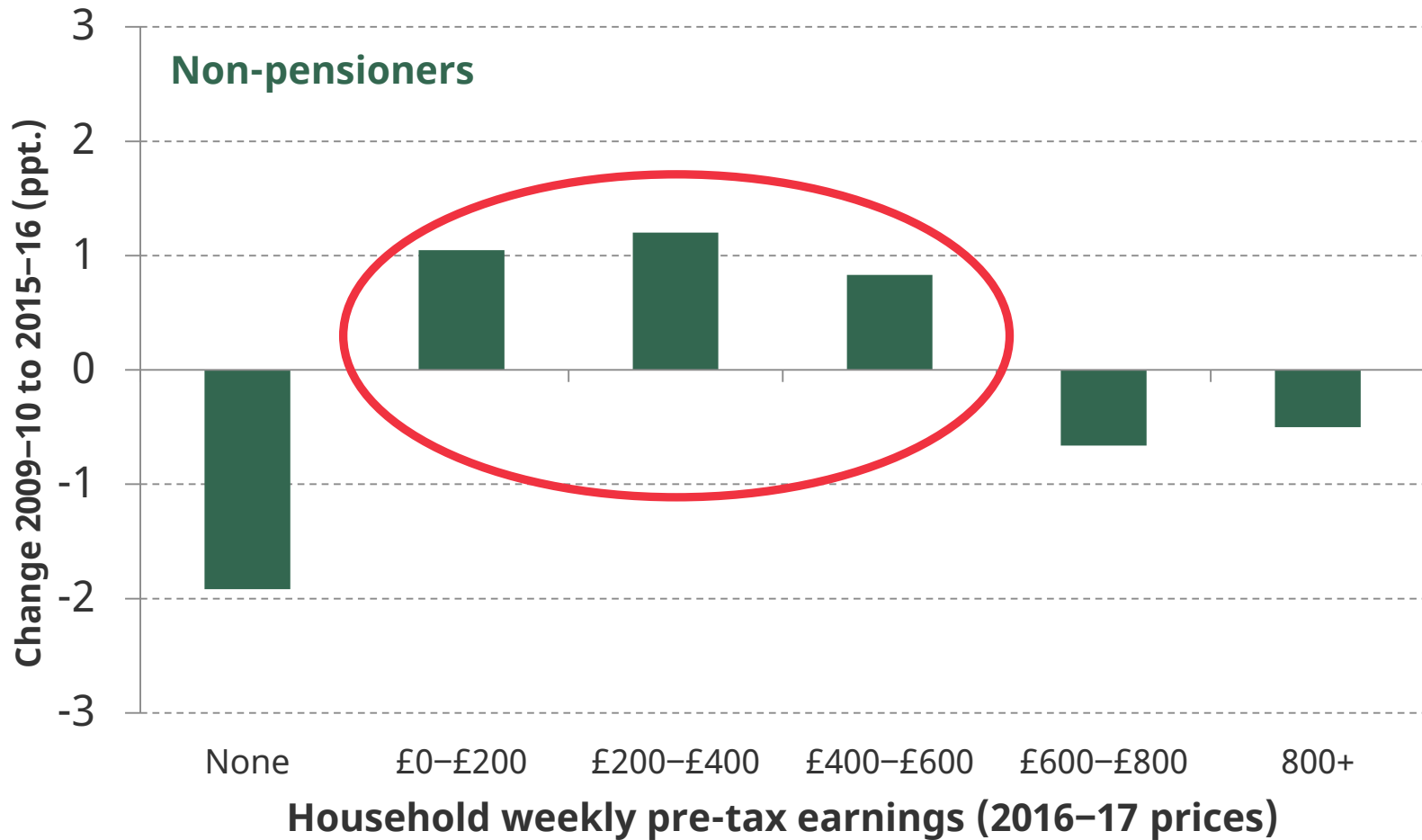
3. Sustained period of poor earnings growth



Note: The series shows median gross weekly earnings of UK employees reported in April of each year.

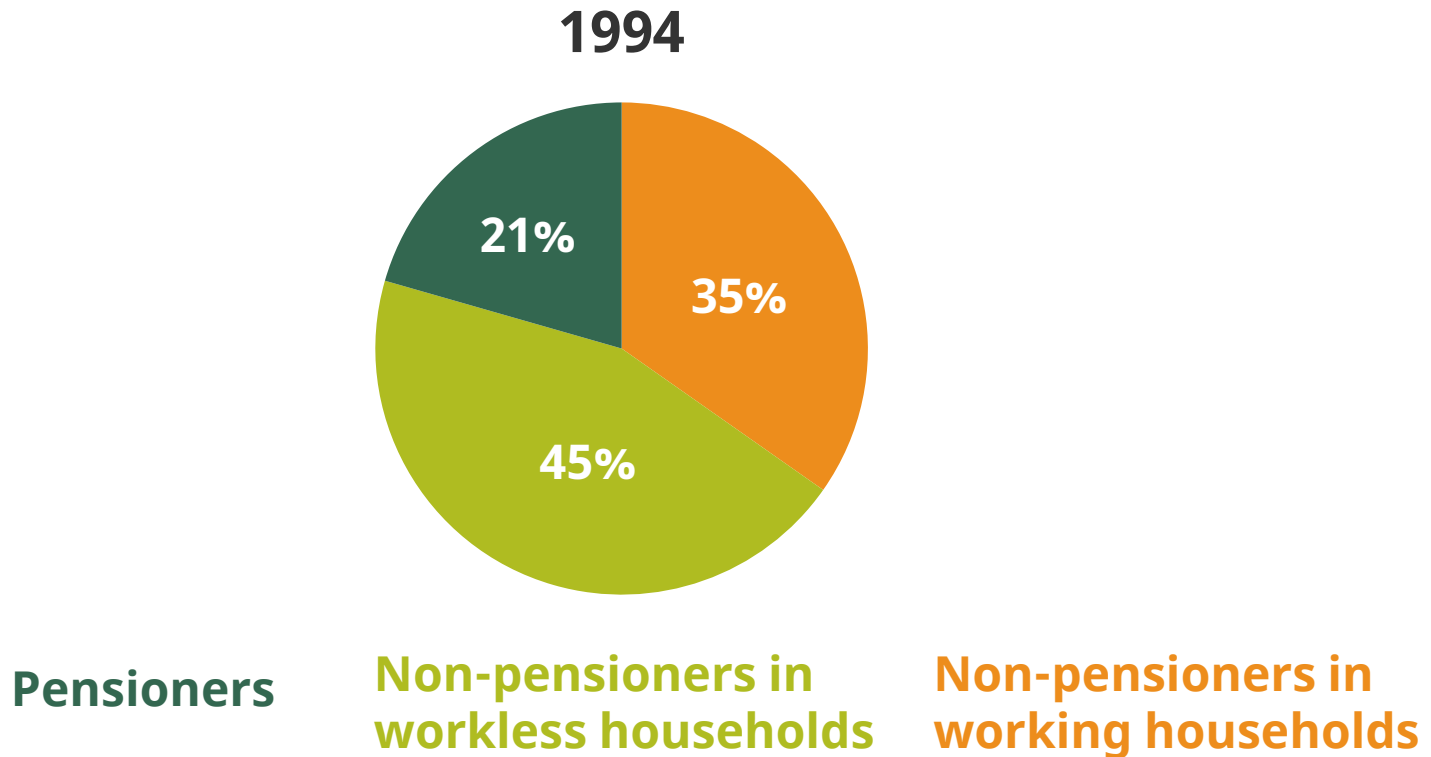
Source: Authors' calculations using Annual Survey Hours and Earnings Table 1, various years, and ONS series D7BT.

More living in low- and mid-earning households



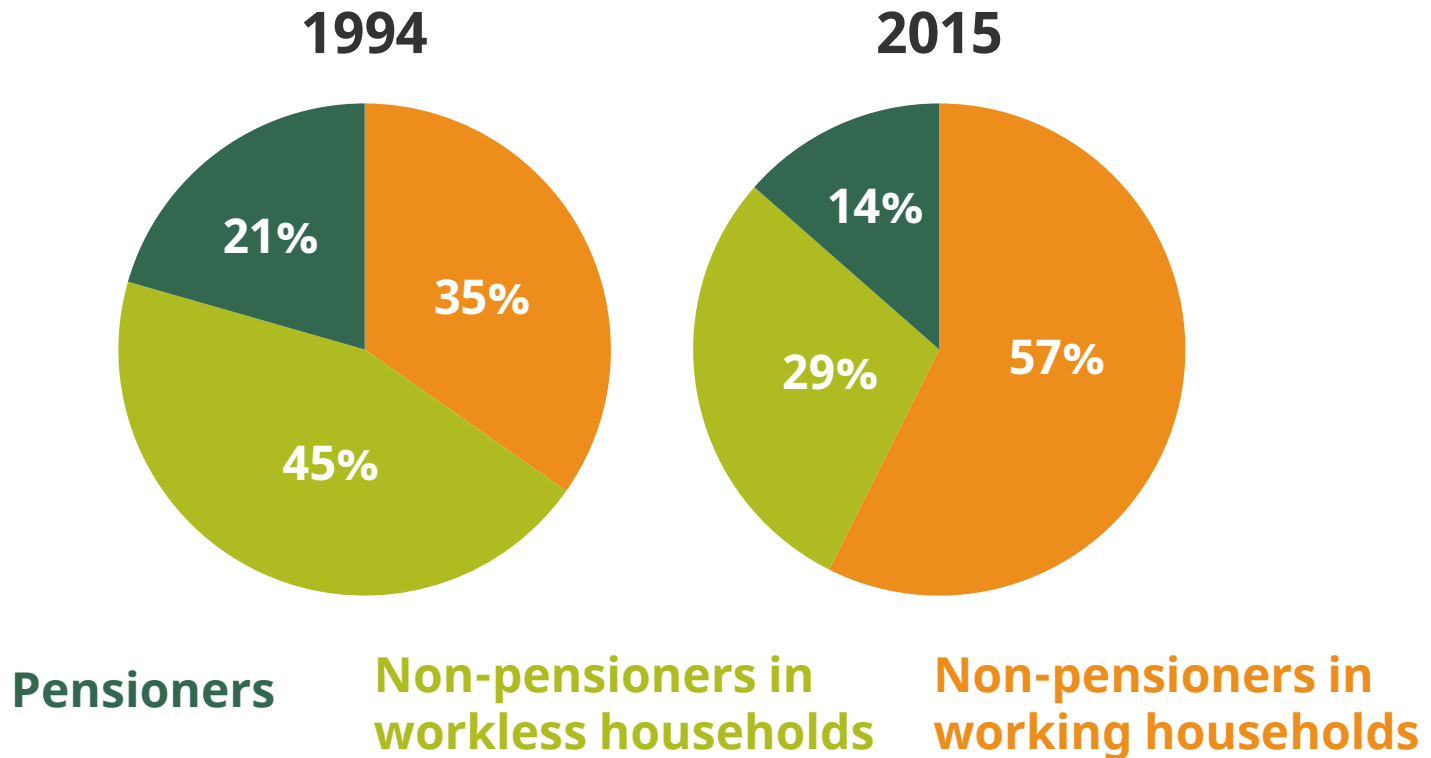
Note: Graph shows percentage point change in non-pensioners living in households within each household earnings bracket.
Source: Author's calculations using Family Resources Survey, various years.

The changing face of poverty



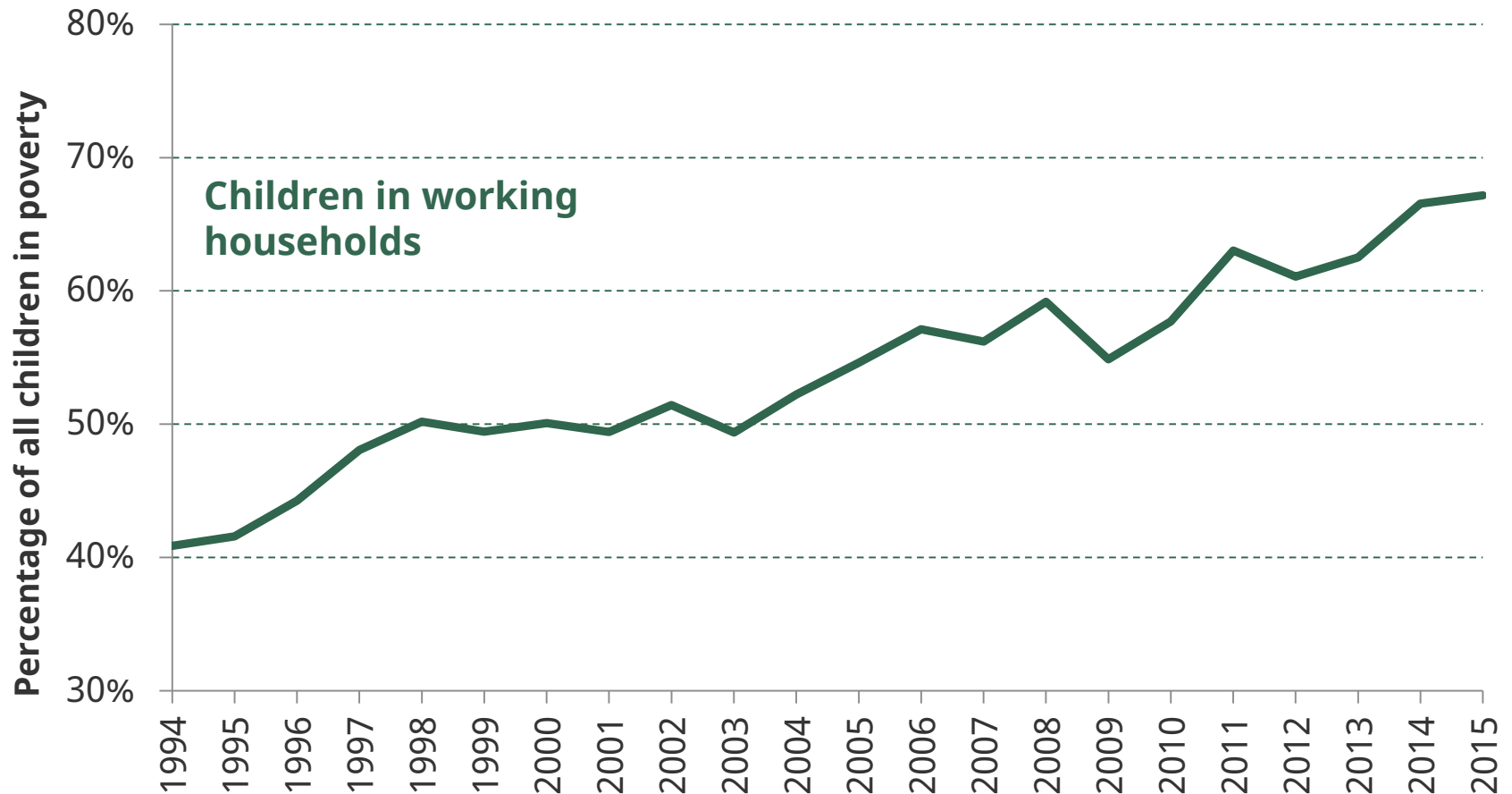
Note: Years refer to financial years. Chart shows the composition of the population in relative AHC poverty.
Source: Author's calculations using Family Resources Survey, 1994-95.

The changing face of poverty



Note: Years refer to financial years. Chart shows the composition of the population in relative AHC poverty.
Source: Author's calculations using Family Resources Survey, 1994-95 and 2015-16.

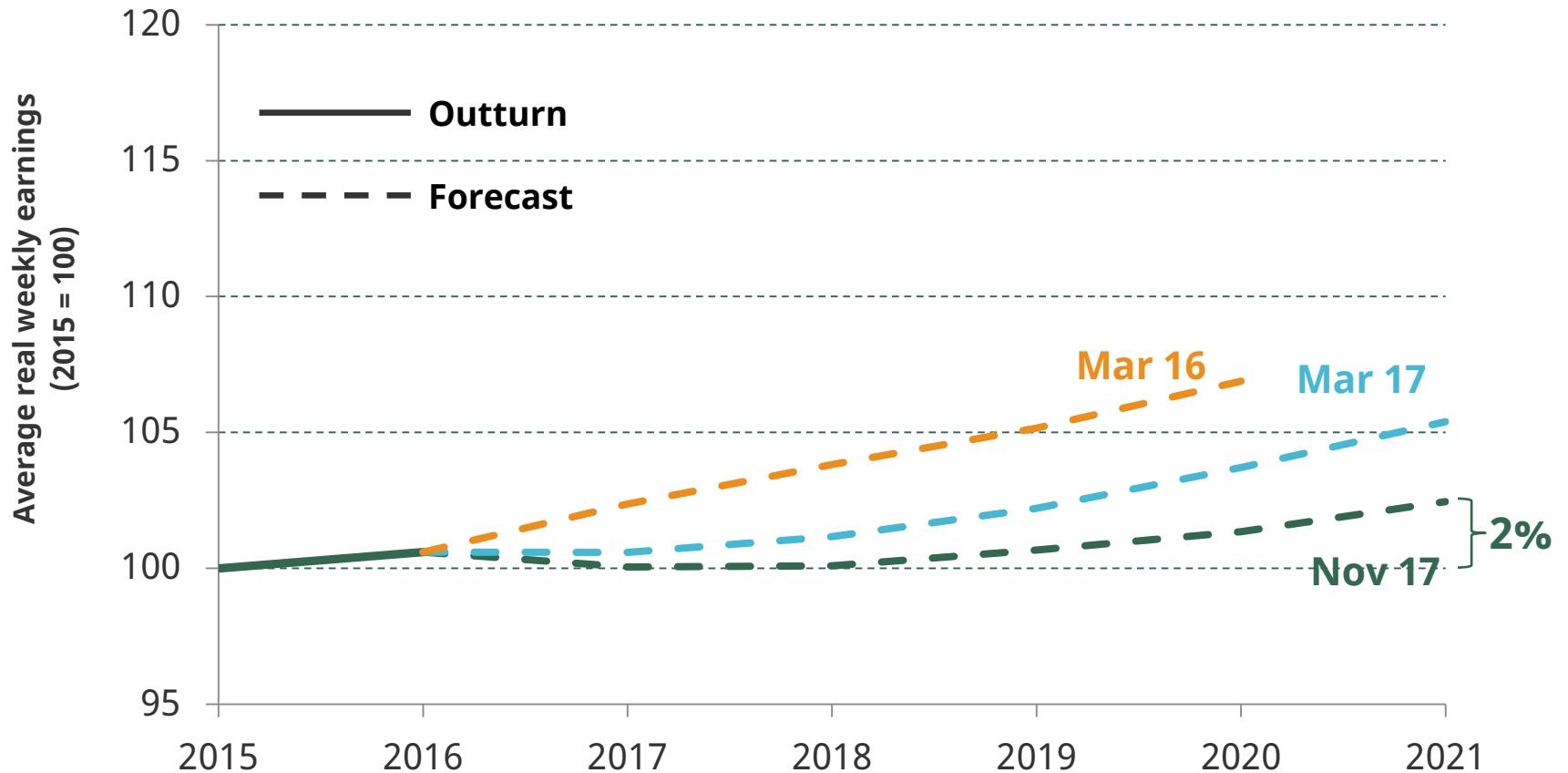
Majority of child poverty due to in-work poverty



Note: Years refer to financial years. Series shows the percentage of children in relative AHC poverty that live in a household containing at least one working member

Source: Authors' calculations using the Family Resources Survey, various years.

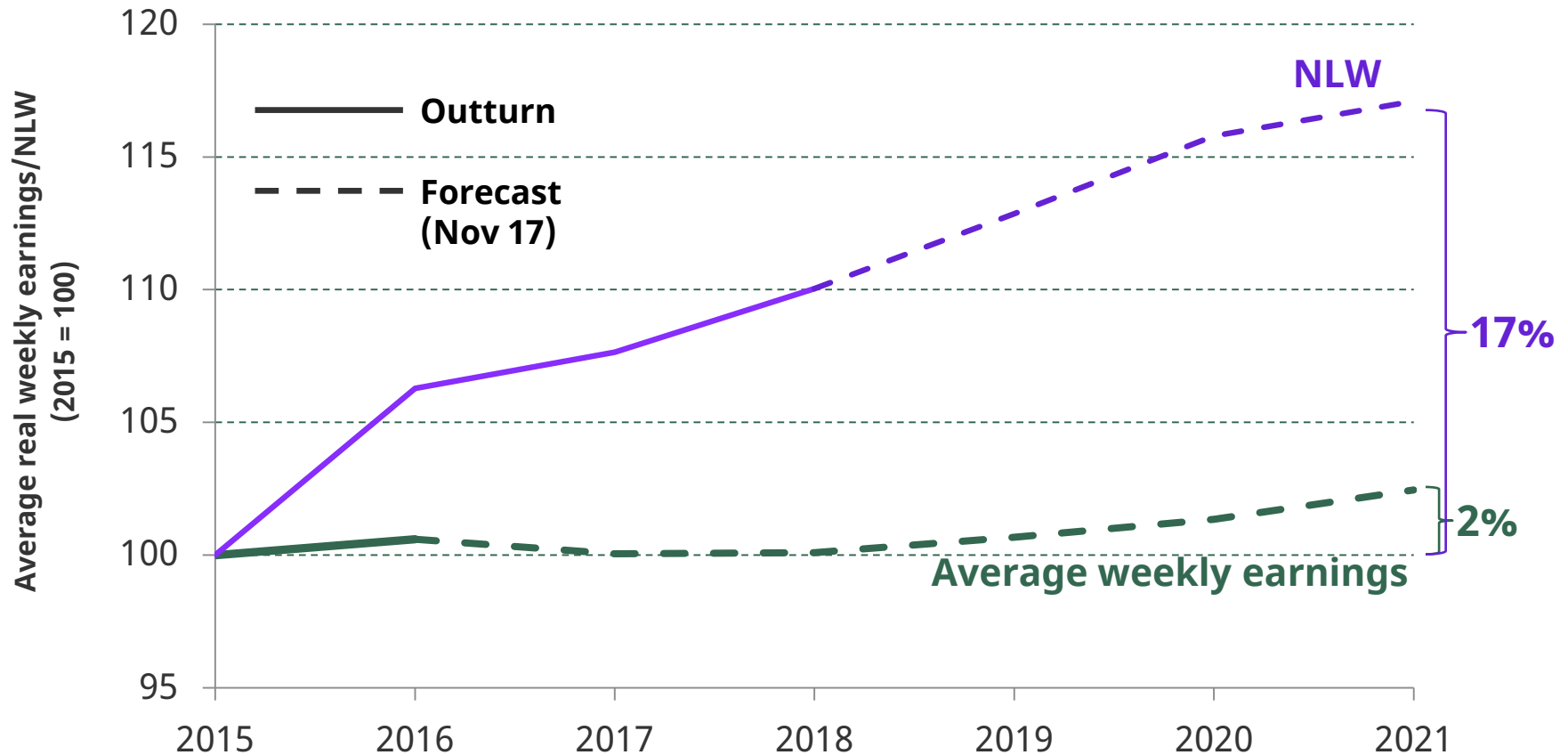
The outlook for poverty: earnings



Note: Years refer to the financial years.

Source: Authors' calculations using Annual Survey Hours and Earnings Table 1, various years, and OBR Economic and fiscal outlook: Economy supplementary tables, various years.

The outlook for poverty: earnings

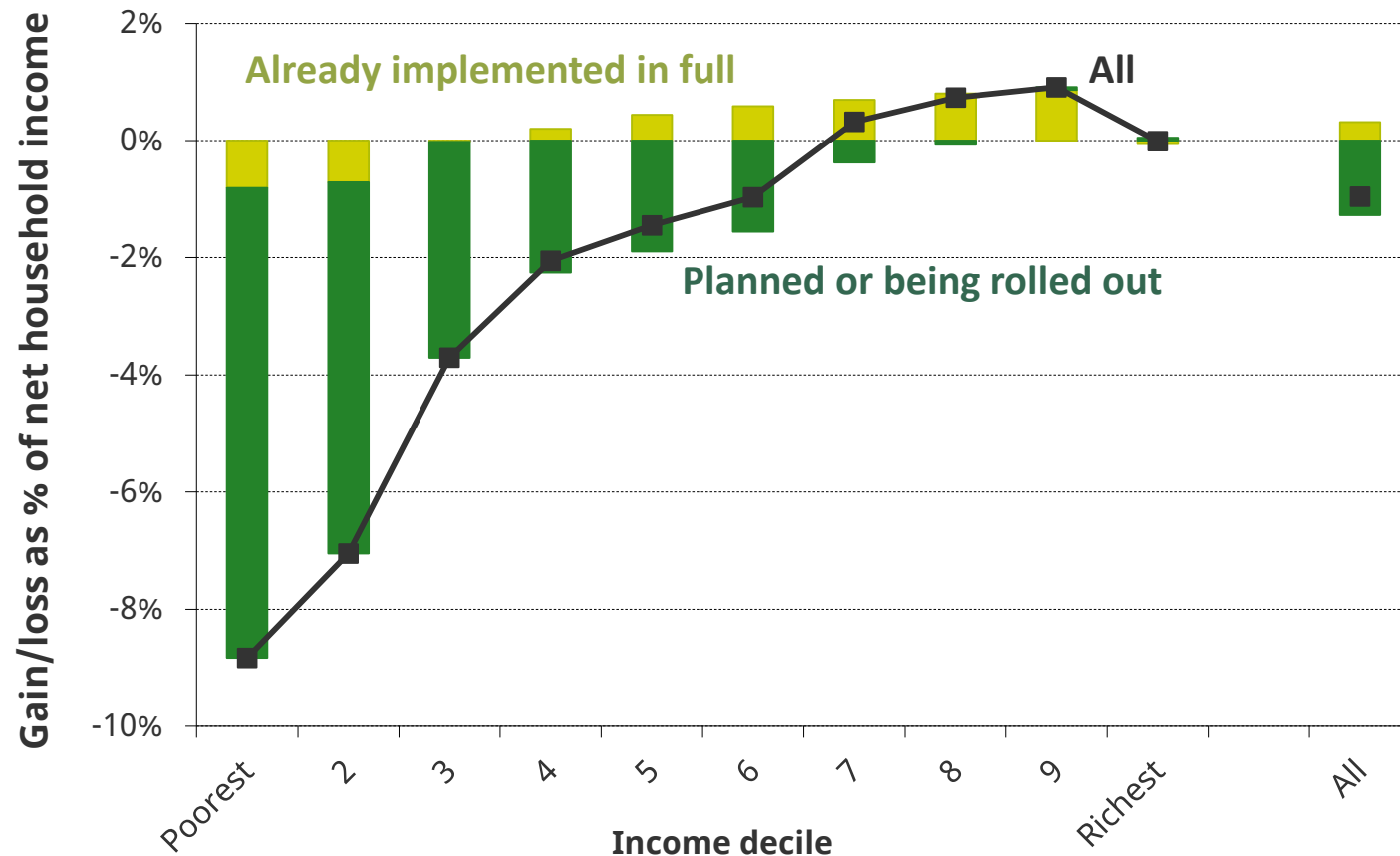


Note: Years refer to the financial years.

Source: Authors' calculations using Annual Survey Hours and Earnings Table 1, various years, and OBR Economic and fiscal outlook: Economy supplementary tables, various years.

The outlook for poverty: policy changes

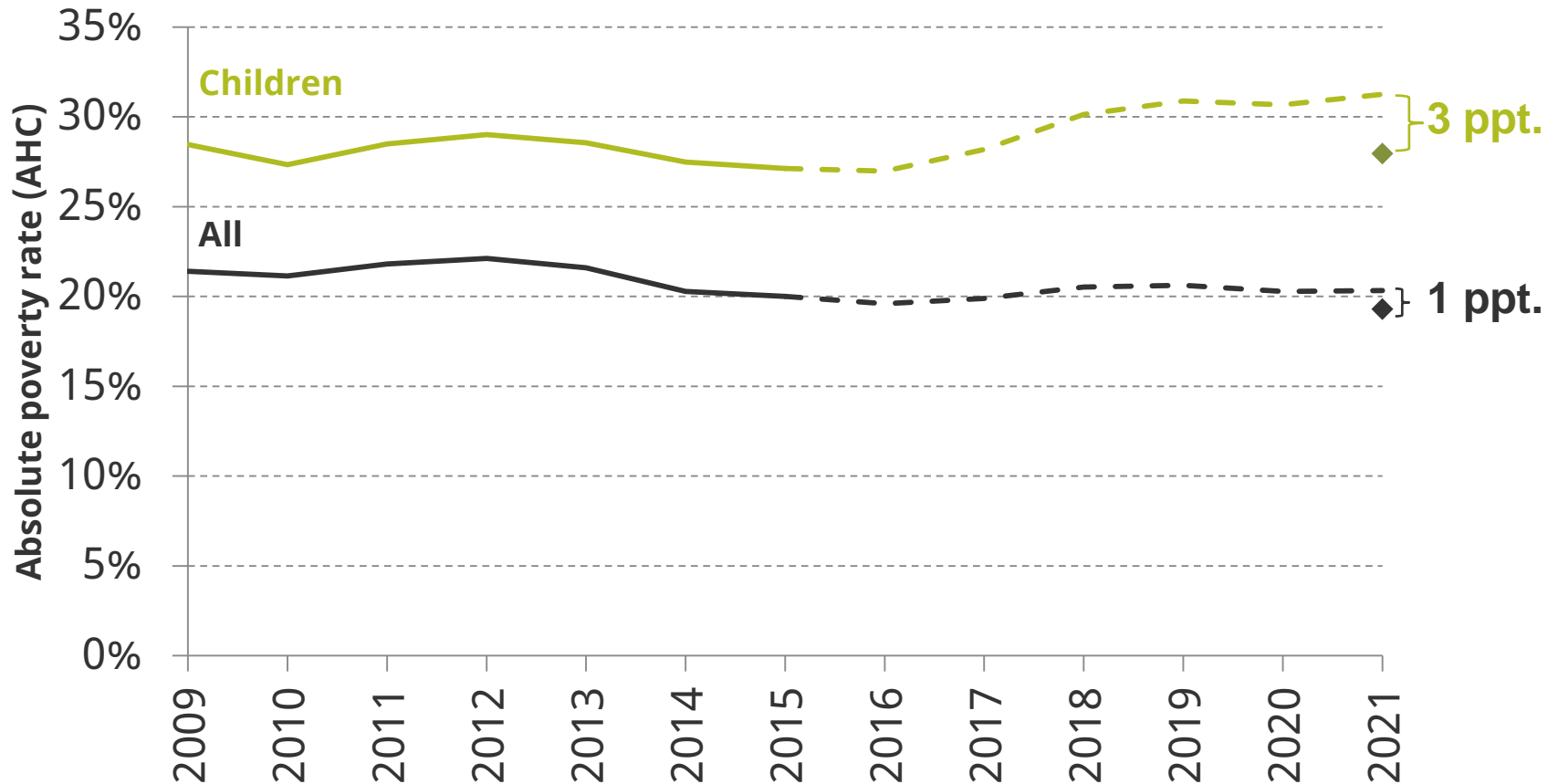
Long run distributional impact of personal tax/benefit reforms since 2015



Note: Assumes full take-up of means-tested benefits and tax-credits. Policies partially rolled are Universal Credit, the 2-child limits, the replacement of DLA with PIP and the abolition of the WRAG premium in ESA.

Source: Authors' calculations using the IFS micro-simulation model run on updated data from the 2015-16 FRS and 2014 LCFS.

The outlook for poverty



Note: Years refer to financial years.

Source: Figure 2.4 of Hood and Waters (2017)

Summary

Over the last 20 years:

1. Steep falls in pensioner poverty
2. Large reductions in worklessness
3. Poor earnings growth

Almost 60% of those in poverty today are non-pensioners in working households, up from 35% in 1994

Changes in poverty closely tied to fortunes of low-paid workers

Understanding this group is crucial for effective policy design

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