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## Poverty

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15<sup>th</sup> July 2014

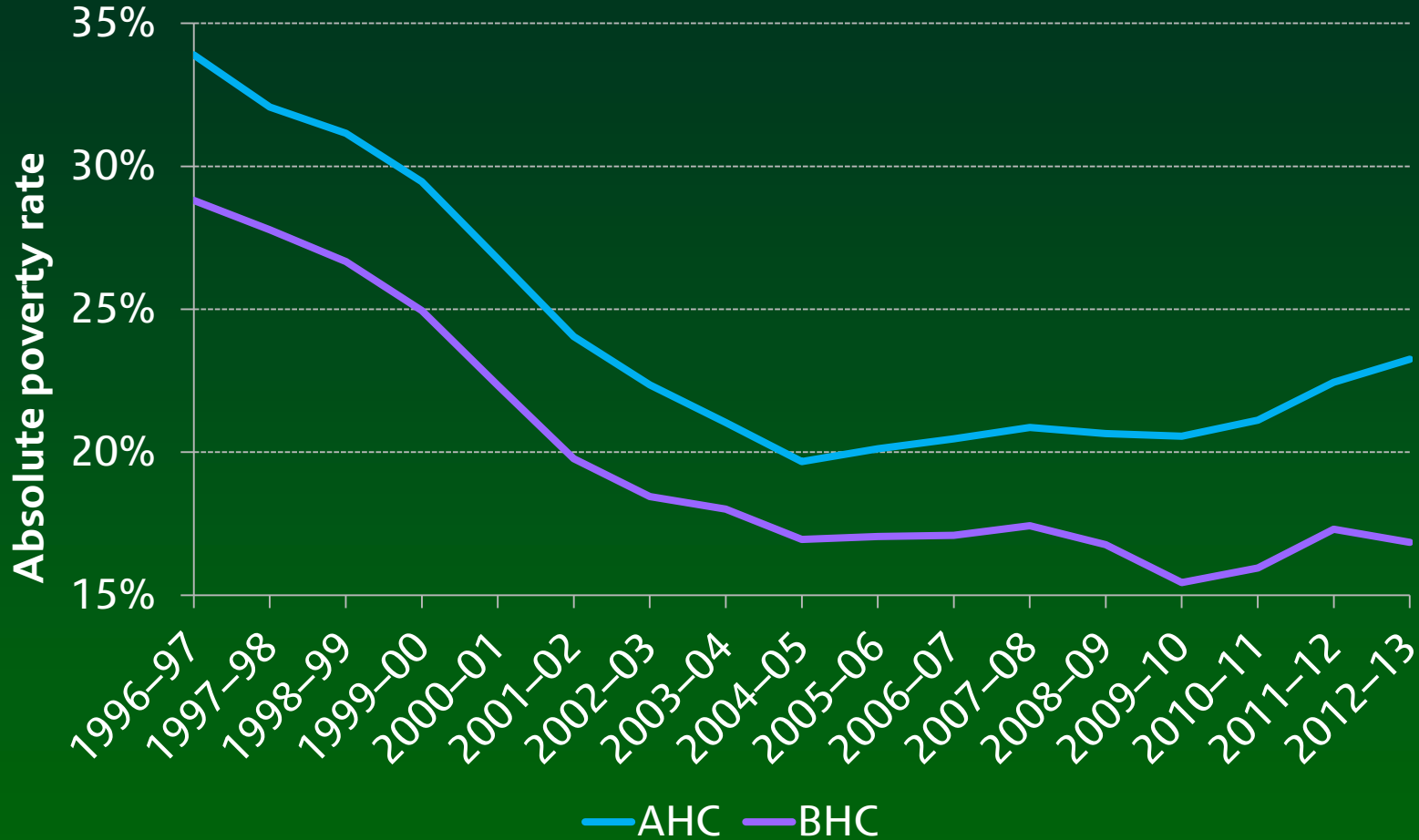
# Outline

- Income based measures
  - how has poverty changed since the recession and why?
  - which groups have been affected by recent changes?
- Non-income based measures
  - how do these compare to income poverty?
  - what drives the changes in non-income measures?
- The prospects for poverty

# Defining income poverty

- Relative income poverty
  - poverty line is 60% of the contemporary median income
- Absolute income poverty
  - poverty line is 60% of the 2010-11 median in real terms (RPI adjusted)
- Headcount measure: no account of depth of poverty
- Can be measured before housing costs (BHC) or after housing costs (AHC) have been deducted

# Absolute poverty

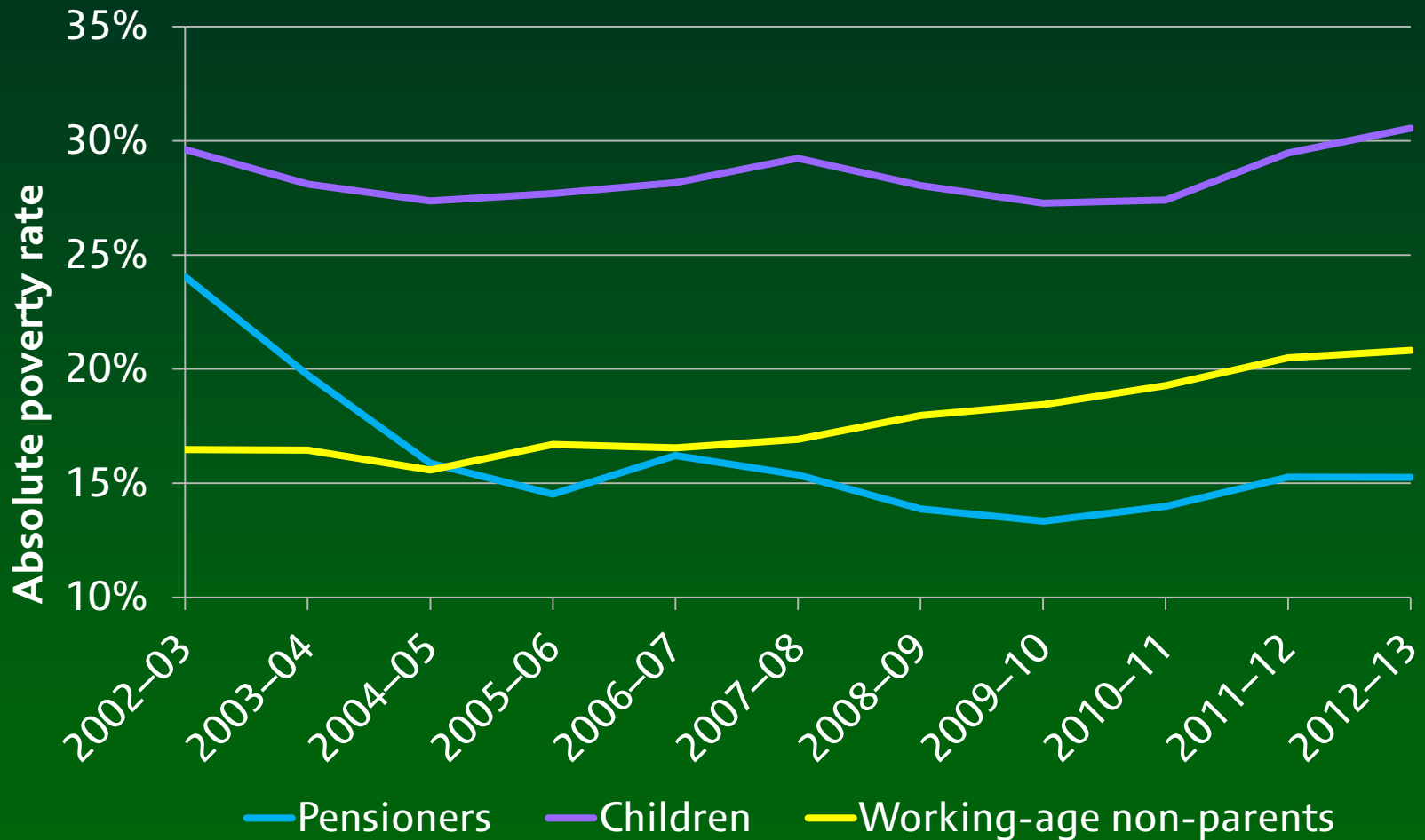


Source: Figure 4.1 of *Living Standards, Poverty and Inequality: 2014*

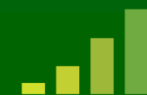
# What explains these changes?

- Most benefit rates grew in line with prices
- But some benefit cuts started to take effect
  - housing benefit cuts for 900,000 private renters
  - increase in sanctions for Jobseeker's Allowance
- Earnings growth has been weak

# Absolute poverty by demographic group



Source: Figure 4.2b of *Living Standards, Poverty and Inequality: 2014*

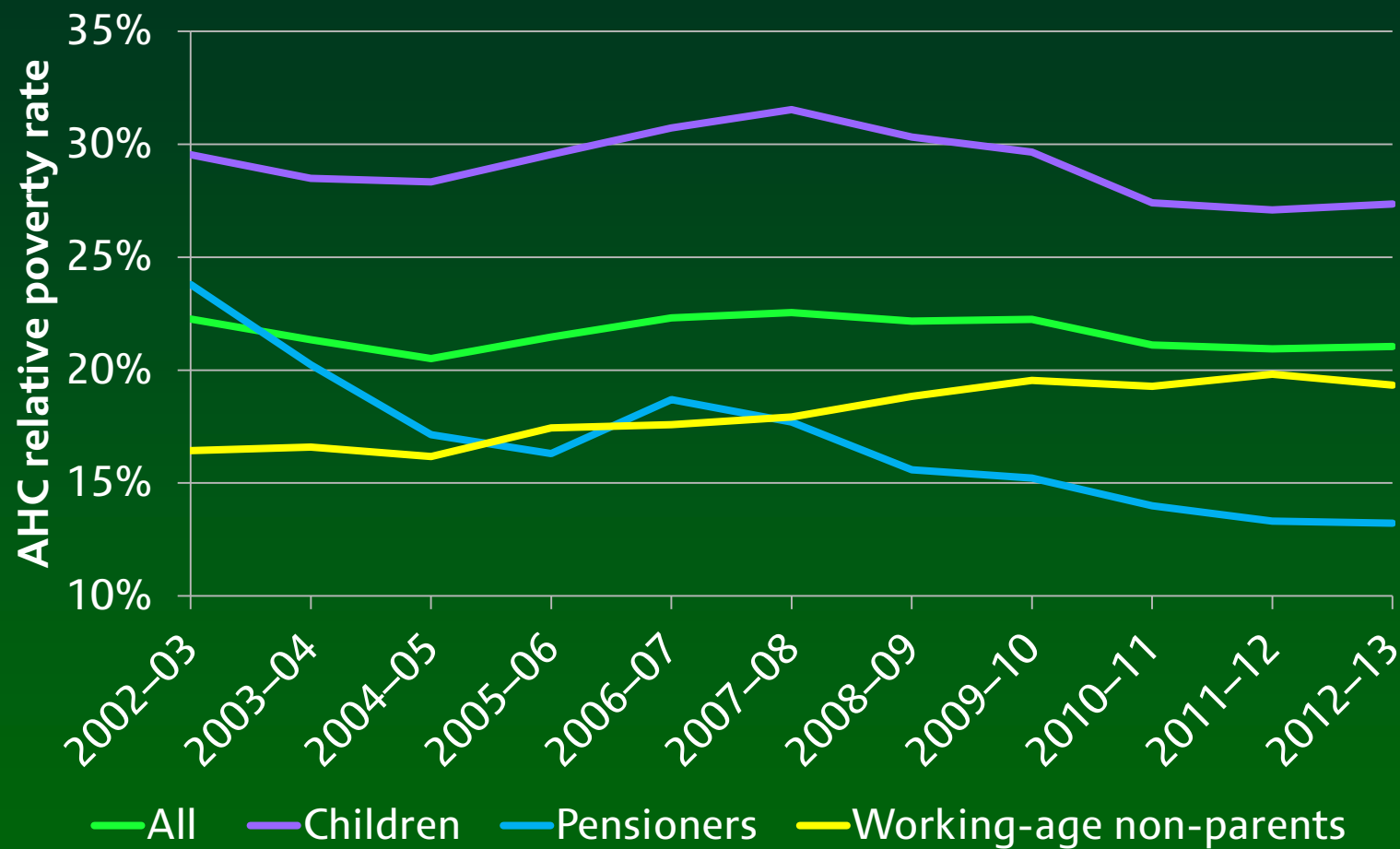


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# Absolute poverty by demographic group

- Absolute pensioner poverty is broadly unchanged since 2007-08
  - in 2012-13 the poorest 30% of pensioners received 88% of their income from benefits and state pensions
- Child poverty is up 1.3ppt and working-age non-parent poverty is up 3.9ppt since 2007-08
  - the poorest 30% of children received 62% of their household income in benefits, this was 38% for the poorest 30% of working-age non-parents
  - more affected by the fall in employment income
- Amongst working-age individuals the poverty rate for those that live in workless households has risen by 2.7ppt since 2007-08
  - this was 3.4ppt for those living in working households.

# Relative poverty



Source: Figure 4.6b of *Living Standards, Poverty and Inequality: 2014*

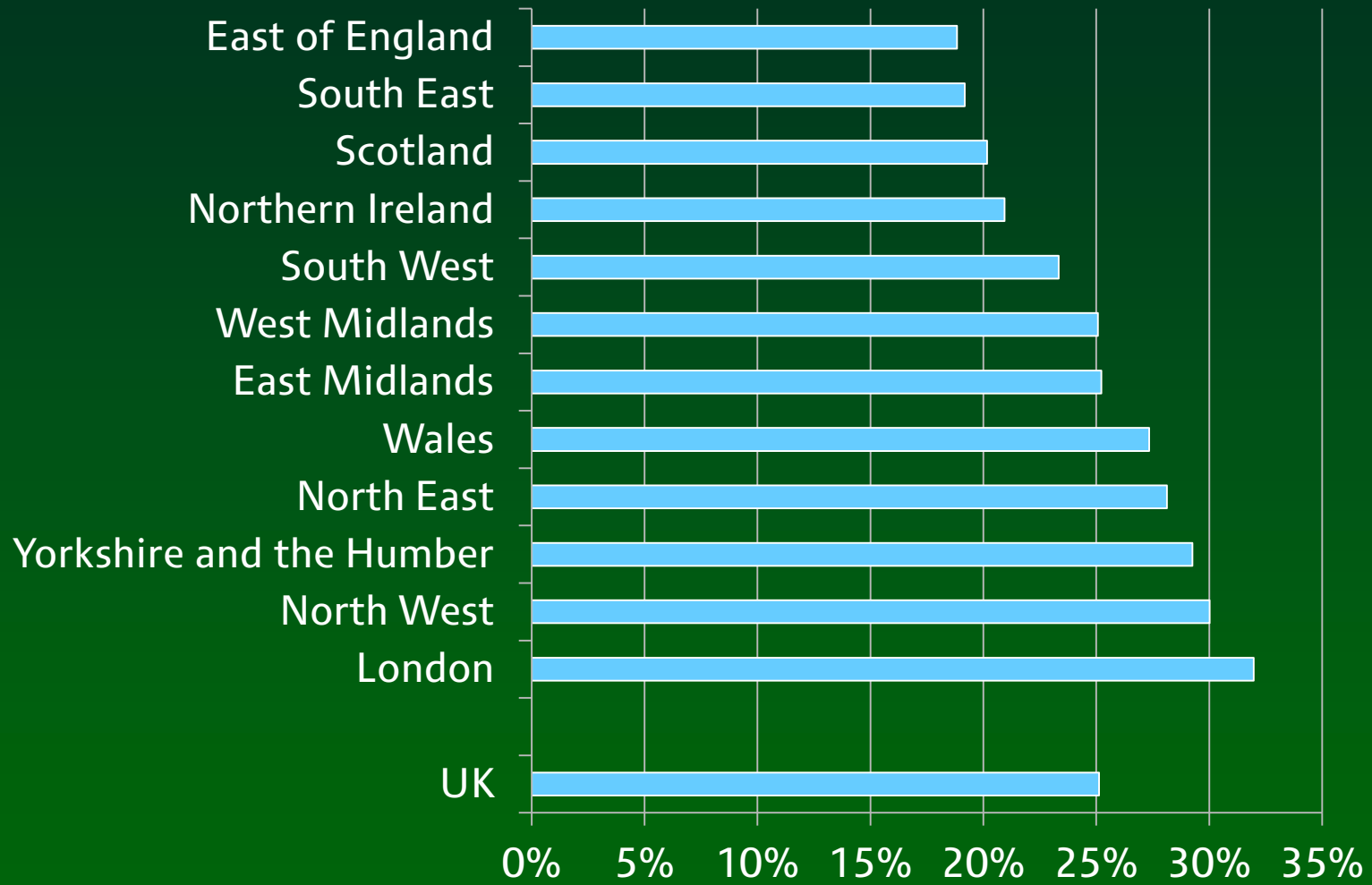


# Non-income measures of hardship and low living standards

# Child material deprivation

- An indicator of families being unable to afford certain items
  - e.g a warm winter coat or to save £10 a month
- Child material deprivation rose by 2.1ppt (300,000) in 2012-13
  - continues upward trend since 2006-07

# Child material deprivation – regional variation



Source: Figure 4.5 of *Living Standards, Poverty and Inequality: 2014*



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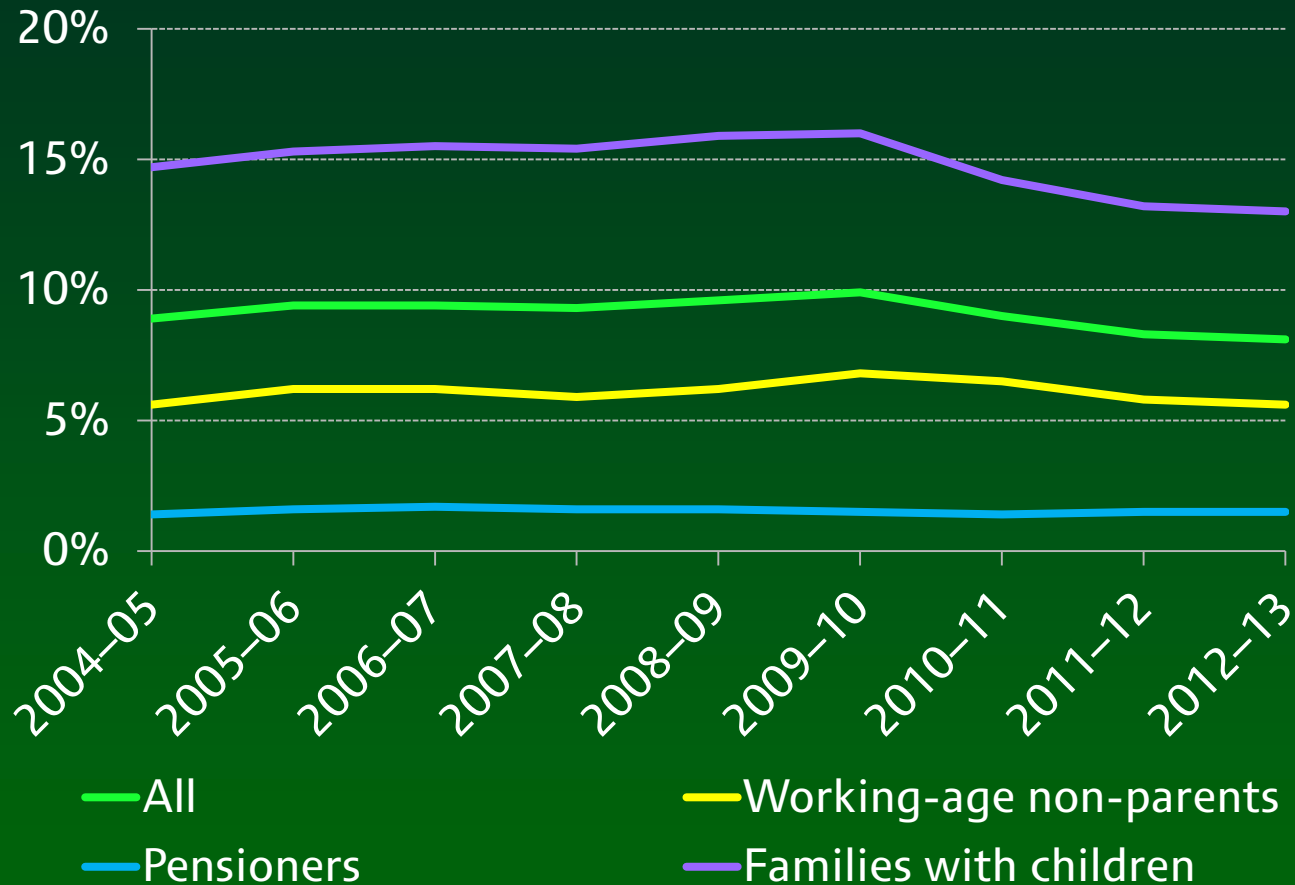
# Material deprivation

- An indicator of families being unable to afford certain items
  - e.g a warm winter coat or to save £10 a month
- Child material deprivation rose by 2.1ppt (300,000) in 2012-13
  - continues upward trend since 2006-07
- At 32% London has the highest rate of child material deprivation
  - London also has the **highest** income poverty rate measured after housing costs...
  - but **lower** than the UK average measured before housing costs

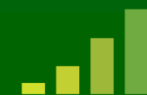
# Arrears on household bills

- The FRS also measures whether families are in arrears on household bills
  - e.g electricity, council tax and telephone bills

# Arrears on household bills



Source: Table 4.5 of *Living Standards, Poverty and Inequality: 2014*



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# Arrears on household bills

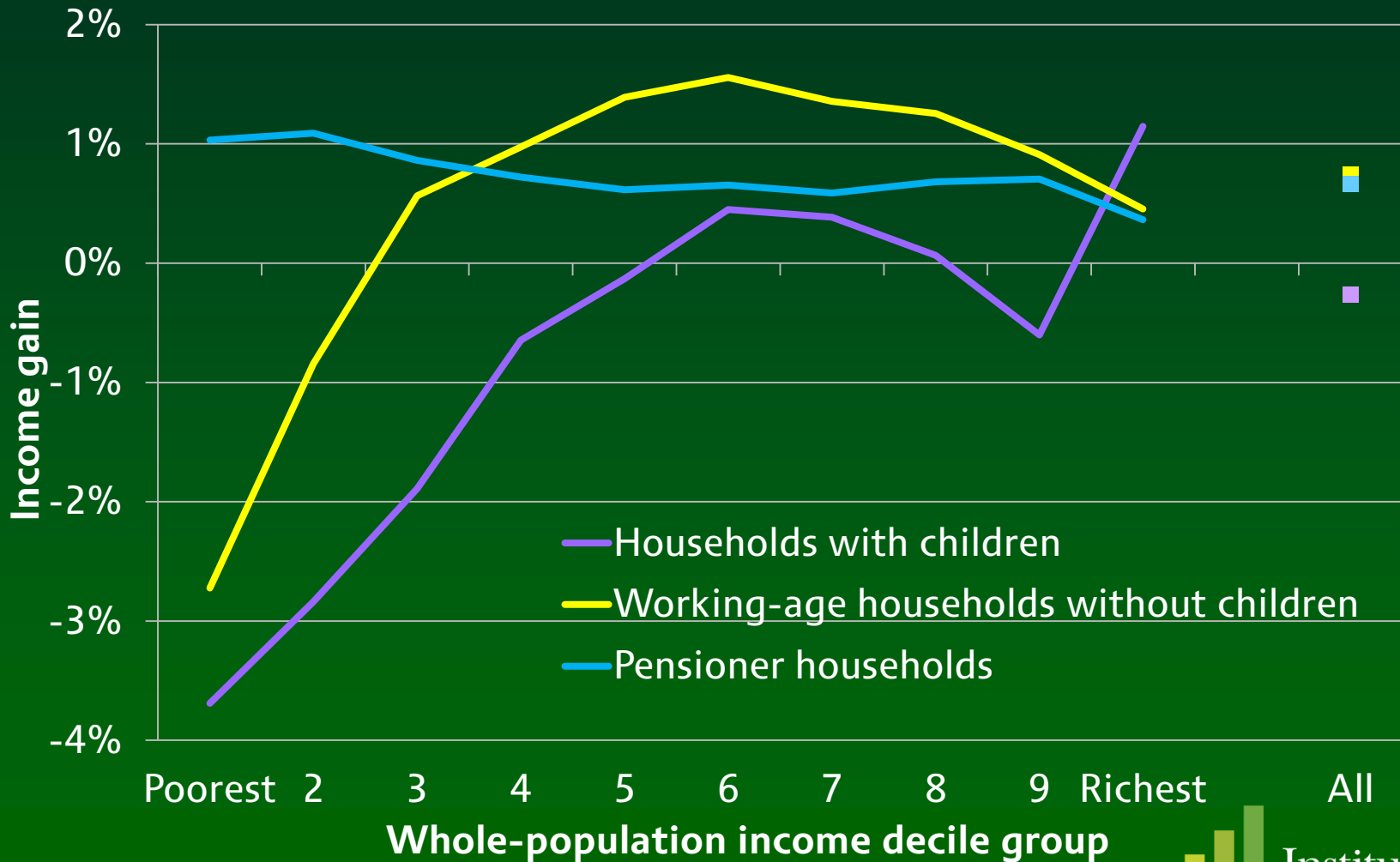
- The FRS also measures whether families are in arrears on household bills
  - e.g electricity, council tax and telephone bills
- Arrears peaked in 2009-10 at 9.9% and fell to 8.1% by 2012-13
  - despite falls in incomes; peak coincides with peak in redundancies
- Highlights that arrears and income poverty are conceptually different
  - a multidimensional poverty index including arrears would mask these differences

# The prospects for poverty

- Cuts to social security benefits accelerated in April 2013
  - most working-age benefits and tax credits are growing at 1% in cash terms for three years



# Impact of direct tax and benefit reforms between April 2013 and April 2015 on household incomes



# The prospects for poverty

- Cuts to social security benefits will accelerate in April 2013
  - working age benefits and tax-credits are fixed to grow at 1% in cash terms for three years
- Poor households with children and poor working-age households are expected to be hit the hardest
- As a result poverty rates are likely to rise, especially for working-age individuals and children

# Summary

- After accounting for different housing cost trends absolute poverty rose since the recession, while relative poverty fell
  - Rises in absolute poverty concentrated among children, working-age non-parents and working households
- Child material deprivation also rose
- Arrears peaked in 2009-10 and have fallen since, at a time when incomes have been falling
  - A single index combining both income poverty and arrears could conceal important differences in the movements of its components