JRF JOSEPH ROWNTREE FOUNDATION

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MONITORING POVERTY AND SOCIAL EXCLUSION 2014

Tom MacInnes, Hannah Aldridge, Sabrina Bushe,
Adam Tinson and Theo Barry Born

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Contents

Acknowledgements 3

Introduction 4

Commentary 6

Chapter 1 **Money** 13
Introduction 14
Choice of indicators 15
1 The income distribution over the last decade 16
2 Costs 18
3 Housing costs 20
4 Debt 22
5 Material deprivation 24
6 Measuring income poverty 26
7 Poverty and age 28
8 In-work poverty 30
9 Poverty and disability 32
10 Child poverty 34
Commentary 36

Chapter 2 **Housing** 37
Introduction 38
Choice of indicators 39
11 Poverty and tenure 40
12 Housing benefit caseload 42
13 Housing benefit values 44
14 Housing condition 46
15 Fuel poverty 48
16 Overcrowding 50
17 Repossessions 52
18 Homelessness acceptances 54
19 Homelessness prevention and relief 56
20 Housing benefit, housing costs and work 58
Commentary 60

Chapter 3 **Work** 61
Introduction 62
Choice of indicators 63
21 Underemployment 64
22 Insecure employment 66
23 Persistent labour market disadvantage 68
24 Self-employment 70
25 Earnings 72
26 Age 74
27 Ethnicity 76
28 Disability 78
29 Movement into and out of the labour market 80
30 Change in unemployment 82
Commentary 84

Contents

Chapter 4 **Benefits** 85
Introduction 86
Choice of indicators 87
31 Expenditure 88
32 Out-of-work benefits 90
33 Jobseeker's Allowance 92
34 JSA sanctions 94
35 The Work Programme 96
36 Employment Support Allowance 98
37 Council Tax Benefit 100
38 Benefit entitlement for social renters 102
39 Discretionary Housing Payments 104
40 Crisis loans 106
Commentary 108

Chapter 5 **Services** 109
Introduction 110
Choice of indicators 111
41 Childcare services 112
42 Legal services 114
43 Transport services 116
44 Digital inclusion 118
45 Health services 120
46 Health outcomes 122
47 Educational services 124
48 Educational attainment at age 11 126
49 Educational attainment at age 16 128
50 Attainment among disadvantaged students by local authority 130
Commentary 132

Glossary 133

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Introduction

Table 1 draws together the key trends shown in this report. It shows how a range of indicators compare with the situation ten years ago and five years ago – are things better, worse or the same? These judgements are somewhat subjective, but where the trend is unclear we err on the side of caution, reporting it as 'unchanged'. The chapters in this report split the indicators into five themes.

In terms of money, average incomes are lower now than they were five and ten years ago. As the poverty threshold is indexed to average income this means that the poverty threshold is also lower than it was. So the improvements in the poverty rate among pensioners and children, particularly in the last five years, are not necessarily achievements to be celebrated. In the light of that, the trend for the poverty rate among working-age adults is very worrying.

The number of private renters in poverty has been increasing consistently over the decade, while the number of owner-occupiers and social renters has generally fallen. This is linked to the changing tenure distribution overall. But there are clearly growing issues of affordability given the increase in the number of housing benefit claimants. Meanwhile the number of landlord repossessions has increased and although still lower than five years ago the number of homelessness acceptances is currently on an upward trajectory. But some improvements can be seen in living conditions (mostly in the social and owner-occupied homes). Likewise the number of mortgage repossessions has fallen back from its peak during the financial crisis but not to the levels a decade ago.

In terms of work we can see a similar trend; measures of unemployment appear better than they were during the recession five years ago, but are still worse than the pre-recession levels. A recovery is taking place; the number of long-term unemployed, though still higher than five years ago, is falling. But the type of work being done continues to show worrying signs with growth in temporary workers and stagnant wages.

These trends in unemployment are mirrored in statistics on workless benefit claimants. But there has been considerable change to benefit entitlement and administration preventing us from making these longer-time comparisons with other aspects of the benefit system.

Lastly the outlook for services is much more positive, though again the possibility to show trends over time is limited. Internet access, school attainment and premature mortality have improved, but, as with the NHS, these improvements are not necessarily reflected in satisfaction levels.

Table 1: Summary of trends over the last five and ten years

Topic	Indicator	10-year change	5-year change
Money	Average household income	Worse	Worse
	Households behind with paying bills	No change	No change
	Child poverty rate	Better	Better
	Pensioner poverty rate	Better	Better
	Working-age poverty rate	Worse	No change
	Number of workless families in poverty	Better	Better
	Number of working families in poverty	Worse	No change
	Poverty among families with disabled people	Better	Better
Housing	Number of private renters in poverty	Worse	Worse
	Number of social renters in poverty	Better	No change
	Number of owner-occupiers in poverty	Better	Better
	Number of housing benefits claimants	Worse	Worse
	Homes that are non-decent or have damp problems	Not in report	Better
	Overcrowding rate among rented households	Worse	No change
	Landlord repossessions	Worse	Worse
	Mortgage repossessions	Worse	Better
	Homelessness acceptances	Better	No change
Work	Number of people underemployed	Worse	No change
	Unemployment rate	Worse	Better
	Young adult unemployment rate	Worse	Better
	Number of involuntary temporary employees	Worse	Worse
	Number of long-term unemployed	Worse	Worse
	Proportion of men who are low paid	No change	Worse
	Proportion of women who are low paid	Better	No change
Benefits	Value of means-tested benefits	No change	Worse
	Number of non-jobseeking workless benefit claimants	Better	Better
	Number of JSA claimants	Worse	Better
	Number of new JSA claims	Worse	Better
	Number of JSA sanctions	Worse	Worse
Services	Proportion of 11-year-olds meeting KS2 reading standards	Better	No change
	Proportion of 11-year-olds meeting KS2 mathematics standards	Better	Better
	Premature mortality	Better	Better
	NHS dissatisfaction among poorest fifth	Better	Worse
	Internet access among poorest fifth	Better	Better

Commentary

Key stats

- 13 million people are in poverty in the UK.
- Average income fell by 9 per cent between 2007/08 and 2012/13.

This report comes six years after the start of the recession. In pulling together 50 indicators of poverty and exclusion, ranging across income, debt, unemployment, homelessness, educational attainment and more, there is something of a paradox. In some ways the recession was not as bad as feared. Unemployment stayed lower than previous recessions, much lower than some of our European neighbours, and the labour market bounced back quickly. But the economic recovery has been much slower than in previous downturns, GDP only reaching its pre-recession level a year ago. On a per population basis, the economy is still smaller than it was in 2007.

That is the background to this year's report, a report that attempts to paint an up-to-date picture of the overall pattern of poverty in the UK and the Coalition Government's attempts to tackle it. We should, though, draw attention to one very important exception. The income figures we use, from which the poverty statistics are derived, only cover the period to April 2013. They stop precisely when major welfare reforms, such as the 'bedroom tax' (or 'removal of the spare room subsidy'), and the localisation of Council Tax support were brought in. Moreover, since the middle of last year, there have been huge increases in employment, which will surely impact on incomes and risks of poverty. It is unfortunate we cannot see the impacts of these changes on those with low income now. It is more problematic that, come the general election next year, we will still not be able to do so, as the data will not be ready.

This report contains 50 indicators covering income, work, housing, benefits and services. Each has its own message, but there are issues that cut across, and themes that reoccur.

Falling incomes change everything

The very first graph in the report shows the single biggest change of recent years. Average incomes fell by 9 per cent between 2007/08 and 2012/13 on the after housing costs measure. Incomes for the bottom tenth have fallen less in recent years (down 6 per cent over the same period) but have been falling longer, and are now 8 per cent below where they were a decade ago.

This fall has an effect on the analysis in this report. The measure of poverty we use, stemming from the definition of poverty as being a state where people are far below the norms of everyday life, is set relative to the average (median) income. As that average falls, so does the poverty threshold so that threshold is now 9 per cent lower than it was in 2007/08. So while there are 13 million people in poverty in the UK, it would be 3 million higher if we used the poverty threshold from 2007/08.

Indicators later in the report show why this is happening. Wages have fallen, right across the distribution. Values of benefits have fallen too. There's no real mystery here. Falling average incomes mean the relative measure of poverty is less useful, but this is merely a technical problem. The big problem is that people all across the country are finding it increasingly hard to make ends meet.

Key stats

- Unemployment fell by 300,000 between mid 2013 and mid 2014.
- 25 per cent of female and 15 per cent of male employees are paid below the living wage.

Underneath these recent changes, though, longer-term trends become clear. Pensioner poverty is now at a record low level; from having a greater risk of poverty than the rest of the population in the 1980s, pensioners now have the lowest poverty of any age group. But as that has happened, poverty among working-age adults has risen, and has never been higher than it is now.

The labour market is completely changed

Our analysis of the job market in the UK begins with a very simple graph showing employment rates for men, women and the population as a whole. It shows that the employment rate in the UK is pretty close to its historic high. For women, the employment rate has never been higher.

This is quite remarkable given the rise in unemployment between 2008 and 2010. The falls in the last year have been rapid – from 2.46 million in mid-2013 to 2.14 million in mid-2014. The number of people unemployed for over a year fell from 880,000 to 770,000, and the number unemployed for over two years fell from 460,000 to 420,000. Each month, with the release of new labour market statistics, one of the stories is always about how big a fall there has been in the unemployment measure.

The other story, though, is how wages are falling behind relative to prices. Average weekly earnings have risen more slowly than prices every month since 2010. In real terms, the average male full-time hourly pay fell from £13.90 to £12.90 per hour between 2008 and 2013. For women, whose average hourly pay is lower, the fall was smaller, from £10.80 to £10.30. There were falls at the bottom of the distribution too. The lowest paid 25 per cent of men saw their hourly pay fall by 70p per hour. For women the fall was 40p per hour. Around 25 per cent of women are paid below the living wage, unchanged since the mid-2000s. For men, the figure is around 15 per cent, a figure that has been slowly rising over the same period.

This has knock-on effects throughout the report. The number of working people claiming housing benefit to cover the costs of their rent keeps rising. Also rising is the average amount claimed by working people. This is an obvious example of wages not keeping pace with rising costs.

All of this is mirrored, up to a point, in the poverty statistics. Notwithstanding all the caveats above, half of all people in poverty live in a family with someone in paid work. This is a statistic ripe for misinterpreting – it is not the case that half of all people in poverty are in work (the numbers include children). It's also not quite the case that half of all adults in poverty are in work (the figure is more like 40 per cent).

We should not fall into the trap of considering in-work poverty to be somehow different from poverty out of work. Among those currently in work who were unemployed a year ago, around three-fifths are paid less than the living wage, around three times the average for all those in work. What this suggests is that a large chunk of this year's in-work poor were last year's workless poor. Given that only one-fifth of low-paid employees have left low-paid work completely ten years later, they may be next year's working poor too.

Commentary (continued)

Key stats

- Half of all people in poverty live in a working family.
- Three-fifths of people who moved from unemployment into work in the last year are paid below the living wage.

Low incomes among working families have been a big part of the poverty story for nearly ten years now. Nothing in the recent labour market statistics suggest that will change soon.

Welfare reform needs effectiveness as well as fairness

The government was elected on a pledge to reduce welfare spending and has stuck both to its plan and its message. The rhetoric has proved so effective that the opposition has now committed to being tougher still on benefit spending should it win the next election. It is hard to find an ambitious politician who will stand up for any part of the welfare budget that does not apply solely to pensioners. The problem with this anti-welfare consensus is that, when the ends are agreed, too little scrutiny is applied to the means.

There are two impressions one gets from the indicators on benefits and welfare reform. The first is that the government may well be starting to deliver on its pledge to reduce welfare spending and 'dependency'. Overall claimant numbers are falling, mainly due to falling JSA claims, and there is some evidence that expenditure on some benefits – tax credits mainly, housing benefit just possibly – has peaked.

But the second impression is that too much of this reform has been rushed through, and the system is starting to creak. JSA claimants are now more likely to be sanctioned for not going on the Work Programme than they are to actually attend the Work Programme, never mind get a job through it. The number of ESA claims that were still awaiting assessment six months later has doubled in the last year to 80,000.

This is without mentioning Universal Credit (UC), which does not feature in this report as the number of people receiving it is too small to meaningfully analyse, some three years after it was first announced. This report has previously expressed hopes that UC would help reduce poverty by lowering some of the barriers to work some people face. The future of this scheme is now too uncertain to repeat any such hopes.

The Secretary of State for Work and Pensions, Iain Duncan Smith, has defended the decision to 'roll out' UC slowly, to make sure it was working properly before it was introduced across the board. This is surely the right way to introduce such largescale changes. The principle should have been applied to the other reforms, too.

Differences emerging between local areas

The maps at the end of each chapter allow us to look at local areas, and they show some stark differences. The map at the end of Chapter 3 shows the change in unemployment levels between the pre-recession period and today. Around 30 local authority areas now have lower unemployment levels than in the three years to 2007. These areas are scattered across the country, from Aberdeenshire in Scotland to Cerdigion in Wales to Lewes in the south of England. The falls are never particularly large – no greater than a couple of percentage points.

Key stats

- In some English local authorities, three-quarters of children eligible for free school meals do not get five 'good' GCSEs.
- The 15 best local areas for GCSE attainment among children eligible for free school meals are all in London.

But any fall is a big contrast with the rises seen in parts of the country. Again there is a scattering, but three clusters stand out – the north east of England, the west of Scotland and a cluster to the east of London, heading out towards the coast. Not all of the places that saw big rises in unemployment had high rates before the recession, but some certainly did – the south Wales valleys and the cities of the English north east, for example. These are areas that risk being left behind.

The map at the end of Chapter 1 shows child poverty rates across the UK. In almost all cases the highest instances are in urban areas, and the larger the area the higher the rate. Boroughs in London have the highest rates, with Birmingham, Manchester, Derry and Glasgow not far behind. The lowest rates are all in rural areas, mainly in the south of England, even if by 'low' we still mean in excess of 10 per cent.

In Chapter 5, we look at how children from low-income families (those receiving free school meals) achieve at GCSE, showing the proportion who do not attain five 'good' GCSEs (for England only). The first and obvious point is the way London stands out – the best 15 local authorities on this measure are all in the capital. The success of London in this regard is now widely acknowledged even if the exact mechanisms behind it are unclear and possibly hard to replicate elsewhere. It is interesting to see that Birmingham, another large, diverse city, also does well on this measure.

In fact, few of the big cities are at the 'bad' end of this analysis – Bristol, in twentieth position, is the worst. Rather, the parts of the map coloured darkest to indicate the poorest outcomes are all smaller cities and counties. In Barnsley, Portsmouth, North Lincolnshire and Northumberland, more than three-quarters of pupils on free school meals do not get five good GCSEs. Norfolk, Suffolk, Wiltshire and Hampshire are all above 70 per cent.

The difference in the pattern shown in the child poverty and GCSE maps is quite striking. London has the highest rates of child poverty, but the lowest rates of non-attainment among poor pupils. This pattern is repeated across other large cities such as Birmingham. At the same time rural areas, with lower overall levels of poverty, have lower levels of attainment among poor pupils. The pattern is not quite perfect but it is nonetheless noteworthy. Geography (and poverty) does not have to be destiny but the role of good public services such as education is vital in ensuring that.

Looking forward

But in the face of all these developments, the first point still stands paramount: falling incomes change everything. It is impossible to ask for more spending or income redistribution when family incomes are falling and government tax receipts are lower than planned. The tax credit and Child Benefit uprating policies pursued by Labour in the 1990s and 2000s are not on anyone's agenda.

It was, of course, always incorrect to suggest that anti-poverty policies were only tax and spend, or, indeed, all owned by government, and there have been some new developing policy directions that deserve consideration.

Commentary (continued)

Key stats

- More JSA claimants get their benefit stopped for not attending the Work Programme than get work through it.
- The number of ESA claims that were still awaiting assessment six months later has doubled in the last year to 80,000.

A pay rise

Given the long-term fall in average wages, it is easy to see that they need to rise and difficult to propose the mechanism by which that should happen. At the bottom end, though, the obvious place for politicians to focus has been the minimum wage. All three main Westminster parties, as well as those in Edinburgh, Cardiff and Belfast, have spoken of the need for a higher minimum wage. In the 15-year history of the national minimum wage, this consensus is unusual.

Moving further up the pay scale, the living wage is an idea that is gaining more and more traction, with increasing numbers of employers and local authorities signing up. This campaigning approach, alongside a national minimum wage set by the independent Low Pay Commission, is a good way to tackle the problem of low-paid work.

Focus on costs

Costs of some essential items have risen faster than inflation in general and much faster than wages. Cutting those costs, or slowing the rises, would help people in poverty. Any attempt to tackle 'costs' needs an understanding of the complex interaction of companies, markets, regulators and consumers. Look, for example, at the items that make up the minimum income standard. Food costs are unregulated, but rail companies have a formula set by government on which to base their price rises. Social rent costs are regulated, private rented costs are not. Energy companies are required to give their customers information on how to switch to a cheaper deal. Phone companies have no such obligation. Childcare is subsidised for low-income earners through the tax credit system. And so on.

One way of thinking about this complex link between costs and poverty is to consider groups who are at risk of poverty and at risk of high costs. Disabled people clearly go in this category – the costs of disability can be very high, and benefits only go part of the way to meeting them. Another way is to think of essential costs that affect everyone, but take up a greater share of expenditure for low-income families. Housing would be one such cost, as it accounts for 30 per cent of the income of the poorest families; childcare may be another.

Devolution

The third idea is devolution, which has shot to prominence following the Scottish independence referendum. No party has set out solid policy proposals at the time of writing, but here are a couple of points worth making.

First, the experience of localising parts of the welfare budget has not been positive. The pressure to cut costs has in many places outweighed the desire to help the most disadvantaged. Any further devolution would have to reconcile those tensions.

Second, devolving a lot of power to some places – cities, for instance – raises questions about what happens to those places that are left out. We have seen some of the largest rises in unemployment in places that would not be considered for that level of devolution – Thanet, Gravesham, Staffordshire Moorlands. How would Rochdale, which saw unemployment double between 2007 and 2014, benefit from greater devolution to nearby Manchester?

Finally, a lot of the discussion around devolution talks of the benefits in terms of prosperity and economic growth. But the uncomfortable truth is, that in the years before the recession, local economic growth was not especially well correlated with local poverty reduction (see JRF's own work on this www.jrf.org.uk/blog/2014/02/economic-growth-cities-doesnt-automatically-reduce-poverty). Devolution is not in itself a panacea; it has to be accompanied by local political will and joined up with action to tackle poverty.

Improving services

This year we have included a whole chapter looking at both public and private services, and how access and satisfaction varies between income groups.

Education is one service that is widely understood to be central to reducing poverty. People with low or no qualifications are at much greater risk of unemployment and, if in work, low pay. The pupil premium, whereby schools get greater funding for children from poorer backgrounds, is an attempt to tackle the gaps in attainment between poor pupils and their peers. This report shows that these gaps still persist.

We could consider social housing as a service that is particularly intended for those on low incomes. The requirements of social landlords mean that they can offer their tenants security, although not all do. Most social tenants know they have a long lease, their rent will remain affordable and there is support available to maintain the property. Private rented accommodation, the only tenure currently growing, is due a similar focus. With increasing numbers of homelessness applications coming through the private rented sector, some regulation of contracts, letting agents and tenancy agreements is probably overdue.

The concern is that services for people in poverty are currently deteriorating. For example the poorest fifth of the population used to have the highest opinion of the health service. Following a decade where satisfaction with the NHS improved across all income groups, and a few years where that progress slipped back, the poorest quarter are now the least satisfied with the NHS. Advice and representation for welfare cases is no longer supported through legal aid. For the decade before these cuts, around 300,000 people a year had received legal aid for help in such cases.

Commentary (continued)

Conclusion

These ideas are obviously different in their intent. Raising pay at the bottom is intended to directly reduce income poverty. A focus on costs means that household income can go further. Services can help reduce the burden of poverty – close health inequalities and close the gaps in attainment between children from poor backgrounds and their better off classmates.

None of these ideas will 'solve' poverty by themselves. What all these ideas have in common is that central government is not the only actor. Whether it is employers, landlords, service providers, local officials or national regulators, they all speak of widening the number of people, organisations and institutions involved in reducing poverty. The centre still has an essential role in setting the overall framework in terms of taxes, benefits and economic growth. But it is time now for a broader conversation.

Chapter 1

Money

Introduction 14

Choice of indicators 15

1 The income distribution over the last decade 16

2 Costs 18

3 Housing costs 20

4 Debt 22

5 Material deprivation 24

6 Measuring income poverty 26

7 Poverty and age 28

8 In-work poverty 30

9 Poverty and disability 32

10 Child poverty 34

Commentary 36

Introduction

Income has always been at the heart of this series of reports. Poverty is about lacking the resources to participate fully in society. In a market society such as the UK, that ability depends heavily on one's income. This chapter begins by setting out what has happened to incomes over the last decade. The ability to participate in society may also be affected by the costs of doing so; this chapter looks at other money-related measures such as the affordability of essential items, rising costs and household debt.

The second half of the chapter looks at trends in poverty using the low income measure. For the most part, we use the 'relative' income measure, as we have done in previous years – households whose income is below 60 per cent of the median that year are considered to be in poverty. The obvious drawback of doing so is that, as the median income has fallen, so has this poverty threshold, meaning people who were previously in poverty may no longer be so, despite seeing no rise, or even a fall, in their income.

One way around this problem is to use a fixed level of income as the threshold, rather than one that changes each year. The Department for Work and Pensions (DWP) publishes such a statistic, using the poverty threshold of 2010/11, uprated for inflation, as that point of comparison. We compare these two measures in graph 6A. Table 2 shows the value of the 'poverty line' using each of these measures for different types of family.

Table 2: The poverty threshold in 2012/13, £ per week

Measure	Single adult	Two adults, no children	Two adults, children aged 5 and 14	One adult, child aged 5
Contemporary 2012/13	£130	£224	£364	£175
Fixed 2010/11	£136	£235	£380	£183

NB: the poverty threshold is for weekly income after housing costs.

The difference between the two measures is between £6 and £16 per week, depending on the size of family. As we show in graph 6A, this amounts to a difference of two percentage points when estimating the number of people in poverty. Underneath this, however, the distribution of poverty within each measure – between children, working-age adults and pensioners, or working and workless families – is fairly similar.

2010/11 is an arbitrary choice of year, and not especially meaningful, as incomes had already began falling by then. Moreover, this report is as much concerned with the medium and long term as the short term, and it is not clear what a poverty line set in 2011 means in, say, 1999. So for those reasons, and with all the necessary caveats, most of the analysis of income poverty will use the contemporary 'relative' measure.

Choice of indicators

The chapter begins by looking at the **trend in incomes** over the last decade for those at the top, middle and bottom of the income distribution, breaking this down further by family type. This sets the context for the analysis that follows.

It then looks at **inflation**, breaking down the consumer price index to see how the prices of essential goods that constitute a minimum standard of living have risen relative to average prices.

We then focus on the **cost of housing**, since this is an unavoidable cost which has been rising more for those in rented accommodation than for property owners. We show how this varies across the income spectrum.

The next indicator looks at **household debt**, to see how households are adjusting to falling incomes, and what this means for their longer-term financial health.

Material deprivation is the focus of the fifth indicator, allowing us to look at which households can afford everyday goods and services, and who is going without.

The next four indicators look at income poverty specifically, beginning with a comparison of **relative and absolute poverty** trends over the last decade. This shows the impact of falling incomes on the poverty measure.

We then look at the trends by **age** as the different trajectories for pensioner, child and working-age poverty show the relative impacts of policies to reduce poverty in each age group.

This is followed by analysis of **poverty by work status**. Awareness of in-work poverty has risen in recent years, and this indicator allows us to look at the long-term trends as well as poverty for individual adults in and out of work.

The final indicator looks at **poverty among disabled people**. The way poverty is calculated underestimates its extent among disabled people, due to the costs they face and the way those costs are addressed.

The map at the end of the chapter looks at how rates of child poverty vary across the UK.

1 The income distribution over the last decade

Over the last decade, incomes have fallen for all family types and for high- and low-income households. People in the poorest tenth and single adults without children have seen the largest falls.

By 2012/13, incomes after housing costs were lower than a decade earlier for low-income, high-income and average-income households. Median income was £374 in 2012/13 prices, 4 per cent lower than in 2002/03. Incomes at the 10th percentile point (where 10 per cent of people have a lower household income) were 8 per cent lower than in 2002/03, and those at the 90th percentile point (where 10 per cent of people have a higher household income) were 1 per cent lower.

These changes in income have followed different trajectories over the last ten years. Incomes at the bottom are lower at least in part because they have been falling longer. Income at the 10th percentile peaked in 2004/05, well before the country went into recession, and fell quite consistently after that. Median incomes peaked in 2007/08, but really began to fall in 2009/10. For those at the top of the distribution, the peak came in 2009/10, and the fall thereafter was quite rapid.

Looking at the most recent year, the fall in incomes in pounds per week was similar across the distribution – £4 for the 90th percentile, £3 for the median and 10th percentile. In proportional terms, then, the fall was greatest for those on low incomes and smallest for those on high incomes.

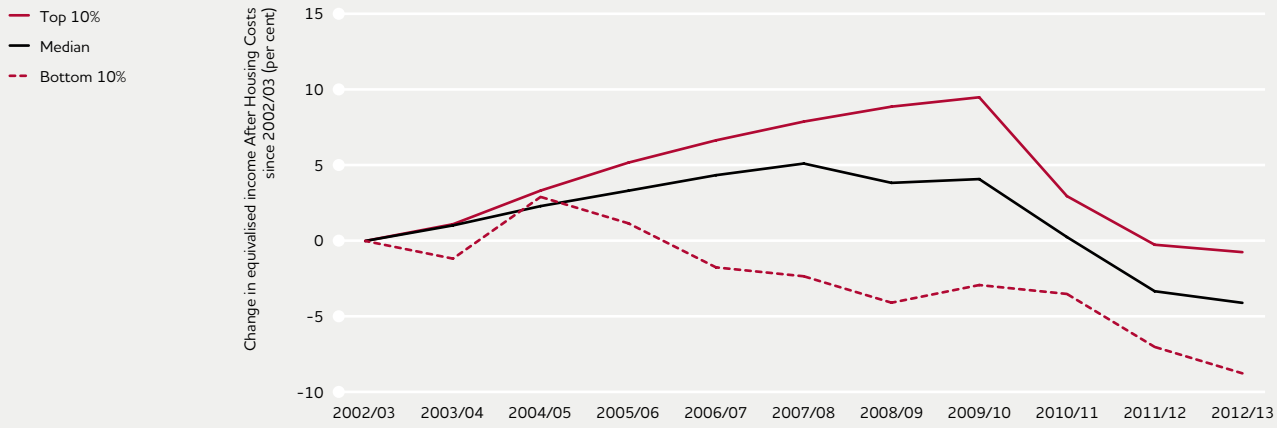
The second graph breaks down the data by family type, comparing incomes now and ten years ago. With the exception of lone parents, all working-age family types have seen a fall in household income, and this is true both for those in the middle of the income distribution and those at the bottom. The greatest fall was for single males without dependent children, a fall of 12 per cent for the median and 18 per cent for the poorest tenth. These falls amount to £49 per week at the median and £23 per week for the bottom tenth. There were similar sized falls for single females without children, and smaller falls for couples without children.

In contrast, pensioner families saw their incomes rise over the period. The average (median) pensioner income rose by 20 per cent for couples and 17 per cent for single people while incomes for the poorest tenth of pensioners rose by 16 per cent for couples and 5 per cent for single people.

The income distribution over the last decade

Indicator: 1A

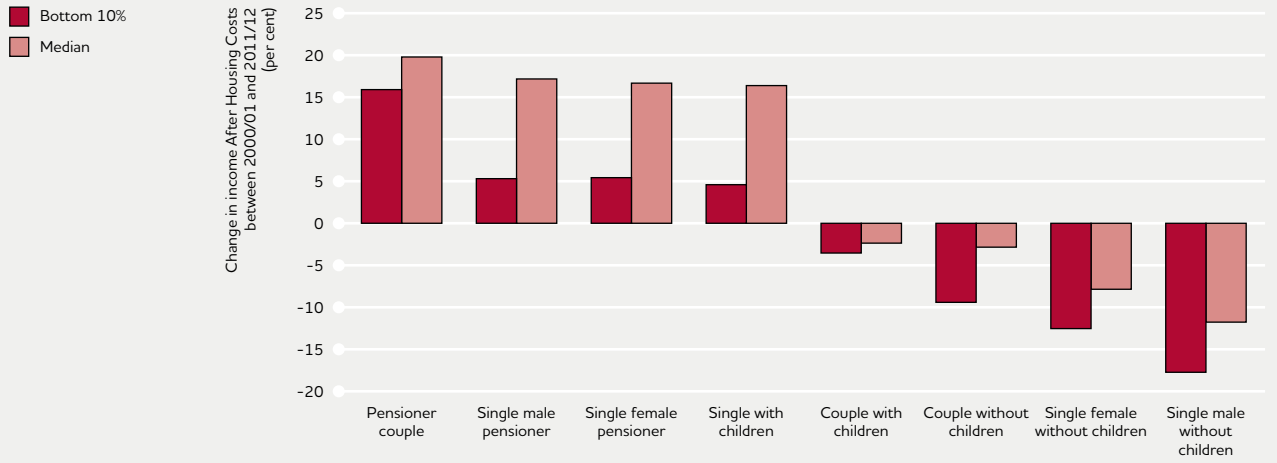
Incomes are now lower than a decade ago across the distribution. Average incomes have fallen more than high incomes, but low incomes have fallen the most.



Source: Households Below Average Income, DWP; the data is for the UK

Indicator: 1B

Pensioners and lone parents, at both the middle and bottom of the distribution, saw their incomes rise over the last decade. Everyone else saw a fall, with lower-income families seeing larger falls than middle-income families.



Source: Households Below Average Income, DWP; figures are for three years to 2002/03 and 2012/13, for the UK

The first graph shows the change in incomes for households at the 10th percentile, 50th percentile (median) and 90th percentile of the income distribution over the ten years to 2012/13. Incomes are measured after taxes and housing costs, and are given in 2012/13 prices; that is, adjusted for inflation. Note that these are snapshots in each year – the graph does not track a household over time, rather it looks at the income distribution each year.

The second graph shows the changes in family incomes for different family types, on the same basis as the first graph. To ensure statistical accuracy, three-year averages are used at both points in time.

Reliability rating: high. The data is official statistics from a large household survey.

2 Costs

The cost of essential items such as fuel, food and public transport has risen more quickly than average prices in recent years. As a result, the cost of the minimum income standard (MIS) has risen faster than inflation in recent years.

Between 2003 and 2013, the consumer prices index rose by 30 per cent. This means that the average cost of a typical 'basket' of goods and services in the UK rose by just under one-third over the decade.

Breaking this down reveals some stark differences between items in the basket. Domestic energy prices – electricity, gas and other fuels – have risen by more than 150 per cent since 2003, and domestic water bills have risen by 70 per cent. The cost of public transport has risen by 88 per cent, and private transport by 63 per cent.

The Consumer Prices Index (CPI) is an average index across different items, so some will inevitably have risen more slowly. The costs of communications, for instance, which includes phones, computers and audio visual equipment like cameras, has barely risen at all. The cost of clothing has actually fallen, now standing at 74 per cent of its 2003 price.

Food and drink prices overall, excluding alcohol, have risen by 47 per cent over the last ten years. While this is a greater rise overall than CPI as a whole, and thus above inflation over the period, the total rise is much lower than for other essential items. This is because, before 2007, food prices were rising more slowly than CPI as a whole.

If we look at a shorter time period, food prices have risen by 28 per cent since 2008, comparable to water and personal transport costs. Even this, however, is a much smaller rise than that seen in domestic energy and public transport costs over the same period, which have gone up by 62 per cent and 59 per cent respectively.

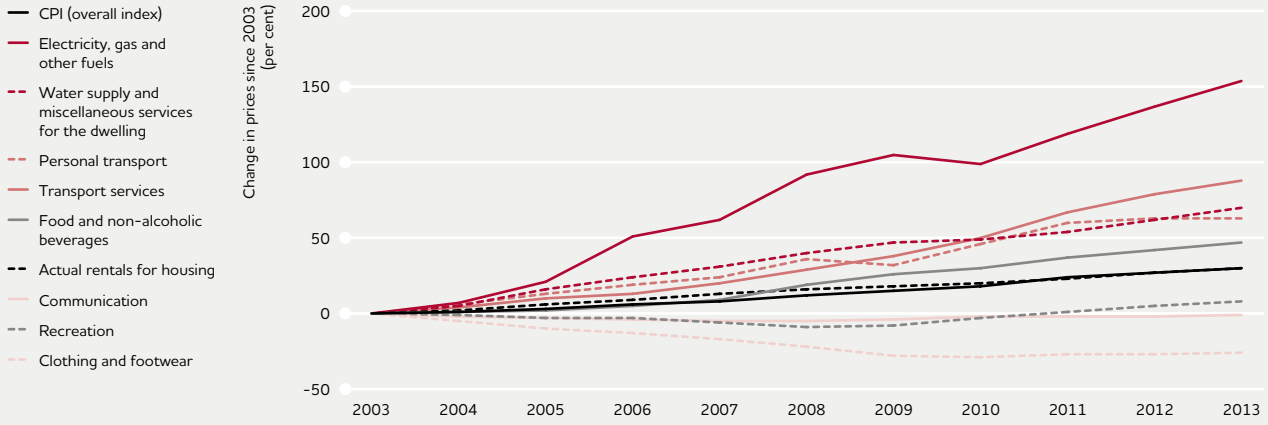
The second graph focuses on this more recent period, looking at rises in the income required to reach the minimum income standard (MIS) for different family types since 2008. Over the last six years, the CPI has risen by 19 per cent. In comparison, the level of the MIS for a single adult without children has risen by 25 per cent. This is because the MIS is based on what the public think constitutes a minimum acceptable standard of living. Items such as food and domestic energy figure much more prominently than, for instance, photography equipment, which forms part of the CPI calculation.

The same pattern can be seen across different family types – MIS for pensioner couples and working-age couples with children has risen by 30 per cent. For lone parents with a young child, MIS has risen the most – up 38 per cent in six years.

Costs

Indicator: 2A

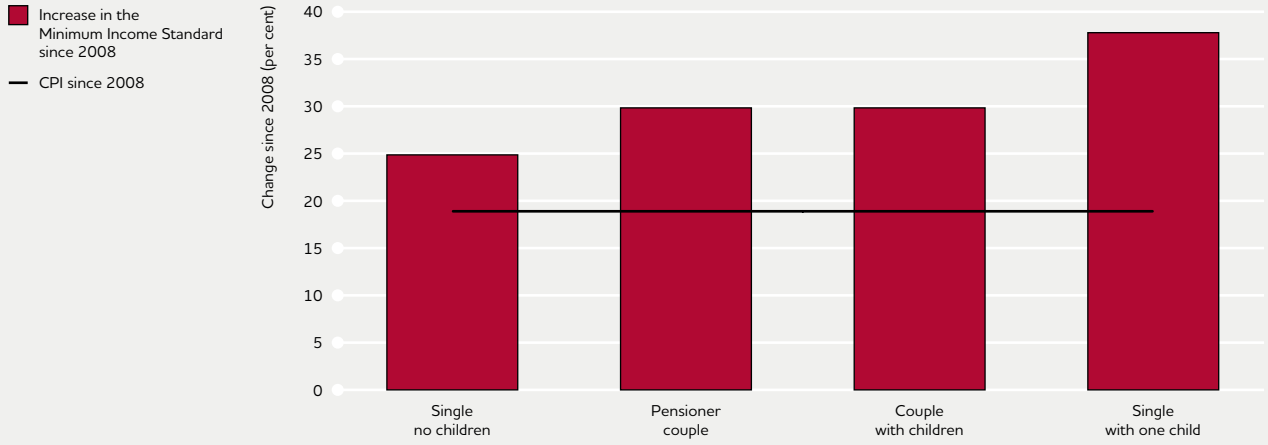
Overall prices are 30 per cent higher than a decade ago, but domestic energy bills have more than doubled.



Source: Consumer Price Indices, ONS; the data is for the UK

Indicator: 2B

For all family types, the cost of attaining a minimum standard of living has risen more quickly than average consumer prices.



Source: A Minimum Income Standard for the UK in 2014 (Davis A, Hirsch D, Padley M, York: JRF)

The first graph shows the percentage changes in the costs of a range of goods that make up the Consumer Prices Index (CPI). Some items that comprise the CPI are excluded, for reasons of space.

The second graph shows how increases in the items comprising a minimum income standard (MIS) compare with overall inflation since 2008. MIS figures are given for four different family types.

Reliability rating; medium. While the first graph uses official figures, we have to infer what it means for consumption among low-income families. The second graph uses a non-official measure (MIS).

3 Housing costs

The poorest households spend a much larger share of their income on housing costs than the richest. It is highest for low-income private renters.

In 2012/13 people in the bottom fifth of the income distribution spent on average 28 per cent of their income on housing, three times as much as the richest fifth, who spent 9 per cent. The middle fifth spent 16 per cent.

All income groups saw housing costs as a proportion of income rise between 2002/03 and 2008/09 and then fall in 2009/10. The fall was an effect of record low interest rates benefiting owner-occupiers with a mortgage. Meanwhile housing costs as a share of income did not change for renters and those who own outright.

Taking a ten-year view, the proportion of income spent on housing increased the most for the poorest households – it has risen by 4 percentage points. For the middle fifth it was half that at 2 percentage points, and for the richest fifth housing costs as a share of income was the same in 2012/13 as 2002/03.

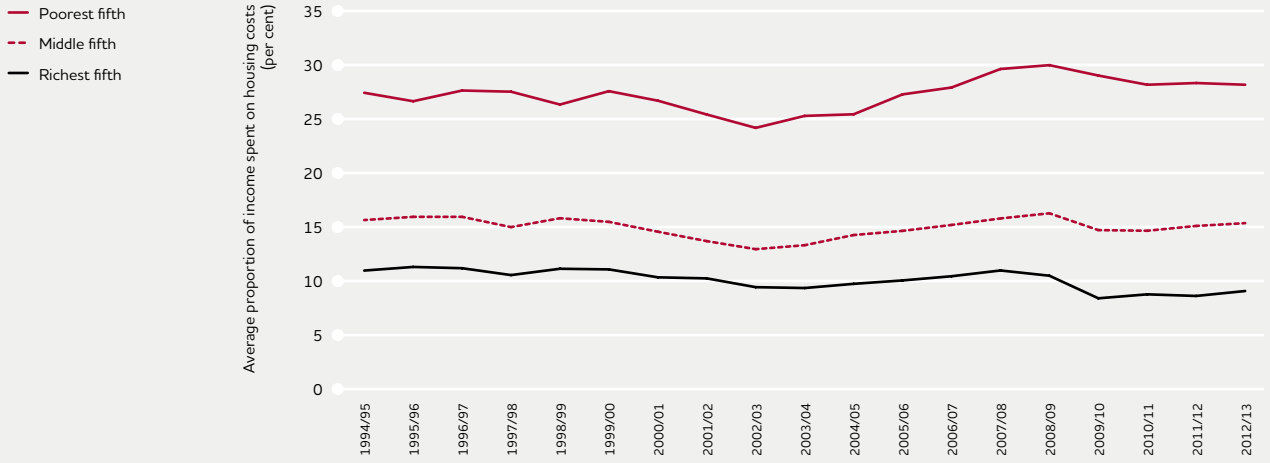
For each tenure group the poorest fifth spent the highest proportion of their income on housing and for each income group private renters spent the highest proportion, followed by social renters, then owner-occupiers with a mortgage and finally those who own outright.

At 55 per cent, private renters in the bottom fifth of the income distribution spent the highest proportion of any group on housing costs. The next highest group was social renters in the poorest fifth at 33 per cent, followed by owners with a mortgage in the bottom fifth and private renters in the middle fifth both at 31 per cent. Those who own outright spent the least on housing at less than 5 per cent of their income.

Housing costs

Indicator: 3A

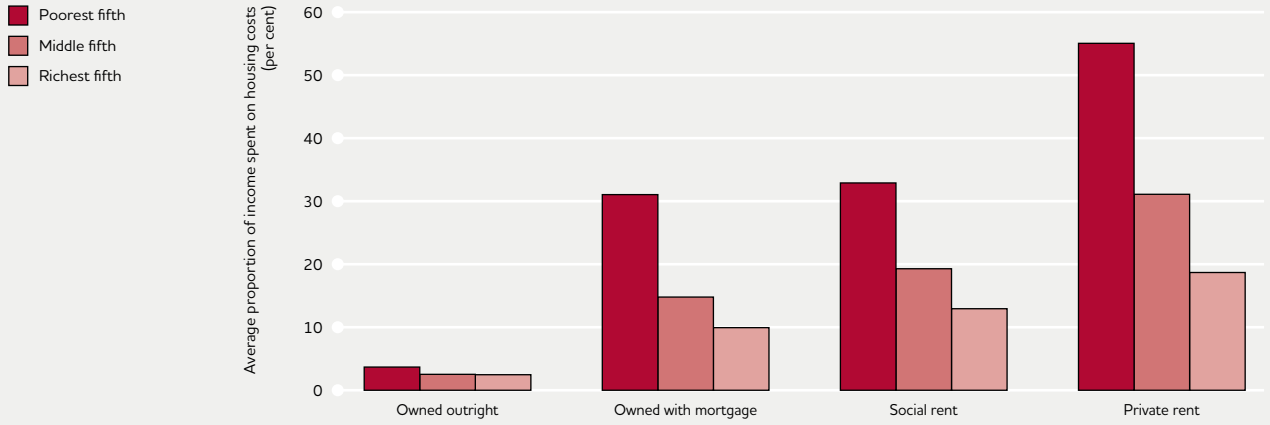
On average the poorest households spent over a quarter of their income on housing.



Source: Households Below Average Income, DWP; the data is for Great Britain to 2002/03 and the UK thereafter

Indicator: 3B

Private renters and the poorest households spend a higher share of their income on housing than other groups.



Source: Households Below Average Income, DWP; the data is the average for 2010/11 to 2012/13

The first graph shows housing costs as a proportion of disposable income for each year and level of income.

The second graph shows the average proportion of income spent on housing by income group and tenure.

Housing costs are calculated as 'total income before deducting housing costs' less 'total income after deducting housing costs' in the Households Below Average Income dataset. They comprise such items as rent service charges, ground rents, mortgage interest (but not capital) and buildings insurance. For people in receipt of housing benefit, the benefit itself is treated as income while the rent it covers is treated as housing costs.

The income groups (quintiles) are based on disposable household income before deducting housing costs. This is preferable, in this instance, to the after housing costs measure which may include in the lower quintiles some households who have high incomes but exceptionally high housing costs.

Reliability rating: medium. The data is drawn from an official government survey, but there are many ways that housing costs and income can be measured. The measure used here is that preferred by the authors and considered the most appropriate.

4 Debt

The overall pattern of household debt is unchanged since the onset of recession – the proportion of households behind with paying bills is slightly lower, the proportion with liabilities exceeding their assets is slightly higher.

The first graph shows the proportion of households in arrears with at least one of nine bills; Council Tax, water, electricity, gas, telephone, insurance, hire purchase and other fuel bills. They do not include mortgage or rent arrears.

In 2012/13, the proportion of working-age adults in poverty who were behind with one or more of their household bills was, at 20 per cent, the lowest since the series began in 2004/05. For those not in poverty, the figure is now just below 5 per cent.

For both those in poverty and those not in poverty, this series peaked in 2009/10. Four years ago, 23 per cent of people in poverty were behind with at least one bill, as were 6 per cent of those not in poverty. Even that peak was not much higher than the figure today or the figure in 2004/05. This series is actually very stable.

The second graph shows the proportion of households with net financial assets that are either low (under £500) or negative; that is, they have liabilities that are greater than their assets. Liabilities are credit card debts, overdrafts, and formal or informal loans. They include student loans. Financial assets include savings, bonds, shares and share options.

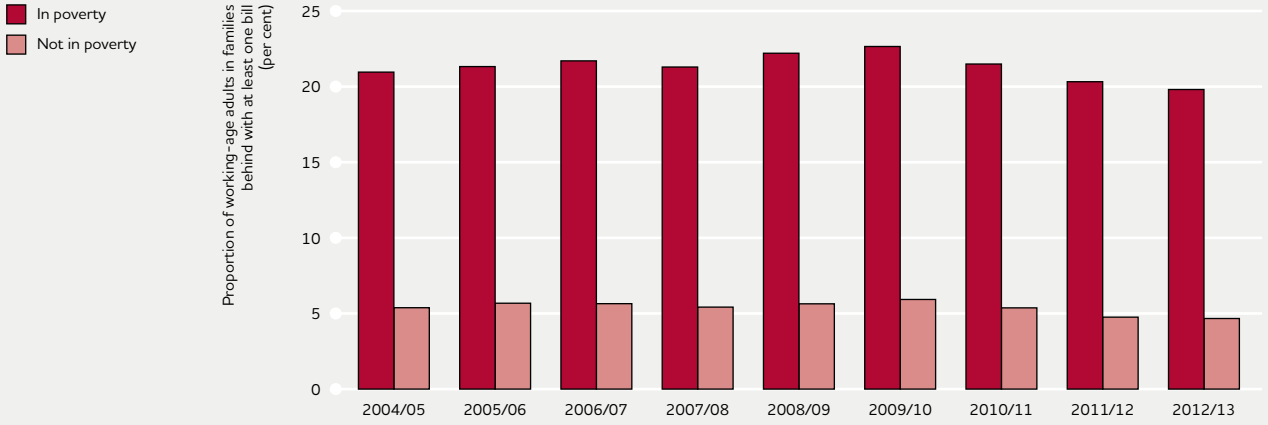
Compared with 2006/08, there were more people with net liabilities over £5,000 – an increase from 9 per cent to 12 per cent. At the same time, there had been small falls in the proportion of households with net liabilities between £0 and £500.

These trends are seemingly divergent, but it should be noted that they are covering different things. It is possible to be in more debt with, for example, personal loans, but be up to date with essential bills. The data underlying the second graph tells us that the proportion of households with a formal loan grew from 15 per cent to 18 per cent between 2006/08 and 2010/12. Over that period, the average amount owed on such loans also grew, from £4,500 to £5,200.

Debt

Indicator: 4A

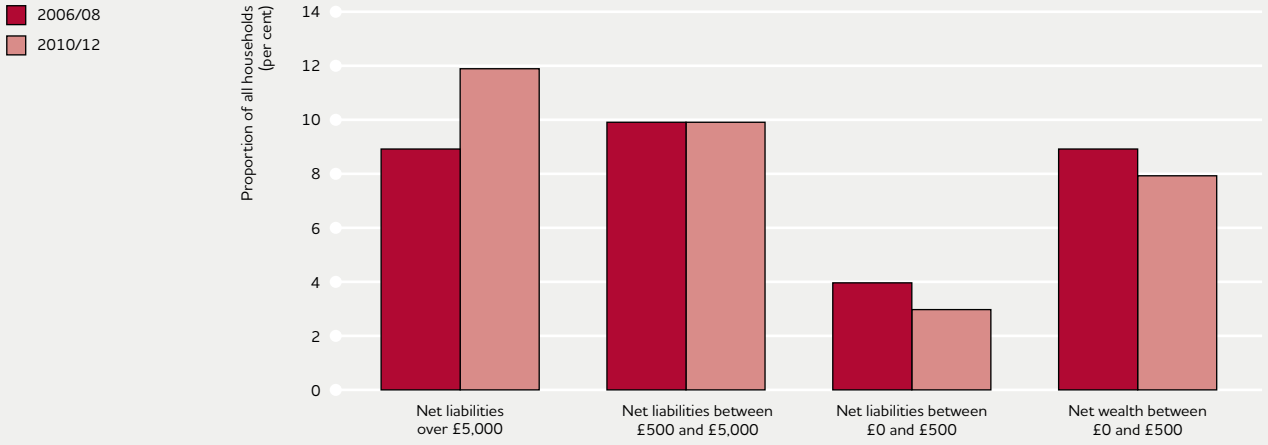
One in five adults in poverty are behind with at least one bill, compared with one in twenty of adults not in poverty.



Source: Households Below Average Income, DWP; the data is for the UK

Indicator: 4B

The proportion of households whose liabilities exceeded their wealth by more than £5,000 has risen in recent years.



Source: Wealth and Assets Survey, ONS; the data is for Great Britain

The first graph shows the proportion of adults who are behind with at least one bill, broken down between those in poverty and those not in poverty. The bills are Council Tax, water, electricity, gas, telephone insurance, hire purchase and other fuel bills. They do not include mortgage or rent arrears.

The second graph shows the proportion of households whose liabilities (debts) exceed their financial assets (such as savings) according to the size of that difference. It also shows the proportion of households whose assets exceed liabilities by only a small amount.

Reliability rating: medium. The two graphs measure different things, and the second in particular only covers a short period of time, meaning the trend could be a blip.

5 Material deprivation

The proportion of children who are materially deprived is no higher than five years ago, but parents are now more likely to go without everyday items for reasons of cost than they were in 2006.

The first graph looks at measures of material deprivation for children and pensioners. The measure is an index based on whether or not families can afford a series of everyday items. The items that most people can afford are given the greatest weight in the calculation.

Since the measure was introduced in 2004/05, the proportion of children who are materially deprived has decreased. Due to a break in the series, we cannot quantify this reduction, but we know that 17 per cent were materially deprived in 2004/05 compared with 15 per cent in 2010/11.

Since then, on a different measure based on a different set of everyday items, the proportion of children who were materially deprived fell from 13 per cent to 12 per cent before rising again to 13 per cent in the most recent year.

The pensioner measure was introduced in 2009/10, when it stood at 9.6 per cent. The proportion of pensioners who were materially deprived fell to 8.1 per cent in 2011/12, before rising slightly in the most recent year to 8.4 per cent.

The second graph looks in more detail at the component parts of the material deprivation measure – eight items for children and eight for adults. Almost without exception, children in the poorest fifth of households are less likely to go without items because they cannot afford them than their parents are. The one exception is a holiday away from home, which is included in the list of items for parents as well. Among those in the poorest fifth of households, 59 per cent of children and 68 per cent of parents would like to do this but cannot afford to.

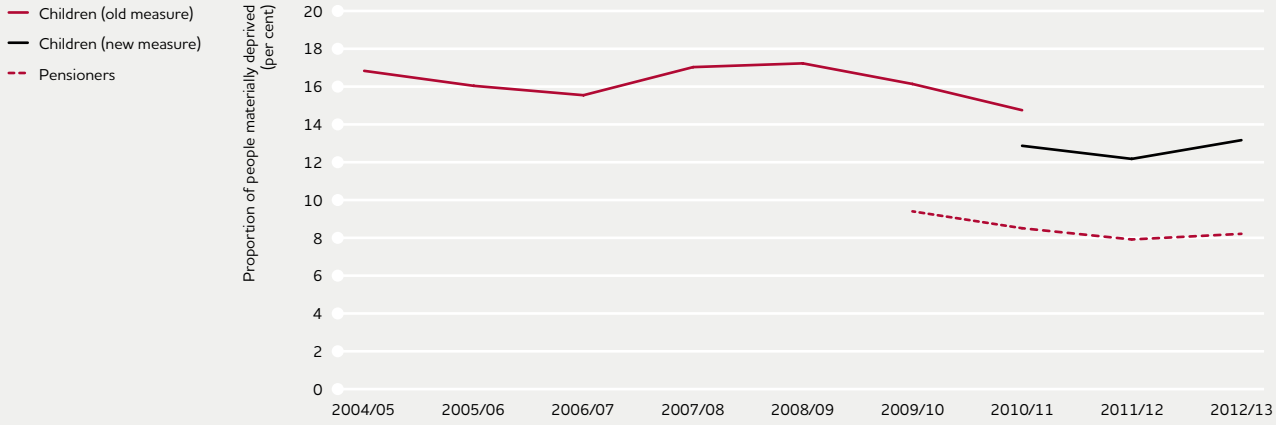
Just under one in four (23 per cent) of children in the bottom fifth live in an overcrowded house because their family cannot afford anything larger. But with that exception, there are no items which more than one in six children, even in the poorest fifth, lack for reasons of cost. Moreover, compared with seven years ago, the first time this data was collected, children are now less likely to go without six of the eight items for reasons of cost. The exception is the holiday away from home.

For parents, the picture is quite different. Firstly, parents are far more likely to go without items because they cannot afford them than their children are. Over half of parents in the poorest fifth cannot afford a week's holiday, to save £10 per month, to fix broken furniture or spend money on themselves each week. Over a third cannot afford to fix broken items, or insure or decorate their homes. The proportion of parents unable to afford each of these items was higher in 2012/13 than seven years earlier.

Material deprivation

Indicator: 5A

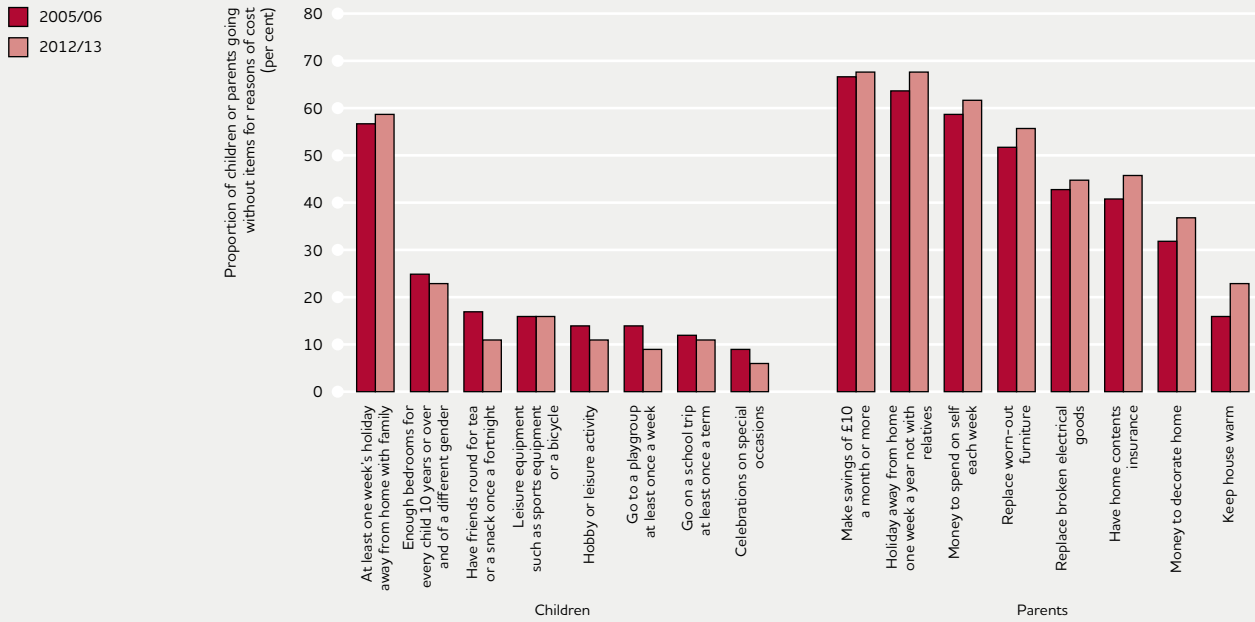
The proportion of children and pensioners who are materially deprived has fallen over the longer term but risen in the most recent year.



Source: Family Resources Survey, DWP; the data is for the UK

Indicator: 5B

In the last seven years, children in low-income families have become less likely to go without everyday items for reasons of cost. Parents have become more likely to go without.



Source: Households Below Average Income, DWP; the data is for the UK

The first graph shows the proportion of children and pensioners who are materially deprived, that is, they cannot (or their families cannot) afford certain everyday items. The measure for children, which includes only those who are in low-income families, is part of the suite of measures that make up the 2010 Child Poverty Act. The pensioner measure covers all pensioners.

The second graph concerns material deprivation, the measure of which is based on a series of questions on whether families have a range of everyday items and if not, whether this is for reasons of choice or cost. These items are both 'child' items and 'adult' items though in reality many of the latter are actually items for the whole household. Some of the actual items making up the score have changed over time; comparison is only made for those items that have been included throughout.

Reliability rating: medium. The two measures for children and pensioners are slightly different, and the break in the series for children makes over time comparison impossible.

6 Measuring income poverty

Following falls in average incomes, the threshold against which poverty is measured has also fallen. This means that millions of people are living on incomes that would in previous years have been considered below the poverty line but are not considered so now.

The first graph shows two measures of poverty used by the Department for Work and Pensions (DWP) in its Households Below Average Income (HBAI) report. The 'contemporary' measure sets the poverty line at 60 per cent of the median household income in 2012/13. The 'fixed' measure sets the line at 60 per cent of median household income in 2010/11, uprated for inflation only. Both measures are used in the Child Poverty Act, albeit on a before housing costs (BHC) basis, rather than the after housing costs (AHC) calculation used here.

In 2012/13, 21 per cent of the population were in poverty on the contemporary measure, down from a peak of 23 per cent five years earlier. In comparison, 23 per cent of people in 2012/13 were in poverty using the fixed 2010/11 line. The two lines cross in 2010/11 when the two thresholds were equivalent to each other.

The pattern leading up to 2010/11 is instructive. The contemporary line is higher than the 2010/11 line throughout. This is because incomes were higher in every year before 2010/11, as graph 1A showed. So to see poverty rising on this measure is quite serious, as it does not by any means represent a high point in terms of household income.

The second graph looks at what would happen if we used the actual high point – 2007/08 – as the benchmark against which we set the poverty threshold. The graph shows the number of people in poverty relative to this threshold as well as the two shown in 6A.

It shows that there were around 13.3 million people in poverty on the contemporary measure in 2012/13. 3.7 million were children, 8.0 million were working-age adults and 1.6 million were pensioners. There were 14.6 million people in poverty using the fixed threshold; 4.1 million children, 8.7 million working-age adults and 1.8 million pensioners, an additional 1.3 million in total.

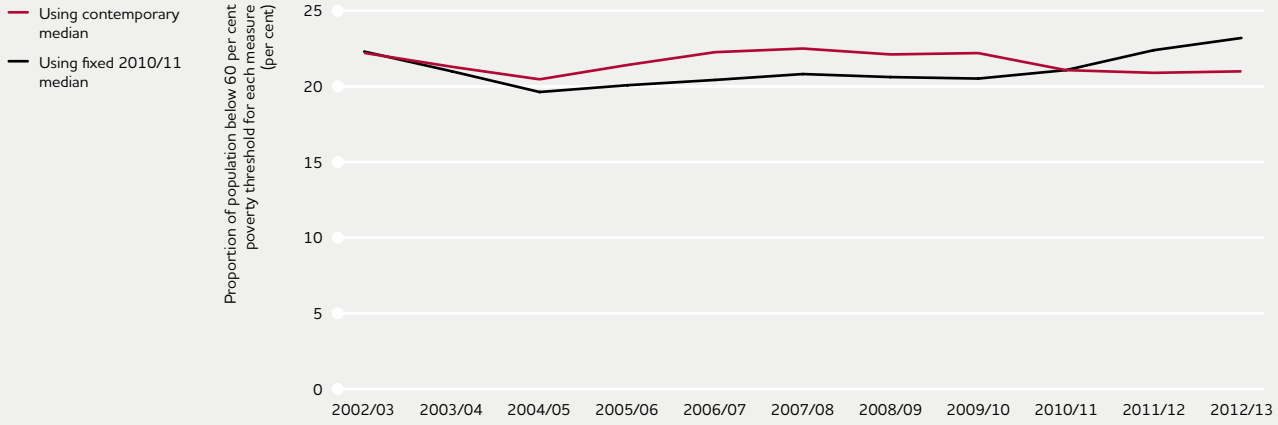
But if we use the 2007/08 threshold, we see a much bigger difference. There are 16.6 million people living in households whose income is below the 2007/08 poverty line (after the line has been uprated for inflation) – an additional 3.3 million, around half of whom are working-age adults. In last year's analysis the figure was just over 2 million.

What has happened is that falling average incomes have meant the contemporary measure has remained flat. The official fixed measure, based on 2010/11 incomes, tells us something about increased hardship, but going further back, to before the economic downturn began, shows the full extent to which people at the bottom of the income distribution have seen their living standards decline.

Measuring income poverty

Indicator: 6A

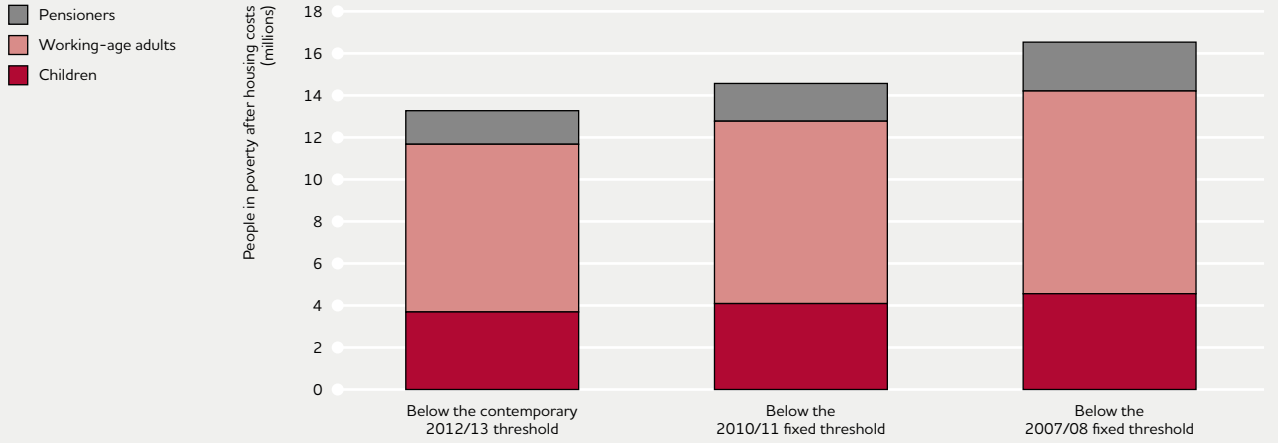
Since 2009/10, the proportion of people living below the contemporary poverty threshold has fallen, while the proportion below the 2010/11 threshold has risen.



Source: Households Below Average Income, DWP; the data is for the UK

Indicator: 6B

13 million people are below the poverty threshold in 2012/13, but a further one million are below the 2010/11 threshold and two million more are below the 2007/08 threshold.



Source: NPI analysis of Households Below Average Income, DWP; the data is for 2012/13 for the UK

The first graph shows the proportion of people living in households with incomes below the contemporary 2012/13 poverty threshold and the proportion below the 2010/11 threshold. The latter threshold is adjusted for inflation in the years before and after 2010/11.

The second graph shows the number of children, working-age adults and pensioners living below the 2012/13 poverty threshold and the 2010/11 threshold, as in the first graph. Additionally, it shows the number living below the 2007/08 poverty threshold. This threshold has also been adjusted for inflation.

Reliability rating: medium. The first graph draws solely on published data, though the choice of 2010/11 as a comparison year is ultimately arbitrary. The second graph suffers from not having the full dataset to analyse, so some assumptions have been made about the income distribution between the 2012/13 threshold and the updated 2007/08 threshold.

7 Poverty and age

The patterns of poverty for different age groups have followed very different trajectories over the last three decades. In the last ten years alone the poverty rate has increased most for young adults and fallen most for pensioners.

In 2012/13, 13 per cent of pensioners were living in low-income households, compared with 21 per cent of working-age adults and 27 per cent of children. None of these figures changed significantly in the last year.

But over a longer time period a substantial shift becomes clear. Only ten years before, pensioners were markedly more likely to be in poverty than working-age adults – 24 per cent compared with 19 per cent. Ten years before that, in 1992, they were almost as likely to be in poverty as children were, as 30 per cent of pensioners and 34 per cent of children were living in low-income households. Over the last 20 years, pensioner poverty has fallen sharply, while child poverty has fallen slowly and unevenly and working-age poverty has risen, particularly in the last decade.

For adults aged under 55 the poverty rate in 2012/13 was higher than in 2002/03. But the largest increases were among younger working-age adults in the 16–19 years old and 20–24 years old age groups, where 34 and 29 per cent respectively are in poverty, both 6 percentage point increases.

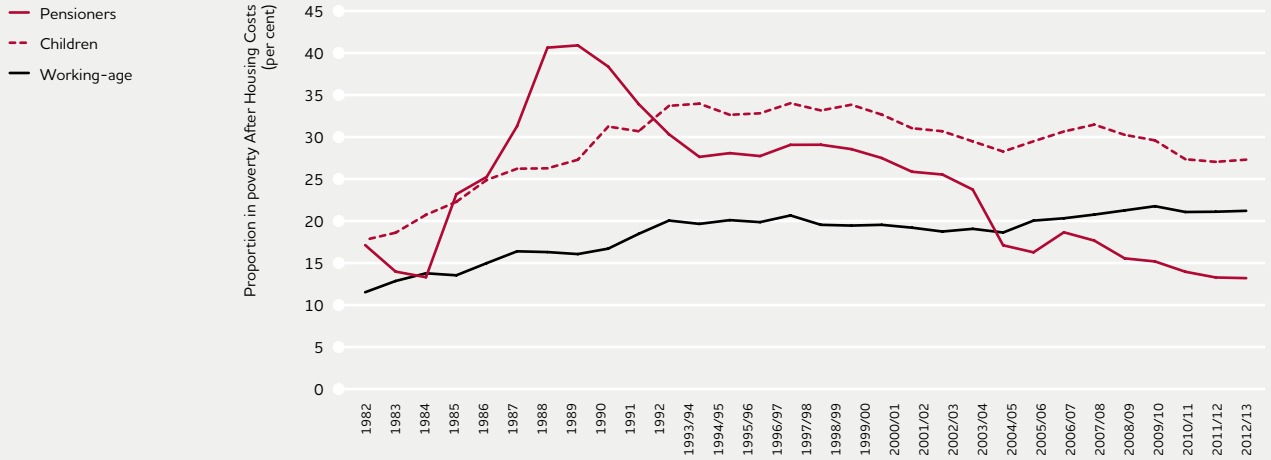
For adults aged over 60 the poverty rate in 2012/13 was lower than in 2002/03. The most substantial falls were among the oldest, with a fall of 15 percentage points for the age group 75–79 years old and 14 percentage points for age group 80 plus.

In 2002/03 the poverty rate was highest for the younger and older adults with those aged in their 40s and 50s with the lowest rates. In 2012/13, this trend is different: the youngest adults still had the highest poverty rates and it was lower for those of middle age but it was lower still for people in their 60s and 70s.

Poverty and age

Indicator: 7A

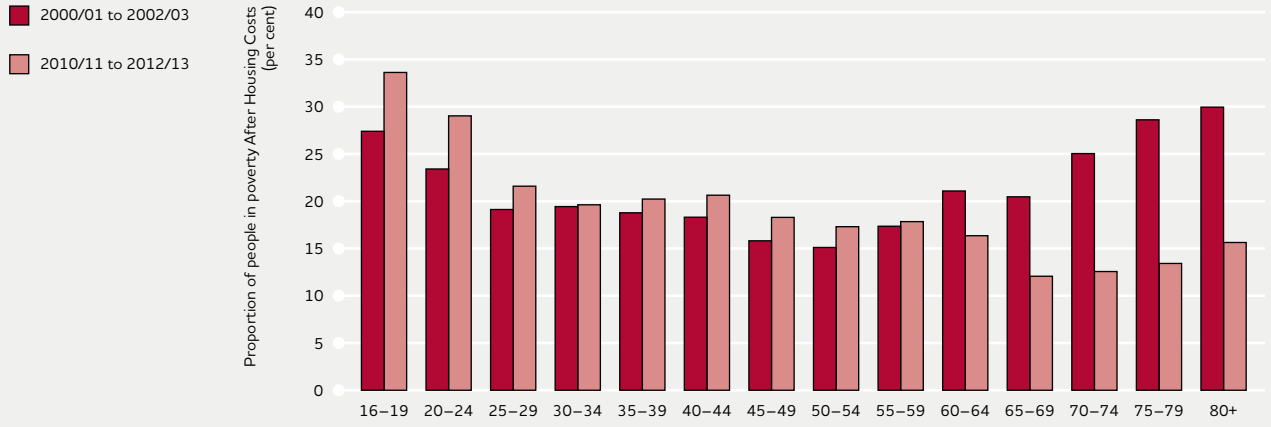
Pensioner poverty is now at the lowest on record. Poverty among working-age adults is near the highest on record.



Source: Households Below Average Income, DWP, via the IFS; the data is for Great Britain to 2001/02 and for the UK thereafter

Indicator: 7B

The poverty rate among the under 30s is higher than it was a decade ago, while the poverty rate for the over 65s has halved.



Source: Households Below Average Income, DWP; the data is for the UK

The first graph shows the long-term trend in poverty, measured after housing costs, for children, working-age adults and pensioners.

The second shows more recent changes broken down by age, for those aged over 16 only. Three-year averages are used to improve accuracy.

Reliability rating: the second graph is very reliable, but the first uses some historic data that is less robust than more recent series. Data before 1993 used the Family Expenditure Survey, a smaller sample than the Households Below Average Income dataset used since. Some of the more notable patterns in that earlier period should be viewed with this in mind.

8 In-work poverty

Following long-term falls in workless poverty and rises in poverty among working families, half of all those in poverty live with a working adult. Around two-fifths of working-age adults in poverty are themselves in work.

In 2012/13, 6.6 million people in working families were living in poverty. This was almost identical to the figure living in workless or retired families, meaning that half of all poverty is found in working families. This has been the case for the last five years – since 2008/09, more than 45 per cent of poverty has been in working families.

This is a result of both a rise in poverty in working families and a fall in workless and retired families. The rise occurred mainly in the middle of the last decade, when the number of people living in low-income, working families rose from 5.2 million in 2003/04 to 6.8 million in 2008/09, before falling back slightly.

The fall in workless poverty mainly happened in the years before this. In 1997/98, 8.5 million people were in low-income families where no one was in paid work. This fell below 7 million for the first time in 2004/05, and was at its lowest ever in 2011/12 – 6.3 million.

Though not shown in the graph, the fall is mainly among retired households. Poverty in retired families fell from 3.2 million in 1997/98 to 1.8 million in 2012/13. For workless working-age families, the fall was from 5.3 million to 4.8 million over the same period.

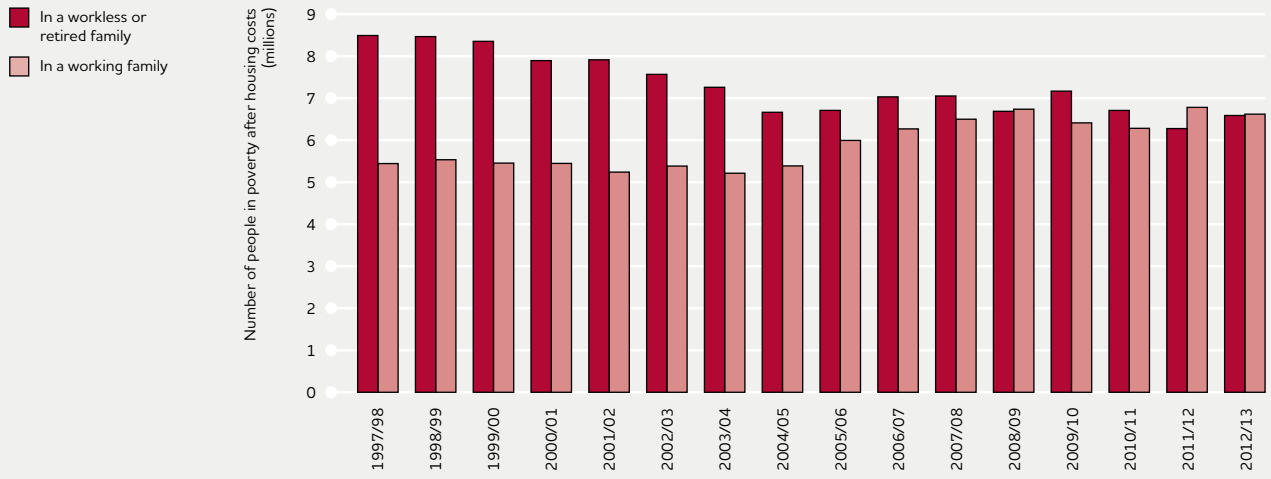
The second graph looks at individual work status. 3.2 million working-age adults in poverty are themselves in paid work, an almost identical figure to the number in workless families. 1.1 million working-age adults in poverty are not themselves working but live with a working partner. So people in work make up almost two-fifths (39 per cent) of all working-age people in poverty.

Among children in poverty, most (2.2 million) are in a working family. Of these, 850,000 are in a fully working family; that is, one where all the adults are in paid work. A much higher number, 1.3 million, are in families where one adult is in work and the other is not. The remaining 1.4 million children in poverty live in a workless family.

In-work poverty

Indicator: 8A

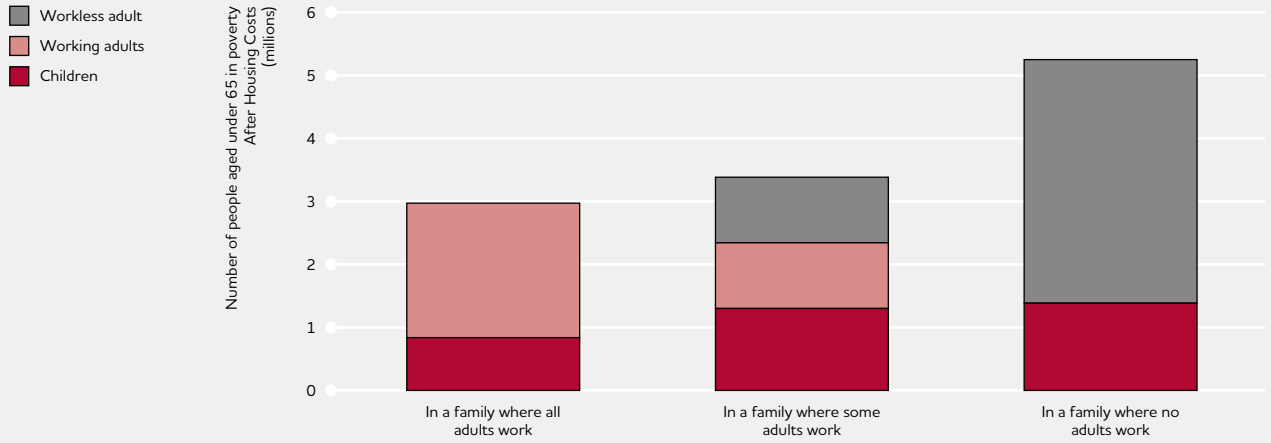
Half of all people in poverty live in a family where someone is in paid work.



Source: Households Below Average Income, DWP; the data is for the UK

Indicator: 8B

Almost half of people in in-work poverty are in families where all adults are in work.



Source: Households Below Average Income and the Family Resources Survey, DWP; the data is for 2011/12 for the UK

The first graph shows the number of people in poverty after housing costs according to the economic status of the family. A working family is any family with an adult in any paid work. A workless family has no adult in paid work and a retired family is one where the head of the household or the spouse is aged over 60 and neither are in paid work.

The second graph looks at individual work statuses – working adults, workless adults and dependent children (who by definition are not in paid work). It shows how many of each are in poverty according to the work status of their family.

Reliability rating: high. These are official statistics based on large sample size.

9 Poverty and disability

The way poverty is measured makes a big difference for disabled people and their families, leading to an underestimate of the number of children, pensioners and working-age adults in poverty.

The standard measure of poverty includes all benefits, including Disability Living Allowance (DLA) and Attendance Allowance (AA), as income. But these benefits are in recognition of the additional costs of living with a disability. They are intended to enable disabled people to attain the same standard of living as non-disabled people who would otherwise have the same income. By overestimating this income, the extent of poverty among disabled people and their families is underestimated.

The first graph shows the extent of this overestimation over the last decade. The gap between the 'standard' poverty measure and a measure once DLA and AA have been removed has been around five percentage points since the beginning of the time series in 2002/03. In the most recent figures, the poverty rates before and after DLA and AA are removed are 24 per cent and 28 per cent.

But regardless of the measure, the proportion of disabled people and their families living in poverty has fallen over the last ten years, and much more so than for those in families with no disabled member. On the unadjusted measure, poverty fell among families with a disabled member from 28 per cent to 24 per cent. On the adjusted measure, the fall was slightly greater, from 33 per cent to 28 per cent. But for families with no disabled member, there has been no change on either measure.

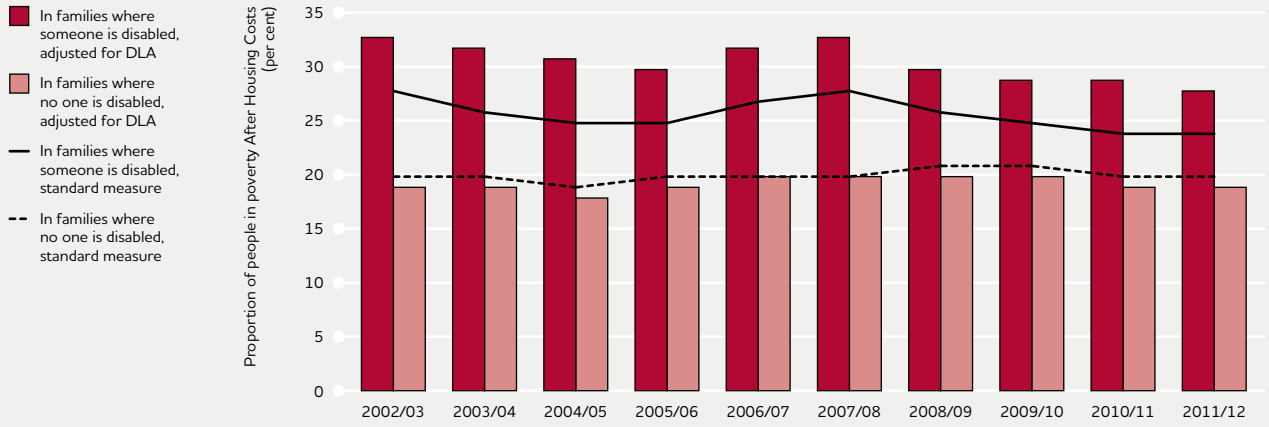
This difference has a lot to do with the composition of the two groups. Pensioners make up a greater share of disabled people than of the overall population, and, as we have seen, pensioner poverty has recently fallen much more quickly than for other age groups.

The second graph looks more closely at those in families who receive DLA and AA. Once DLA and AA are removed from the income calculation the number of children in poverty increases by 150,000 (68 per cent), the number of working adults increases by 650,000 (90 per cent) and the number of pensioners increases by 390,000 (220 per cent). This accounts for over one million people who are not classed as being in poverty due to the disability-related benefits they receive.

Poverty and disability

Indicator: 9A

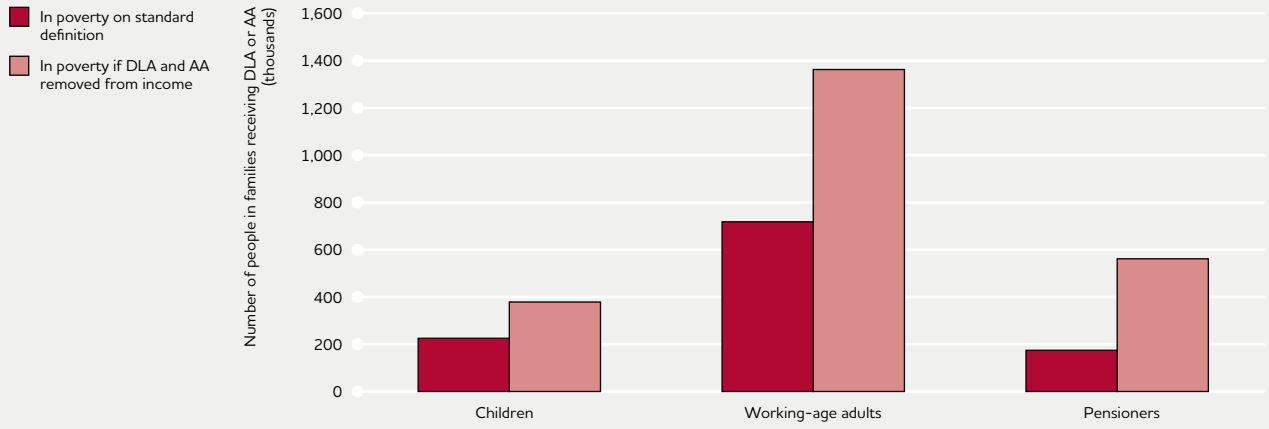
The standard measure of poverty underestimates its extent among families where someone is disabled. Regardless of the measure, the proportion of people in such families living in poverty has fallen over the last five years, and more so than for other families.



Source: Households Below Average Income, DWP; via the Office for Disability Issues; the data is for the UK

Indicator: 9B

Around one million more people in families receiving DLA or AA would be in poverty if those benefits were not included in their income.



Source: Family Resources Survey, DWP; the data is for 2011/12 for the UK

The first graph shows the proportion of people in poverty under two different measures, and for two different family types. The first measure is the standard, after housing costs measure, as used in graph 6A and elsewhere. The second measure deducts Disability Living Allowance (DLA) from household income, and adjusts the poverty threshold accordingly, as the deduction itself lowers the median income relative to which poverty is measured. Both measures are shown for families with a disabled person and families with no disabled person.

The second graph shows the number of people in families receiving DLA and Attendance Allowance (AA) who are in poverty under each of the two measures described above.

Reliability rating: medium. This is not an official measure, although the data on which they are based is official. The two graphs also differ slightly in that the first excludes only DLA, while the second excludes DLA and AA.

10 Child poverty

Child poverty is highest in larger towns and cities, and is more than four times higher in the area with the highest rate than in the area with the lowest rate.

The map shows the estimated child poverty rate, measured after housing costs, in the lower level local authorities of the UK in 2013. The local authority with the highest rate of child poverty last year was Tower Hamlets, where 49 per cent of children lived in households with less than 60 per cent of median income. The next highest areas were its neighbours, Newham and Hackney. The highest area outside London was Manchester, on 39 per cent, with Birmingham, on 37 per cent, not far behind.

Looking at the map more closely, child poverty appears to be a mainly urban phenomenon. Almost all of the darkest coloured areas are cities or large towns. Those local authorities where child poverty is above 30 per cent include Liverpool, Glasgow, Hull, Cardiff, Derry and Newcastle: almost all the major cities in the UK, and a large number of London's boroughs, have more than 30 per cent of children in poverty. The cluster of towns and cities from Yorkshire to Lancashire stands out in particular.

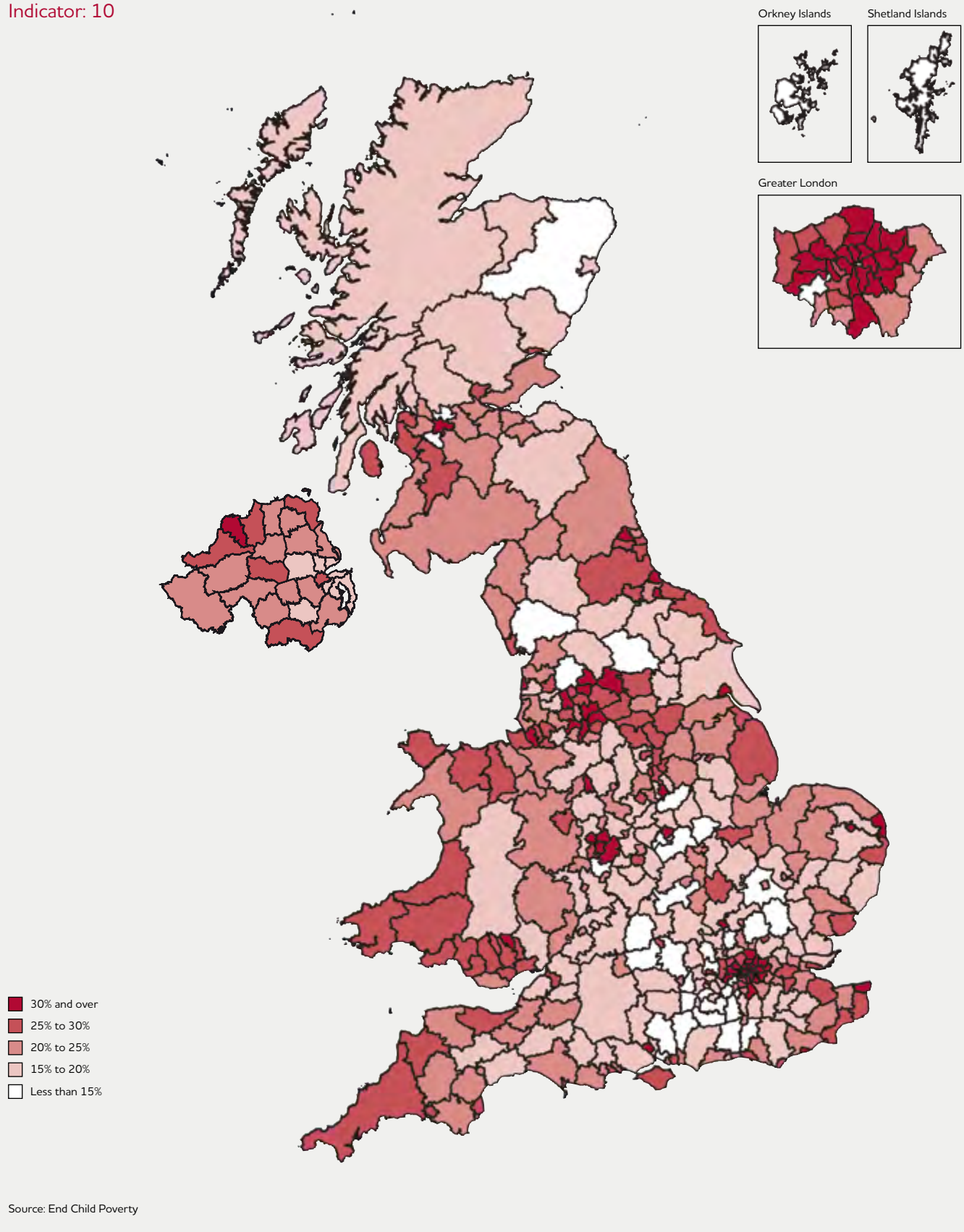
As well as the large cities, the coastal areas of England in particular have high levels of child poverty. Much of the Kent coast has a child poverty rate more than 25 per cent, with Thanet the highest, at 30 per cent. The same is true of the North East, where everywhere from Scarborough to Gateshead has more than one in four children in poverty.

The map uses data from End Child Poverty, which is based on administrative data updated using more recent labour market statistics. The administrative data comes from HMRC, and combines in- and out-of-work benefit statistics. This data applies to 2012. End Child Poverty updates these figures using more recent labour market statistics and poverty statistics from DWP.

Reliability rating: medium. The original source data is all from administrative sources, but the fact that it has to be adjusted to match the Households Below Average Income poverty figures and updated using new labour market statistics means the figures can only ever be regarded as estimates.

Child poverty

Indicator: 10



Source: End Child Poverty

Commentary

This chapter looks at income and costs to get a rounded picture of poverty. One of the more striking findings is that the income required to reach the minimum standard of living has risen more than prices in general as essentials have risen in price more than non-essentials. This impacts on the lived experience of poverty, and means we need more than just an income measure.

So what do we need to consider when thinking about costs for people in poverty? First, income is far easier to target than costs, since it comes mainly from two sources – benefits and paid work. Costs arise in a range of different markets and even essential goods, for example food and energy, face cost pressures from different sources. Some costs, like aspects of public transport, are regulated by government, but most are not. Some are subsidised for those on low incomes, such as housing or childcare, but most are not.

Second, we need to think of groups who face particularly high costs. Disabled people are one such group. In many cases their incomes are overestimated, as benefits to cover these higher costs are treated like any other income. But even making that adjustment underestimates costs for disabled people, as the wealth of evidence collected by the Scope Extra Costs Commission shows.

If we return to the very first graph in the chapter, we see that incomes, after inflation, are now lower than they were a decade ago for all income groups, and around 10 per cent below their peak. At the time of writing, inflation is at 1.6 per cent, a figure which is actually below the Bank of England's target range – in normal times it would be considered too low. Even the rise in the MIS, while above CPI, is only in the region of 30 per cent over six years. That is far from hyperinflation.

In normal times, pay rises would be above 1.6 per cent and benefits could easily rise by that much. Later chapters will show us that these are not normal times – pay has risen very slowly in nominal terms, and benefits have been limited to below inflation rises.

So this chapter shows us that costs matter, and that for low-income groups, costs have risen by more than those on average incomes. It is the stagnation, if not actually a nominal fall, in incomes over the last five years that is driving this 'cost of living crisis'.

Chapter 2

Housing

Introduction 38

Choice of indicators 39

11 Poverty and tenure 40

12 Housing benefit caseload 42

13 Housing benefit values 44

14 Housing condition 46

15 Fuel poverty 48

16 Overcrowding 50

17 Repossessions 52

18 Homelessness acceptances 54

19 Homelessness prevention and relief 56

20 Housing benefit, housing costs and work 58

Commentary 60

Introduction

Housing is a basic need and also for many households their biggest expense, so housing can influence income poverty.

Before exploring this relationship between low income and housing, it is important to reflect on the wider context – how housing trends have changed over time and how these trends vary across the country. The last English Housing Survey report noted that there were now more private rented households in England than social rented ones. This was a key milestone but the trend has been a long-term one – growth in the private rented sector has exceeded social rented and owner-occupied tenures for two decades.

This trend is important as tenure influences a range of factors such as housing costs, how often and for how long they have to be paid (mortgage payments are more flexible than rent), but also who is responsible for the condition of the home, the resident's right to reside and the ease with which they can move. All of these affect a household's options for using their income.

But while the growth in the private rented sector has occurred across the UK the current tenure distribution differs from place to place. Looking only at the UK countries and English regions the proportion of households in the private rented sector ranges from 13 per cent in Scotland to 28 per cent in London.

Likewise housing costs vary widely across the UK; again London represents one extreme. But after excluding the capital the average house price ranged from £300,000 in the South East (up 4 per cent on the previous year) to Northern Ireland where the average house price was £130,000 (down 1 per cent).

Table 3: Regional differences in housing

	Owned	Private rent	Social rent	Average house price	Annual house price change
North East	61%	16%	22%	£146,000	2%
North West	66%	18%	16%	£163,000	2%
Yorkshire and the Humber	65%	18%	17%	£166,000	3%
East Midlands	68%	18%	14%	£173,000	2%
West Midlands	68%	15%	17%	£184,000	3%
East	69%	17%	14%	£255,000	3%
London	51%	28%	21%	£424,000	9%
South East	69%	18%	12%	£300,000	4%
South West	70%	18%	12%	£229,000	2%
Wales	68%	16%	16%	£162,000	4%
Scotland	66%	13%	21%	£181,000	1%
Northern Ireland	72%	16%	12%	£130,000	-1%

Notes: the proportion of households in each tenure is from the Labour Force Survey (LFS) household dataset for Q4 of 2013, ONS; the average house price is the mix-adjusted figure for 2013; the annual change refers to the difference between 2012 and 2013; the data is from the Regulated Mortgage Survey by ONS.

Housing costs can only be meaningfully understood when they are compared to household incomes. Even in areas where housing costs are low they can still be problematic if earnings are low, unemployment is high, or state benefits are insufficient.

Choice of indicators

The first indicator looks at how the long-term changes in housing have been reflected in changes in poverty and shows the changing relationship between **tenure and low income**.

Next we look at trends in **housing benefit**. This is the most obvious measure of the extent to which housing costs reduce income to a minimal level as housing benefit is only provided by the state when it deems a household requires help to cover these costs. We look at the changing characteristics of housing benefit claimants and the amount of help claimants need.

Following that we look at **housing quality and condition**. It is important to look at this along with income measures as some low-income households may have to tolerate poor living conditions (such as overcrowding, or non-decency) in order to make their housing costs more affordable.

Lastly we look at **repossessions and homelessness**. Both are measures of acute housing problems. Repossessions are one extreme consequence of households not being able to afford their housing, and homelessness is an indication of the number of vulnerable households with no means of securing suitable housing.

The map at the end of the chapter shows how the proportion of housing benefit claimants in work varies across Great Britain.

11 Poverty and tenure

The number of people in poverty in the private rented sector doubled in the last decade. Meanwhile the number in the social rented sector fell by a million, all of which was among non-working families.

In 2012/13 12.9 million people were in poverty. This is 2 per cent higher than the number a decade earlier. But changes in the tenure of those in poverty have been much more pronounced.

In the early 2000s around 2.2 million private renters were in poverty. This started to increase in the middle of that decade, reaching 4.1 million in 2012/13. Meanwhile the number of social renters in poverty generally fell over the decade from 5.3 million in 2002/03 to 4.2 million in 2012/13. The number of people in poverty that own outright or with a mortgage, at 2 million and 2.5 million respectively in 2012/13, also fell but less consistently.

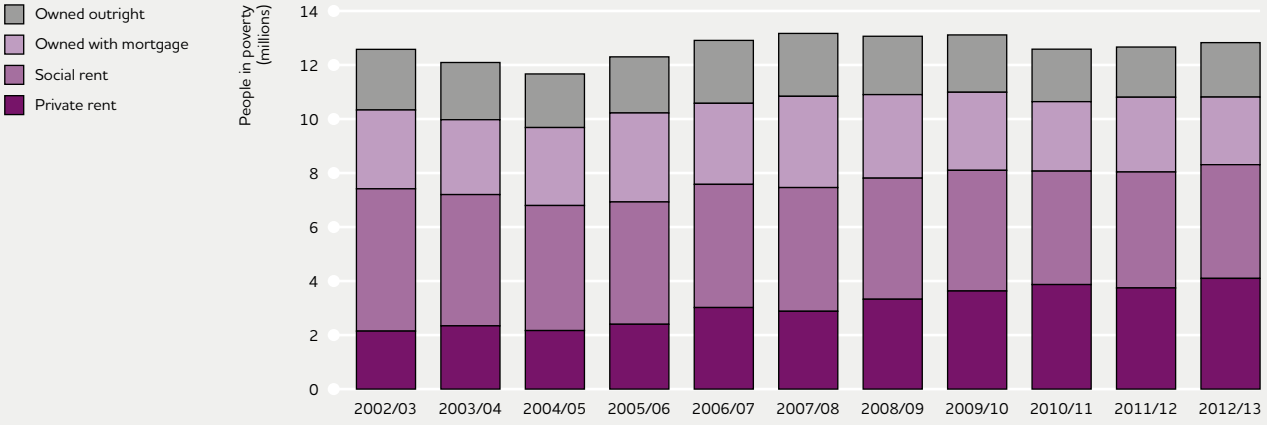
In 2012/13 there were as many private renters in poverty as social renters. Ten years earlier, the number for social renters was double that for private renters.

Of the social renters in poverty in 2012/13 most (2.3 million) were workless. But this is still 560,000 less than a decade earlier. The number for non-working-age families also fell by 560,000 over the same period. For private renters in poverty though, most (2.3 million) were in working families, and the number has more than doubled over ten years. The number in workless families has also increased.

Poverty and tenure

Indicator: 11A

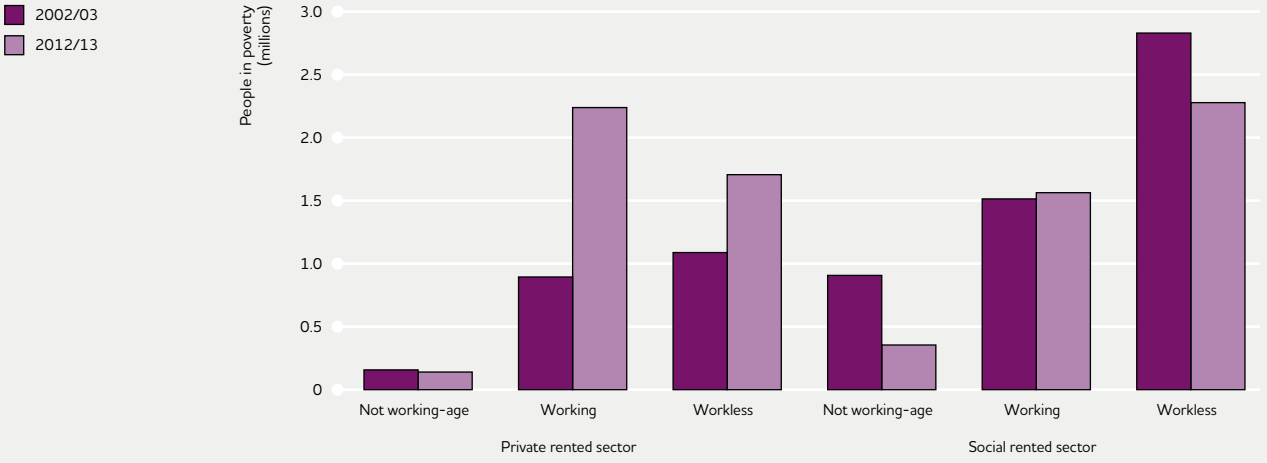
In the last decade the number of people in poverty in private rented housing has doubled.



Source: Households Below Average Income, DWP; the data is for Great Britain

Indicator: 11B

There are now as many people in poverty living in working families in the private rented sector as there are living in workless families in the social rented sector.



Source: Households Below Average Income, DWP; the data is for Great Britain

The first graph shows the number of people in poverty in each year by their tenure group: owned outright, owned with a mortgage, social rented and private rented.

The second graph shows the number of people living in social and private rented homes in poverty in 2002/03 and 2011/12. The data is split by family work status: where no one is of working age, where someone is of working age and someone is in work, where someone is of working age and no one is in work.

People are said to be in poverty if their income is below 60 per cent of the median income. Income is disposable household income after housing costs. All data is equivalised (adjusted) to account for household composition.

Reliability rating: high.

12 Housing benefit caseload

Although over the last five years the increase in housing benefit claims has been primarily among working and private renting families, a quarter of overall claimants were over state pension age.

In 2014 there were just under five million families claiming housing benefit in Great Britain. Between 2013 and 2014 the number of claimants fell by 75,000, the only fall in the time series. This fall is small in comparison with the rises seen over the last decade with the number rising by 1 million over the decade.

3.3 million claimants in 2014 were living in social rented accommodation and 1.7 million in private rented. Much of the increase in claimants in the last decade has been among the private rented sector with the number of claimants 950,000 higher than in 2004. Part of the reason for this is the growth of this tenure in general (as discussed at the beginning of the chapter).

Most claimants in 2014 (3.9 million) were workless and in the last five years this number has hardly changed, remaining at around 4 million. But the number of claimants in work at 1 million in 2014 is more than double the number in 2009. In fact while the number of workless claimants fell in the last two years, the number in work has continued to increase.

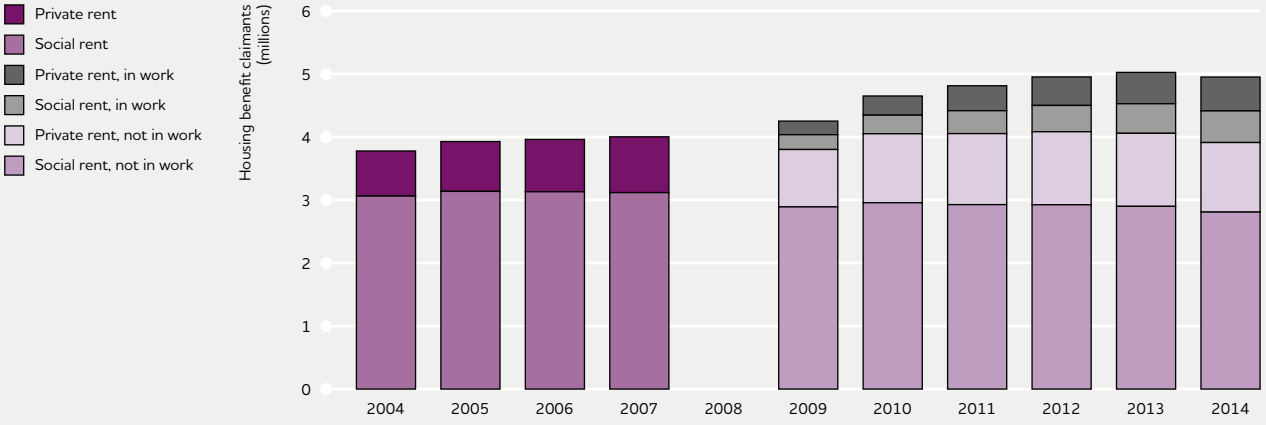
A quarter of housing benefit claimants in 2014 (1.3 million) had reached retirement age, and most of them (83 per cent) were living in social rented accommodation. Among younger age groups a smaller share of claimants lived in the social rented sector – only half (47 per cent) of claimants under 25 were living in social rented accommodation.

A total of 330,000 claimants were aged under 25 (accounting for 7 per cent of all claimants) including 190,000 who had dependent children. Overall 1.8 million claimants had dependent children – around half of all working-age claimants (48 per cent).

Housing benefit caseload

Indicator: 12A

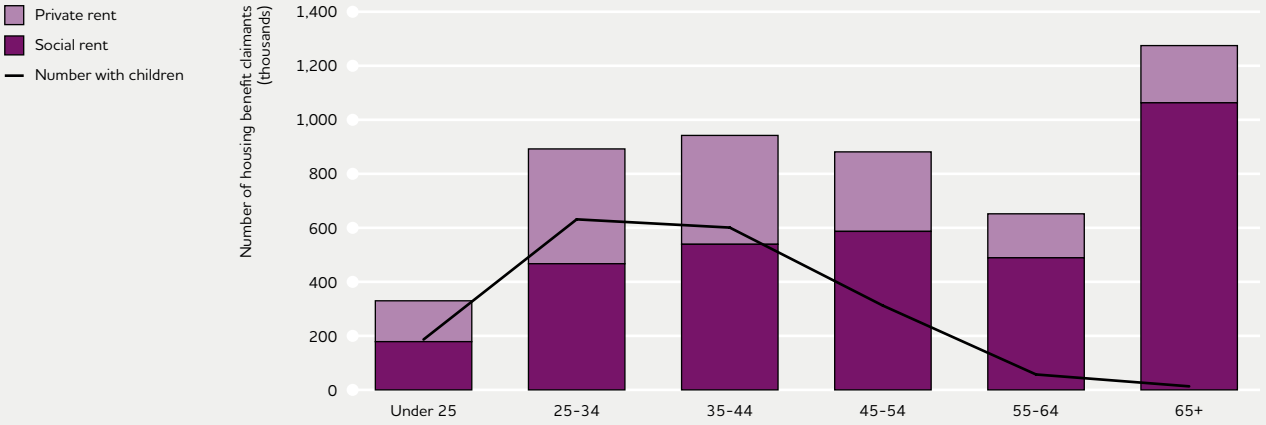
In the last year the overall number of housing benefit claimants fell, but the number of claimants in work continued to increase.



Source: Archived housing benefit caseload statistics and Stat-Xplore, DWP; the data is for Great Britain

Indicator: 12B

Around half of housing benefit claimants under the age of 35 are private renters; most of those aged 65 plus are social renters.



Source: Stat- Xplore, DWP; the data is for Great Britain

The first graph shows the number of housing benefit claimants in February of each year. The data is broken down by tenure (social and private rent) and from 2009 work status. There is no data for 2008 when a new system of claiming housing benefit in the private sector and a new system for recording claimants was introduced.

The second graph shows the number of housing benefit claimants by age in February 2014. The bars show the number of claimants by tenure and the line shows the number of claimants with dependent children.

Reliability rating: high.

13 Housing benefit values

Despite falling for the last two years, the average housing benefit value in the private rented sector remains higher than the social rented sector. As a growing share of in-work private rented claimants have children, the in- and out-of-work gap has closed.

At the start of 2014 the average housing benefit awarded to claimants in the private rented sector was £106 a week. This is £22 a week higher than workless social rented claimants (at £84) and £34 higher than working ones (at £72).

Since 2009 the average benefit claimed by social renters has increased by £15 per week for workless claimants and £17 for working. The graph shows that the increase tends to be greatest in the second quarter of the year when social landlords annually review rent levels.

The average housing benefit claimed by working and workless private renters has converged in the last five years. At the start of 2009 the value for working private renters was £91 and the value for workless ones was £104. In the following year both of these values increased, but from 2010 the level for workless claimants fell and the level for working claimants remained flat. This curb in the average housing benefit award for private renters is likely to be influenced by the reduction in entitlement introduced from April 2011. But the second graph shows that the change can also be linked to the types of families claiming housing benefit.

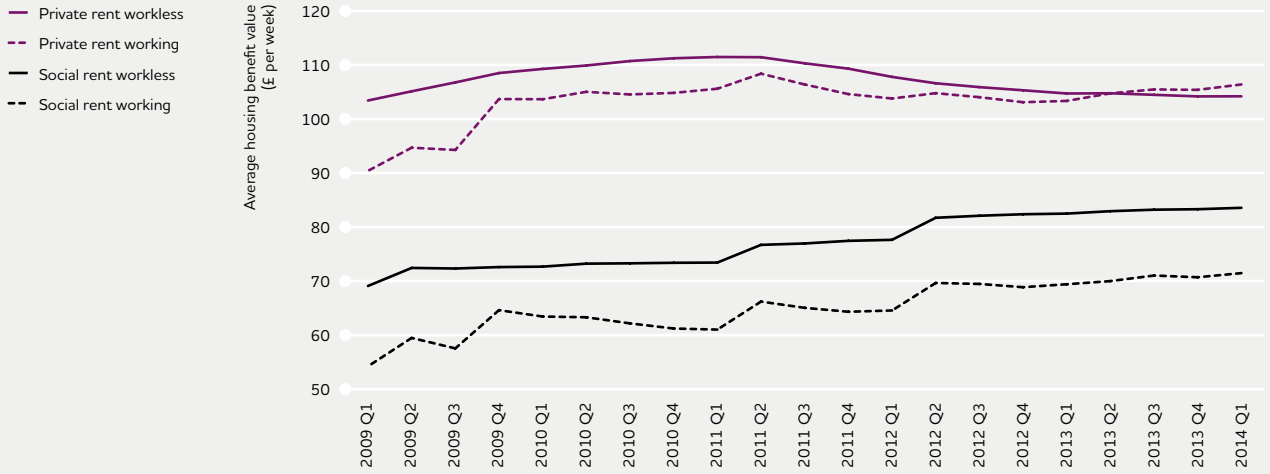
In 2014 three-quarters of working housing benefit claimants in the private rented sector had children compared with a third of workless ones. This gap has grown since 2009 with the proportion of working claimants with children increasing by 7 percentage points while the proportion of workless claimants with children went unchanged.

As families with children face higher housing costs they are entitled to a higher level of housing benefit, so this trend can explain why the gap between the average award of a working and workless claimant narrowed.

Housing benefit values

Indicator: 13A

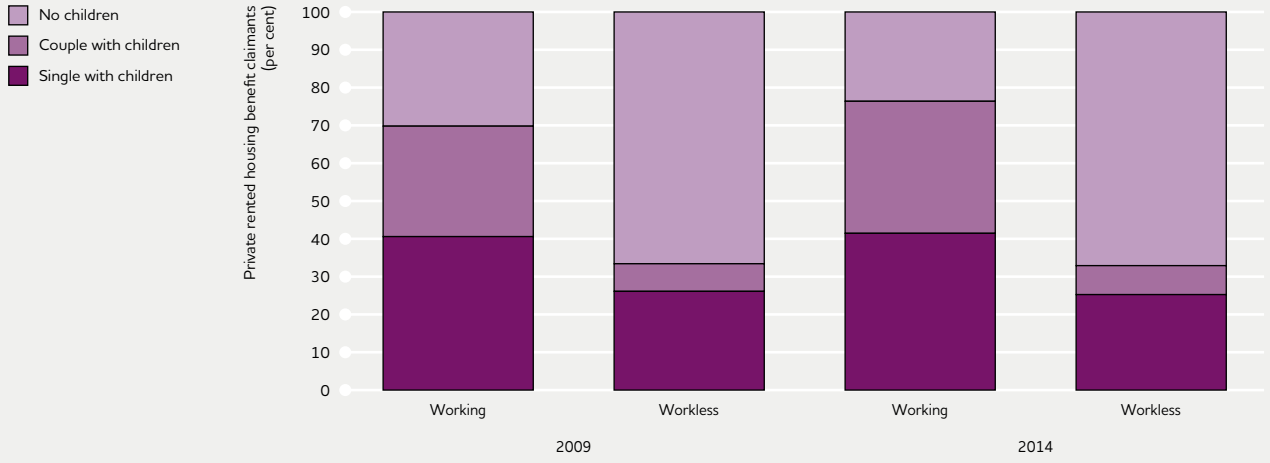
The average housing benefit claimed by private renting workless households is the same as five years ago, but for other households the value is higher.



Source: Stat-Xplore, DWP; the data is for Great Britain

Indicator: 13B

Most working housing benefit claimants in the private rented sector have children, while most workless ones do not. This difference has increased since 2009.



Source: Stat-Xplore, DWP; the data is for Great Britain

The first graph shows the average value of housing benefit awards (£s per week) for each quarter since 2009. The value is shown separately by the tenure and work status of the claimant. The data is for the middle month of each quarter (i.e. February, May, August and November).

The second graph shows the proportion of working and workless housing benefit claimants in the private rented sector by family type in 2009 and 2014.

Reliability rating: high.

14 Housing condition

While the number of non-decent social rented and owner-occupied homes has fallen the number of private rented ones has not. Private rented households have the highest rates of non-decency and the rate is higher for households in poverty.

Since 2007 the number of non-decent homes fell by at least 300,000 every year to reach 4.9 million in 2012. Just under 1 million (970,000) homes in England had problems with damp in 2012. This is almost half the number five years earlier at 1.9 million.

The fall has not been uniform across tenure groups. Between 2007 and 2012 the number of non-decent owner-occupied homes fell from 5.3 million to 3 million. For social rented homes the number halved from 1.1 million to 580,000 while the number of non-decent private rented homes increased from 1.2 million to 1.4 million.

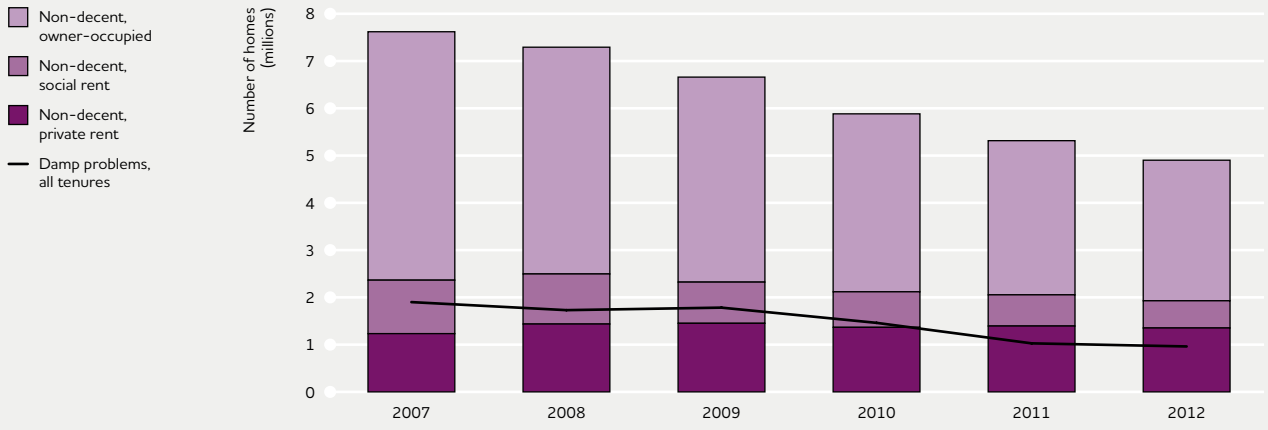
In 2012 private rented homes had the highest rates of non-decency and damp problems – one in three were non-decent and one in ten had problems of damp. Owner-occupied homes had higher rates of non-decency than social rented homes, while for damp problems it was the other way around.

But within every tenure group households in poverty had higher rates of damp problems and non-decency than other households. This 'poverty gap' is biggest for owner-occupiers in non-decent housing where the rate is 19 per cent for households not in poverty and 28 per cent for households in poverty. The gap is by far the smallest in social housing.

Housing condition

Indicator: 14A

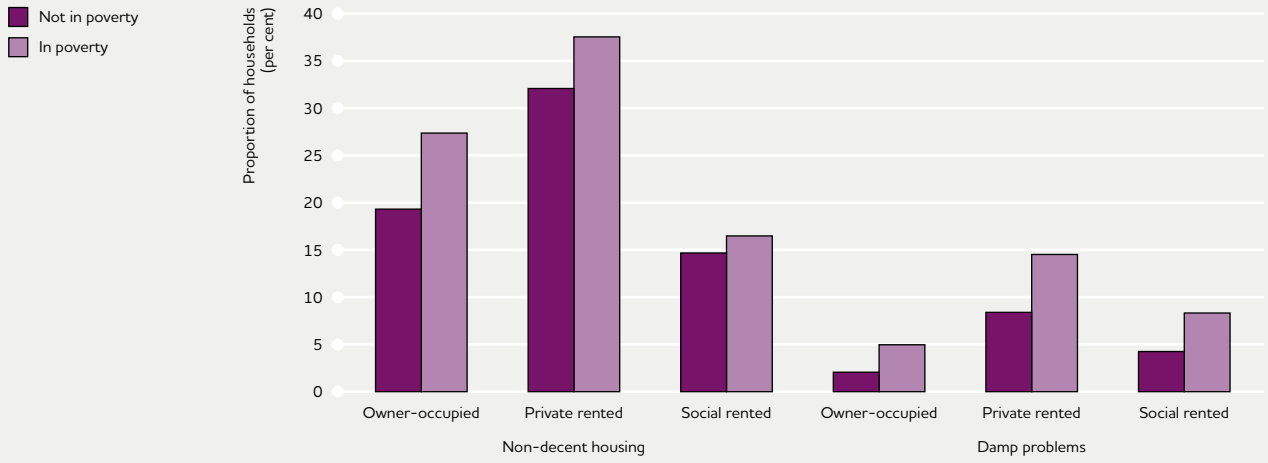
Though the number of owner-occupied and social rented homes deemed non-decent has fallen substantially, there has been no change in the number of non-decent private rented homes.



Source: Survey of English Housing and the English Housing Survey, DCLG; Fuel poverty statistics, DECC; the data is for England

Indicator: 14B

Private renters and households in poverty are more likely than other households to live in poor quality housing.



Source: English Housing Survey; DCLG; the data is for England in 2012

The first graph shows the number of homes in England that are in poor condition in each year. It shows the number of homes with damp problems and the number deemed to be non-decent. One home can appear in both categories in one year.

The second graph shows the proportion of homes in 2012 that were non-decent by tenure and poverty status of the household.

Damp problems and non-decency is assessed by surveyors. Damp includes problems of rising damp, penetrating damp and excess condensation/mould. Non-decent homes fail to meet at least one of the following criteria: the statutory minimum standard under the Health and Safety Rating System, be in a reasonable state of repair, have reasonably modern facilities and services, provide a reasonable degree of thermal comfort.

Reliability rating: high.

15 Fuel poverty

Overall levels of fuel poverty have reduced. In the social rented sector it has almost halved to one in ten households in the decade to 2012. But two in ten were unable to heat their living room comfortably that winter.

Private rented households have consistently had a higher fuel poverty rate than other tenures. In 2012 the rate was 19 per cent. This level has fallen over the past decade from 24 per cent in 2003 and the proportion of social rented households in fuel poverty has fallen faster and almost halved over the decade to reach 10 per cent in 2012. While owner-occupiers had the lowest rate of fuel poverty, unlike renters the rate did not fall and has remained at 8 per cent over the last ten years.

The tenure pattern in fuel poverty contrasts with many of the other indicators in this chapter. Often the social rented sector comes out as the worst overall but is improving and the private rented sector shows little improvement. But with fuel poverty both rented sectors have seen an improvement.

However, fuel poverty is a result of both household condition and low household income. A household is defined as in fuel poverty if it has above average required fuel costs (reflecting the property's condition) and if spending the required amount on fuel would leave income below the poverty line.

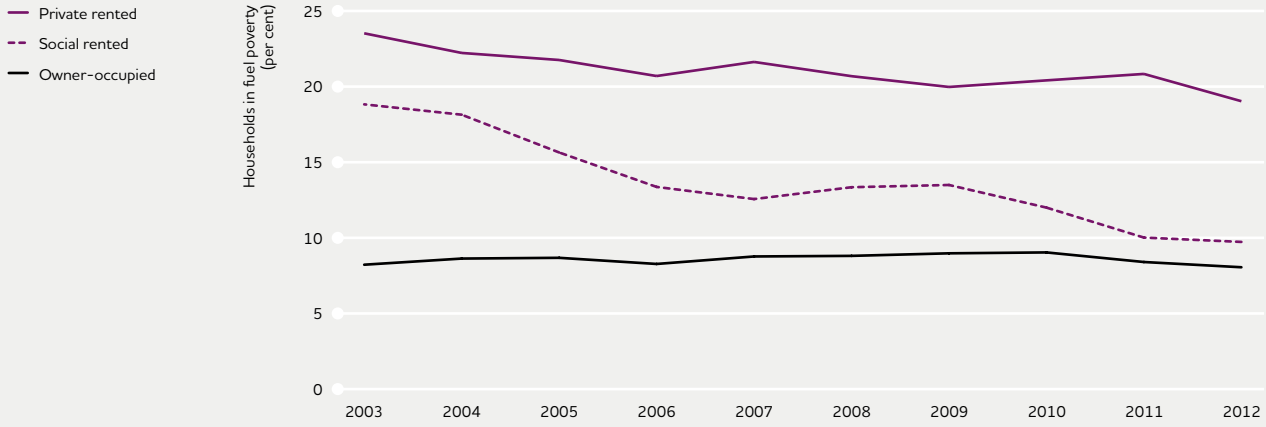
The second graph, showing a subjective measure of fuel costs, has a different trend to the first. It shows that 21 per cent of social rented households were unable to heat their living room comfortably in the winter of 2012. This compares with 18 per cent for private renters and 6 per cent of owner-occupiers.

The reasons for being unable to heat the living room comfortably also varied. Social rented households were more likely to cite the cost of heating than the condition of the property as the reason, while private renters were more likely to cite the condition than the cost.

Fuel poverty

Indicator: 15A

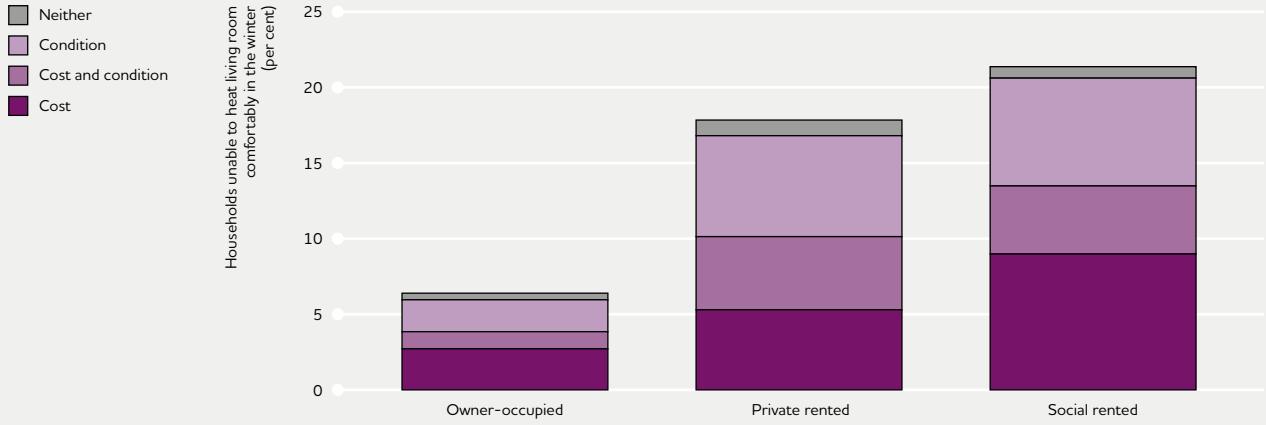
The proportion of social rented households in fuel poverty has almost halved in a decade; falls among private renters have been much less.



Source: Fuel poverty statistics, DECC; the data is for England

Indicator: 15B

1 in 7 social renters and 1 in 10 private renters were unable to heat their living room in winter due to the cost.



Source: English Housing Survey, full household sample, DCLG; the data is for 2012 for England

The first graph shows for each year the proportion of households in each tenure that were in fuel poverty. Fuel poverty in England is measured by the 'low income high costs' definition, which considers a household to be fuel poor if they (1) have required fuel costs that are above average and (2) would be left with a residual income below the official poverty line were they to spend that amount.

The second graph shows the proportion of households in each tenure that reported they were unable to heat their living room comfortably in the winter of 2012. The data is shown separately by the reason for this; 'costs' refers to households that claimed it cost too much to keep the heating on; 'condition' refers to households that claimed it was not possible to heat the room to a comfortable standard.

Reliability rating: medium. Both measures draw on different sources of official government data. The contrasting trend highlights the difference between objective and subjective measures, particularly when considering costs. The first graph shows an objective measure of 'fuel poverty' defined as households that fall into particular categories (as outlined above). The second graph shows a subjective measure – whether a household chooses to heat the home based on the perceived cost of doing so.

16 Overcrowding

Rented households were four times more likely than owner-occupied ones to be overcrowded, a gap that has grown over the last decade. Half of overcrowded rented households were in the poorest fifth of all households.

The tenure with the highest proportion of overcrowded households in the three years to 2012/13 was the social rented sector at 6.4 per cent. This was only slightly above the level for private renters at 5.6 per cent, which in turn was four times higher than the rate for owner-occupiers at 1.4 per cent.

Over the past decade the level of overcrowding in rented tenures generally increased and for owner-occupiers it decreased. But for the past two years of data the level of overcrowding in the social rented sector decreased, falling from a level of 7.3 per cent in the three years to 2010/11.

Looking back to the late 1990s each of the three tenures shown had a distinct level of overcrowding with private renters almost exactly in the middle of the other two. In the most recent data the levels of overcrowding in two rented sectors was higher overall and the two have converged.

Despite the lower level of overcrowding among owner-occupied households, they accounted for 30 per cent (200,000) of over-crowded households in England.

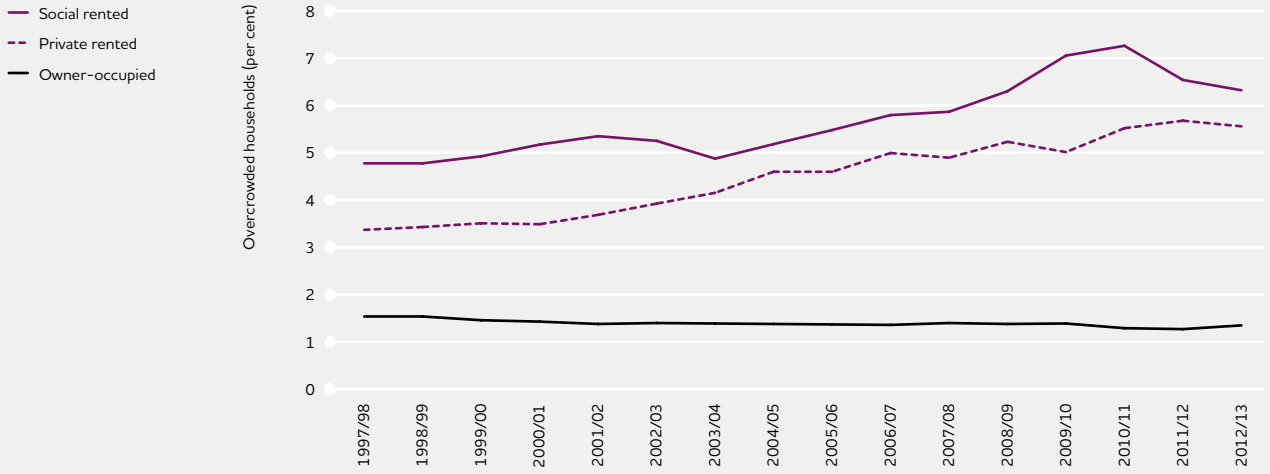
Overcrowded households are predominantly in the lower end of the income distribution. Of the 680,000 overcrowded households in England in the three years to 2012/13, 290,000 were in the poorest fifth and 190,000 were in the next poorest fifth. Overall 71 per cent of overcrowded households are in the poorest 40 per cent.

Half of overcrowded private and social rented households were in the bottom fifth of the income distribution. But there were more overcrowded owner-occupied households in the middle fifth of the income distribution than the poorest. This reflects the smaller number of owner-occupied households at the bottom of the income distribution (see indicator 11 Poverty and tenure).

Overcrowding

Indicator: 16A

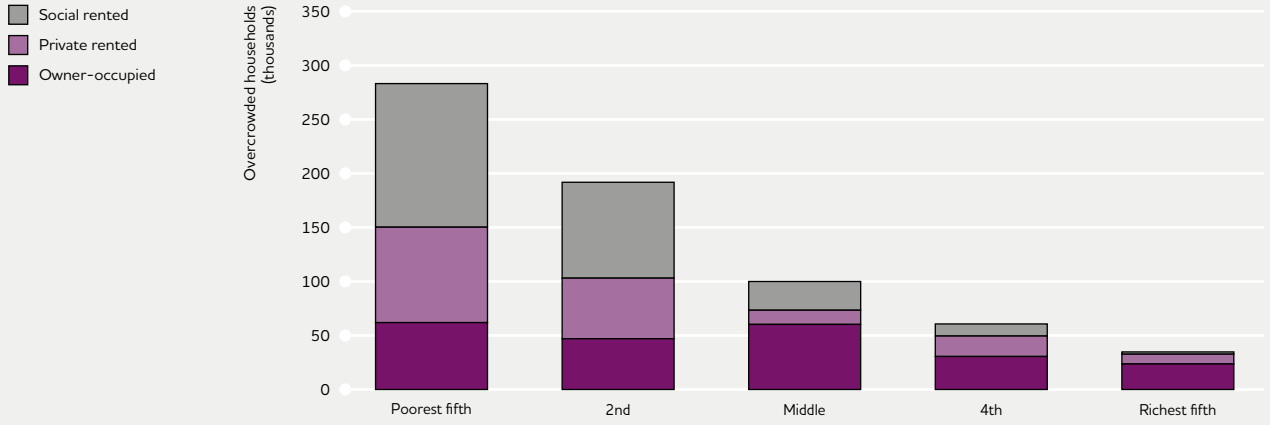
Levels of overcrowding among rented households are four times the level for owner-occupiers.



Source: Survey of English Housing to 2007/08 and English Housing Survey thereafter, DCLG; the data is a three-year moving average for England

Indicator: 16B

Households in the poorest fifth account for two-fifths of overcrowded households.



Source: English Housing Survey household data 2012/13, DCLG; the data is for England

The first graph shows the proportion of households that were overcrowded by tenure in each year. The data is a three-year rolling average ending with the year labelled on the axis.

The second graph shows the number of households that were overcrowded by tenure and income quintile (income is measured after housing costs and adjusted to account for household size). The data is a three-year average for 2010/11 to 2012/13.

Overcrowding is measured using the 'bedroom standard' which is an indicator of occupation density. The required number of bedrooms is calculated for each household according to its composition – the age, gender and relationship of its members. Households are overcrowded if they have fewer bedrooms available than the number required by the bedroom standard.

Reliability rating: medium. The measure of overcrowding is from the English Housing Survey and is the approved measure used by the government. But given low levels of overcrowding a three-year average is required to increase accuracy.

17 Repossessions

The number of landlord repossessions reached a ten-year high in 2013/14 while the number of mortgage repossessions reached an eight-year low. But the geographical pattern in mortgage repossessions remains with the rate higher in the north of England.

There were 15,000 mortgage repossessions carried out by county court bailiffs in 2013/14. This is down from a peak of 37,000 from five years earlier, but remains substantially above the level ten years ago (6,000).

The number of landlord repossessions has been increasing for four consecutive years and reached 37,000 in 2013/14. This is its highest level for at least ten years and more than double the number of mortgage repossessions. Over the last decade the number of landlord repossessions and mortgage repossessions generally moved in opposite directions – in most years when one increased the other decreased.

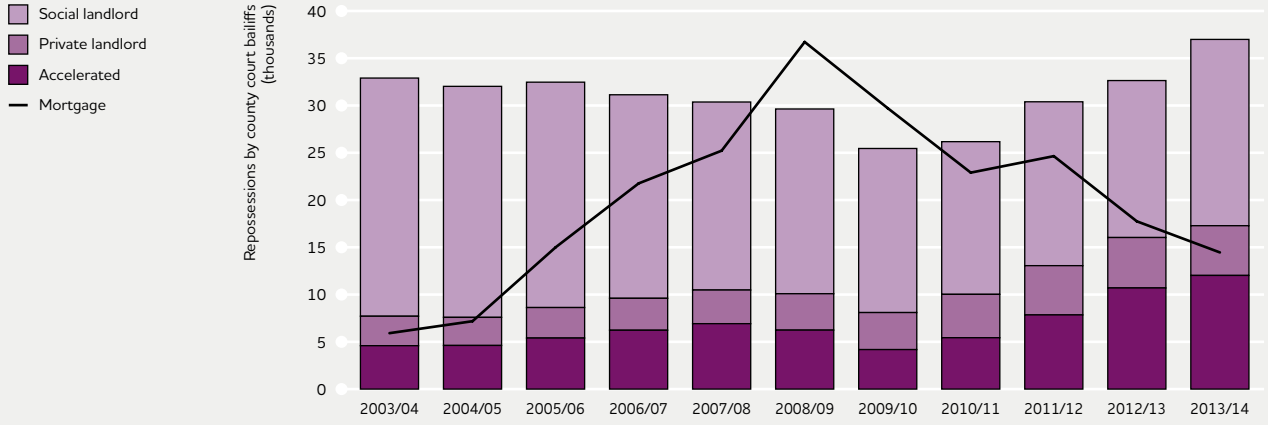
Much of the recent growth in landlord repossessions has been among accelerated claims (used by social or private landlords when the tenant is near the end of their lease). In 2013/14 the number of accelerated repossessions reached 12,000, double the number five years earlier. But other types of repossession have increased recently too; in the last year non-accelerated repossessions by social landlords increased by 3,000 to reach 20,000 (up 19 per cent).

The rate of mortgage repossessions was highest in the north of England and Wales and lowest in the south. In 2013/14 the North East was the region with the highest rate at 1.2 repossessions per 1,000 households with a mortgage. This compares with the lowest rate of 0.3 in the South East. But in every region the rate of landlord repossessions was higher than mortgage repossessions. Outside London the repossession rate ranged from 1.1 per 1,000 renting households in the South West to 1.8 in the North West. The rate in London was more than double this at 3.8.

Repossessions

Indicator: 17A

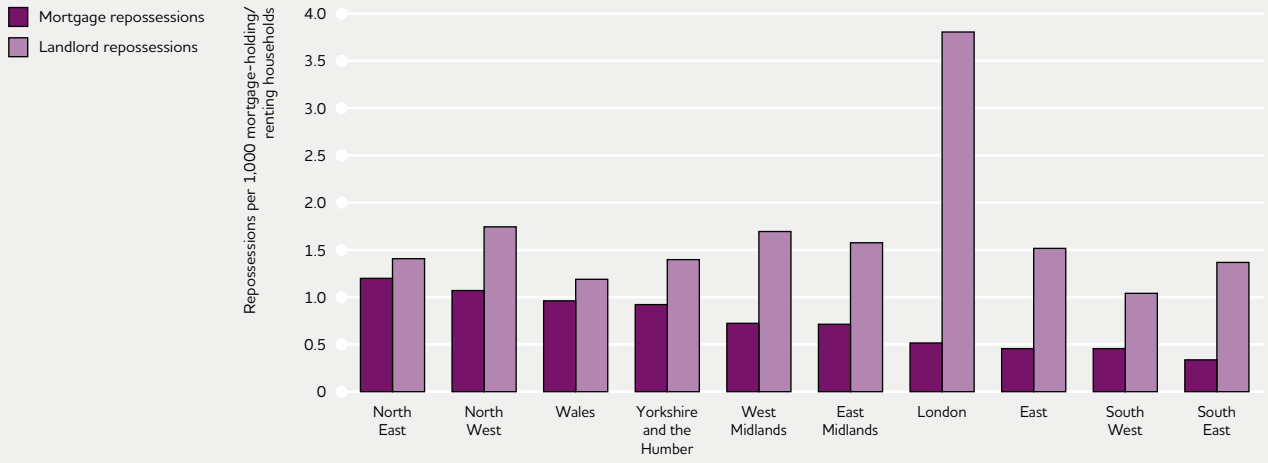
The number of landlord repossessions has increased for four years in a row and is now more than double the number of mortgage repossessions.



Source: Mortgage and landlord possession statistics, Ministry of Justice; the data is for England and Wales

Indicator: 17B

In every region the rate of landlord repossessions is higher than mortgage repossessions, and in London the rate of the former is more than double any other region.



Source: Labour Force Survey household dataset Q4 2012, ONS, and mortgage and landlord possession statistics Ministry of Justice for 2013/14

The first graph shows the number of repossessions that took place in England and Wales in each year. The line shows the number of mortgage repossessions. The bars show the number of landlord repossessions by type: whether they were by private landlords, social landlords or an accelerated claim (used when the tenant is near the end of their lease and can be used by private or social landlords).

The second graph shows, for each region in 2013/14, the number of mortgage repossessions for every 1,000 owner-occupiers with a mortgage and the number of landlord repossessions for every 1,000 renting households.

Repossessions refer to those carried out by county court bailiffs after a warrant has been issued, as measured by the Ministry of Justice.

Reliability rating: high for the first graph. The second graph combines two different sources (the Labour Force Survey and Ministry Of Justice administrative data); both are reliable datasets but the necessary combination means the rating for the second graph is medium.

18 Homelessness acceptances

The number of homelessness acceptances has risen by 11,000 in the last four years. Much of this growth can be attributed to households becoming homeless through the end of private rented tenancies.

In 2013/14 52,000 households were legally accepted as homeless by their local authority. This is 84,000 lower than the number ten years earlier, but 12,000 higher than 2009/10 when numbers were at the lowest since the duty was introduced.

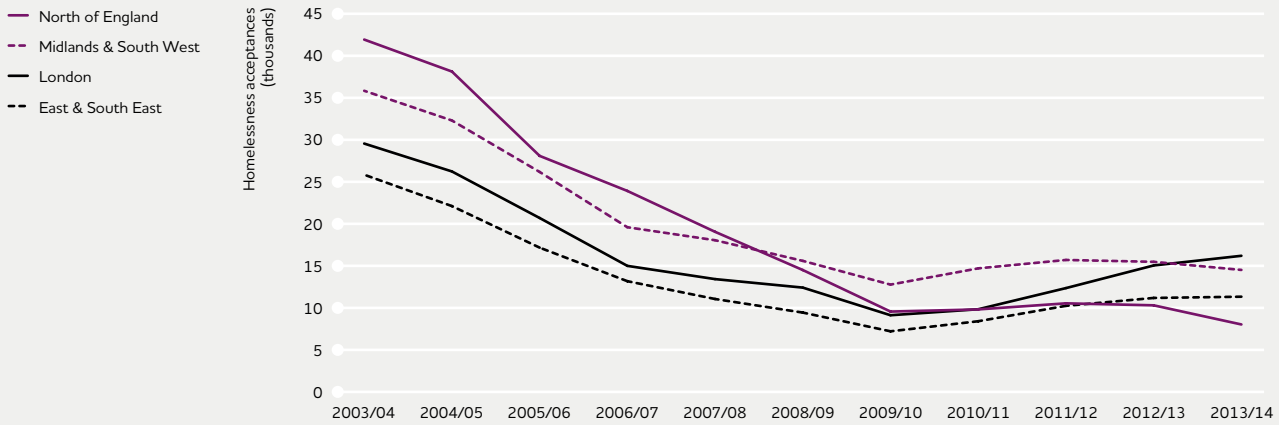
When homelessness acceptance reduced between 2003/04 and 2009/10 the fall could be seen across England, though the subsequent increase has not been uniform. In the two years to 2011/12 the number of homelessness acceptances increased everywhere, but since then the number has fallen in the North, Midlands and South West of England and grown in the South East, East and London. In 2013/14 homelessness acceptances in the North had reached the lowest on record, while in London it was at its highest level for eight years.

There has also been a shift in the reason people are becoming homeless. In 2013/14 the most common reason for homelessness was the termination of shorthold tenancies (for tenants who rent privately). This accounted for almost 14,000 acceptances, double the number five years earlier. The number has risen in every English region (even where the overall number of homelessness acceptances has fallen). After this the most common reasons were linked to personal relationships: friends and family that were no longer willing to accommodate and relationship breakdown. Compared with 2008/09 only those reasons explicitly linked to problems with rented housing have increased.

Homelessness acceptances

Indicator: 18A

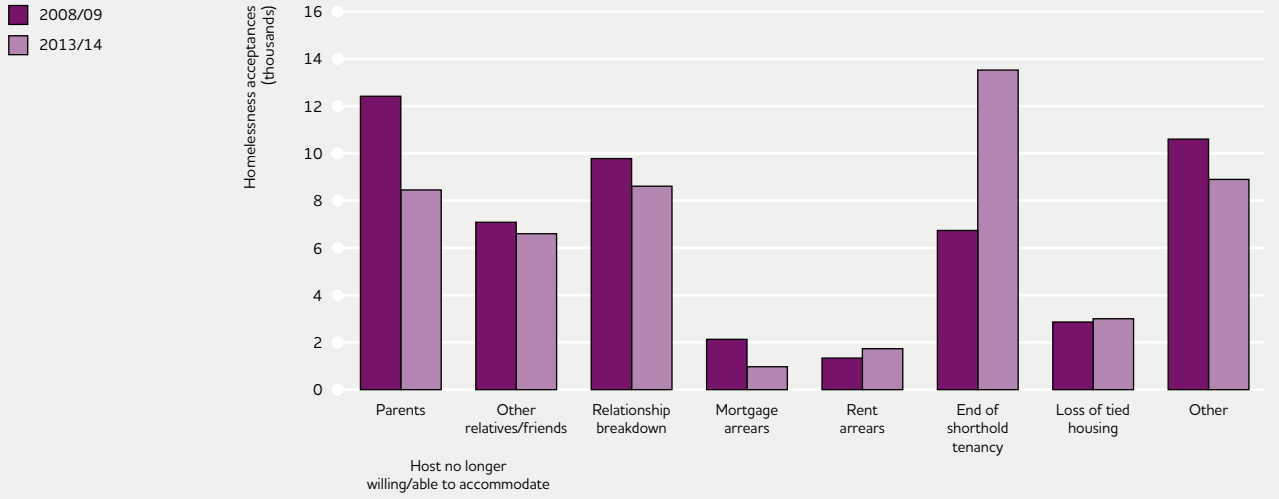
Between 2009/10 and 2011/12 homelessness acceptances increased across England. Since then it has fallen again, except in London, the East and South East where the increase continues.



Source: Quarterly P1(E) returns, DCLG

Indicator: 18B

The termination of private rented tenancies is now the most common cause of homelessness.



Source: Quarterly P1(E) returns, DCLG; the data is for England

The first graph shows the number of people accepted as homeless in each financial year since 2003/04 across different parts of England.

The second graph shows the number of people accepted as homeless in 2009/10 and 2013/14 by reason for homelessness.

To be found statutory homeless a household must apply to its local authority and be assessed as unintentionally homeless and in priority need at which point the local authority has a duty to house them under the 1996 Housing Act.

Reliability rating: medium. While this is administrative data and the quality is high, the way that each local authority interprets and implements the guidance on who is statutory homeless will vary.

19 Homelessness prevention and relief

Instances of homelessness prevention when the household remained in the same home increased by 17,000 in 2013/14, including a rise of 14,000 where help was provided with housing benefit problems.

The number of instances of homelessness prevention has increased every year since 2009/10 to reach 210,000 in 2013/14. Around half (98,000) were occasions where the household was helped to move to a different home. Meanwhile the number of instances of homelessness relief in England has fallen by 5,000 since 2009/10 to reach 19,000 in 2013/14.

In 2013/14 instances of homelessness prevention when the household remained in their own home increased by 18 per cent on the year before to reach 110,000. Almost all of this increase was due to cases where homelessness was prevented by resolving housing benefit problems. This number more than doubled within a year to reach 24,000 and has become the most common means of preventing homelessness.

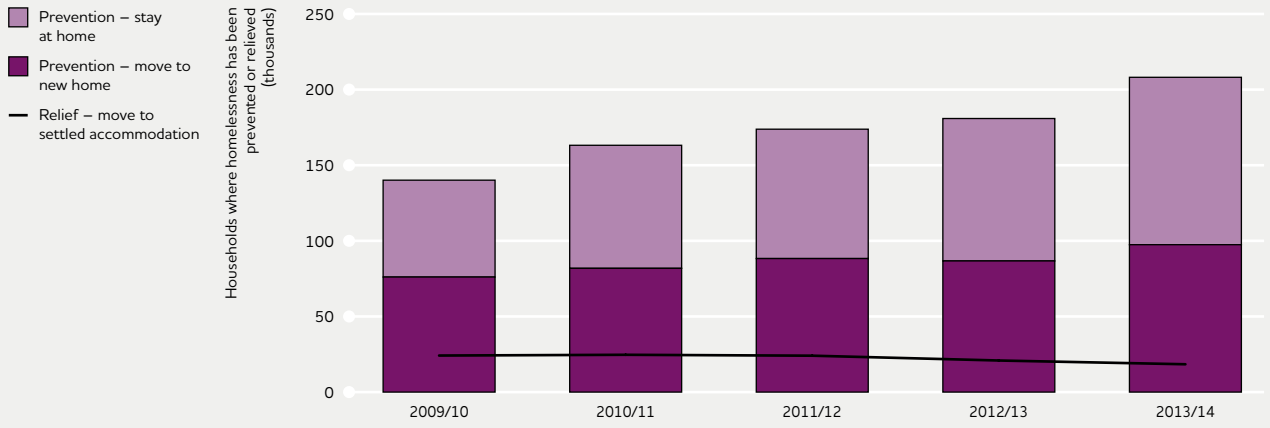
The next most common means of homelessness prevention at 20,000 instances was to help the household to remain in their rented accommodation. This figure is the same as the previous year.

It is worth noting that this indicator is a measure of service delivery – an increase could be due to an increase in the number of households at risk of homelessness (a 'bad thing') or better delivery of services to pre-existing demand (a 'good thing').

Homelessness prevention and relief

Indicator: 19A

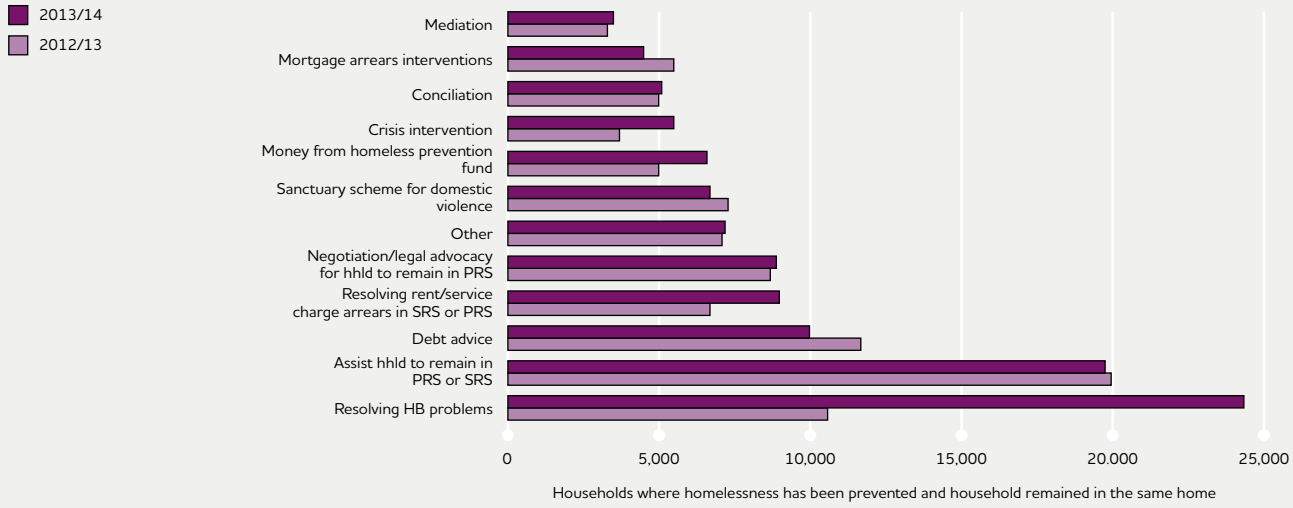
In 2013/14 the number of households that were prevented from becoming homeless passed 200,000, an increase of 30,000 in one year.



Source: Quarterly P1E returns, DCLG; the data is for England

Indicator: 19B

The number of households that were prevented from becoming homeless as a result of housing benefit problems more than doubled in a year.



Source: Quarterly P1E returns, DCLG; the data is for England

The bars in the first graph show the number of instances in each year a household has been prevented from becoming homeless and if this was by securing alternative accommodation or by remaining in their current home. The line shows the number of instances in each year a household has been relieved from homelessness.

The second graph shows the number of instances a household has been prevented from becoming homeless and remained within the same home, by the measure used in 2012/13 and 2013/14 (HB: housing benefit; PRS: private rented sector; SRS: social rented sector; hhld: household).

These recorded homelessness prevention and relief measures are provided by local authorities under the Homelessness Act 2002.

Reliability rating: medium. While this is administrative data and the quality is high, how each local authority delivers homelessness services varies. It is also important to note that this is a measure of service delivery and changes could reflect a change in supply and/or demand.

20 Housing benefit, housing costs and work

If the number of households needing state help with their housing costs in Wales, Scotland and the North of England is to fall, employment levels would have to increase. But this work would also need to provide sufficient income to cover housing costs which it often doesn't in the South of England.

Indicator 12 Housing benefit caseload showed that there were 1.4 million working-age housing benefit claimants living in the private rented sector in Great Britain in 2014, 37 per cent of whom were in work. However, the proportion in work varies substantially from place to place. In most of Wales, Scotland and the North of England less than 35 per cent of working-age private renting claimants were in work, but across much of London and the home counties more than 45 per cent were in work.

This indicator reflects the discussion in the chapter introduction on how the balance between housing costs and income varies across the country. A high proportion of in-work claimants indicates an imbalance between earnings and housing costs. In these areas it is more common for someone to claim housing benefit because their earnings are not sufficient to cover market rents. The map shows that these are not necessarily the most expensive places to live – the proportion of working claimants in York is higher than some inner London boroughs.

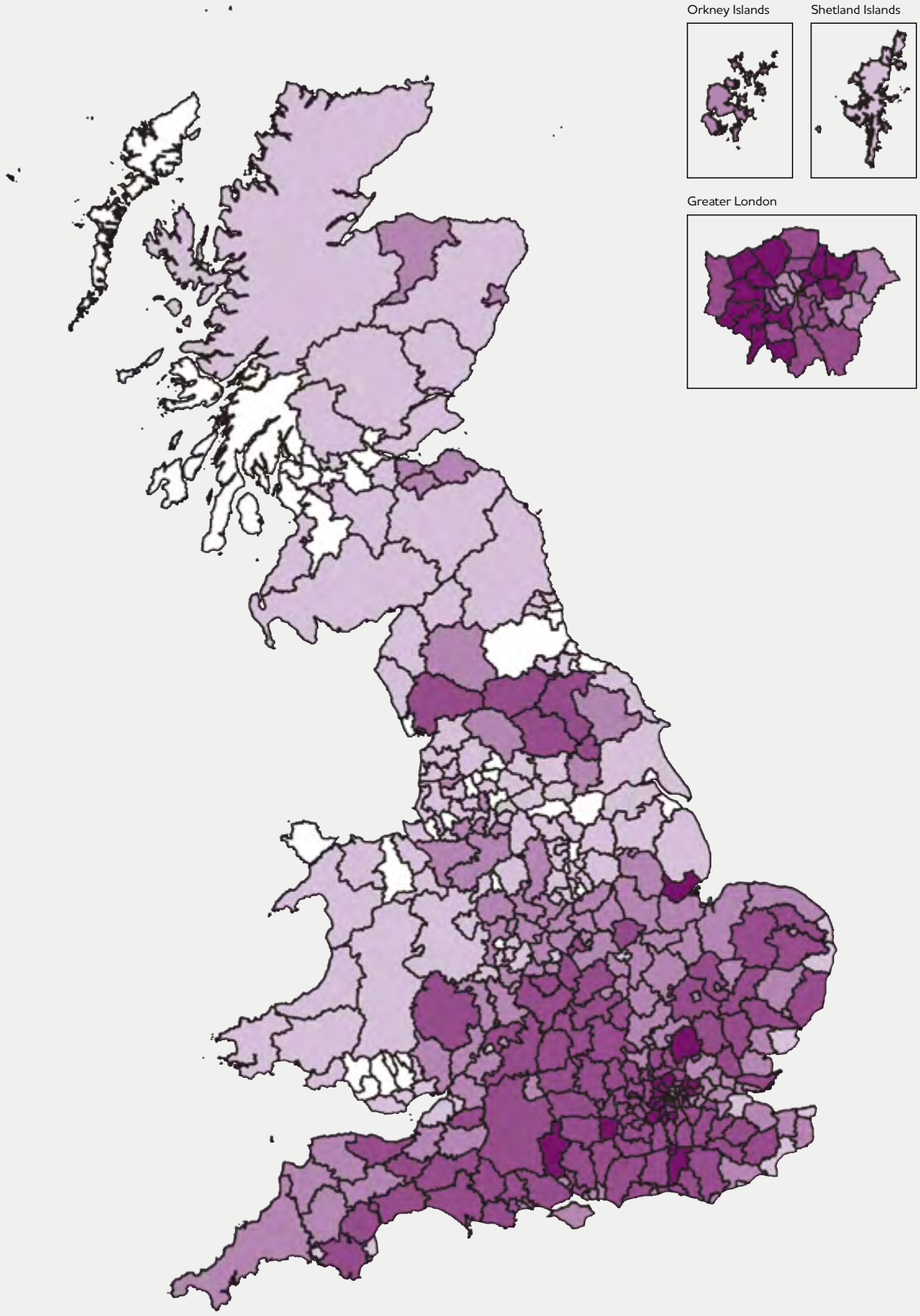
A low proportion of private renting claimants in work means a high share of housing benefit claimants are workless. In these areas issue of affordability would have to be tackled hand-in-hand with unemployment. To reduce housing benefit claims work would have to be available and the earnings from it would need to be sufficient to meet housing costs. This is the case in much of Wales and the North East, but also coastal areas in the South with high unemployment levels.

The map shows the proportion of working-age housing benefit claimants in the private rented sector that are known to be in work for each local authority in Great Britain.

Reliability rating: high.

Housing benefit, housing costs and work

Indicator: 20



Source: Stat-Xplore, DWP; the data is for February 2014

Commentary

Later this report shows that in 2013/14 the state spent £26 billion on housing benefit, 20 per cent more than it did five years earlier (Indicator 31A). With Labour and the Conservatives intending to 'balance the books' it's inevitable that both will aim to cut spending on housing benefit in the next parliament.

But this chapter has shown the housing benefit bill has risen simply because more people need help with their housing costs. It's not due to the system becoming more generous (the Coalition Government has introduced a number of cuts to entitlement). The lack of affordable rented housing and the barriers to ownership has meant that more families live in the more expensive private rented sector. For many, it is too expensive even when they are in work.

Clearly this is undesirable and bringing down the housing benefit bill is a goal worth pursuing. But policies that cut housing benefit entitlement deal with the symptom and not the cause. If people need help with their housing costs, it is not enough to remove that help without providing necessary alternatives: lower-cost housing, job opportunities and better pay. These are what are needed if any substantial fall in the housing benefit is to be achieved. Given the level of variation in housing costs, pay and job opportunities across the country the balance between these will need to be different in each area.

This chapter has also shown that housing problems do not stop at affordability: quality and security are also crucial. People, wherever they are in the UK, should be able to have a 'home' and not just somewhere to live. This means property in adequate condition, with enough space, at a predictable cost for the long term. These kinds of improvements are just as important as affordability and they can be delivered without the need to increase welfare spending.

Chapter 3

Work

Introduction 62

Choice of indicators 63

21 Underemployment 64

22 Insecure employment 66

23 Persistent labour market disadvantage 68

24 Self-employment 70

25 Earnings 72

26 Age 74

27 Ethnicity 76

28 Disability 78

29 Movement into and out of the labour market 80

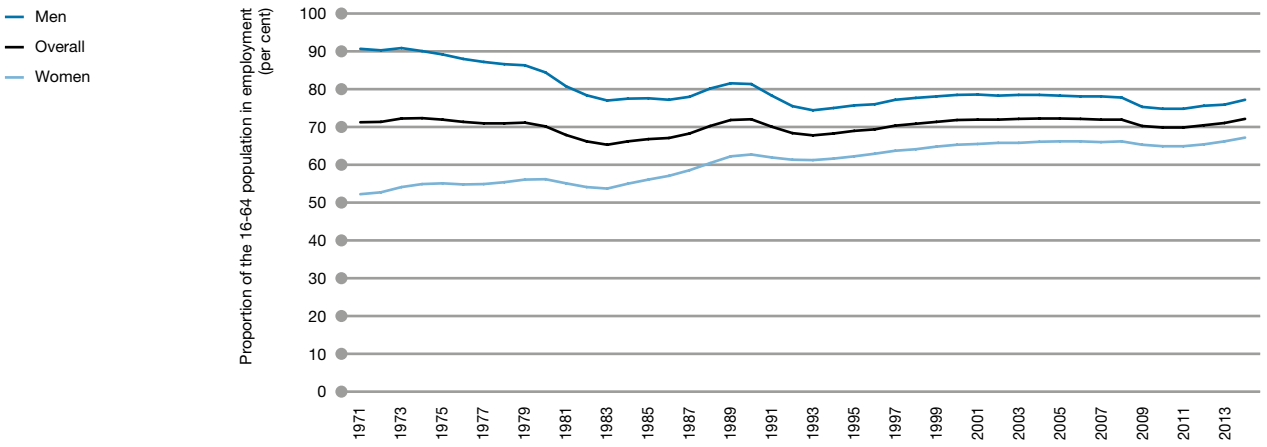
30 Change in unemployment 82

Commentary 84

Introduction

The big labour market story of the last couple of years has been the rising number of people in employment. This improvement following the recession has happened sooner than many institutions, such as the Bank of England, had expected. In fact, the employment rate in the first half of 2014 is nearly as high as it has been at any time since 1971 onwards, at 72.8 per cent. The precise assessment depends slightly on what retirement age is used for women, but the overall point still holds – employment rates are at or near historic highs.

Overall employment rates have recovered from the recession, while female employment rates are at an all-time high.



Source: Labour Market Statistics, ONS; the data is for the UK

The graph shows the major changes in the labour market of the last number of decades with the convergence in employment rates for men and women as male rates fell and female rates rose. In the 1970s, almost 90 per cent of men and around 55 per cent of women were in work. By 2014, the employment rate gap had fallen from 38 percentage points to 10 percentage points.

The current strength of the employment rate highlights that one indicator is rarely enough to give us the full picture of the labour market. In this case, the high employment rate comes at the same time as wages are falling relative to prices, and masks variations between groups. This chapter looks at all these issues in more depth.

Choice of indicators

Whether or not adults in a household are working is one of the most important determinants of whether that household is in poverty or not. Trends in the labour market are therefore important from a poverty and social exclusion perspective. This chapter looks at a variety of indicators relating to work, worklessness and other disadvantage in the labour market.

The first indicator looks at a broad measure of those who are not working as much as they would like – **underemployment**. This includes the unemployed, those who are not currently seeking or available for work but would still like it, and those who are working part-time because they could not find a full-time job.

The second indicator looks at those who are currently in work, but work which may not provide a reliable income – forms of potentially **insecure employment** such as contracts that do not guarantee a minimum number of hours or those with temporary contracts. The effects of disadvantage in the labour market can be more damaging if they are experienced for a long period of time, so measures of **persistent labour market disadvantage** are included, looking at both persistent low pay and long-term unemployment.

The **self-employed** represent a further category of insecure employment. This category has seen substantial growth over the last number of years, particularly for the most and least skilled occupations.

One of the major trends throughout the 2008/09 recession and the slow recovery since has been the almost unprecedented fall in real **earnings**. Indicator 25 charts the fall in real earnings as well as the prevalence of low pay, an important element of in-work poverty.

The labour market has not changed in an even manner over the last number of years. **Unemployment rates for young adults** rose quickly during the recession, but are now starting to fall. Certain **minority ethnic** groups have also seen disproportionate increases in unemployment and low pay, while **disability** remains a major disadvantage in terms of securing work and well-paid work.

The final indicator looks at **movement into and out of the labour market**, showing that there is a constant movement into and out of work and unemployment.

The map at the end of the chapter looks at how unemployment rates have changed across Britain over the last five years.

21 Underemployment

All three components of underemployment are falling, with unemployment declining the most. Underemployment still remains at historically high levels.

Underemployment includes adults who are unemployed, economically inactive but would still like work, and those who have part-time jobs because they could not get full-time jobs. As such, it is a broader measure of those who do not have as much paid work as they want. In the first half of 2014, there were 5.8 million underemployed adults – a fall of 400,000 on 2013. This is the largest one year fall in the time series, and the second consecutive fall in the total since the recession.

The largest single group of underemployed are economically inactive adults who would like work, at 2.3 million. It fell by only 20,000 from 2013 to 2014. This group is the most stable over time, remaining between 2.1 and 2.4 million. The next largest component is unemployment at 2.1 million in the first half of 2014, 320,000 lower than in 2013. The fall in unemployment accounts for 80 per cent of the fall in underemployment in 2014. This is the lowest unemployment count since 2008, when the recession began.

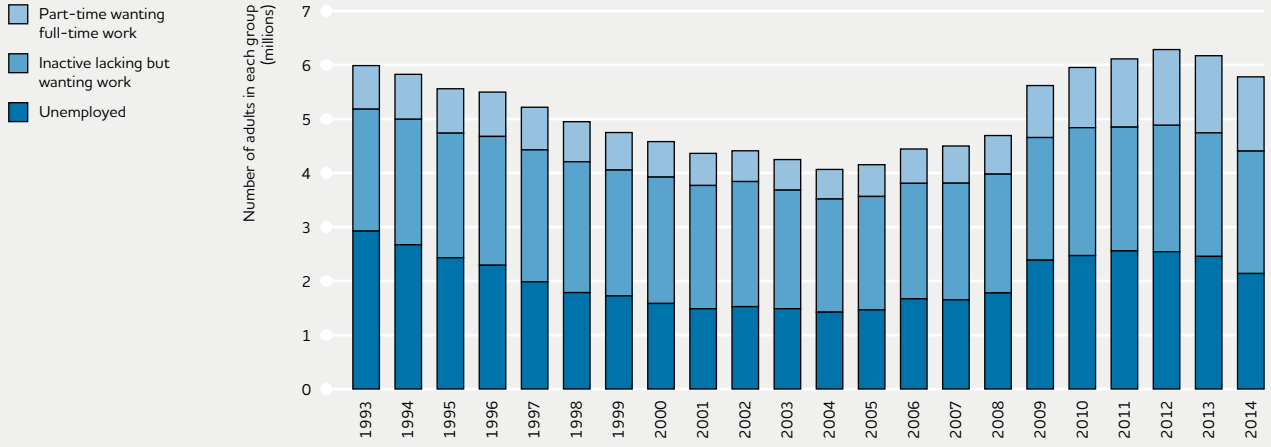
The smallest component of underemployment is adults in part-time work because they could not find full-time work, which stands at 1.4 million. The 50,000 fall in this group in 2014 is the first fall in the number of involuntary part-time workers since 2004, but the group still remains at historically high levels. The number is below the 2012 and 2013 peaks, but still higher than every other year back to 1993.

The change in the components of underemployment does not differ much by gender, although the level of each does. The increase in unemployment and part-time but wanting a full-time job between 2008 and 2013 were similar for both men and women – a 350,000 and 330,000 increase in unemployment respectively, and a 130,000 and 120,000 increase in involuntary part-time working. The increase in inactive but wanting work was larger for women at 60,000 compared with 20,000 for men. However, while the numbers of part-time workers wanting full-time work is largely the same for men and women, there are substantially more unemployed men than women, and substantially more inactive women who want work than men.

Underemployment

Indicator: 21A

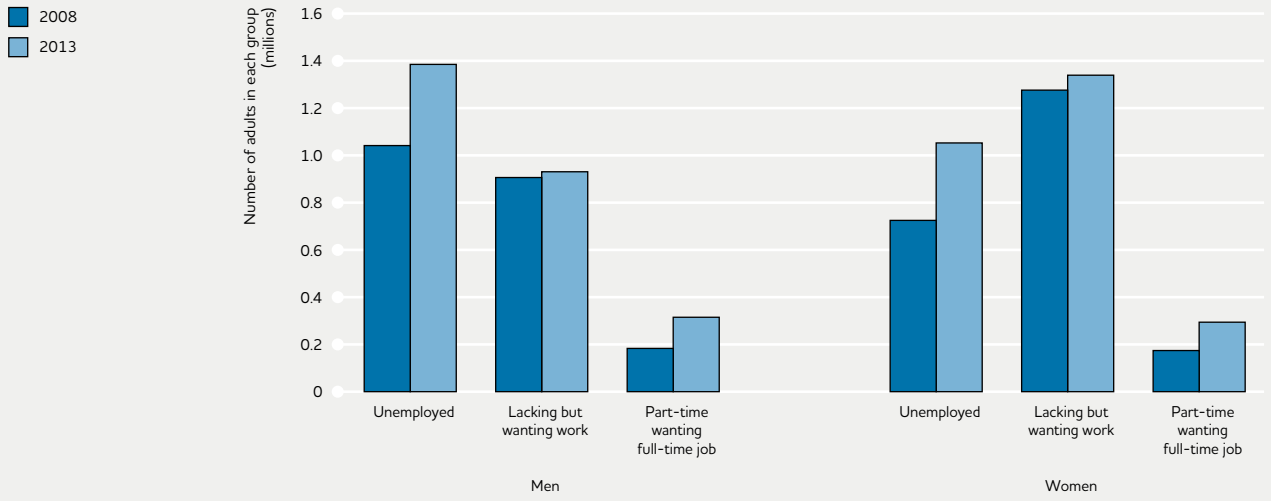
Underemployment has fallen for the second consecutive year, mainly due to falling unemployment.



Source: Labour Market Statistics, ONS; the data is for the UK

Indicator: 21B

Both men and women have seen large increases in unemployment and the number working part-time but wanting full-time since 2008.



Source: Labour Market Statistics, ONS; the data is for the UK

The first graph shows the number of people unemployed, economically inactive but wanting work, and working-part time because they could not find full-time work. The figures for each year are the average of the four quarters, with the exception of 2014, which is the average of the first two quarters.

The second graph shows the gender breakdown of the three constituent components of underemployment. It compares the number of men and women in each group in 2008 and 2013.

Reliability rating: high. Both measures use Labour Market Statistics, which are drawn from the Labour Force Survey. As such these are official published statistics.

22 Insecure employment

The number of temporary employees who want a permanent contract is falling slowly while the overall number of temporary contracts is increasing. Contracts with no guaranteed minimum hours are heavily concentrated in sectors with low average pay.

In the first half of 2014 there were 1.6 million employees with temporary contracts. Thirty-six per cent (600,000) of these employees had temporary contracts because they were unable to find permanent jobs. This is a fall of 20,000 involuntary temporary workers compared with 2013, while there were 50,000 more temporary workers overall. The fall in 2014 was the second consecutive fall, although smaller than in 2013.

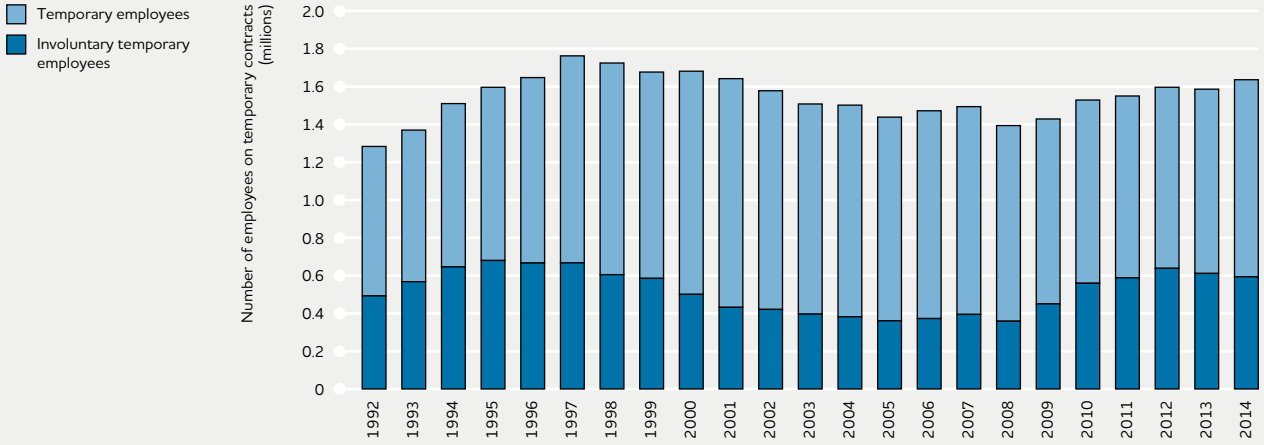
The number of involuntary temporary workers rose sharply following the recession, increasing by 78 per cent or 280,000 between 2008 and 2012. However, the highest number of involuntary temporary workers following the recent recession, 640,000 in 2012, was still below the 1995 level of 680,000. The overall number of temporary contracts is also lower than in the 1990s – 1.8 million workers had a temporary contract in 1997.

Temporary contracts in general are not particularly associated with sectors with low average pay. For example, the education sector has the most employees with temporary contracts at 300,000 and has the third highest average hourly pay of those covered in the analysis. Contracts that do not guarantee a minimum number of hours, however, are much more strongly associated with low-paying sectors. Contracts without guaranteed minimum hours include zero-hours contracts and other forms of labour such as casual work. The sector with the lowest median hourly wage, accommodation and food services, has the most contracts with no guaranteed minimum hours at 370,000. Administrative and support services also has more than 350,000 of these contracts. By contrast, the three sectors with the highest average hourly pay have just 110,000 contracts with no guaranteed minimum hours between them. This is despite the fact that these three sectors have six times as many jobs as accommodation and food services, but less than a third of contracts without guaranteed minimum hours.

Insecure employment

Indicator: 22A

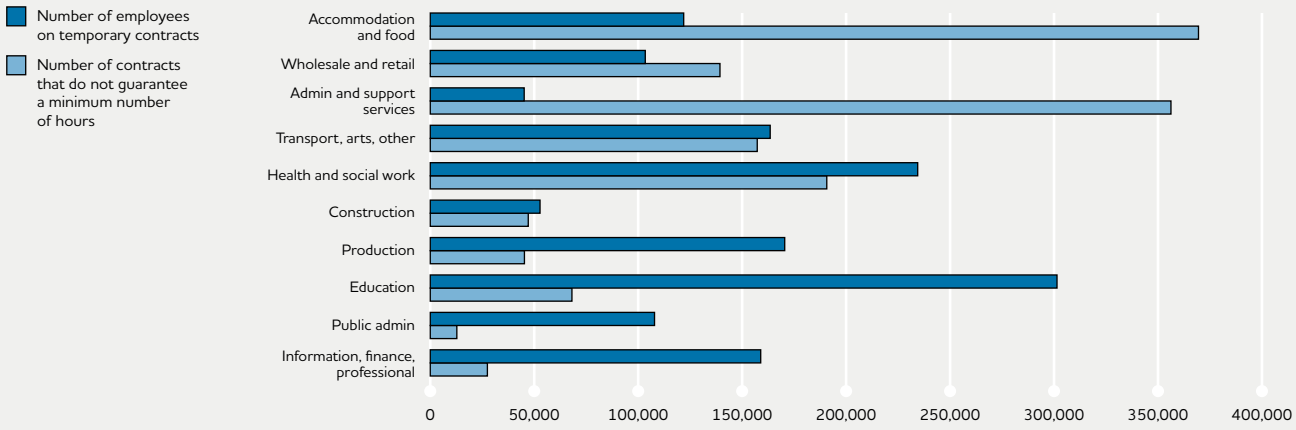
The number of employees on temporary contracts has increased, but the number who want permanent work is falling slowly.



Source: Labour Market Statistics, ONS; the data is for the UK

Indicator: 22B

Contracts with no minimum hours are heavily concentrated in industries with low average wages, whereas temporary contracts are more evenly spread.



Source: Annual Survey of Hours and Earnings, Labour Force Survey, Analysis of Employee Contracts that do not Guarantee a Minimum Number of Hours, ONS; the data is for the UK

The first graph shows the number of employees on temporary contracts, split into whether they wanted temporary work or were unable to find a permanent contract. The figures for each year are the average of the four quarters, with the exception of 2014, which is the average of the first two quarters.

The second graph shows the number of temporary employees and zero hours contracts by industry, with the industries ordered according to median pay. The data is for the first quarter of 2014.

Reliability rating: medium. The first graph is highly reliable, as it is drawn from official statistics. The second graph comes from a number of sources and is comparing several different things. It is comparing provisional estimates of the number of contracts that do not guarantee a minimum number of hours from a new ONS business survey with the number of employees on a temporary contract from the Labour Force Survey. As it is comparing the number of contracts with the number of employees and the former estimate is provisional and from a new survey, this second graph is not as reliable as official published statistics.

23 Persistent labour market disadvantage

Long-term unemployment has fallen for the first time in ten years. Over a quarter of low-paid adults in 2002 had only low-paid work in the following decade.

There were 770,000 adults aged 16 and over who were unemployed for longer than a year in the first half of 2014. 420,000 of these, or 55 per cent, were unemployed for longer than two years. The number of adults unemployed for longer than 12 months fell by 110,000 between 2013 and the first half of 2014, the first time there was a fall in this total since 2003. The number unemployed for longer than two years also fell by 40,000.

The recession led to a steep increase in long-term unemployment. The number of adults who had been unemployed for more than two years rose from 200,000 in 2008 to a peak of 460,000 in 2013. However, it had been increasing in the years up to 2008, although at a much slower rate.

The number of long-term unemployed has remained below the high following the recession of the early 1990s, when it reached 1.2 million. In contrast, the 2013 peak was 880,000. The numbers of adults unemployed for longer than two years was similarly not as high in this recession.

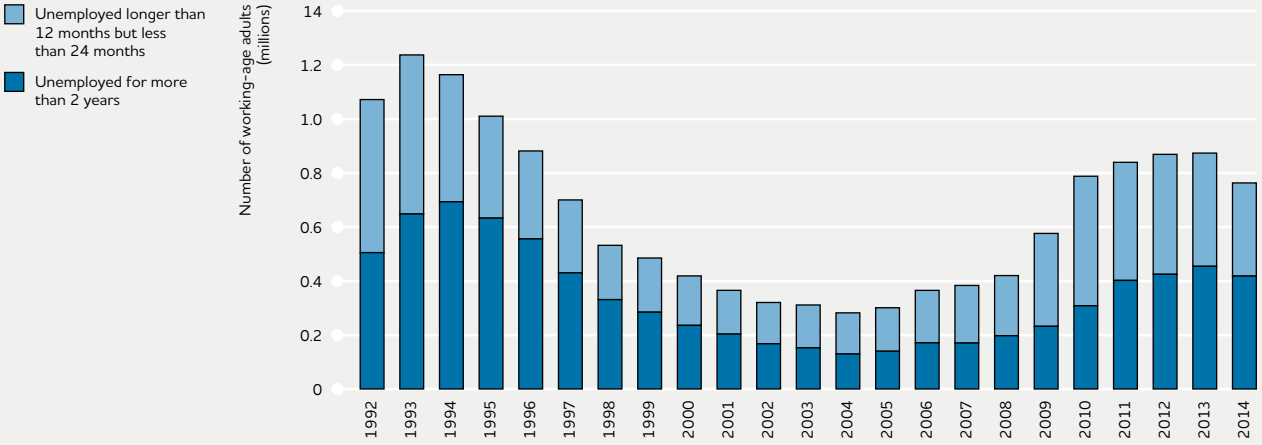
18 per cent of adults who were low-paid in 2002 were consistently paid above the low pay threshold in 2010–2012. These represent adults who have 'escaped' from low pay over the decade on the Resolution Foundation's definition. The largest grouping, at 46 per cent, experienced periods above and below the low pay threshold between 2010 and 2012. As they were not above the threshold consistently they did not qualify as being out of low pay.

Over a quarter (27 per cent) only held low pay jobs between 2010 and 2012. These adults have persistently been in low-paid work, or have been in and out of work but only held low-paid employment in this period. Over the course of the decade, 9 per cent ceased to be an employee for various reasons, including retirement or becoming self-employed.

Persistent labour market disadvantage

Indicator: 23A

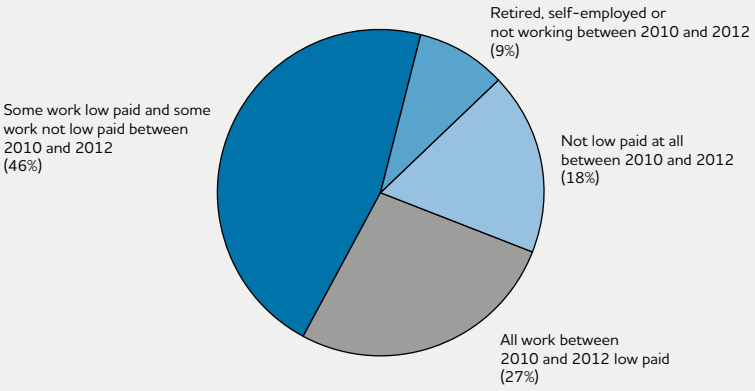
The number of long-term unemployed has fallen for the first time since 2003.



Source: Labour Market Statistics, ONS; the data is for the UK

Indicator: 23B

Less than a fifth of those in low-paid work in 2002 were not low paid at any point between 2010 and 2012.



Source: Resolution Foundation analysis New Earnings Survey Panel Dataset 1975–2012 and Annual Survey of Hours and Earnings 2012, ONS; the data is for Great Britain

The first graph shows the number of working-age (16–64) adults who have been unemployed for more than 12 months, split into those who have been unemployed for between 12 months and 24 months, and those who have been unemployed for longer than 24 months. The figures for each year are the average of the four quarters, with the exception of 2014, which is the average of the first two quarters.

The second graph shows the proportion of adults who were low paid in 2002 by their 2012 pay and employment status. The proportion of adults that were persistently low paid in 2012 is reproduced from Resolution Foundation analysis of the New Earnings Survey Panel dataset.

Reliability rating: medium. The first graph is highly reliable, as it is drawn from official published statistics. The second graph is drawn from an official longitudinal dataset. There are problems in the survey with missing data, survey non-response and a reduction in sample size in 2007 and 2008 which may bias the results.

24 Self-employment

Self-employment incomes after inflation have fallen faster than employee incomes. Self-employment has grown in every occupation type, but particularly in the most and least skilled jobs.

Compared with 2007/08, before the recession, the weekly employment incomes of the self-employed and employees have fallen once inflation is taken into account. This is true at the median and at the 25th percentile. Median self-employment income is £33 a week lower than in 2007/08, while median employee income is £43 a week lower. However, this fall represents a larger proportion of self-employment income than employee income – a 13 per cent decline for the median self-employed earner compared with a 10 per cent decline for the median employee.

At the 25th percentile of self-employed earners, the percentage fall compared with 2007/08 is even starker, at 18 per cent. At the same point in the employee distribution, the fall is 12 per cent down to £223 per week. At the 25th percentile, self-employment earnings are also much lower than employee earnings at £80 per week.

The decline in self-employment earnings over the ten-year period in the graph is so large that median income for the self-employed is now barely higher than the 25th percentile of employee earnings – £230 per week compared with £223.

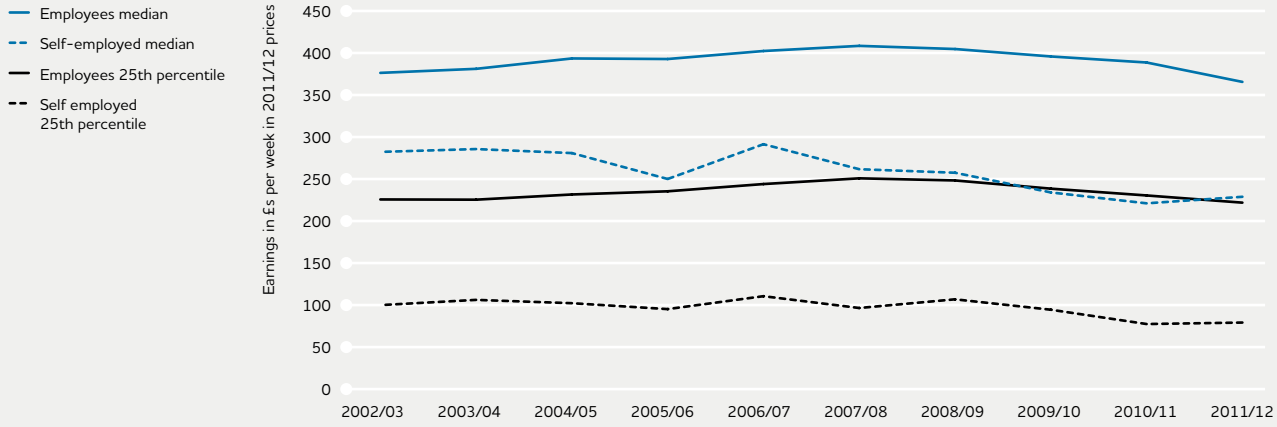
Every occupation type has seen an increase in self-employment, while some occupation types, such as administrative and secretarial work, have declining numbers of employees. The single largest growth since 2010 for both self-employment and employees has been in managers and senior officials with 270,000 more employees and 190,000 more self-employed in this category. There has also been a large increase in professional occupations and associate professional and technical occupations for both employees and the self-employed. With the exception of personal services, there has been either very small growth or a fall in the number of employees in all other occupations.

Self-employment has also seen strong growth in the least skilled occupation group, elementary occupations, with 110,000 more self-employed adults in this sector, compared with 50,000 for employees.

Self-employment

Indicator: 24A

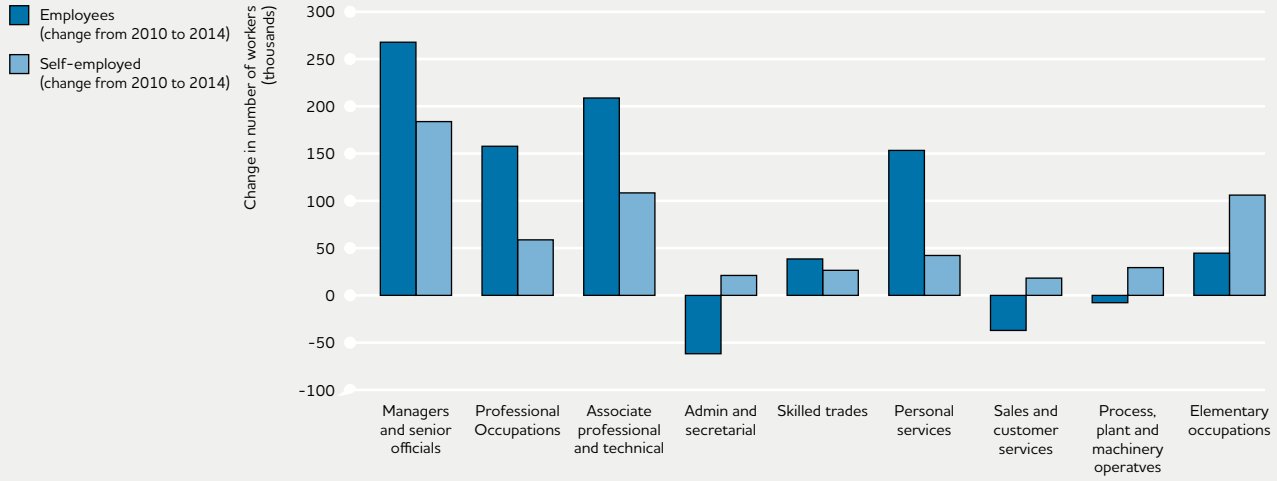
Self-employment incomes have fallen faster than employee incomes, with the self-employed median now below the employee 25th percentile.



Source: Family Resources Survey, DWP; the data is for the UK

Indicator: 24B

Every occupation type has seen growth in self-employment, but particularly the most and least skilled.



Source: Labour Market Statistics, ONS; the data is for the UK

The first graph shows the median and 25th percentile weekly employment incomes of employees and the self-employed over time. The figures are adjusted for inflation using the consumer prices index, and so all the figures are in 2011/12 terms.

The second graph shows the changes in the number of employees and self-employed adults in each occupation type between 2010 and 2014. The data is an average of the four quarters of 2010 and the two available quarters of 2014.

Reliability rating: medium. The first indicator is an adult-level analysis of the Family Resources Survey. The problems for reliability stem from the employment income of the self-employed. The figure for the self-employed may be reduced by those who made a loss in their business and so have a negative earnings figure (there is no equivalent for employees). The fact that income from self-employment is less regular and predictable may also increase the chances of inaccurate memory of income from those responding to the survey.

The second graph is more reliable, as it is drawn from official published statistics.

25 Earnings

There has been a slight increase in the proportion of low-paid men in the last number of years, while real pay remains below its 2008 level.

In 2013, 26 per cent of female employees were paid below the living wage (£7.65 per hour) compared with 16 per cent of male employees. The proportion of female employees who are low-paid has remained fairly constant at around 25 per cent since 2005, after sharp declines from 2001 when the low pay rate was 35 per cent. The low pay rate for men has been more stable over time – the highest rate was 17 per cent in 2001 and the lowest was 13 per cent in 2007. The male low pay rate has increased by around three percentage points since then.

The decline in the proportion of the low paid from 2001 may have been as a result of the sharply increasing value of the minimum wage during this time. Although the graph covers all those paid below the (higher) living wage, increases in the minimum wage lead to increases up the wage distribution (for example, in order to maintain differentials in pay between different levels of staff in an organisation).

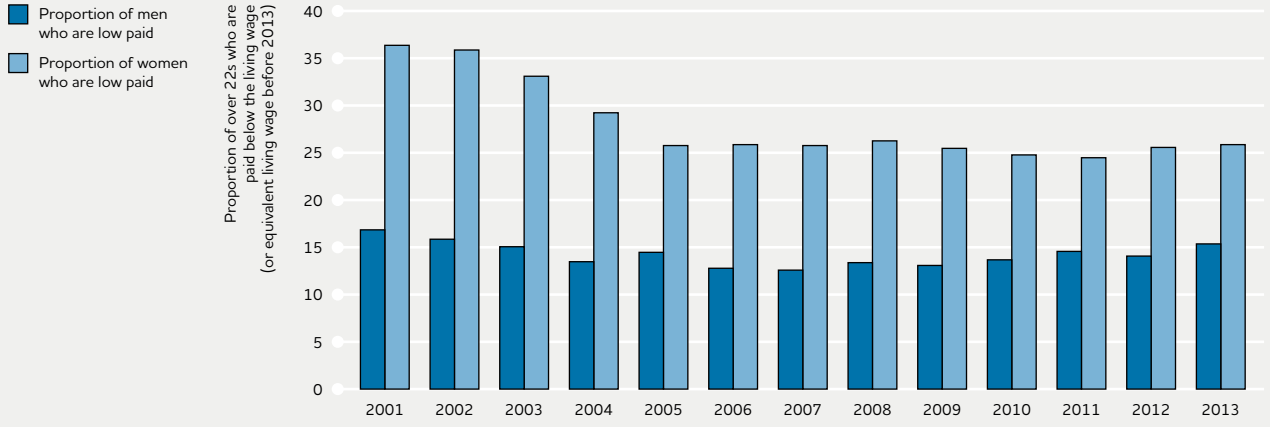
Earnings have fallen for both men and women across the income distribution since 2008 once inflation has been taken into account. The fall in real hourly pay between 2008 and 2013 is in each case greater for men than women. Male pay has fallen by around 7 per cent at the 25th, 50th and 75th percentiles, compared with 4 per cent for women. In terms of pounds per hour the falls are greater higher up the income distribution but as a proportion of hourly pay the falls are remarkably similar up and down the distribution.

It is important to note that while there has been a larger fall in male pay, female pay is still lower than male pay at each point in the earnings distribution. For example, in 2013 female pay at the median was £2.50 an hour lower than male pay at the median. The gap has narrowed from £3.10 in 2008, but nevertheless the gap remains.

Earnings

Indicator: 25A

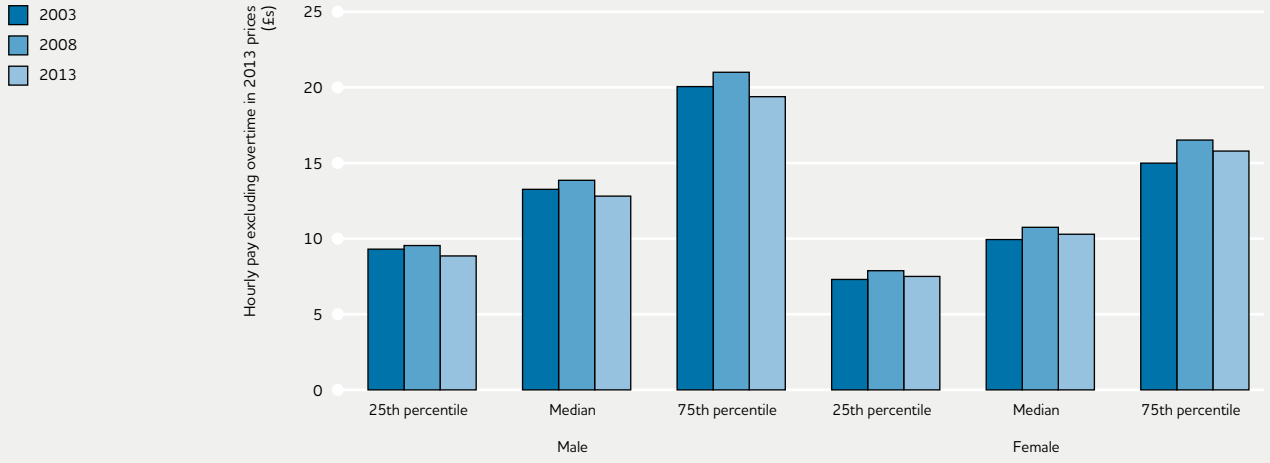
There has been an increase in the proportion of men who are low paid but no change in the proportion of women who are low paid.



Source: Annual Survey of Hours and Earnings, ONS; the data is for the UK

Indicator: 25B

After inflation, female hourly pay, while lower, has not fallen as much as male hourly pay.



Source: Annual Survey of Hours and Earnings and Consumer Price Inflation, ONS; the data is for the UK

The first graph shows the proportion of men and women paid below a low-pay threshold of £7.65 an hour in 2013, deflated by average earnings for previous years. £7.65 is the 2013 living wage.

The second graph shows male and female hourly pay excluding overtime at three points in the income distribution (25th percentile, the median, and the 75th percentile) for 2003, 2008 and 2013. The figures are all in 2013 terms, having been adjusted for inflation using the Consumer Prices Index.

Reliability rating: medium. Both graphs are drawn from the Annual Survey of Hours and Earnings, the most reliable source of data on employee earnings. However, in the first graph the data is for people aged 22 and over until 2011, then it is those aged 21 and over. This follows the change to minimum wage legislation, where the full rate now covers 21-year-olds. This could make a difference to the interpretation of the findings, as younger people tend to be lower paid.

26 Age

Unemployment is now falling quickly for young adults but remains above its 2008 level for all age groups.

In the first half of 2014, 18 per cent of economically active adults aged 16–24 were unemployed, compared with 5 per cent of economically active adults aged 25 and over. For young adults, this is a fall of 2.8 percentage points compared with 2013, and the second consecutive yearly fall. This is the largest annual fall in the unemployment rate for young adults in the time series, and means that young adult unemployment is now 3.3 percentage points below its peak. The unemployment rate for older adults also fell by 0.7 percentage points.

Young adult unemployment started to increase before the recession, with increases from 2005 onwards. The timing of this increase is less clear for older adults, but both follow the same rough trends.

Young adult unemployment has been substantially higher than older adult unemployment throughout the entire period 1992 to 2014. Part of the explanation for this is that young adults have had less time to acquire skills and experience, and so are less likely to be employed than older adults even during relatively benign periods in the labour market.

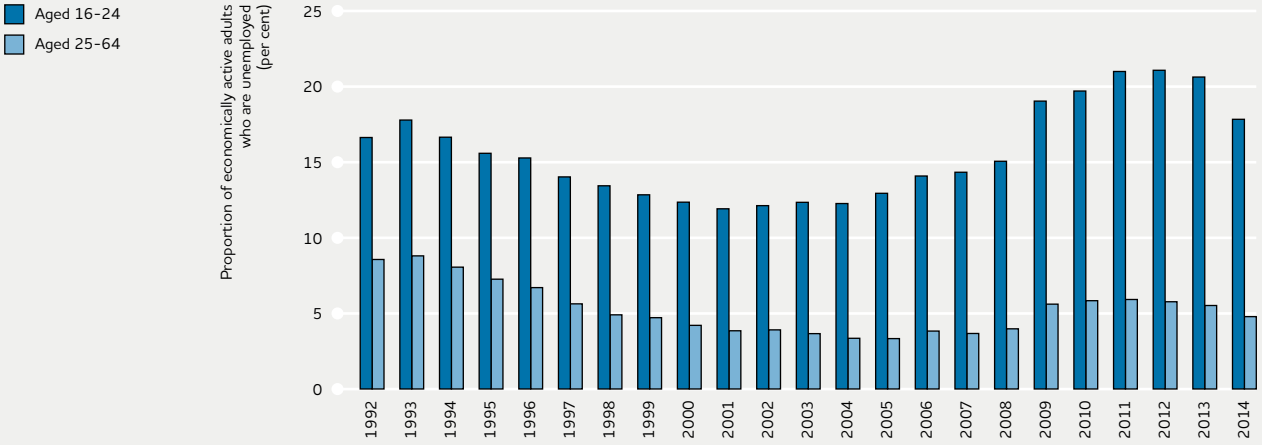
Between 2008 and 2013, unemployment increased for each age group, although only marginally for those aged 65 and older, as they have the option to retire. The largest increase was for 18 to 24-year-olds, with 210,000 more unemployed. This age group also had the second largest decrease in the number employed at 320,000. The only other group to see a decline in this number are 35 to 49-year-olds, with half a million fewer employed.

The largest increase in employment was for 25 to 34-year-olds, with 640,000 more in work. Also significant is the increase of 330,000 adults aged 65 and over in employment, as this is part of a recent trend of older adults in work.

Age

Indicator: 26A

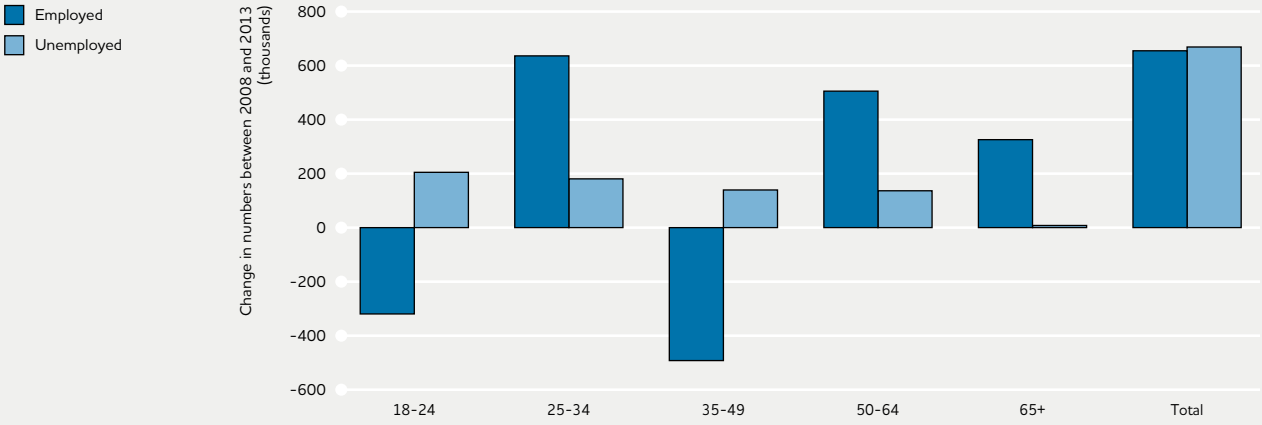
The young adult unemployment rate has fallen quickly, but remains substantially higher than for older adults.



Source: Labour Market Statistics, ONS; the data is for the UK

Indicator: 26B

Those aged 25–34 and 50–64 have seen the largest increases in employment, but all age groups have higher unemployment.



Source: Labour Market Statistics, ONS; the data is for the UK

The first graph shows the proportion of economically active adults that are unemployed over time, divided into those aged under and over 25 years of age. The figures for each year are the average of the four quarters, with the exception of 2014, which is the average of the first two quarters.

The second graph shows the change in numbers of adults in employment and unemployment by age group between 2010 and 2014. The data for 2010 is an average of four quarters, while the data for 2014 is an average of the first two quarters of 2014.

Reliability rating: high. Both measures use Labour Market Statistics, which are drawn from the Labour Force Survey and are official published statistics.

27 Ethnicity

Pakistani, black and Bangladeshi adults have seen the largest increases in their employment rates over the last five years, while those of mixed and 'other' ethnicity have seen the largest increase in low pay.

Black African and Caribbean adults had the highest unemployment of any ethnic group in 2013 at 12 per cent. This is twice the unemployment rate of the whole population. Those ethnic groups with the highest unemployment rates in 2008 also tended to see the highest increases in the unemployment rate in the five years to 2013. For example, the unemployment rate for Pakistani, black, and Bangladeshi adults increased by at least 2.5 percentage points in this time period. The largest increase was for Pakistani adults, whose unemployment rate increased from 7 per cent to 11 per cent. In contrast, ethnic groups with lower unemployment rates such as white, Chinese and Indian adults saw increases of 1.5 percentage points or less.

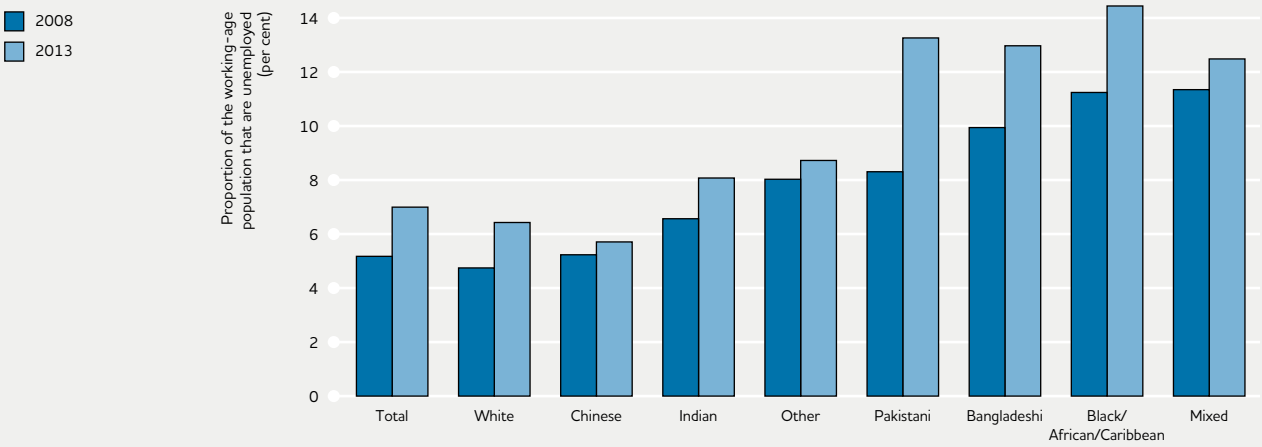
This uneven increase in unemployment means that the gap between the unemployment rate of some ethnic groups and the average rate has increased. For example, the unemployment rate for black adults was 5.2 percentage points above the average rate, and is now 6.4 percentage points above. In general, those ethnic groups that already faced high unemployment rates have tended to fare the worst since the recession.

Rates of low pay among different ethnic groups have some of the same characteristics, with Chinese and white adults being the least likely to be paid below the living wage. Asian employees and adults of 'other' ethnicity have the highest rates of low pay, with 34 per cent and 36 per cent low paid respectively in 2013. 'Other' ethnicity also saw the largest increase at seven percentage points, with the low pay rate for mixed ethnicity adults increasing by six percentage points. Both Chinese and white adults saw a fall in the proportion of adults that were low paid between 2010 and 2013.

Ethnicity

Indicator: 27A

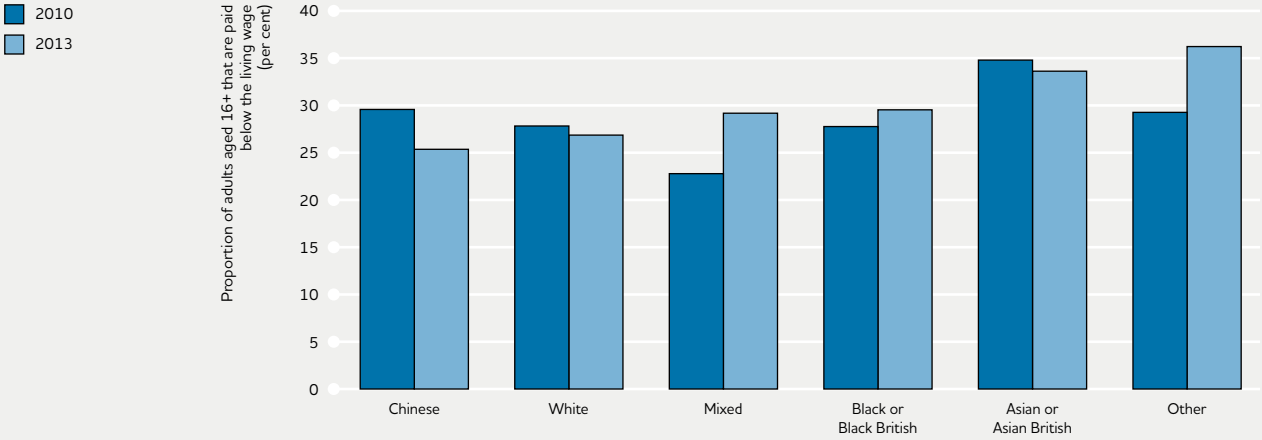
Pakistani, Black and Bangladeshi people have seen much larger increases in unemployment in the last five years than other ethnic groups.



Source: Labour Market Statistics, ONS; the data is for the UK

Indicator: 27B

Adults of 'mixed' and 'other' ethnicity have seen the largest increase in the proportion of low paid.



Source: Labour Force Survey, ONS; the data is for the UK

The first graph shows the proportion of the working-age population that are unemployed by ethnic group in 2008 and 2013. The figures for each year are the average of the four quarters, with the exception of 2014, which is the average of the first two quarters.

The second graph shows the proportion of a different set of ethnic groups that are low paid in 2010 and 2013. These are two four-quarter averages from the Labour Force Survey, with the low-pay threshold determined by the living wage in 2013 of £7.65 deflated by average earnings for 2010.

Reliability rating: medium. The first graph is from Labour Market Statistics and is drawn from official published statistics. The second graph is drawn from the Labour Force Survey. The variable used for ethnic groups changed between 2010 and 2013, and therefore they do not correspond exactly.

28 Disability

Disabled men and women are much less likely to be in employment than non-disabled men and women. When in work, disabled adults are more likely to be low paid, even with the same level of qualification as non-disabled adults.

Levels of employment and economic activity are lower for disabled men and women than for non-disabled men and women. In 2013/14, 51 per cent of disabled men and 46 per cent of disabled women were in employment. For non-disabled men and women, the figures were 85 per cent and 75 per cent respectively.

A much larger share of disabled men and women want work, however, and this is true whether just the unemployed (seeking work and available to start it) or the inactive (would like work but are not seeking or available to start) are considered. 9 per cent of disabled men are unemployed and 14 per cent are economically inactive but would like to work. In contrast, 6 per cent of non-disabled men are unemployed and only 2 per cent are inactive but wanting work. For disabled women, 6 per cent are unemployed and 14 per cent are inactive but would like work. 5 per cent of non-disabled women are unemployed and another 5 per cent are inactive but wanting work. So while disabled men and women are less likely to be in work, many would like to be.

People with disabilities are more likely to be economically inactive but wanting work and more likely to be low paid than people without disabilities, even with the same level of qualification. Those with lower levels of qualifications are more likely to be inactive but wanting work and more likely to be low paid than those with qualifications.

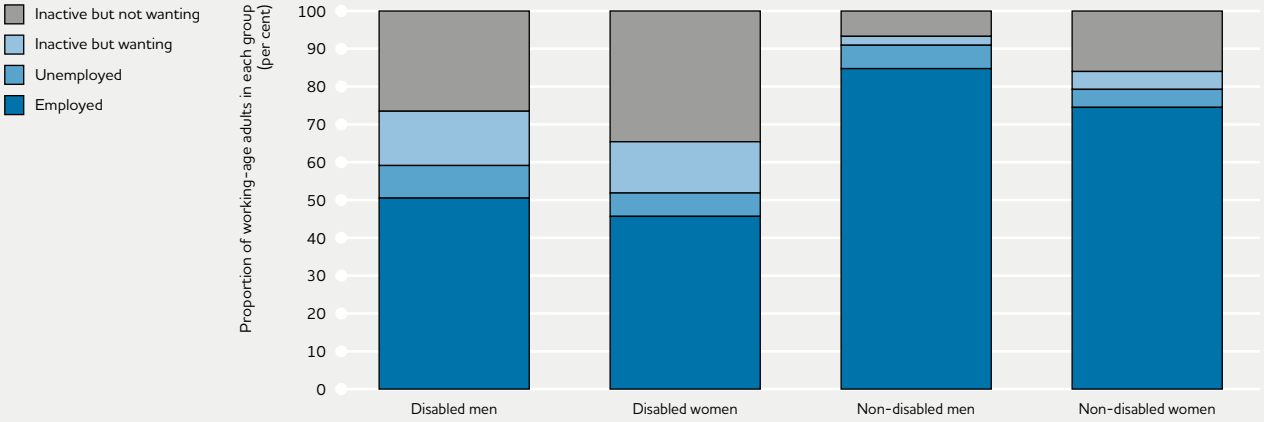
11 per cent of adults with a disability and at least a Level 3 qualification are lacking but wanting work, compared with 2 per cent of adults without a disability and the same level of qualification. 18 per cent of disabled adults without a Level 3 qualification are inactive but wanting work, compared with 9 per cent of non-disabled adults.

Disabled adults with a Level 3 qualification in work are more likely to be low paid than non-disabled adults with a Level 3 qualification – 20 per cent compared with 14 per cent. The same is true for those without Level 3 qualifications – 46 per cent of disabled adults without a Level 3 in work are low paid, compared with 38 per cent of non-disabled adults.

Disability

Indicator: 28A

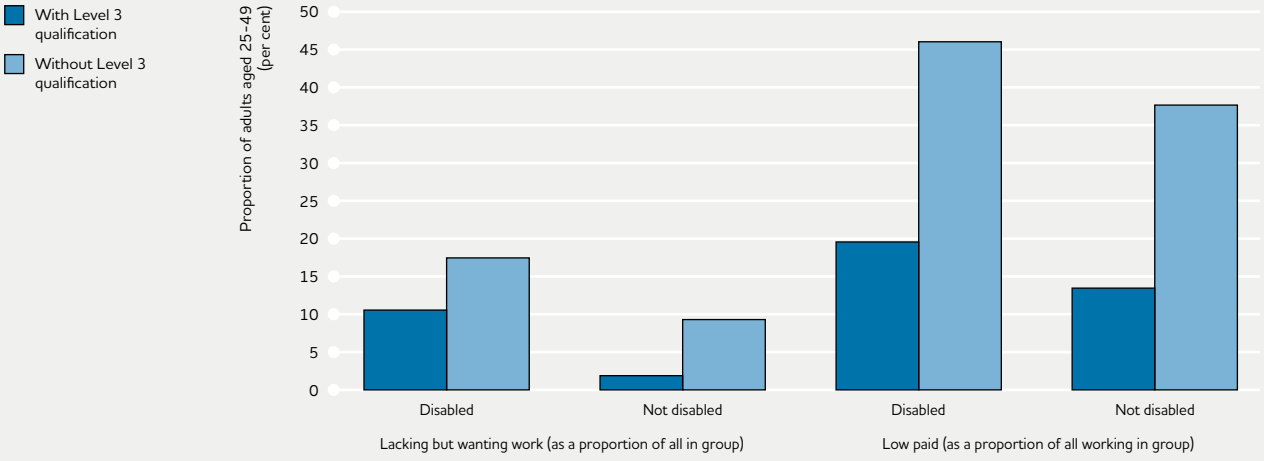
The proportion of disabled men and women who want but do not have work is twice as high than for non-disabled adults.



Source: Labour Force Survey, ONS, Q2 2013 to Q1 2014; the data is for the UK

Indicator: 28B

For the same level of qualification, disabled people are more likely to be low paid or lacking but wanting work.



Source: Labour Force Survey, ONS, Q2 2013 to Q1 2014; the data is for the UK

The first graph shows the economic status of working-age adults by gender and disability. The data is an average of four quarters between 2013 and 2014. These particular quarters were chosen to enable a consistent definition of disability; before quarter 2 in 2013, a different definition was used. The definition of disability used includes those with a work-limiting disability and those classified as disabled under the 2010 Equality Act. This is slightly different to the previous definition used under the 1995 Disability Discrimination Act, as it does not include those with a progressive condition that does not yet affect them or those whose conditions only affect them without medication.

The second graph shows the proportion of people who are lacking but wanting work and the proportion of working people who are paid less than the UK living wage (deflated by earnings for earlier year). The data is shown separately by disability status and qualification level (with or without a Level 3 qualification). The data is an average for 2013 quarter two to 2014 quarter one. The age limit of 25–49 is used to limit the distortions that the low incidence of disability among young adults and the high incidence in older age groups can cause.

Reliability rating: high. Both graphs are from official survey data, with efforts made to ensure consistent definitions of disability apply.

29 Movement into and out of the labour market

The number of employed adults moving into unemployment is at a six-year low. Unemployed adults who find work are more likely to be low paid than not.

On average in the first half of 2014, 340,000 working adults became unemployed each quarter. This is a fall of 52,000 compared with 2013, and a fall of 140,000 per quarter when comparing with 2009. This number is now close to the pre-recession norm for outflows from employment.

The number of adults moving from inactivity to employment has increased when compared with 2013, and was at 490,000 on average in the first quarters of 2014. This is of interest as the government's welfare reform aims to get inactive adults into work. However, that this number fell during the recession and is only now recovering suggests that it may have more to do with the general recovery in the economy.

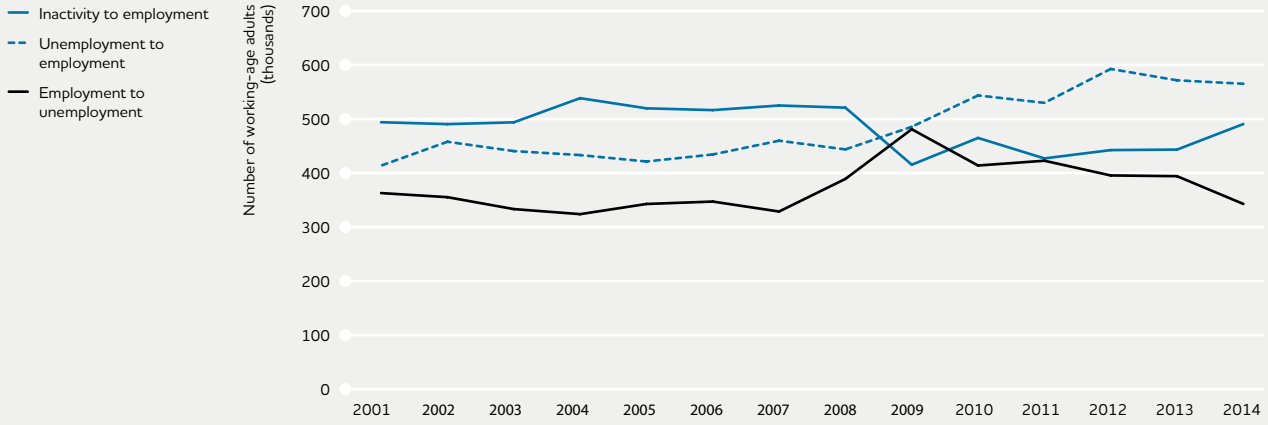
The number of adults moving from unemployment to employment has also increased since the recession. This number increased between 2008 and 2009, indicating that it is partly driven by the numbers of the unemployed – more unemployed adults found employment in this period because there were more unemployed adults. It is easy to think of the labour market as a largely static place, given, for example, how little the unemployment rate changes from quarter to quarter. However, underneath these net figures, there are millions of individual moves between inactivity, employment, and unemployment – around 2.7 million on average in the first two quarters of 2014.

Adults who were unemployed 12 months ago and are now in work are more likely to be low paid than not. On average between 2011 and 2013, 530,000 adults were unemployed for 12 months before they were in work. 320,000, or 61 per cent, were in low-paid work. For many, the work gained after a spell of unemployment is low paid. Those in full-time education 12 months before are also likely to be low paid if they are in employment a year later, with 570,000 (68 per cent) paid below the living wage.

Movement into and out of the labour market

Indicator: 29A

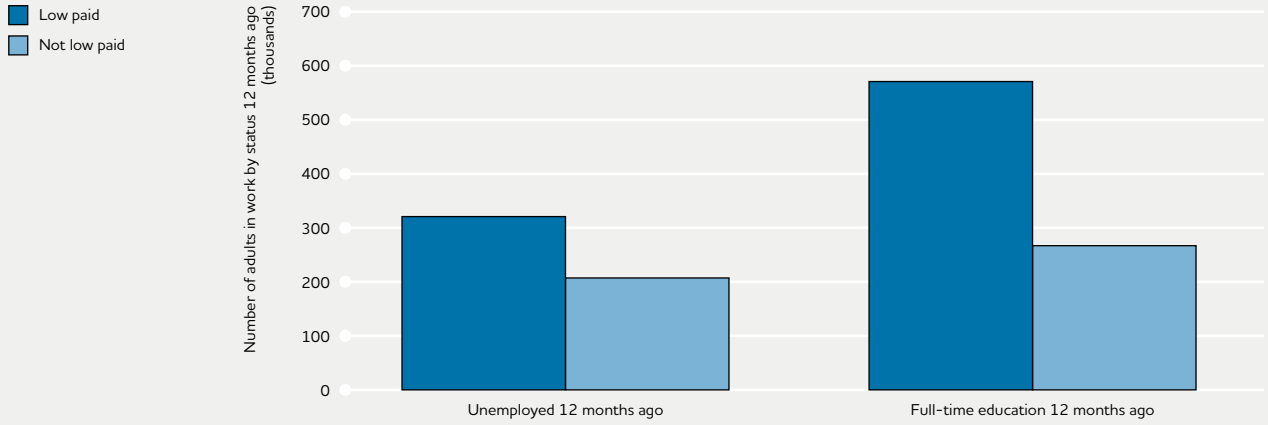
On average, over half a million unemployed adults have found work each quarter since 2009.



Source: Labour Market Statistics, ONS; the data is for the UK

Indicator: 29B

Adults who were unemployed or in education 12 months ago and who are now in work are more likely to be low paid than not.



Source: Labour Force Survey, ONS; the data is a three-quarter average from 2011-2013 for the UK

The first graph shows the average number of working-age adults moving from employment to unemployment, unemployment to employment, and inactivity to employment over time. Each year is an average of four quarters of flows.

The second graph shows the number of adults who were either unemployed or in full-time education 12 months ago who are now in work, by whether they are paid above or below the living wage. The data is an average for three quarters.

Reliability rating: medium. The first graph comes from experimental statistics from the Labour Market Statistics release. These are not designated as national statistics and must be viewed with some caution. The second graph is drawn from official survey data, though it is only available for one quarter per year. This means it covers a relatively broad time period during which there may be changes in the labour market.

30 Change in unemployment

Great Britain's industrial heartlands in the North East, North West and Yorkshire and the Humber have experienced the greatest rises in unemployment rates. There are pockets of local authorities in other regions that have also witnessed significant rises.

Across Great Britain the unemployment rate increased between the three years to April 2007 and the three years to April 2014. This is unsurprising as it compares the periods pre- and post-recession. However, the map shows the regional patterns where the recession had its greatest effects on unemployment.

The parts of the country that are the worst affected are the North East of England, south west Scotland and England's industrial belt spanning Yorkshire and the Humber, the North West and the adjacent parts of the Midlands. In addition, the Welsh valleys and the area just east of London have unemployment rates at least 4 percentage points higher than before the recession.

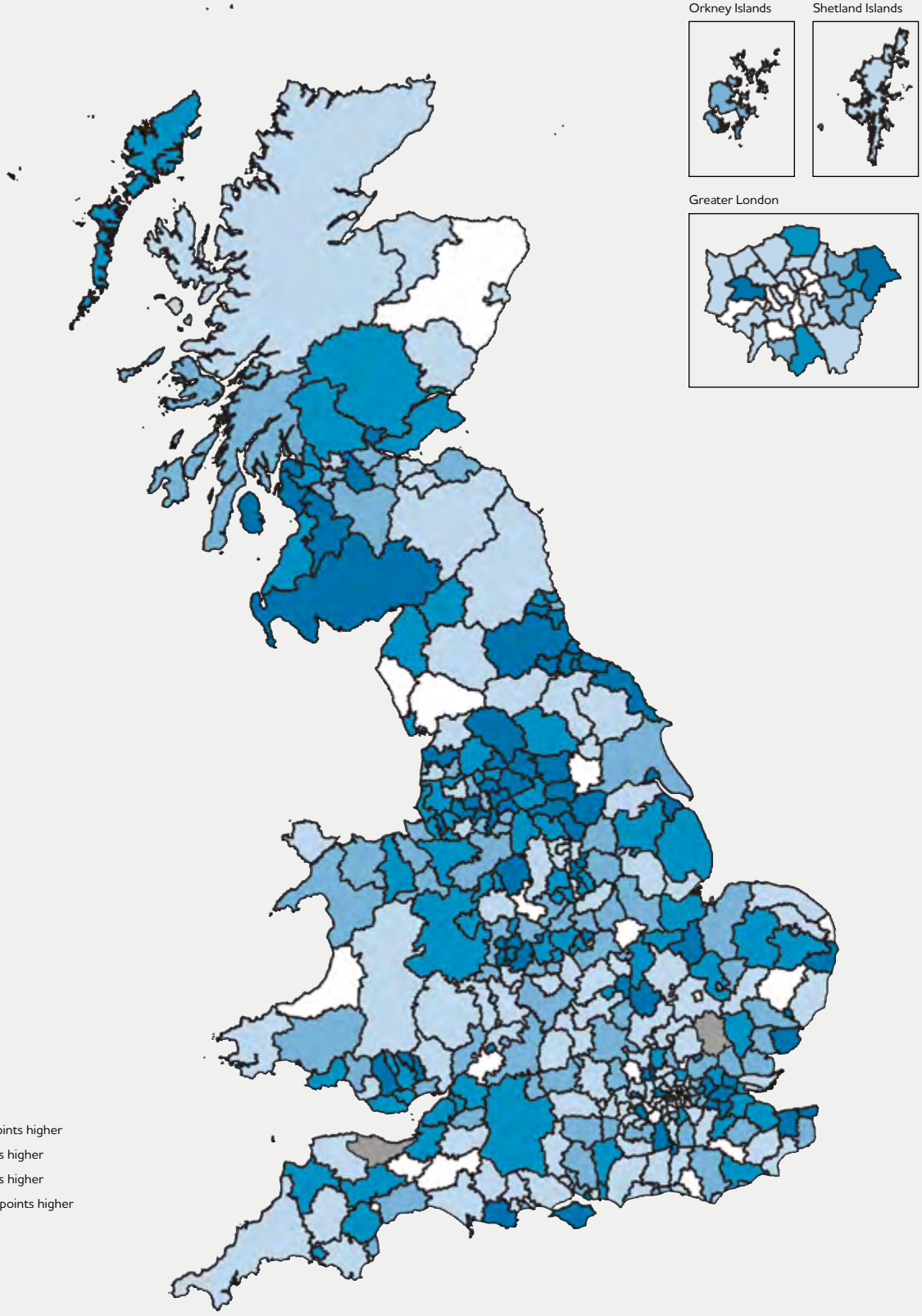
A small minority of local authorities had lower unemployment rates in the three years to April 2014 than in the pre-recession period. But in these areas the changes were all less than 2 percentage points. This compares with a rise of over 7 percentage points in three local authorities: Hartlepool, Middlesbrough and Hull.

The map shows the change in the unemployment rate in each local authority between the three years to April 2007 and the three years to April 2014.

Reliability rating: medium. Some of the sample sizes in some local authorities are quite small, even after averaging across three years.

Change in unemployment

Indicator: 30



Source: Annual Population Survey via NOMIS; the data shows the change between the three years to April 2007 and to April 2014

Commentary

On the headline figures, the labour market has turned the corner. Employment is up and all three components of underemployment are falling, as is long-term unemployment. Although these indicators are now heading in the right direction, there are other problems. One which has been well publicised are falling real wages, which remain below their 2008 level. Real self-employment incomes have fallen even more quickly, a fall that has coincided with a large growth in self-employment.

Regardless of the direction of some of these trends, there is plenty of evidence of a labour market that does not work for everyone. Adults who were unemployed a year ago but who are now in work are more likely to be low paid than not. Some minority ethnic groups and young adults have substantially higher unemployment rates than average. Contracts which do not guarantee a minimum number of hours (such as zero-hours contracts) are heavily concentrated in industries which have low average pay, such as hospitality and retail. Potentially unreliable working hours and low rates of pay are a poor combination for a family trying to stay above the poverty line.

Many of these problems existed before the recession. Even during the strongest years of the labour market in the early to mid-2000s, unemployment for young adults was almost three times higher than for older adults. Those minority ethnic groups that saw the largest increases in unemployment during the recession had the highest unemployment rates before the recession as well.

This is not to say that a return to a buoyant labour market will not help these problems. In fact, it may be the best way for some. Plentiful job openings mean more choice for workers (provided they have the necessary skills) and more choice means a better chance of bargaining for a pay rise or guaranteed minimum hours. The first principle for improving the prospects of the poor in the labour market should therefore be 'do no harm' – for example maintaining low interest rates for as long as possible.

As for the problems that were there before the recession, there may need to be more fundamental changes. For example, the Institute for Public Policy Research (IPPR) argues that compared with other European countries, the UK has little in the way of systems for the transition for young people from education to work, making the labour market less youth-friendly (www.ippr.org/assets/media/images/media/files/project/2012/07/Youth-unemployment-in-Europe-briefing_11July2012.pdf).

The labour market's performance has exceeded expectations over the last few years. But it has still not returned to where it was before the recession. And for many, where it was before the recession was not good enough.

Chapter 4

Benefits

Introduction 86

Choice of indicators 87

31 Expenditure 88

32 Out-of-work benefits 90

33 Jobseeker's Allowance 92

34 JSA sanctions 94

35 The Work Programme 96

36 Employment Support Allowance 98

37 Council Tax Benefit 100

38 Benefit entitlement for social renters 102

39 Discretionary Housing Payments 104

40 Crisis loans 106

Commentary 108

Introduction

People in low-income households are reliant on the benefit system for large parts of their income. In 2012/13, 'state support', which includes the state pension as well as means-tested benefits and tax credits, made up 50 per cent of household income for those in the bottom fifth of the income distribution. This support also accounted for 40 per cent of income in the second bottom fifth and 23 per cent for those on average incomes. It is, then, by no means confined to the very poorest.

In 2013, the total cost of this support was over £200 billion, so it is unsurprising that the 'welfare' bill has been at the centre of government plans for reducing expenditure. The table below outlines some of the bigger changes that are covered in this chapter.

There are different types of benefit changes in the table. Some affect a lot of people by a small amount per week, such as lowering the amount that benefits values are increased each year (uprating). Some affect a smaller number of people by a larger amount – such as the removal of the spare room subsidy (also referred to as the 'bedroom tax'). It is worth noting that the change in uprating is expected to reduce the overall benefits bill by much more than the bedroom tax will.

Welfare reforms and their impact

Date	Change	Numbers affected	Average weekly loss
Oct 2012	New JSA and ESA sanction schemes	Potentially all claimants	Full amount of benefit for up to 4 weeks (ESA), 13 weeks, 26 weeks or 3 years (JSA)
Apr 2013	Under-occupancy penalty ('bedroom tax')	480,000	£15 per week
Apr 2013	LHA uprating capped at CPI rather than rents	1.4 million	£6 per week
Apr 2013	Benefits increased by 1% rather than CPI inflation (for next 3 years)	9.6 million	£3 per week
Apr 2013	Council Tax Benefit replaced with local Council Tax Support schemes	2.34 million	£3 per week
Apr 2013	Overall benefit cap (£350 for singles, £500 for others)	46,000	£68 per week
Apr 2013	Abolition of crisis loans	1.5 million	£58 (one off)
Apr 2014	LHA uprating capped at 1% rather than CPI (for 2 years)	1.4 million	Not published by DWP

Source: DWP, except for Council Tax Benefit which is NPI

Some of these changes are 'one offs' – the spare room subsidy can only be introduced once, and given its unpopularity it is unlikely to be increased any time soon. But the changes in uprating may well continue The Conservative party announced at its conference that working-age benefits (including tax credits but excluding Personal Independence Payment/Disability Living Allowance (PIP/DLA)) would be frozen in the first two years of the next parliament. The Prime Minister also announced his intention to reduce the overall benefit cap from £25,000 per year to £23,000.

Choice of indicators

The chapter begins by analysing **expenditure on benefits** both in terms of the total spend and the amount per person. This is followed by a simple analysis of the **total caseload** broken down by benefit type. This is important context for the discussion of reforms that follows.

We then look at **Jobseeker's Allowance**, a key out-of-work benefit for unemployed people, and as such an indicator of how well the benefits system responds to broader economic need. We also look at **JSA sanctions**, to analyse the effects of the new tougher regime. The **Work Programme** is a key part of the government's welfare and employment agenda, and we look at how effective it has been.

We then look at **Employment Support Allowance** (ESA), a key out-of-work benefit for disabled people. Although it was introduced by the previous government in 2008, the Coalition has sped up its implementation.

The **localisation of Council Tax support** has been one of the biggest changes introduced by the Coalition Government. We analyse how this change varies between different areas.

The final pair of indicators looks at housing-related benefits. The first looks at **benefits for social renting claimants**, and how the 'bedroom tax' impacts differently on different types of families in different areas. The second looks at **discretionary housing payment**, a mechanism intended to ease the worst effects of the reforms. Implemented locally, there are differences between areas that deserve greater attention.

The chapter ends with a map of **crisis loan awards**. Before it was closed in 2013, the crisis fund was an essential source of emergency loans for people in poverty. The map shows how demand varied across the country.

31 Expenditure

Despite government efforts to reduce spending, most components of the welfare bill have risen in the last five years. Individual claimants have seen almost no increase over the same period.

Over the last decade, the total benefits bill, including pensions, has risen from £170 billion to £223 billion. The largest part of this total, and the largest part of the increase, comes from pensions. Pensions now make up £104 billion, up from £71 billion in 2003/04. They now account for 47 per cent of the total, up from 42 per cent ten years ago.

Other parts of the benefits bill have risen, but more slowly. Incapacity, disability and illness benefits now account for £38 billion, up from £30 billion a decade ago. Housing benefits stand at £26 billion, up from £19 billion in 2003/04. There are indications that these two components may have peaked – the housing benefit bill in 2013/14 was no higher than the previous year and the increase in the disability and incapacity component was the smallest for at least five years.

The one notable fall is in the family benefits and tax credits component. This has been an area where there have been significant cuts – in the real value of Child Benefit, the coverage of Child Benefit (now excluding high earners) and the value and coverage of tax credits, specifically the limit of Working Tax Credit to families working at least 24 hours a week, instead of 16 as previously. Total expenditure on tax credits and family benefits was £45 billion in 20013/14, compared with £46 billion in 2008/09.

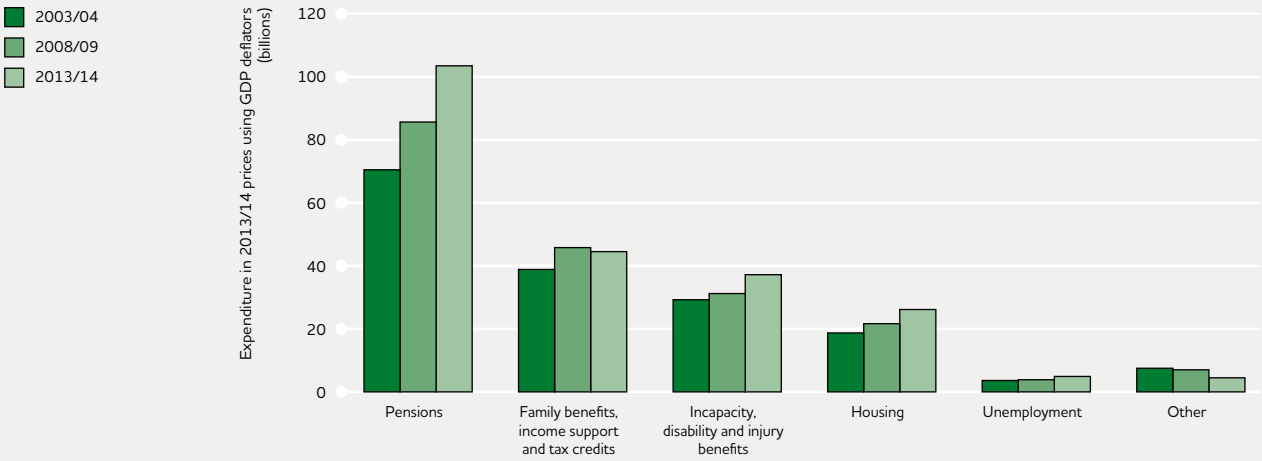
At the individual level, the value of means-tested benefits has not been rising in the last five years. In 2014, a pensioner couple were entitled to £221 per week, compared with £238 (in 2014 prices) five years earlier. In real terms, pensioner benefits are back where they were ten years ago. Benefits for children follow a similar pattern. At £147, they are £8 below the figure for 2009, and the lowest they have been since 2007.

Benefits for working-age adults follow a different trend, as they have done for around 30 years. While they have also fallen in the short term, from £121 in 2009 to £111 today, this follows a long period of stagnation, during which the value of benefits for children and pensioners rose. Adjusting for inflation, means-tested benefits for a working-age couple have not been as low since 1979.

Expenditure

Indicator: 31A

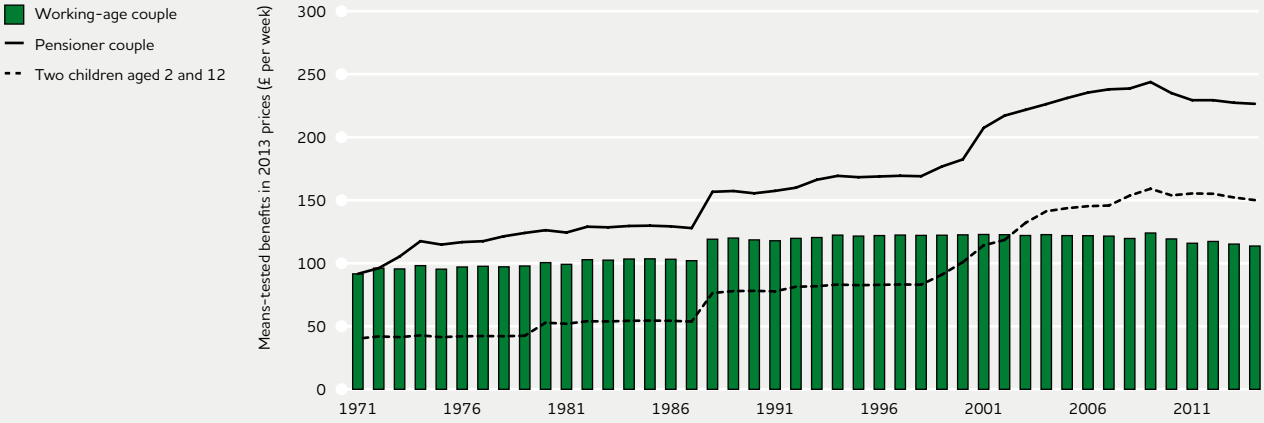
Spending on housing and incapacity benefits has risen both before and since the recession, but pensions make up by far the largest increase and largest share of the total.



Source: HM Treasury Public Expenditure Statistical Analysis; the data is for the UK

Indicator: 31B

The value of all means-tested benefits has fallen in real terms since 2009. The longer-term trend is one of rises for children and pensioners, while working-age benefits are back at values last seen in the late 1970s.



Source: DWP Summary Benefit Expenditure, HMRC receipts; the data is for the UK

The first graph compares the level of spending in each of the main categories of social security spending in 2003/04, 2008/09 and 2013/14 by using GDP deflators (discounting for the effects of inflation).

'Pensions' includes the state retirement pension, Pension Credit and other benefits paid to pensioners on the grounds of their age.

The second graph shows the real (inflation-adjusted) values of the principal means-tested benefits each year, separately for: a working-age couple; two dependent children aged two and twelve; and a pensioner couple.

The spending figures are for Great Britain (with component UK data being reduced by 3 per cent to exclude Northern Ireland).

Reliability rating: high. The data all comes from official administrative sources, broken down as shown in the graphs.

32 Out-of-work benefits

The number of jobseekers claiming out-of-work benefits fell by 370,000 but remains above pre-recession levels. A higher share of out-of-work benefits claimants were longer-term in regions where the overall proportion is higher.

The number of people claiming most types of out-of-work benefit has been falling, although this trend has been more recent in the case of jobseekers than in the case of those claiming for incapacity reasons, eligible as lone parents or claiming for other income-related benefits. The exception is claimants eligible as carers, which has increased every year since 2002 and stands at 540,000.

The number of jobseeker claimants fell from 1.5 million to 1.1 million in the most recent year, although the figure is still 340,000 higher than in 2008. This accounts in part for the overall decrease in total out-of-work benefits claimants of 390,000 since 2013 and a return to pre-recession levels of 4.8 million. The increase of 610,000 in the number of jobseeker claimants between 2008 and 2009 accounted for most of the total increase in out-of-work benefits in that period.

The number claiming for incapacity reasons has been the highest of any type of out-of-work benefit in every year since 2002. This number has fallen every year except one (2010) since 2004 and is now less than 2.5 million.

The number of claimants eligible as lone parents has fallen every year since 2002, now standing at 480,000. The fall of 260,000 since 2008, almost double the fall of 140,000 between 2002 and 2008, represents the change in the eligibility criteria to claim an out-of-work benefit as a lone parent rather than a jobseeker.

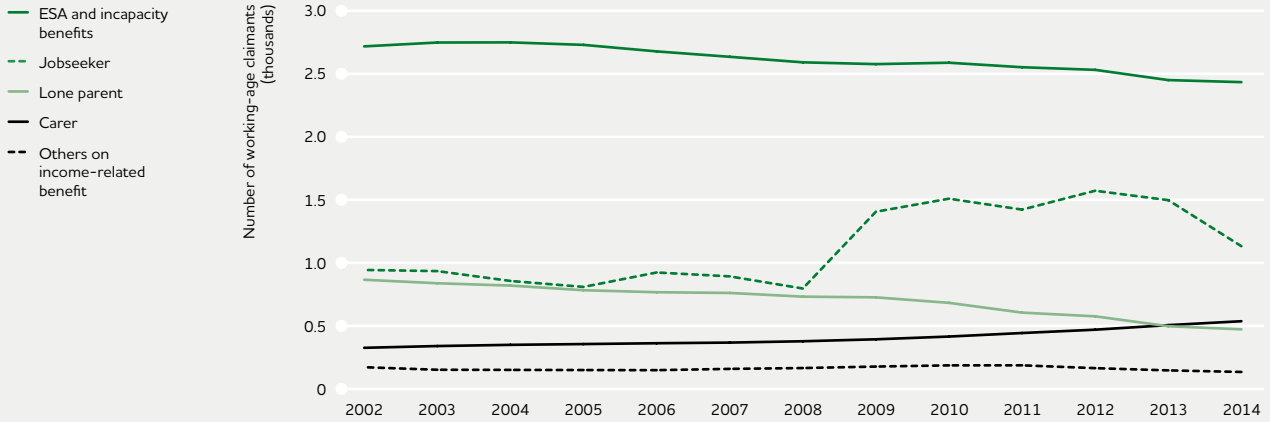
The share of out-of-work benefit claimants who have been claiming for three or more of the last four years is lower in the South West (6 per cent) and South East (5 per cent), regions where the total proportion of claimants is lowest, than the share claiming less than three of the last four years (7 per cent and 6 per cent respectively).

In regions where the overall proportion claiming an out-of-work benefit is highest, the share who have been claiming for three or more of the last four years is significantly higher. In Wales (11 per cent), the North West (10 per cent) and Scotland (9 per cent) the share is at least half of the total claiming out-of-work benefits.

Out-of-work benefits

Indicator: 32A

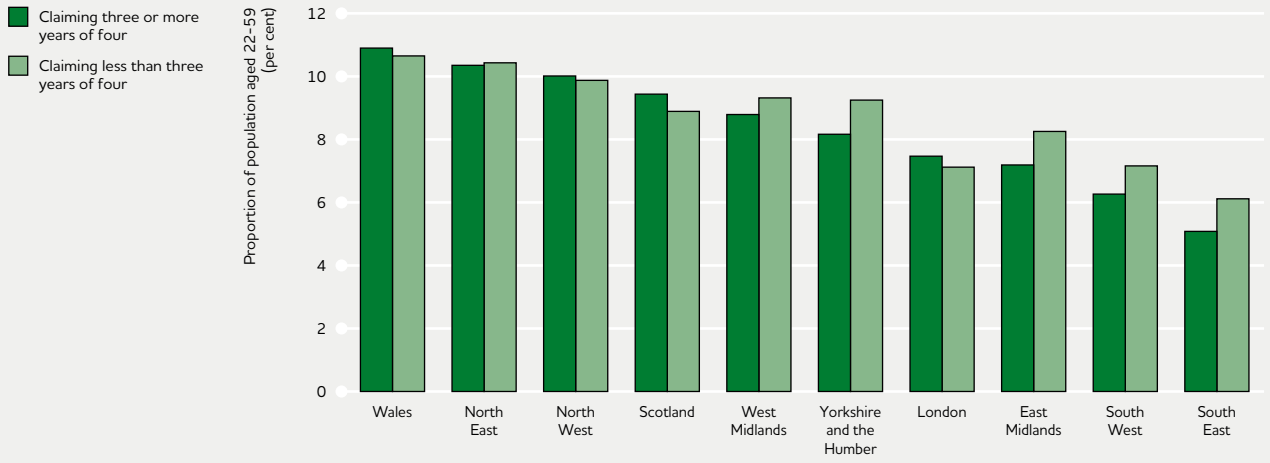
The number of people claiming most types of out-of-work benefits is falling. While the number claiming unemployment benefit began falling recently, some of these falls are much longer-term trends.



Source: DWP tabulation tool; figures are for Great Britain

Indicator: 32B

In parts of Great Britain where the proportion of people claiming an out-of-work benefit is relatively high, a higher share of those claiming have been doing so for three or more of the last four years.



Source: DWP ad hoc statistics and tabulation tool, 2013; figures are for Great Britain

The first graph shows the number of working-age adult claimants in Great Britain claiming out-of-work benefits each year from 2002 to 2014. The different lines represent different reasons for claiming, rather than the type of benefit claimed.

The second graph shows the proportion of people in each region of Great Britain who have been claiming out-of-work benefits for either more than three years or less than three years.

Reliability rating: high to medium. While all the data comes from official administrative sources, some of the analysis of JSA sanctions later in the chapter suggests that the falling claimant count might not be wholly due to improving labour market prospects.

33 Jobseeker's Allowance

The number of JSA claimants and the flow of claims have both significantly reduced over the past two years. The spread of new claimants, old claimants and continuing claimants is roughly even.

Between June 2013 and June 2014 there were 2.9 million new JSA claims while 3.3 million claims ceased. In comparison, the total number of claimants is 1 million, considerably less than half the number of claims.

Overall the off-flow (the number of claims ending) was 390,000 more than the on-flow (the number of claims beginning). This was the second consecutive year in which the off-flow exceeded the on-flow. The number of new JSA claims was 600,000 less than the year before, although this is still 300,000 more than in 2008.

The overall number of people claiming also fell for the second consecutive year, from 1.4 million to 1 million, the most substantial decrease since 1996/97. The total number claiming is still 190,000 more than the 830,000 claiming in 2008, but the number is still significantly less than the 2.6 million two decades ago, in 1994.

51 per cent of claimants in June 2014 (520,000) had been claiming for less than six months, compared with 18 per cent (180,000) who had been claiming between six months and a year and 31 per cent (310,000) who had been claiming for more than a year.

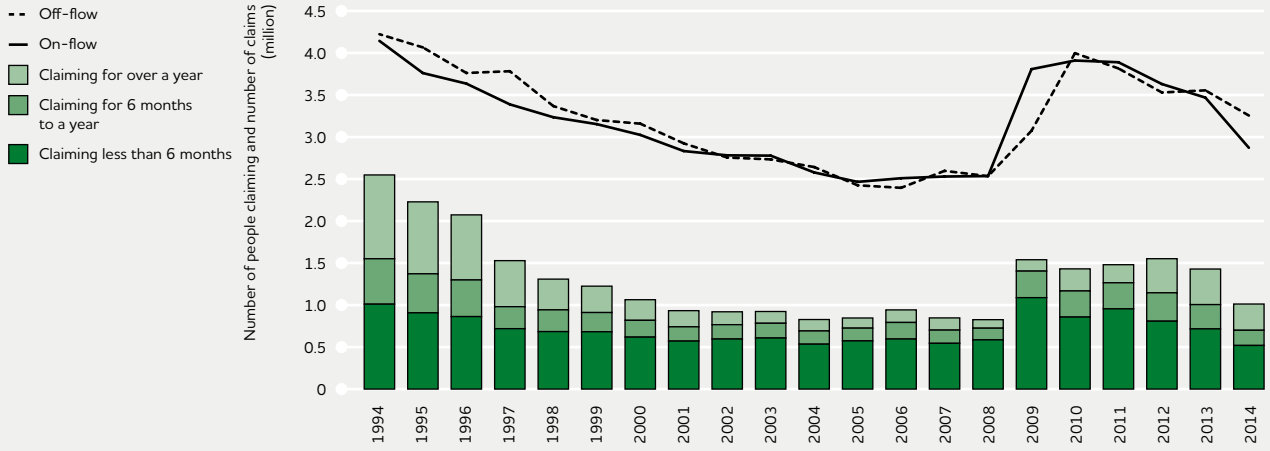
While the number of people claiming for each length of time has decreased since June 2013, the number who had been claiming for over a year is still significantly higher than pre-recession levels. The lowest point was 100,000 in 2008, while the peak since 1997 was 430,000 in 2013. The number of long-term claimants had previously fallen with the overall number of claimants throughout 1994–2002.

Despite the overall fall in the number of claimants since 2012, roughly a third (1.4 million) of the 4.2 million adults who claimed JSA at some point between June 2012 and June 2014 had never claimed JSA before. 1.5 million were already claiming at the end of June 2012, while another 1.3 million made a new claim and had claimed before June 2012.

Jobseeker's Allowance

Indicator: 33A

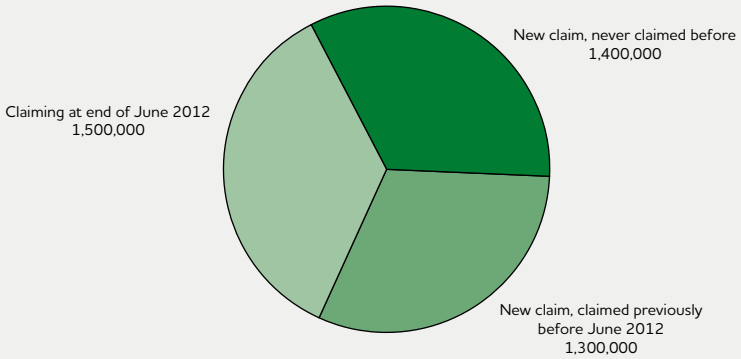
The number of new claims for JSA fell sharply last year, as did the total number claiming both short and long term.



Source: Claimant count via NOMIS; flows measured as the year to June, number claiming as at June each year; figures are for the UK

Indicator: 33B

4.2 million adults had claimed JSA at some point in the two years to June 2014; of these one-third had not claimed before.



Source: JUVOS cohort data from Labour Market Statistics, ONS, and claimant count data, NOMIS, June 2012 to June 2014; the data is for the UK

The first graph shows two things. The bars show the average number of people claiming Jobseeker's Allowance (JSA) in each year and the lines show the total number of new claims or inflows in each period.

The lines show claims, not people, implying that a person may be counted twice in any particular period. This could happen, for example, when someone makes a new claim for JSA in say January, then finds work, then claims again within six months.

The second graph shows the number of people who claimed in the two years between June 2012 and June 2014, broken down by whether they had claimed before and, if they had, whether they were claiming at the end of June 2012.

Reliability rating: medium. The first graph is a straightforward count from administrative data but the second relies on some assumptions and modelling on length of claims.

34 JSA sanctions

The number of people receiving a sanction suspending the payment of their Jobseeker's Allowance has never been higher. People in areas with higher rates of JSA are more likely to be sanctioned.

In 2013/14, the number of people whose JSA was suspended for not complying with the terms of their 'claimant commitment' – commonly referred to as a sanction – rose to 800,000, the highest level ever. The year before, the figure was 740,000, itself a record.

This 800,000 figure only refers to 'adverse decisions', where a claimant has been referred by a Jobcentre Plus advisor for a sanction and this decision has been upheld. There were a further 440,000 referrals for sanctions that did not result in an adverse decision. This figure was slightly down on the year before.

But there was a significant rise in the number of sanction referrals which were reversed or cancelled because the individual had stopped their claim for JSA. This figure rose from 460,000 in 2012/13, and only 200,000 in 2010/11, to 500,000 in 2013/14. This is, in some ways, as significant a development as the rise in adverse decisions. It means that people are leaving JSA rather than facing a sanction, which raises questions about whether the benefit is providing the support it should. It also raises questions about how accurate a story the claimant count is now telling us about the extent of unemployment.

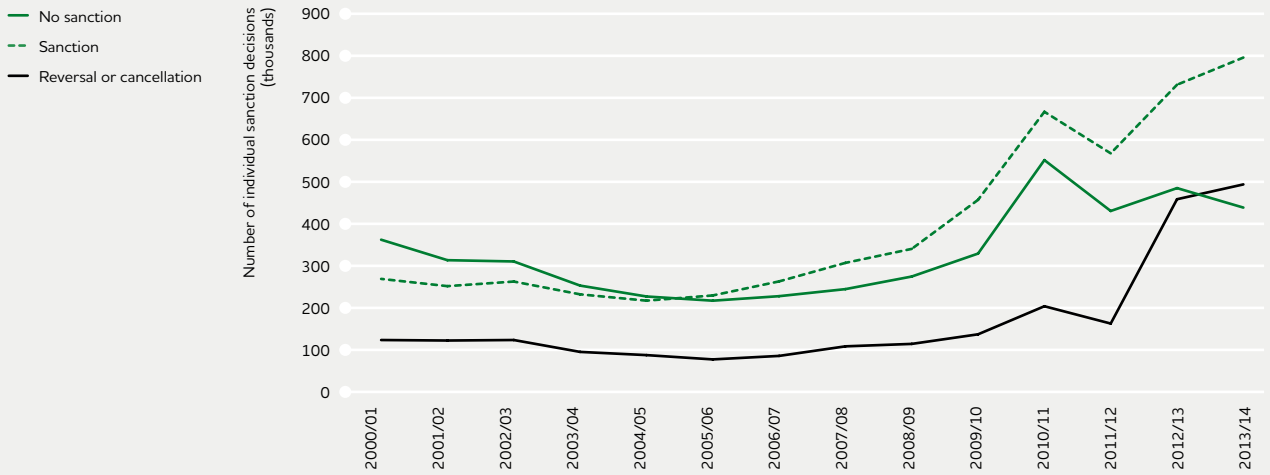
The second graph shows the proportion of claims that result in a sanction and how this varies by region. In the North East, 26 per cent of all JSA claims result in a sanction (with an adverse decision). In Scotland, the East and West Midlands, Yorkshire, the North West, London and Wales this figure is above 20 per cent. In the South West, the proportion of JSA claims that result in a sanction is only 17 per cent. It is 18 per cent in the South East.

There is a strong correlation between the proportion of people claiming JSA in a particular region or country and the likelihood of their claim resulting in a sanction. Put simply, those regions and countries with higher JSA claim rates also have higher proportions of those claims resulting in a sanction. Some areas buck the trend; notably Wales has a lower proportion of claims resulting in sanctions and the East of England a higher proportion than would be expected from their JSA claim rate.

JSA sanctions

Indicator: 34A

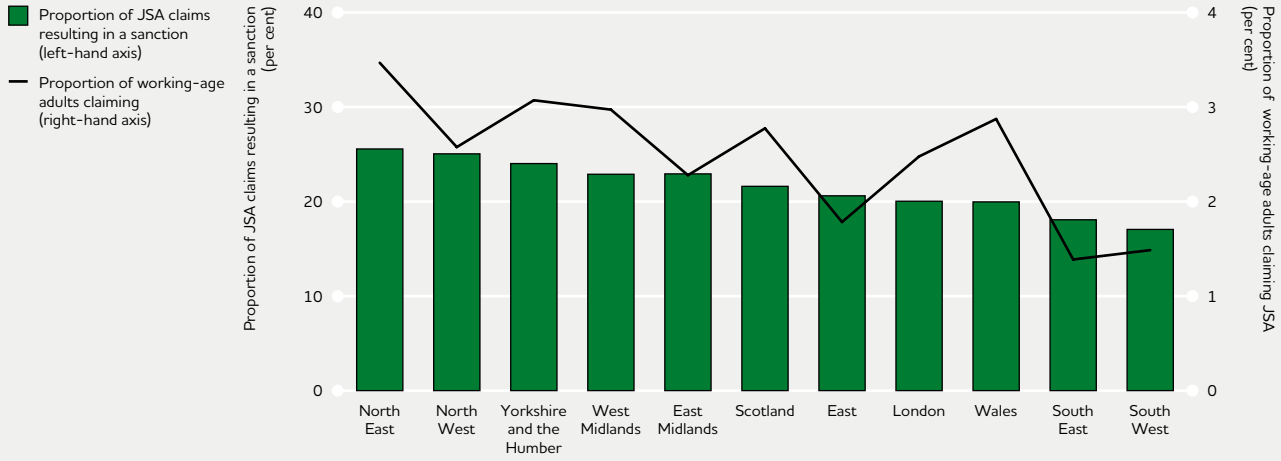
The number of JSA claims resulting in a sanction is at a record level. The number of reversals and cancellations due to claimants leaving JSA before a sanction is levied has also never been higher.



Source: DWP Stat-Xplore; the data is for Great Britain

Indicator: 34B

Areas with higher rates of JSA claims tend to have higher proportions of claims resulting in sanctions.



Source: DWP Stat-Xplore and NOMIS; the data is for Great Britain

The first graph shows the outcomes of sanction referrals in three types – those where an 'adverse' decision was made, meaning a sanction was applied, those where no sanction was applied, and those where the claim ended before the sanction could be applied. The figures are a total for each year, and are shown for the procedure, not the number of people: a person may be counted more than once.

The second graph shows the proportion of claims that result in a sanction. The number of claims is calculated by adding the number of claimants at the start of the year to the total number of new claims during the year. The number of sanctions is the number of adverse decisions. The line shows the proportion of working-age adults who receive JSA, as a comparison.

Reliability rating: high. All the figures are from administrative data.

35 The Work Programme

Despite recent improvements, the number of people finding work through the work programme remains low. The number of JSA claimants being sanctioned for not attending has also risen.

In the first quarter of 2014, less than one in five of those who had been referred onto the Work Programme a year earlier were in work. Outcomes vary depending on the referral group in question. Between 15 per cent and 18 per cent of those referred from JSA had found work compared with less than 10 per cent of those referred through Employment Support Allowance (ESA).

Job outcomes for JSA claimants have, though, improved over the last 18 months. Among those who were referred to the Work Programme in the third quarter of 2011, between 8 per cent and 10 per cent were in work a year later. The difference between different referral routes was, however, much smaller then, and it is notable that while job outcomes improved for JSA claimants quite quickly, they were slow to do so for ESA claimants, the quickest rise being in the most recent quarter.

The second graph looks at the links between JSA sanctions and the Work Programme. Failure to attend the Work Programme is one of the main reasons given for a sanction. In the first quarter of 2014, around 66,000 JSA claimants were sanctioned for this reason. This was slightly lower than the high point of 76,000 two quarters earlier.

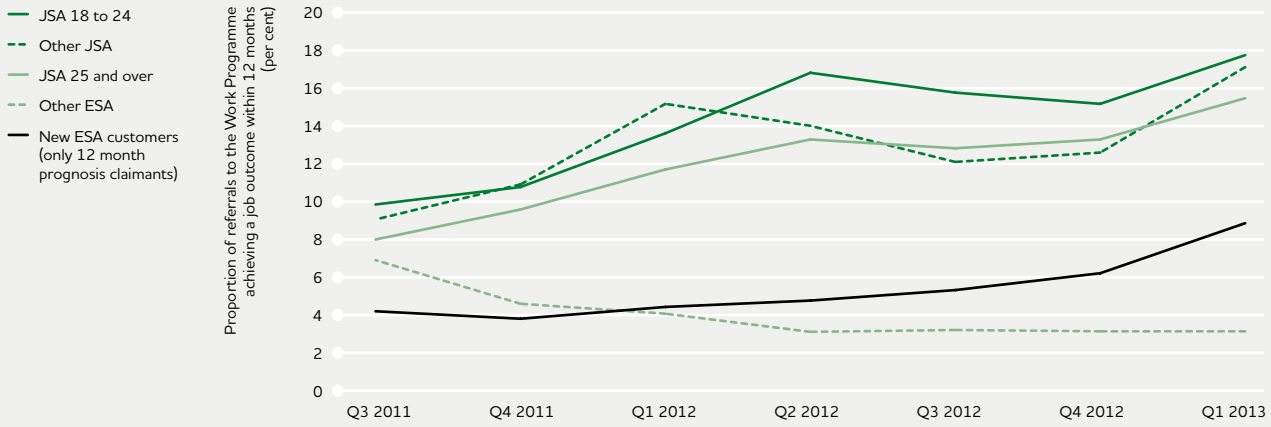
For the last two years, since the Work Programme has become fully established, the number of JSA claimants sanctioned for non-attendance has been higher than the number finding work through the Work Programme. In the most recent quarter, 40,000 JSA claimants found work through the Work Programme, 26,000 less than the number sanctioned.

But more recently, the number of sanctions has exceeded the number of people actually going onto the Work Programme. This is more to do with the large fall in referrals than the smaller rise in sanctions. In the first quarter of 2014, there were 52,000 JSA referrals onto the Work Programme, less than a third of the figure two years earlier (173,000). This fall has implications for the Work Programme as a whole. As the first graph shows, it is JSA claimants who are more likely to find work. A slowdown in JSA referrals means that a greater proportion of people on the Work Programme are in the ESA group, a group the programme finds harder to help.

The Work Programme

Indicator: 35A

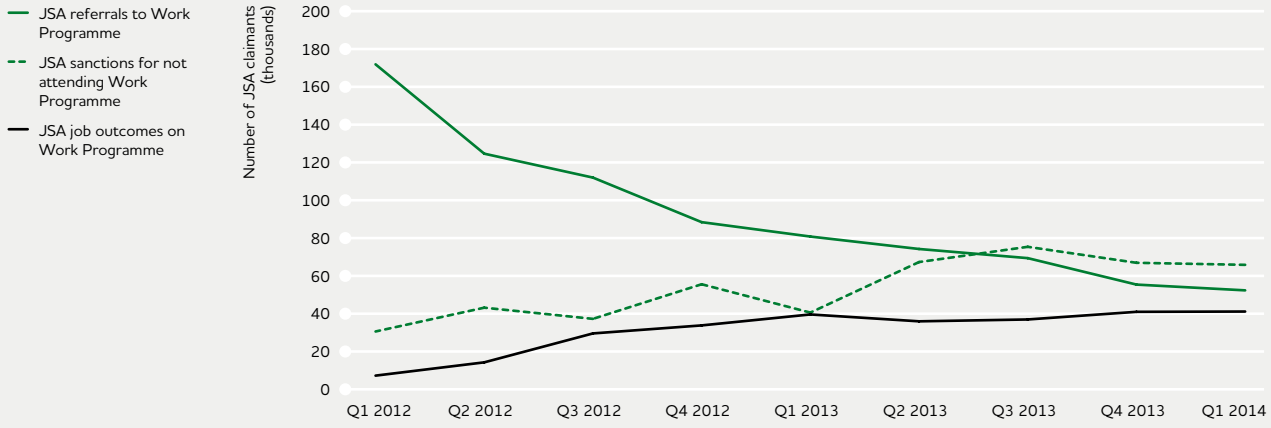
Despite some recent rises, the proportion of referrals to the Work Programme who find paid work within a year remains below 20 per cent for all types of claimants. A large gap remains between outcomes for JSA and ESA claimants.



Source: Source: Work Programme official statistics, DWP; the data is for Great Britain

Indicator: 35B

There are now more sanctions issued to JSA claimants for not attending the Work Programme than referrals to the Work Programme or people finding a job through it.



Source: DWP Stat-Xplore; figures are for Great Britain

The first graph shows the proportion of Work Programme attendees who find work within a year of their referral to the programme. The graph breaks down this figure by the referral group – JSA claimants are separated from ESA claimants.

The second graph shows the number of referrals to the work programme from JSA, and the number of people sanctioned from JSA for not attending the Work Programme. It also shows job outcomes for JSA claimants. The time periods are slightly different – a referral or a sanction is almost immediate, but a job outcome may take longer. Comparing the numbers at a specific point in time may not therefore be helpful, but the longer-term trend is clear.

Reliability rating: high. These are administrative statistics supplied by DWP.

36 Employment Support Allowance

Despite no increase in the number of new ESA applications, the number taking more than six months to process has doubled since the start of 2012. More than 80 per cent of applications that took at least a year to process were found to be entitled.

Between July and September 2013, 200,000 new claims for Employment Support Allowance (ESA) were made. ESA is the benefit for people whose illness or disability renders them unable to work. When a new claim is made a series of assessments are carried to determine if the claimant is entitled. By March 2014 no decision had been made on 78,000 of those new ESA claims from six months earlier. Of the remaining ones, 81,000 were closed before the assessment was complete (i.e. the claimant withdrew from the process), 32,000 were assessed as entitled and 12,000 were found 'fit for work'.

Since 2012 the number of new ESA claims started in each quarter has remained around 200,000. But the proportion of those claims still in process six months later has risen. 18 per cent of the 200,000 new claims started in the first quarter in 2012 were still in progress six months later, compared with 39 per cent (more than double) for the third quarter of 2013. Meanwhile the proportion of claims that were assessed as entitled or fit for work fell while the proportion that closed before the assessment was complete slightly increased.

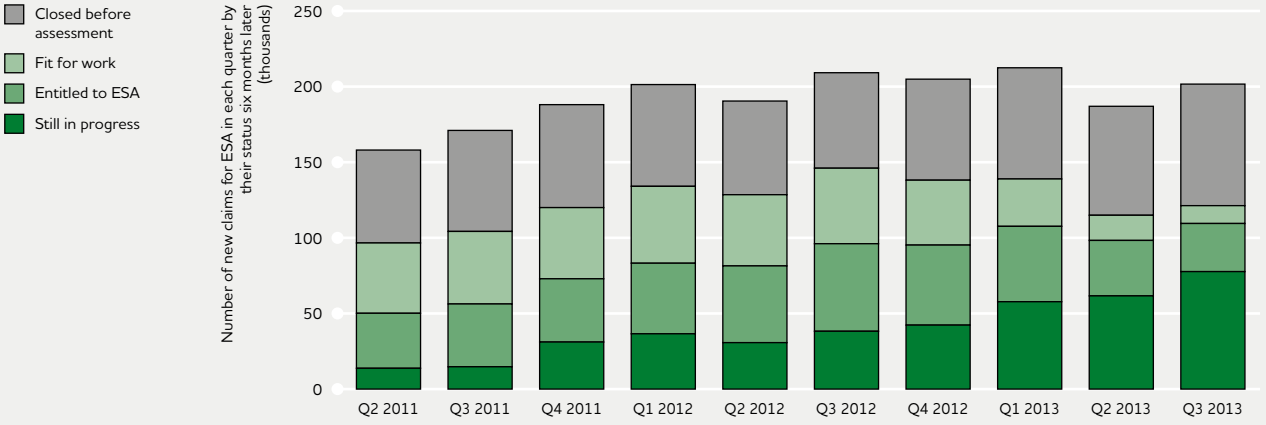
A total of 490,000 new ESA claims started and were fully assessed between February 2012 and June 2013. 67,000 of them took more than nine months for an eligibility decision to be reached, including 31,000 that took more than a year.

Of those applications that took more than nine months to reach a decision, 52,000 (78 per cent) were found to be entitled to ESA. This includes 21,000 placed in the 'work-related activity group', meaning that they were not currently able to work but had to participate in activities that would prepare them to return to work, and 31,000 placed in the support group for those unlikely to be able to work for the foreseeable future. Applications that took more than a year were more likely than those taking less time to be assessed for the support group.

Employment Support Allowance

Indicator: 36A

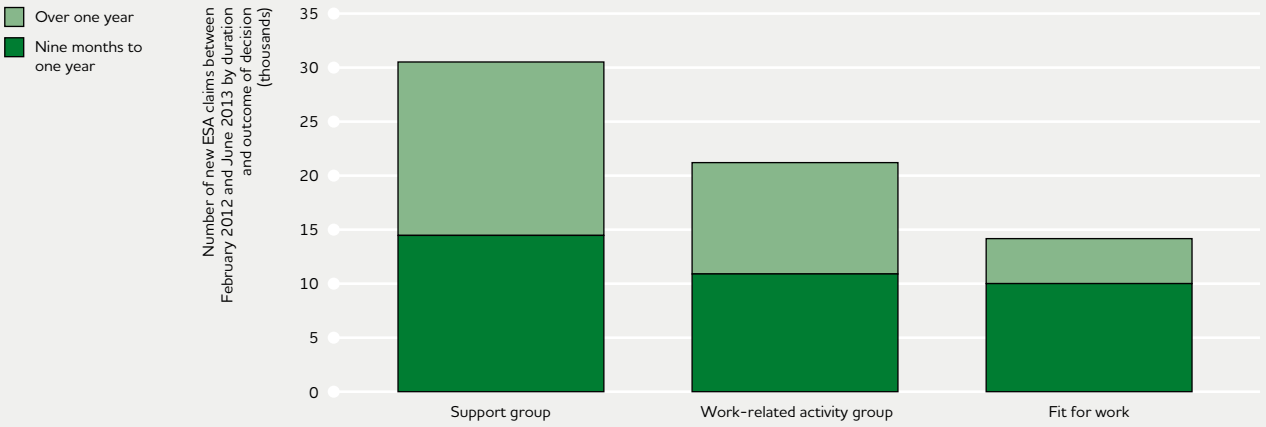
Of the 200,000 new ESA claims between June and September 2013, 78,000 were still in progress as of March 2014.



Source: Outcomes of work capability assessments for ESA, DWP; the data is for Great Britain

Indicator: 36B

More than 60,000 people had to wait at least nine months for a decision to be made on their ESA claim and more than 50,000 of them were found to be entitled to it.



Source: DWP FOI 2014-1200; the data is for Great Britain

The first graph shows the number of new ESA claims in each quarter by the status of the claims six months after the end of that quarter.

The second graph shows the number of new ESA claims made between February 2012 and June 2013 that look at least nine months for the final decision to be made by the outcome of the decision.

Reliability rating: high for the first graph as it is based on DWP data that complies with national statistics guidelines. It is medium for the second graph which is based on data produced by DWP in response to a Freedom of Information request and has not been quality assured to the same level.

37 Council Tax Benefit

Since Council Tax Benefit was abolished 2.3 million low-income families have to pay more in Council Tax, including half a million who pay at least £200 more per year.

In 2014/15, 2.3 million low-income families will pay more in Council Tax than they did before Council Tax Benefit (CTB) was abolished two years earlier. This is 110,000 more families than in the previous year.

This is the result of replacing CTB (which gives low-income families a discount on the amount of Council Tax they have to pay) with Council Tax Support (CTS) which is devised by each local authority and can be altered every year. Some 580,000 low-income families have had their Council Tax liability change for two consecutive years.

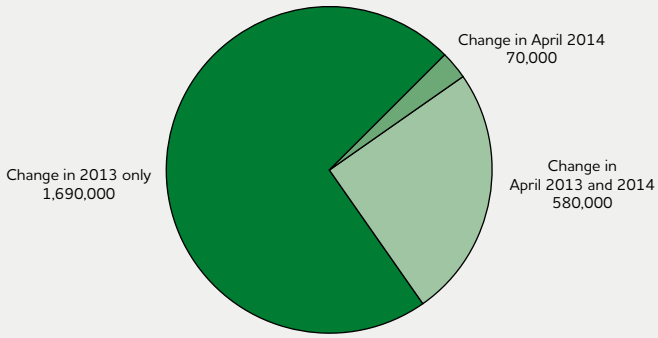
Those affected will pay on average £149 more in Council Tax in 2014/15 than they did under the former CTB system. But the additional Council Tax paid varies depending on each local authority's scheme.

In total 1.7 million low-income families will be paying at least £100 more a year in Council Tax in 2014/15 than they did in 2012/13, including 81,000 who will be paying at least £250 more. For both of these, the number of families affected is higher than it was in 2013/14, the first year of CTS. At the other end of the scale 650,000 families will pay less than £100 extra in Council Tax but this is 280,000 fewer than in 2013/14.

Council Tax Benefit

Indicator: 37A

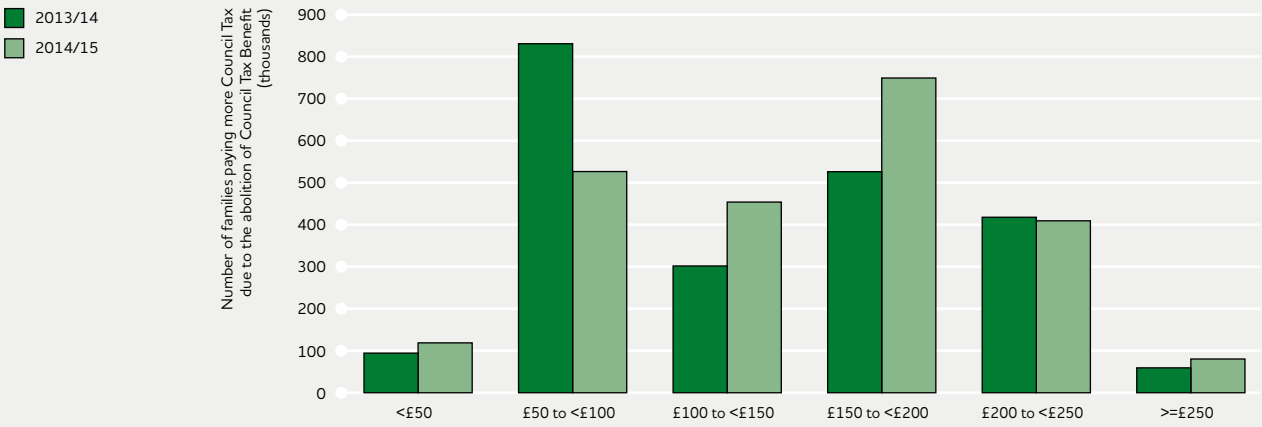
2.34 million low-income families pay more Council Tax than they did under Council Tax Benefit.



Source: NPI analysis of Council Tax support schemes; the data is for England

Indicator: 37B

Half a million low-income families pay at least £200 a year more in Council Tax than they did before Council Tax Benefit was abolished.



Source: NPI analysis of Council Tax support schemes; the data is for England

The first graph shows the total number of working-age families in England required to pay more Council Tax in 2014/15 as a result of the abolition of Council Tax Benefit. It shows the number experiencing a change in entitlement in April 2013 only, April 2014 only or in both years.

The second graph shows the number of working-age families in England required to pay more Council Tax as a result of the abolition of Council Tax Benefit, by the additional amount of Council Tax they have to pay over the year 2013/14 to 2014/15.

Reliability rating: medium for the first graph, low for the second. Both graphs draw on NPI's analysis of the changes to Council Tax Support (CTS). While it is known how each council designed its CTS scheme the number of claimants affected is an estimate based on the former benefit caseloads. The second graph is rated as low reliability as it requires further assumptions on how much claimants are cut by.

38 Benefit entitlement for social renters

290,000 social renters have had their Housing Benefit cut because they do not live in a one-bedroom property. But the supply of smaller affordable homes is limited, particularly in the parts of the country where many have been affected.

In May 2014, 410,000 social rented households were seeing their benefit cut because they were deemed to have a 'spare bedroom'. This is the result of a change in Housing Benefit entitlement introduced in April 2013 and commonly referred to as the removal of the spare room subsidy or the bedroom tax.

150,000 of the affected households are in families where the head is aged 45 to 54 and a further 110,000 were aged 55 to 64. Together this accounts for 62 per cent of households affected, many of whom will have lived in the same home for a number of years. The benefit change does not affect pensioners.

Most of those affected (290,000) are single adults or couples without children. This means that they would have to live in a one-bedroom property to not have a spare room and be unaffected by the cut. Of the 120,000 families with children affected, some will be households that have a 'spare' bedroom but not an empty bedroom. This is because a family can be deemed as having a spare room if two children who, under the bedroom standard, are expected to share one bedroom (i.e. 2 children of the same gender aged under 16 or 2 children of any gender aged under 10) each have their own.

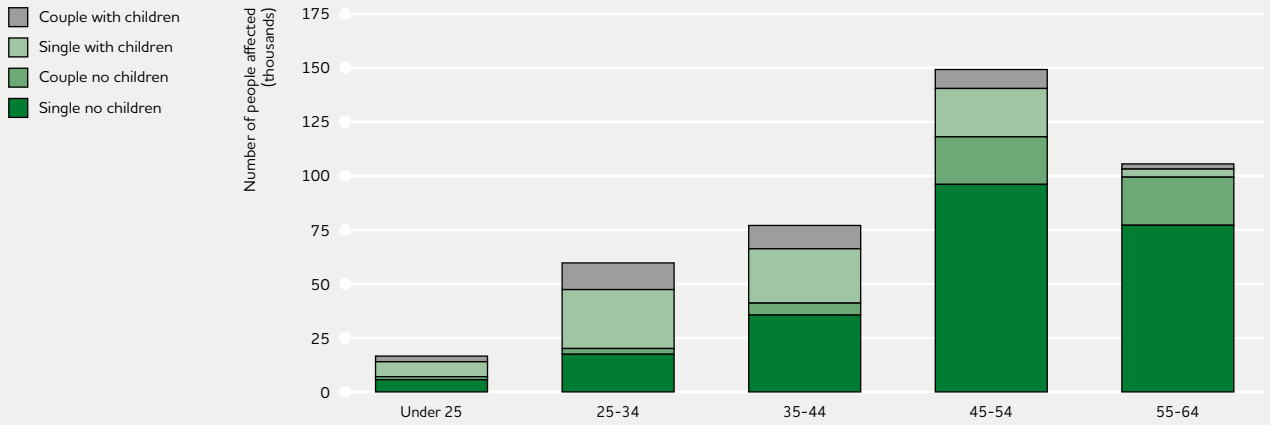
In the North East 31 per cent of working-age claimants in the social rented sector were affected by the Housing Benefit change, including 5 per cent of claimants deemed as having two spare rooms. Across the North of England and the Midlands more than one in five claimants have been affected.

The North East is the region with the highest proportion of affected claimants but it is also the region with the lowest proportion of smaller affordable homes. Only 23 per cent of local authority-owned homes in the North East have one bedroom; across the rest of England the level is around 30 per cent.

Benefit entitlement for social renters

Indicator: 38A

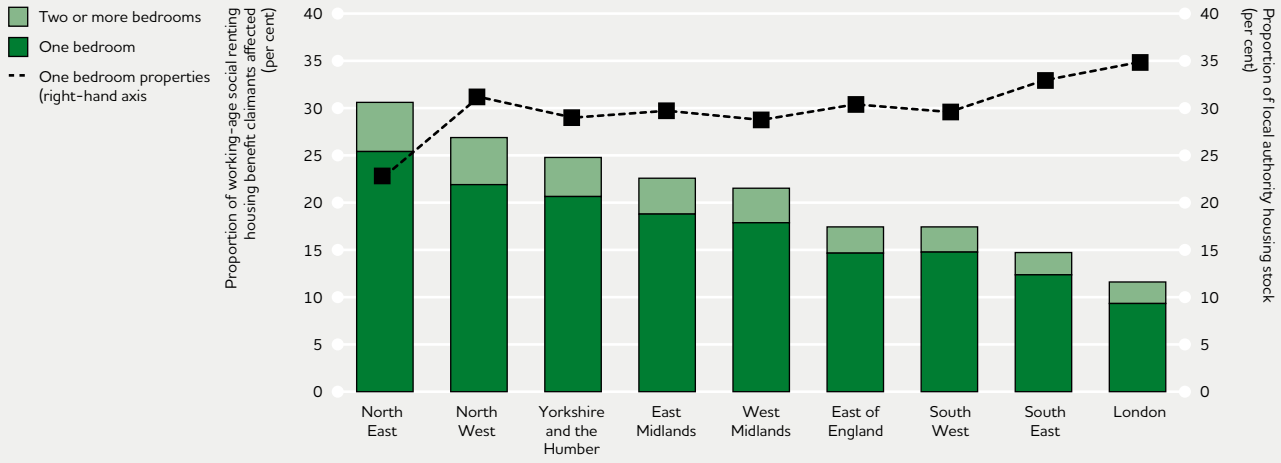
More than 70 per cent of families affected by the social rent housing benefit change do not have children and therefore require a one-bedroom property to be exempt.



Source: DWP Stat-Xplore; the data is for England and Wales at May 2014

Indicator: 38B

The North East has the lowest stock of smaller affordable homes but the highest proportion affected by the change in benefit entitlement.



Source: DWP Stat-Xplore for May 2014 and local authority housing statistics, DCLG, for April 2013

The first graph shows the number of families in England and Wales experiencing a cut in their housing benefit due to the number of bedrooms in their home, by age and family type.

The bars in the second graph shows the proportion of social renting families claiming housing benefit in each region that have experienced a cut in their housing benefit due to the number of bedrooms in their home. The bars are split to show how many bedrooms they have above what they are deemed to require. The line shows the proportion of local authority-owned dwellings in each region that contain only one bedroom (including bedsits).

Reliability rating: high for the first graph, medium for the second graph. The bars are based on administrative data and are reliable. But the stock of affordable housing is from local authority housing statistics. This data is reliable but it is not designated as a national statistic. It should be noted that it does not reflect properties owned by social landlords and the figure can only be used as a 'proxy' for the proportion of all affordable homes that have one bedroom.

39 Discretionary Housing Payments

Most Discretionary Housing Payments were to social renters affected by the change to the bedroom entitlement, while the average value was highest for those affected by the overall benefit cap. But each council's spending was highly varied reflecting differences in local administration.

In 2013/14, 390,000 Discretionary Housing Payments (DHPs) were made to housing benefit claimants struggling with their housing costs. In that year DHP funding had increased threefold to reach £180 million to coincide with the introduction of the overall benefit cap and the change to the benefit entitlement to social renters (commonly referred to as the bedroom tax or spare room subsidy).

Almost two-thirds of DHPs (260,000) went to people whose housing benefit had been cut as they were deemed to have a 'spare room'. 42,000 payments were for private renters affected by housing benefit cuts (changes to Local Housing Allowance introduced from April 2011) and a further 22,000 were for those affected by the overall benefit cap. Some 65,000 payments were given to people who were struggling with their housing costs despite there being no change in their housing benefit entitlement.

The average payment to those affected by the overall benefit cap was £1,200, more than double the average payment for any other benefit change. But this is because the cuts in benefit due to the cap are generally much bigger than those resulting from other reforms. This means that while 6 per cent of payments made were for the overall benefit cap, it accounted for 16 per cent of DHP spending.

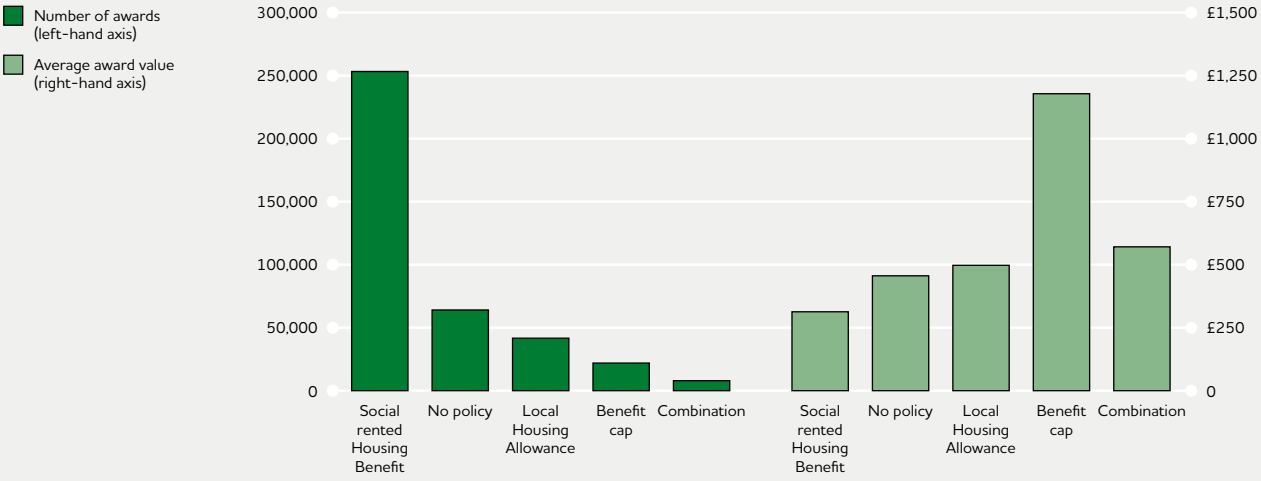
In half of councils in Great Britain spending on DHP closely matched their allocated budget from central government (between 90 and 110 per cent). A total of 43 councils exceeded their DHP budget by at least 10 per cent. This compared with 140 councils who spent less than 90 per cent of their DHP budget.

Central government determined each local council's DHP budget based on the expected impact of the housing benefit changes in each area. This means the observed variation in how much each council spent does not reflect the impact of housing benefit changes in the area, but the way that each council has decided to allocate and administer its DHP funding.

Discretionary Housing Payments

Indicator: 39A

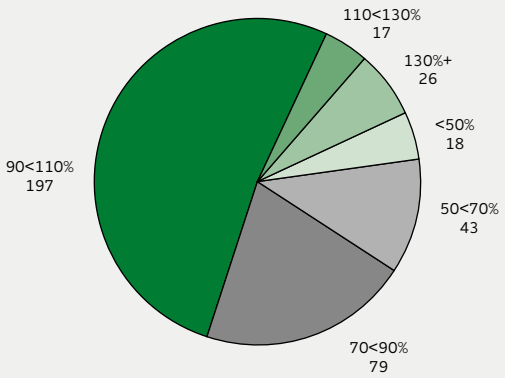
In 2013/14 most discretionary housing payment awards were to households who had lost income through the change in the social rent bedroom allowance. The average amount awarded to households affected by the overall benefit cap was more than £1,000.



Source: Use of discretionary housing payments, DWP; the data is for Great Britain

Indicator: 39B

Half of councils spent between 90 per cent and 110 per cent of their discretionary housing payment budget in 2013/14, but one in seven spent less than 70 per cent.



Source: Use of discretionary housing payments, DWP; the data is for Great Britain

The bars on the left of the first graph shows the number of awards for discretionary housing payment made in the year 2013/14 by the benefit change that the award was intended to help with. The bars on the right show the average value of each award by associated benefit change.

The second graph shows the number of councils in Great Britain by the proportion of their discretionary housing payment committed at the end of the financial year.

Reliability rating: medium. This data draws on the monitoring returns of each local authority. It was deemed reliable enough to be published by DWP as an *ad hoc* statistical release, but it has not been quality assured with the same rigour to be denoted as official statistics or national statistics.

40 Crisis loans

Scotland, the North East and the North West were the regions with the highest proportion of crisis loans awarded per 1,000 working-age adults. The ending of crisis loans will be felt most by people experiencing a sudden lack of finance in these regions.

The year the map covers, 2012/13, was the last year that crisis loans were available in Great Britain, as the Social Fund shrunk from including both crisis loans and community care grants to only offering budgeting loans. The fact that crisis loans are no longer available is particularly significant in areas such as Scotland and the north of England where in some local authorities the number of awards per 1,000 was over 50 (peaking at 119 in Blackpool and 97 in Glasgow City) and where there was a high concentration of local authorities with high levels of crisis loan awards.

In addition to Scotland and the north of England, Birmingham metropolitan area and south Wales were also concentrated areas of high numbers of awards. Much of the south of England, including most of London, had lower levels of awards.

The availability of crisis loans catered for people experiencing a sudden lack of financial credit, usually with a view to cover basic costs. Crisis loans were awarded either for specific items, living expenses or 'alignment' (to cover an applicant's costs before their first benefit payment was due). Alignment was the most common reason for crisis loan awards, followed by helping with living expenses because previous benefits had been spent.

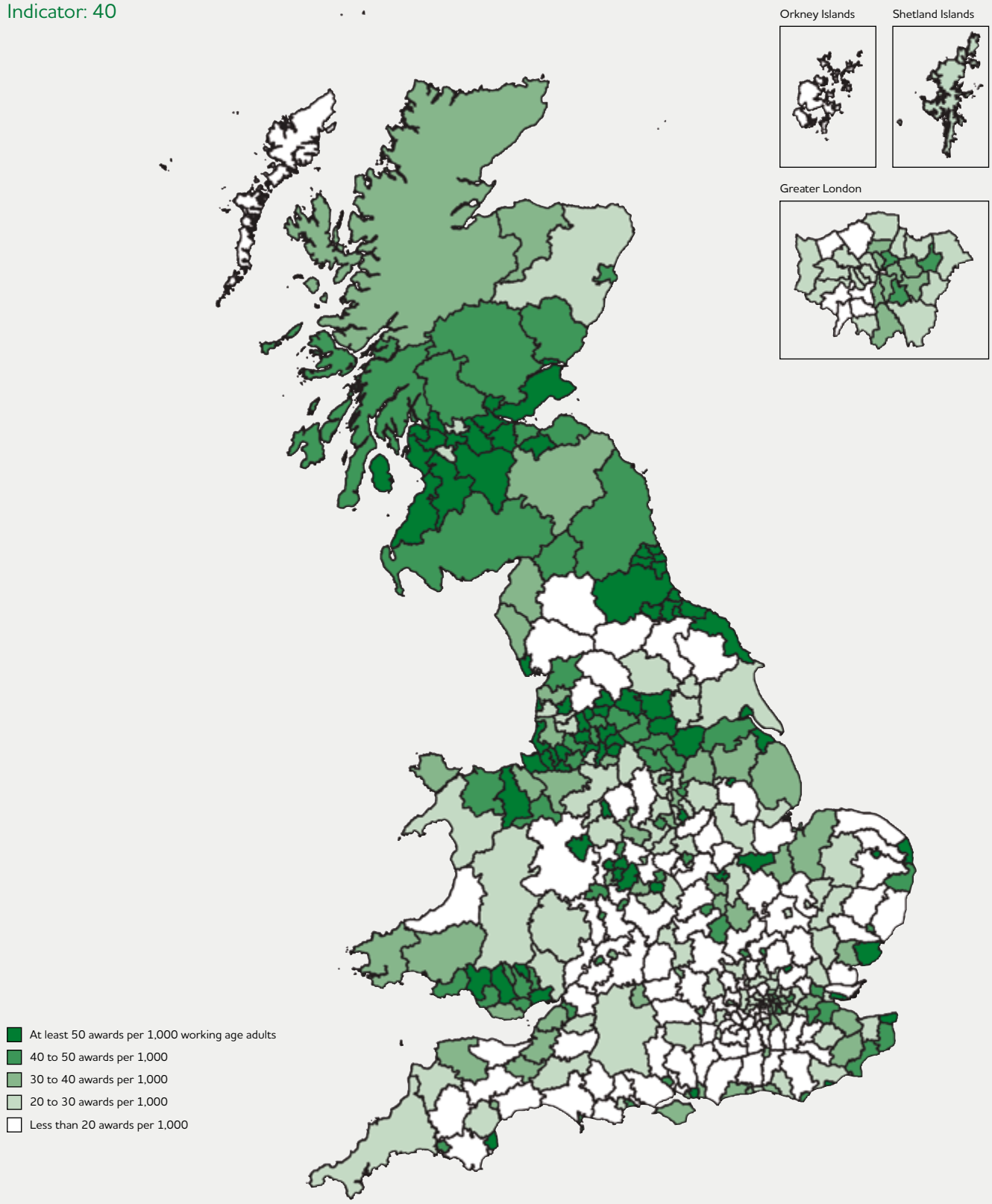
Budgeting loans are available interest free to people who have already been receiving certain benefits for at least 26 weeks (namely income support, JSA, ESA or Pension Credit). One crucial difference between crisis and budgeting loans, then, is that the former did not depend on whether or for how long a person had been receiving certain types of benefit. Thus those people formerly applying for alignment, who had not yet received their first benefits payment, would not be eligible for budgeting loans. This is significant given that in England 56 per cent of crisis loans were awarded for alignment, compared with 42 per cent for living expenses and only 3 per cent for specific items.

This map shows the number of crisis loan awards per 1,000 working-age adults in each local authority in 2012/13. The data is taken from the 2012/13 Social Fund local authority level data, made available by the DWP in 2013. The data covers applications and awards for three types of grant or loan available from the Social Fund: crisis loans, community care grants and budgeting loans. From 2013/14 only budgeting loans are still available, meaning this is the last data on crisis loans. The data also offers a breakdown in terms of reasons for application and reasons for refusal.

Reliability rating: medium. While this is administrative data from DWP, it is produced by linking Social Fund data with National Benefits Database data. However, given that crisis loans do not include a qualifying benefit requirement, the DWP admits that 7 per cent of the data cannot be matched in this way. These unlinked records are not included in the final data, meaning that many points will be underestimates, which may be particularly so in the case of crisis loans.

Crisis loans

Indicator: 40



Source: Discretionary Social Fund Data by Local Authority, DWP; the data is for the year 2012/13

Commentary

Welfare reform has been the most controversial part of the Coalition Government's programme since coming to power in 2010. While there is plenty of polling evidence pointing to the popularity of at least some of the reforms, others have been the focus of protests and, latterly, parliamentary rebellions and splits.

There are two types of criticism applied to the reforms. The most passionate critiques are on the basis of fairness. Opposition to the removal of the spare room subsidy or bedroom tax, for example, focuses on the unfairness for disabled people, living in accommodation adapted to their needs, having to move home. Other examples have centred on the unfairness of families having to pay extra because their local authority cannot place them in a smaller house.

The second type of criticism focuses more on the effectiveness of the reform, or the competence with which it is being carried out. The most obvious example is Universal Credit (UC), which we do not include in this chapter as it still does not cover enough people or enough of the country to make the analysis worthwhile. Criticism of UC has come from some very important quarters. The National Audit Office wrote a disparaging report on UC's implementation while the Work and Pensions Select Committee has been even more critical and the Cabinet Office has had to 'reset' the scheme as so little progress has been made.

The worst kind of welfare reform is where the two problems – unfairness and poor delivery – combine. The most obvious example of this is in the high and rising number of benefit sanctions. The corresponding rise in the number of successful appeals against these sanctions is evidence of a system that is not working. In effect an increasing number of claimants are having their benefits wrongfully withdrawn. The disregard with which benefit recipients are treated would not be acceptable in any other public service.

The costs of welfare and the need to reform it will be central to the manifestos of the main parties at next year's election, as they always are. But the various systems they use need to work. Applicants need to know that their claims will be dealt with swiftly and fairly. The conditions under which people can claim benefits need to be clear and rational. All parties will doubtless insist next year that they are tough on welfare. They should also demonstrate that they are competent.

Chapter 5

Services

Introduction 110

Choice of indicators 111

41 Childcare services 112

42 Legal services 114

43 Transport services 116

44 Digital inclusion 118

45 Health services 120

46 Health outcomes 122

47 Educational services 124

48 Educational attainment at age 11 126

49 Educational attainment at age 16 128

50 Attainment among disadvantaged students by local authority 130

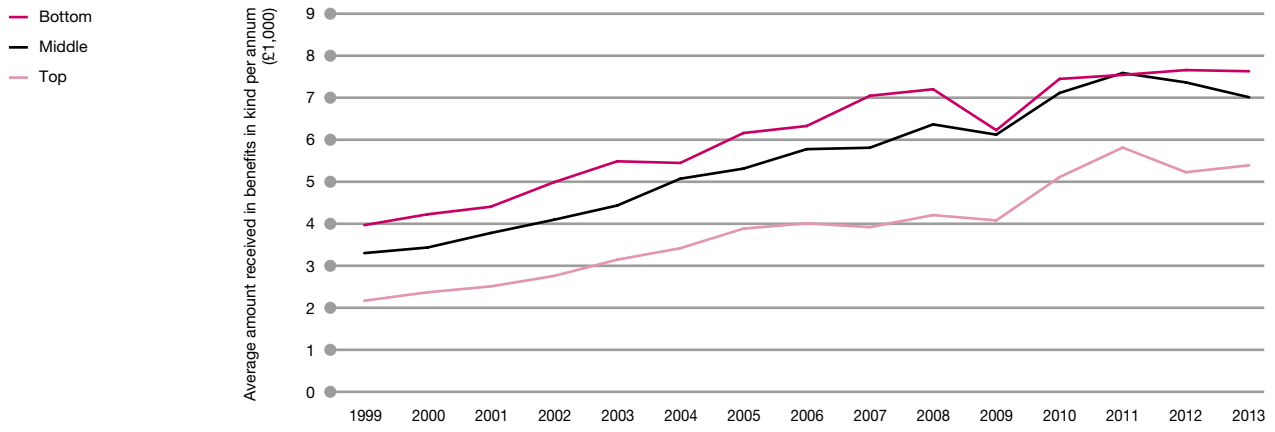
Commentary 132

Introduction

This chapter focuses on services, both public and private. The decision to dedicate a chapter to public services this year is based on the view that effective services have an increasingly important role to play. If less money is available for redistribution via taxes and benefits, we need to look to other areas to reduce the burden of poverty.

Before assessing the relationship between services and low income, it is important to put the discussion of public services into context. Households at the bottom of the income distribution receive more in benefits in kind (non-cash benefits derived from education, healthcare etc) than households on average incomes. This trend has remained more or less steady during the last 15 years. Up to 2011, the value of benefits-in-kind had been increasing steadily. Since then, the value of benefits-in-kind has levelled out for the bottom fifth while for middle income group it has fallen by 8 percentage points.

While the value of benefits in kind received by the lowest and middle income groups has fallen slightly since 2012, it has increased for the top income group



Source: The effects of taxes and benefits on household income, historical data, 1977-2012/3, ONS; the data is for the UK

Despite shrinking public service budgets, factors such as population growth have meant demand for services like health, education, childcare, transport and legal aid is increasing. By analysing factors such as public service outcomes, user satisfaction and reliance on public services, this chapter seeks to help establish what areas of public service provision policy-makers should be prioritising to maximise their capacity for poverty reduction amid budget cuts and increased demand.

Choice of indicators

This chapter begins by looking at **childcare services**. Here we analyse parents' perceptions of the affordability and quality of local childcare provision over time and by the deprivation of the area in which they live.

The next indicator on **legal services** is especially topical given the recent changes in the scope of legal aid. We therefore look at the number of cases granted legal aid and a breakdown of trust in the legal system by income.

The next pair of graphs in this chapter looks at the satisfaction with and reliance on **public transport services**. The link with poverty here is that people on low incomes are less likely to have personal transport and so are more reliant on public transport services. This in turn impacts on employment choices.

This is followed by an analysis of the relationship between low income and **digital inclusion**. This indicator more than any other shows how outcomes have improved for all, but not at the same rate, meaning in some cases inequalities are widening.

We then assess user **satisfaction with the National Health Service**. Here we look at satisfaction over time with the general running of the NHS and with particular health services, in both cases breaking these down by position in the income distribution.

This is followed by an analysis of **health outcomes**. These include premature death – death before the age of 65 – and inequalities in life expectancy. While health outcomes have improved dramatically in recent years, large gaps by gender and income persist.

We then go on to analyse the **performance of schools**, examining the relationship between underperforming schools and deprivation as well as any regional differences.

The final three indicators look at **educational under-attainment at age 11 and 16**. The analysis considers differences in attainment by gender, ethnicity, subject, region and local authority and is typically broken down by free school meal (FSM) status.

41 Childcare services

While the quality of local childcare provision is generally viewed favourably by parents, the affordability of childcare is a key issue. There are striking differences in perceptions of local childcare provision between deprived and non-deprived areas.

In 2012, 10 per cent of parents viewed the quality of local childcare provision as 'fairly poor' or 'very poor'. Perceived unaffordability of local childcare provision was around four times this with almost two in five parents (39 per cent) viewing childcare affordability as 'fairly poor' or 'very poor'.

While negative perceptions of local childcare quality have gradually been decreasing and are now lower than any point in the last six years, the opposite is true for perceptions of childcare affordability. In 2012, the proportion of parents viewing the affordability of local childcare provision as 'fairly poor' or 'very poor' was at its peak at 39 per cent: up 3 percentage points on five years earlier.

There are striking differences in perceptions of local childcare provision by area deprivation, both in terms of childcare quality and affordability.

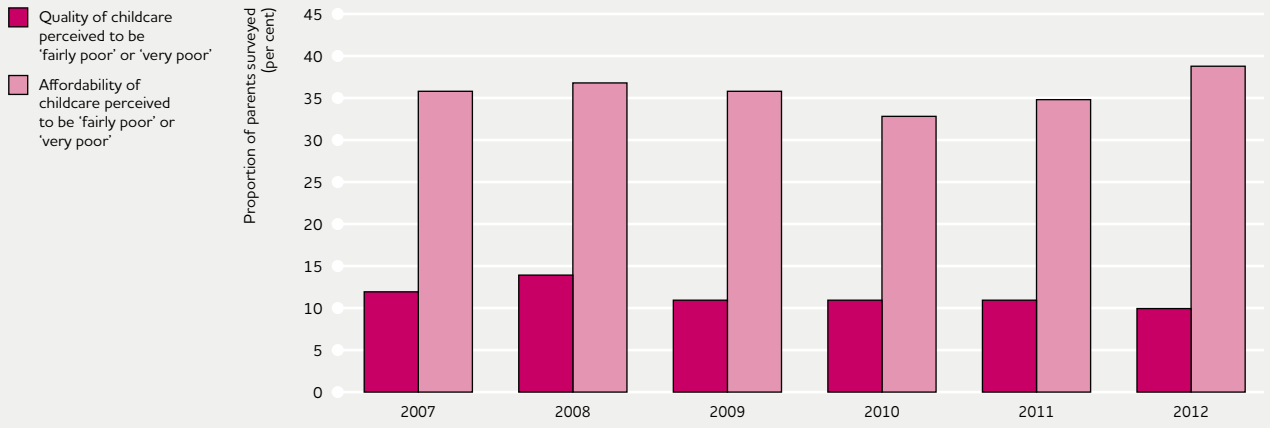
Negative perceptions of the quality of childcare provision are most common in the most deprived areas and least common in the least deprived areas. In 2012, 14 per cent of parents in the most deprived areas perceived childcare quality 'fairly poor' or 'very poor'. This is 2 percentage points above the median and double the proportion of parents in the least deprived areas at 7 per cent.

Negative perceptions of childcare affordability are highest in the second most deprived quintile where 43 per cent of parents viewed the affordability of local childcare provision as 'fairly poor' or 'very poor'. The least deprived quintile has the lowest proportion of parents who view childcare as unaffordable. Still, however, 36 per cent of parents in these areas view local childcare as unaffordable. In general, affordability is seen as a bigger problem than quality.

Childcare services

Indicator: 41A

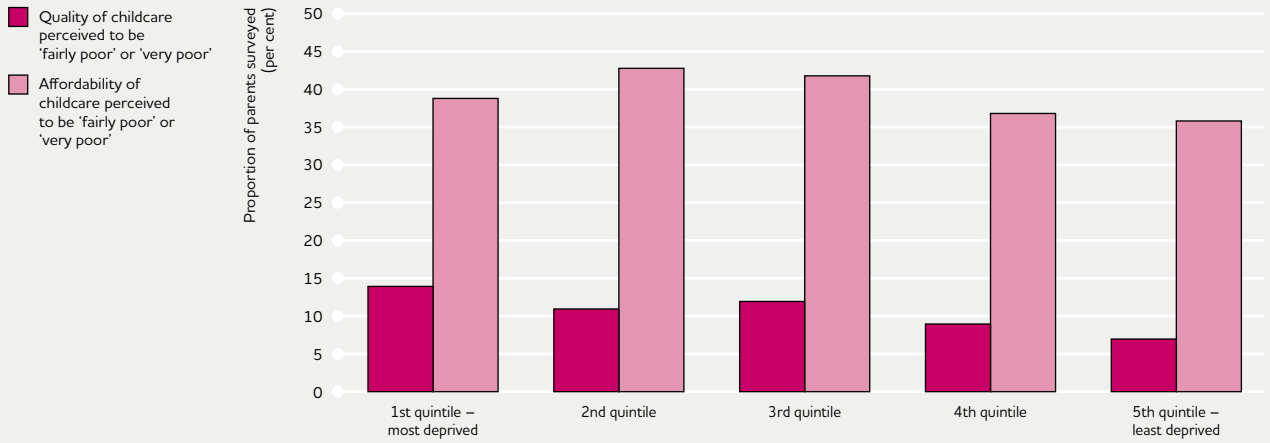
While negative perceptions of childcare quality are lower than any point in the last six years, perceived unaffordability is at its peak.



Source: Childcare and early years survey of parents, 2012, DfE; the data is for England

Indicator: 41B

Negative perceptions of childcare quality are most common in the most deprived areas. Meanwhile, negative perceptions of childcare affordability are most evident in the 2nd and 3rd quintiles.



Source: Childcare and early years survey of parents, 2012, DfE; the data is for England

The first graph shows the proportion of parents surveyed in the Childcare and Early Years Survey of Parents that perceived local childcare provision to be fairly or very poor over time. The results are shown separately for childcare quality and childcare affordability.

The second graph shows the proportion of parents perceiving local childcare provision to be poor or very poor in 2012/13 according to the deprivation of the area in which they live.

Area deprivation is established on the basis of the Indices of Multiple Deprivation (IMD). First the overall IMD score of the area is established for each family. Families are then grouped into area deprivation quintiles according to the following schema: most deprived quintile (score of 35.63 or more), 2nd quintile (score of 24.46 to 35.62), 3rd quintile (score of 17.77 to 24.45), 4th quintile (score of 10.88 to 17.76) and 5th (least deprived) quintile (score of 3.18 to 10.87).

Reliability rating: high.

42 Legal services

The number of cases granted legal aid for legal advice has fallen across the board in recent years, with the biggest falls occurring across social welfare and family law. With those on low incomes most affected by the changes, already low levels of trust in the legal system are likely to fall further.

In 2013/14, a total of 170,000 cases were granted legal aid for legal advice in civil justice cases, down from 810,000 cases in 2000/01. This represents a fall of 79 per cent. Although, the number of cases granted legal aid for legal representation has also fallen in recent years, these falls have been much smaller – 46,000 (30 per cent) since 2010/11. These falls are mainly on account of the Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act 2012 which has meant certain categories of law are no longer accessible for state funding while others only qualify if they meet certain criteria.

While there have been falls in the number of legal aid cases across all areas of civil law, the biggest decreases over this period have been in family law, followed by social welfare law where the number of cases of legal aid for social welfare advice has fallen by 280,000 (87 per cent) and 200,000 (79 per cent) respectively since 2000/01. While the falls in the number of cases granted legal aid within family law (and to a lesser extent tribunals and other areas of law) are part of a longer-term downwards trend, the large fall in the number of social welfare advice cases follows big increases between 2004/05 and 2009/10. Since the 2009/10 peak of 470,000, the number of social welfare advice cases receiving legal aid has fallen by 420,000 (89 per cent).

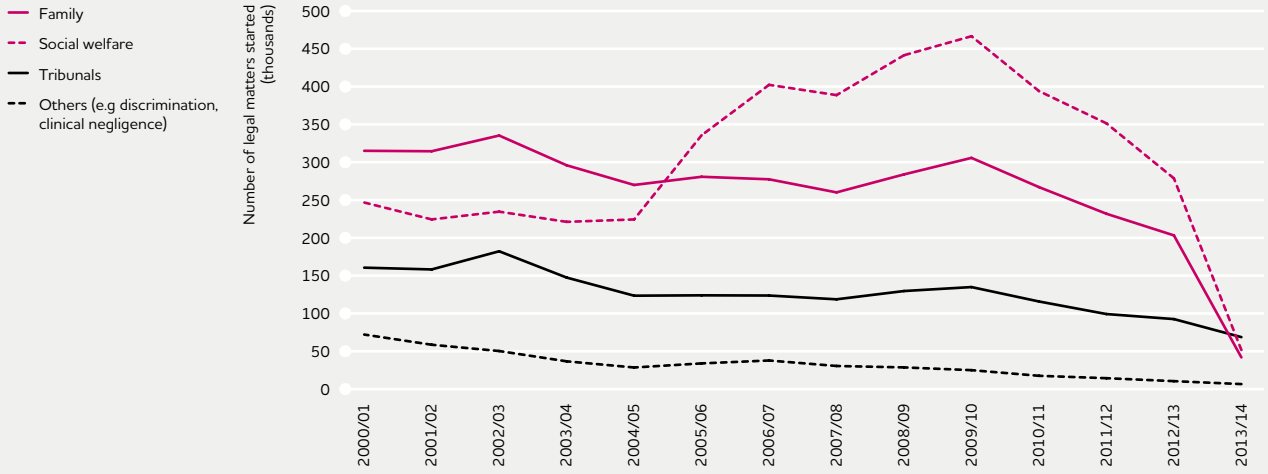
The social welfare law categories include community care, debt, housing, employment and welfare benefits. Since 2009/10, the number of debt, employment and welfare benefits cases have fallen by almost 100 per cent – by 144,500, 32,000 and 143,500 respectively, with most of these falls occurring in the last year following the change in scope for legal aid as a result of the LASPO Act. There have also been large falls in the area of housing (down 94,000, or 67 per cent) while decreases in the number of community care cases have been less marked at just under 6,000 cases (down 63 per cent).

There is a marked variation in levels of trust in the legal system by deprivation. In 2011/12, the mean level of trust in the legal system among the most deprived quartile was 5.1/10 – the lowest across all income groups. The highest level of trust was among the least deprived quartile at 6.1/10. The recent legal aid changes are likely to exacerbate this gap in trust in the legal system as legal advice and representation becomes less accessible for those on low incomes.

Legal services

Indicator: 42A

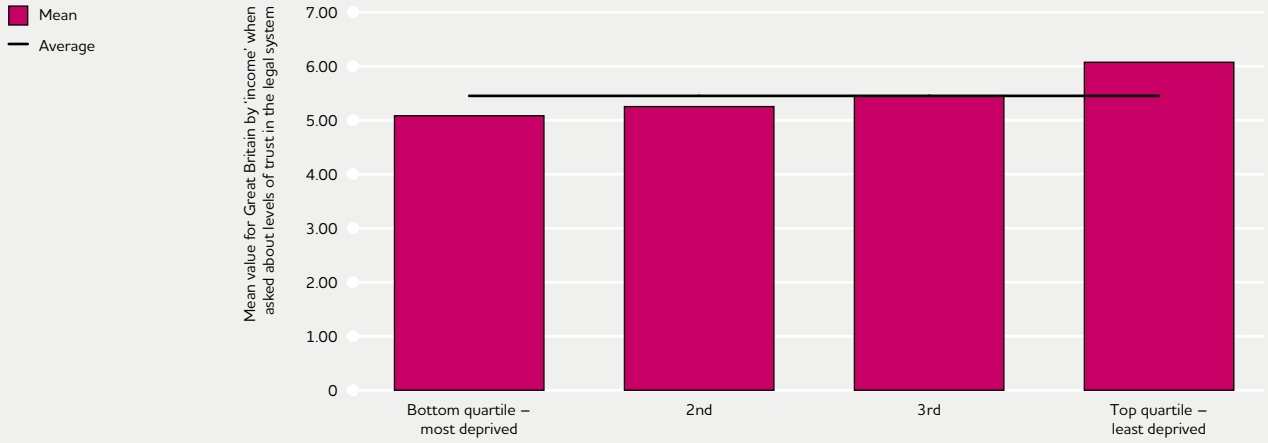
While the volumes of legal assistance have fallen across the board, social welfare and family law have seen the biggest decreases.



Source: Ministry of Justice legal aid statistics; the data is for England and Wales

Indicator: 42B

Trust in the legal system is highest among the least deprived quarter of the income distribution and lowest amongst the most deprived.



Source: European Quality of Life Survey, 2011/12; the data is for Great Britain

Legal aid provides funding for legal assistance to those who cannot afford to pay a lawyer to give them legal advice or represent them in court. The first graph shows the number of cases over time granted legal aid for legal advice. We have only presented the legal advice element of legal aid due to limited data on legal aid for legal representation. In April 2013, the Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act 2012 came into force. Categories no longer eligible for legal aid include family cases where there is no proof of forced marriage, domestic violence or child abduction, immigration cases that do not involve asylum or detention and within the field of social welfare, welfare benefit cases aside from appeals to the upper tribunal or high court, housing and debt matters unless they constitute an immediate risk to the home, and employment cases that do not involve a contravention of the Equality Act 2010 or human trafficking.

The second graph shows the mean level of trust in the legal system according to the position of the household in the income distribution.

Reliability rating: high for the first graph. The rating for the second graph is medium. This rating is based on the relatively small number of people interviewed for the survey (44,000 across 27 EU member states).

43 Transport services

Satisfaction with public transport is highest among those on the lowest incomes. Those on the lowest incomes are also more reliant on public transport with one in two of the poorest households lacking access to their own car or van.

In 2012, the mean level of satisfaction with public transport was 6.4 for the highest income group and 7.0 for the lowest. Over the decade to 2012, the general trend has been for satisfaction with public transport to increase. The biggest increases have been among the highest income group where the increase in the mean level of satisfaction between 2003 and 2012 was 1.4. The smallest increases on the other hand have been among the third quintile (0.7) and most deprived quintile (0.8). Despite these big increases at the upper end of the income distribution, which has seen the highest quintile overtake the third quintile in terms of satisfaction with public transport and the gap between the least and most deprived narrow, the mean level of satisfaction with public transport in 2011/12 remains highest for the lowest income group.

As well as being the most satisfied with public transport, the lowest income group is also the most reliant. Almost half (48 per cent) of all households in the lowest income group continue to lack access to their own van or car – 28 percentage points above the average and 34 percentage points above the least deprived. Over the last 15 years, the proportion of households lacking a car or van has fallen for all income groups except the highest which saw a 6 percentage point increase.

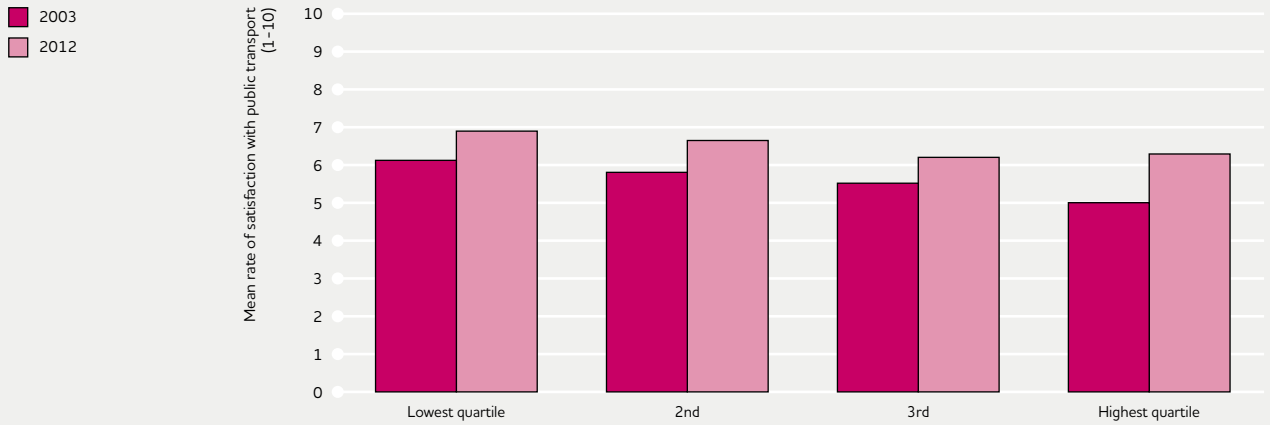
The largest falls on the other hand have been among low-income households where the proportion lacking access to a personal vehicle has fallen by 14 percentage points. Smaller falls in the proportion of households lacking access to a vehicle at the middle have meant that the gap between the most deprived and the average has closed (by 10 percentage points) over this period.

Despite these large falls and the narrowing 'access gap', the proportion of households in the lowest income groups lacking access to a vehicle remains high.

Transport services

Indicator: 43A

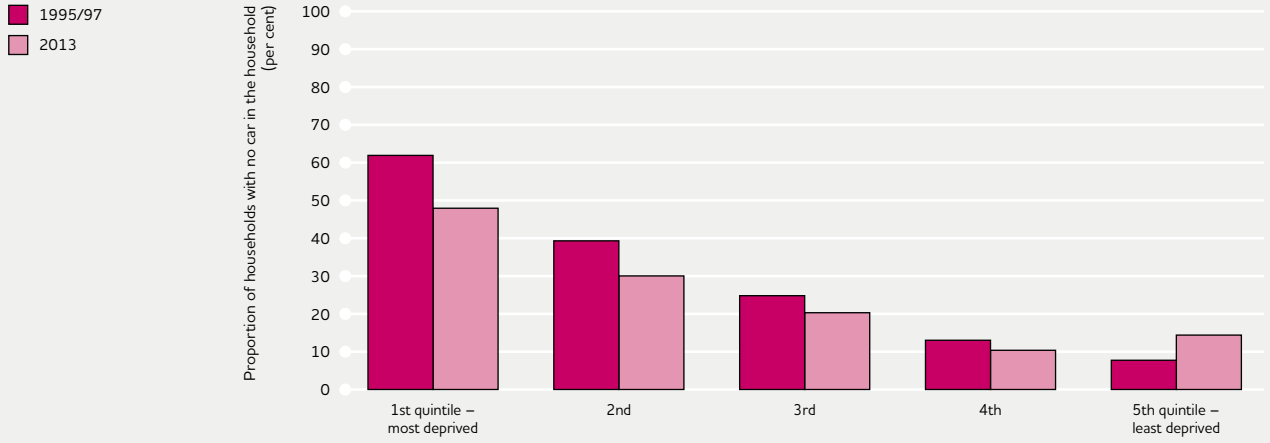
Satisfaction with public transport has increased for all income groups in the last decade. While satisfaction has increased most among those on high incomes, it remains highest among the lowest income group.



Source: European Quality of Life Survey; the data is for 2011/12 for Great Britain

Indicator: 43B

Around one in two households in the most deprived quintile of the income distribution lack access to a car. This compares with one in five households in the middle quintile.



Source: National Travel Survey, Department for Transport; the data is for Great Britain

The first graph shows the mean level of satisfaction with public transport by position in the income distribution. Income quartiles are based on equivalised income using the Organisation for Economic Co-operation and Development scale. The responses are based on Q53c of the European Quality of Life Survey: 'In general, how would you rate the quality of each of the following public services in your country? Please tell me on a scale of 1 to 10, where 1 means very poor quality and 10 means very high quality'.

The second graph shows the proportion of households who lack access to a car or van, with results shown separately for each fifth of the income distribution.

Reliability rating: high.

44 Digital inclusion

The proportion of households lacking a mobile phone or internet access has fallen dramatically in the last decade. Perceived need for the internet and lower equipment and access costs seem to be driving this fall.

In 2012, 53 per cent of households in the lowest income group lacked access to the internet. This represents a fall of 33 percentage points since 2003. Over the same period, the proportion of households in the middle income group lacking access to the internet fell by 37 percentage points to 14 per cent. As the proportion of households with internet access fell faster at the median, the gap in internet access has grown (by 5 percentage points).

Just over a quarter (27 per cent) of households in the lowest income group did not own a mobile phone in 2012. This figure is down 26 percentage points on 2003. The proportion of households in the middle income group that did not have a mobile phone also fell – by 9 percentage points to 10 per cent over this same period. This dramatic fall among the lowest quintile coupled with a less dramatic fall at the median has resulted in the mobile ownership gap halving over this period.

So while the proportion of low-income households lacking internet access or a mobile phone has fallen steadily in the last decade, such households remain much more likely to lack these goods or services than the average household. This is particularly true in the case of internet access where more than half of households in the lowest income group still lack internet access and the access gap does not seem to be narrowing.

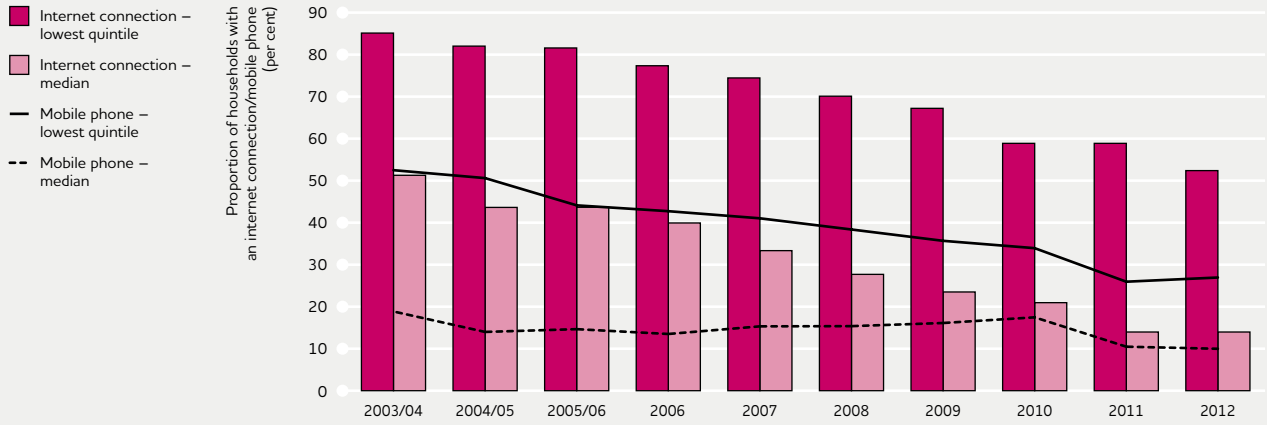
As the proportion of households lacking internet access has fallen, the reasons for lacking access have changed. Between 2008 and 2014, there have been big falls in the proportion of households not accessing the internet on account of perceived lack of need or high equipment or access costs. While in 2008 more than 11 per cent of households did not have internet access on account of perceived lack of need, by 2014 this figure had dropped to just over 8 per cent. Similarly, the proportion of households not accessing the internet due to high equipment and/or access costs has fallen from over 9 per cent to just under 4 per cent.

Needing the internet and lower equipment and access costs seem to be contributing to the falling proportion of households lacking internet access. As such, households without internet access today are more likely to be in this position because of a lack of skills rather than affordability issues, although not needing the internet is still the biggest reason.

Digital inclusion

Indicator: 44A

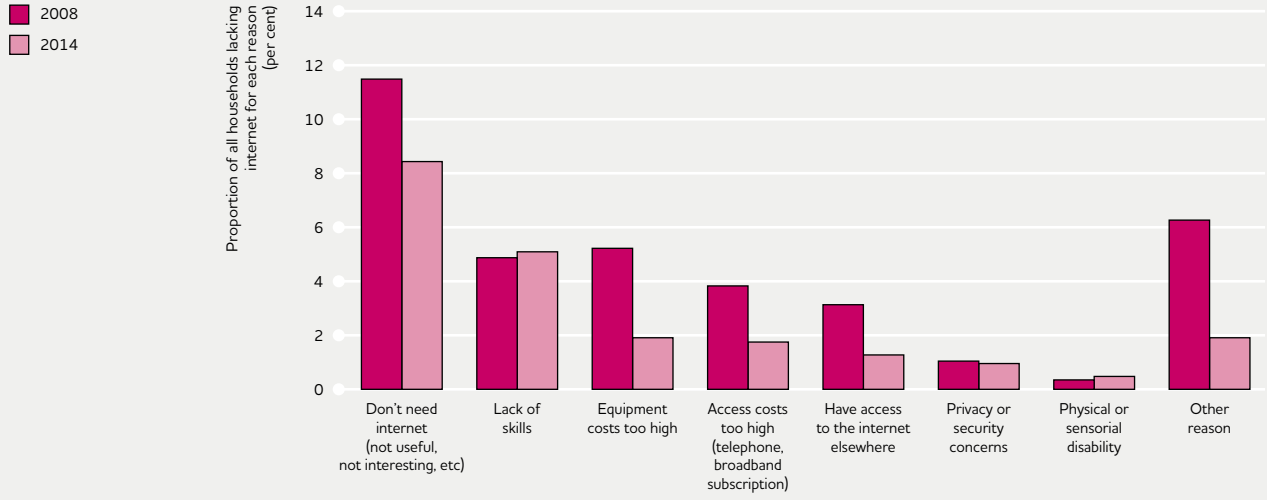
Over the last decade, the number of people lacking a mobile phone or internet connection has fallen for all income groups. While the gap in mobile phone ownership between income groups has narrowed, the internet access gap has grown.



Source: Living Costs and Food Survey, 2013; the data is for the UK

Indicator: 44B

There has been a big fall in the proportion of households lacking internet access due to perceived lack of need or high costs. The proportion who do not have internet access due to a lack of skills is unchanged.



Source: Living Costs and Food Survey, ONS; the data is for Great Britain

The first graph shows the proportion of households over time without an internet connection or mobile phone. Results are shown separately for the lowest income quintile and the median for each. Internet connection includes both broadband and dial-up connection.

The second graph shows the proportion of all households lacking internet access, over time, broken down by the reason for lacking access. Percentages sum to more than the total proportion of households without internet access as respondents can give more than one answer.

Reliability rating: medium for the first graph. As household incomes in this dataset are not equivalised, extraneous factors such as household composition and age may be impacting on the position of households in the income distribution: it is likely that the lowest income group contains a lot of single people. Many single person households are pensioners who are more likely than other groups to lack internet access. The reliability rating for the second graph is high.

45 Health services

In the last 15 years, the lowest income group has gone from being the least dissatisfied with the running of the NHS to the most. However, levels of dissatisfaction among this group vary considerably by NHS service.

In the last 15 years the proportion of people who are dissatisfied with the running of the NHS has fallen dramatically. In 1998, 36.5 per cent of people were dissatisfied with the NHS. In 2013, this figure was 22.5 per cent. While this figure is 4 percentage points higher than in 2010 when dissatisfaction with the NHS was at its lowest, it is still 14 percentage points lower than in 1998.

Dissatisfaction with the running of the NHS has fallen across the income distribution since 1998. However, some income groups have seen much bigger falls than others. The biggest falls in dissatisfaction with the NHS over this period have been among the least deprived. The proportion of people in this group who are dissatisfied with the running of the NHS has fallen by 18 percentage points in the 15 years to 2013. The second biggest fall has been among the third quartile which saw a fall of 17 percentage points over this period. Falls among the second quartile have been slightly smaller at 13 percentage points. The smallest falls have been among the most deprived quartile where the proportion dissatisfied with the running of the NHS fell by 5 percentage points, partly due to large rises (9 percentage points) in dissatisfaction among this group since 2010.

As a result of these uneven decreases, the gap in dissatisfaction has narrowed significantly, while the most deprived income group has gone from being the least to the most dissatisfied with the running of the NHS.

There also appears to be considerable variation in levels of dissatisfaction among the lowest income group by type of NHS service. Almost a third (32 per cent) of the lowest income group was dissatisfied with NHS social care. This compares with a dissatisfaction rate of 22 per cent for NHS dentists, 22 per cent for accident and emergency services and 18 per cent for NHS GPs.

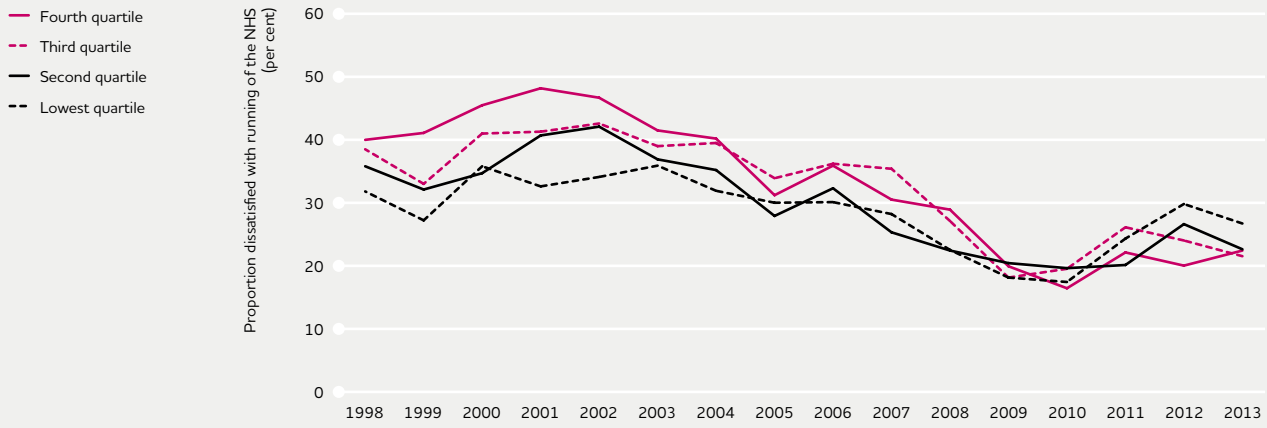
Dissatisfaction with NHS services among the lowest income quintile tends to be below the average. The gap is largest for A&E services where dissatisfaction among the lowest income group is 6.4 percentage points below the average and smallest for NHS GPs where the gap is 0.1 percentage points. However, with a dissatisfaction rate 2.7 percentage points above the average, NHS dentistry stands out as an exception to this rule.

In general, social care is the part of the NHS that people are least satisfied with. Over a third of those on average incomes (36 per cent) are dissatisfied with social care, much higher than the proportion dissatisfied with A&E (28 per cent), GPs (18 per cent) or dentists (19 per cent).

Health services

Indicator: 45A

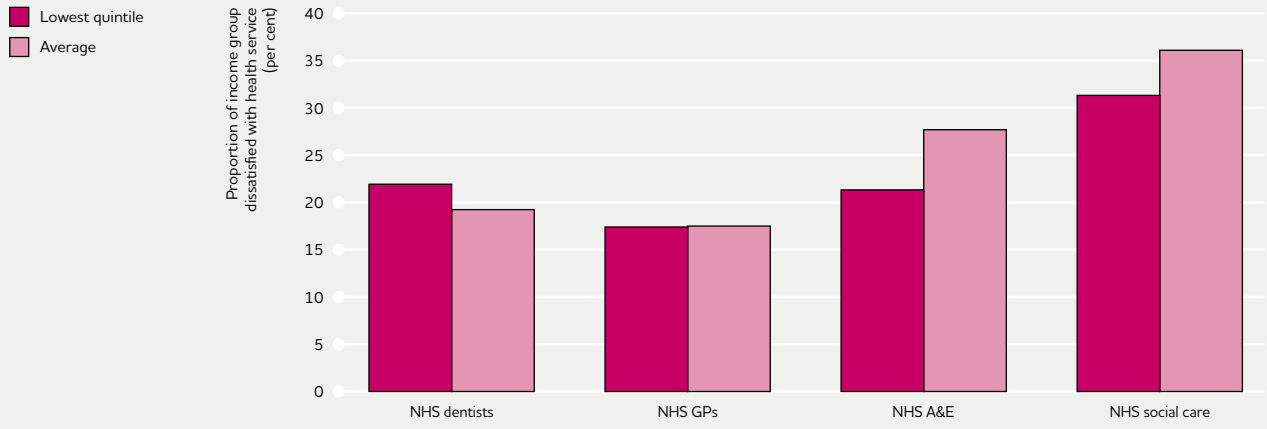
In the last 15 years dissatisfaction with the NHS has fallen for all income groups. It has fallen furthest for the least deprived and least for the most deprived.



Source: British Social Attitudes Survey, 2013; the data is for Great Britain

Indicator: 45B

While dissatisfaction with A&E and social care services is below the average, dissatisfaction with NHS dentists is above average for the lowest income group.



Source: British Social Attitudes Survey, 2013; the data is for Great Britain

The first graph shows the proportion of survey respondents who responded that they were 'quite dissatisfied' or 'very dissatisfied' with the running of the National Health Service. The responses are based on the question asked in the annual British Social Attitudes Survey: 'All in all, how satisfied or dissatisfied would you say you are with the way in which the National Health Service is run nowadays?' As this question was not asked in 1985, 1988 and 1992 averages of the preceding and succeeding years have been used.

The second graph breaks down levels of dissatisfaction among the lowest and middle income group by NHS service.

Reliability rating: high.

46 Health outcomes

Overall improvements in health mean that the rates of premature death have fallen substantially over the last two decades. Not only has the gap closed between male and female health outcomes, but also between deprived and less deprived areas.

In 2012, the rate of premature mortality – the number of deaths under the age of 65 – was 188 per 100,000 for men and 126 per 100,000 for women. Twenty years ago, the rates were 310 per 100,000 and 185 per 100,000 respectively. This means the rate for men has fallen twice as fast for men as for women.

So, while the risk of premature mortality for men in 2012 remains higher than that for women in 1992, the gender gap has almost halved (from 122 per 100,000 to 62 per 100,000) over this period.

The second graph looks at life expectancy for men and women over time, and also looks at differences in life expectancy by the deprivation of the area.

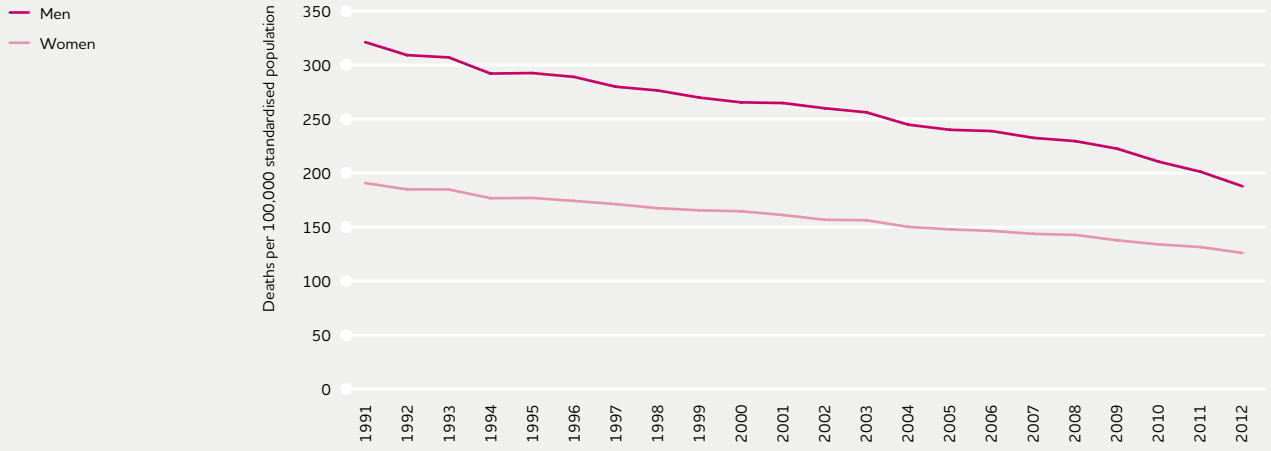
Mirroring the long-term trends for men and women in premature mortality, life expectancy among women is higher than that of men. This is the case for any given level of deprivation. However, between 2001/04 and 2010/12, health inequalities between men and women have declined, although only slightly, for all levels of deprivation. This gap has narrowed most for the most deprived quintile (one year) and least for the least deprived quintile (0.3 of a year).

For both men and women in more deprived areas life expectancy is lower than the respective male and female middle quintiles. However, these gaps have also seen small falls, particularly at the bottom. The same is true for the gap between women in the most deprived areas and the male median. In 2012, life expectancy for men in the most deprived fifth was 4.7 years below the male median, down from 5.2 years in 2004. Meanwhile, the life expectancy of women in the most deprived areas was 0.7 years above the male median; the difference is now 0.2 years, so average male life expectancy is now almost equal to that of female life expectancy in the most deprived fifth.

Health outcomes

Indicator: 46A

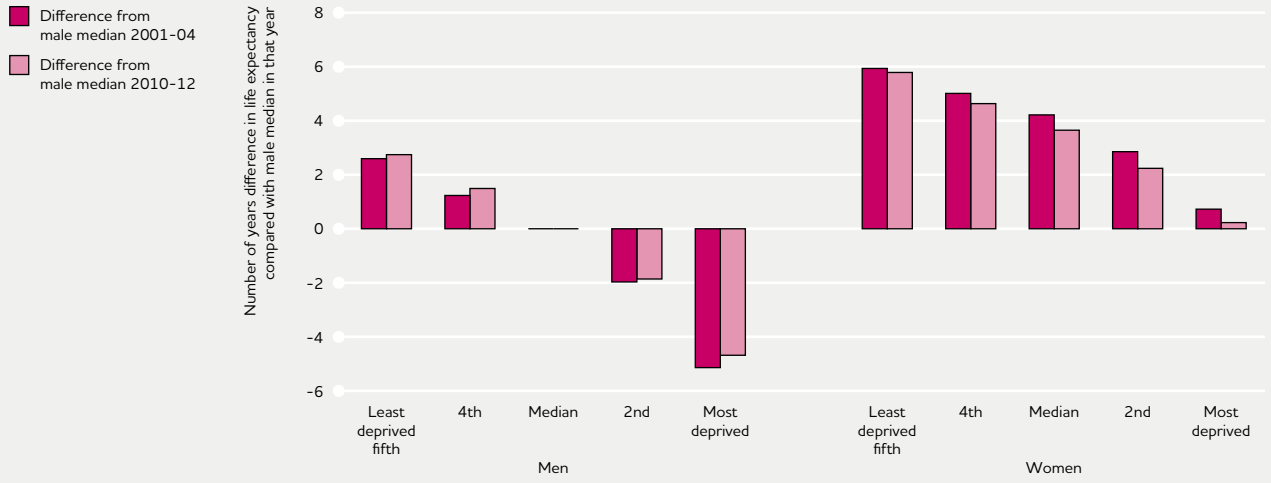
The risk of premature mortality has fallen substantially over the last 20 years. The risk for men has fallen fastest, closing the gap between men and women.



Source: ONS and GRO Scotland; the data is for Great Britain

Indicator: 46B

Life expectancy among women is higher than that of men. However, in recent years health inequalities between men and women have declined, although slightly, for all levels of deprivation.



Source: ONS inequalities in disability-free life expectancy by area deprivation, England, 2001/04 to 2010/12

The first graph shows the rate of premature deaths for men and women. Premature deaths are deaths before the age of 65. Changes in the age profile of the overall population will increase or decrease the number of premature deaths, so to calculate the rate the population is standardised to make year-on-year comparisons possible.

The second graph shows disability-free life expectancy for men and women compared with the male median. The graph shows the difference between the disability-free life expectancy of each group – men and women, by the deprivation of the area they live in – and the disability-free life expectancy of a man in an area of average deprivation (essentially, the male average). If the bar is above the line, then that group has a greater life expectancy than the male average. Below the line means the life expectancy is less than the male average. The bars show the difference in 2001–04 and the difference in 2010–12.

Reliability rating: medium. The data for 2010–12 uses revised population estimates based on the 2011 Census and also the adjusted deprivation scores which were created in order to align the scores with 2011 boundaries for Lower Super Output Areas (LSOAs). As a result, there may be some comparability issues with the 2001–04 data.

47 Educational services

Large increases in the proportion of schools rated as inadequate by Ofsted have expanded regional differences. Striking variations in the proportion of schools rated as ineffective by area deprivation also persist.

Over the last five years, the general trend has been for the proportion of schools rated as inadequate in Ofsted inspections to increase. This has been the case in all English regions except London.

Some areas have seen much larger increases than others. Five years ago Yorkshire and the Humber had the highest proportion of schools whose effectiveness was rated as inadequate by Ofsted. While the proportion of schools in Yorkshire and the Humber receiving such a rating has increased by 3 percentage points over this period, this pales in comparison with the increases in the proportion of schools failing Ofsted inspections in the North West and East Midlands. Following increases of 7 and 8 percentage points respectively, 10 per cent of schools in these regions are now considered to be inadequate – higher than all other English regions.

In 2009, the South West had the lowest proportion of inadequate schools in the country. Following increases in the proportion of inadequate schools of 3 percentage points, this is no longer the case. London, which is the only region to see no change, now has the lowest proportion of schools rated as inadequate by Ofsted.

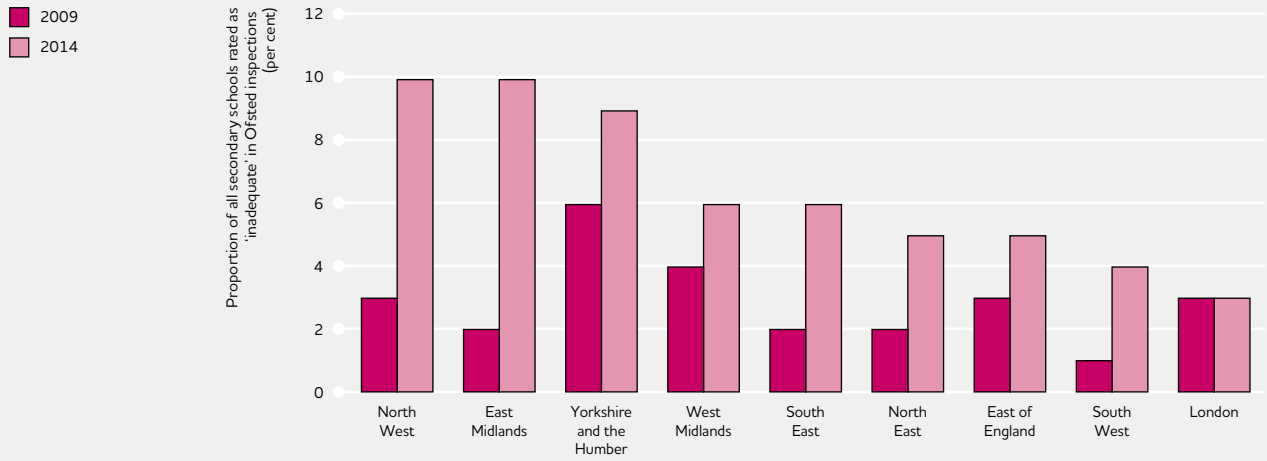
Alongside big regional differences in the proportion of inadequate schools, the proportion of schools rated as 'inadequate' or 'requiring improvement' varies considerably by area deprivation. The most deprived quintile has the largest proportion of schools rated as inadequate. In 2014, 11 per cent of schools in the most deprived areas were given this rating by Ofsted. This is more than five times the rate in the least deprived areas where only 2 per cent of schools were rated as such.

Similarly, the least deprived quintile has the smallest proportion of schools rated as 'requiring improvement'. 15 per cent of schools in the least deprived areas required improvement according to Ofsted. This is less than half the rate in the second most deprived quintile where 36 per cent of schools were considered to be requiring improvement. Overall then the second most deprived quintile has the highest proportion of schools rated as ineffective (inadequate and requiring improvement).

Educational services

Indicator: 47A

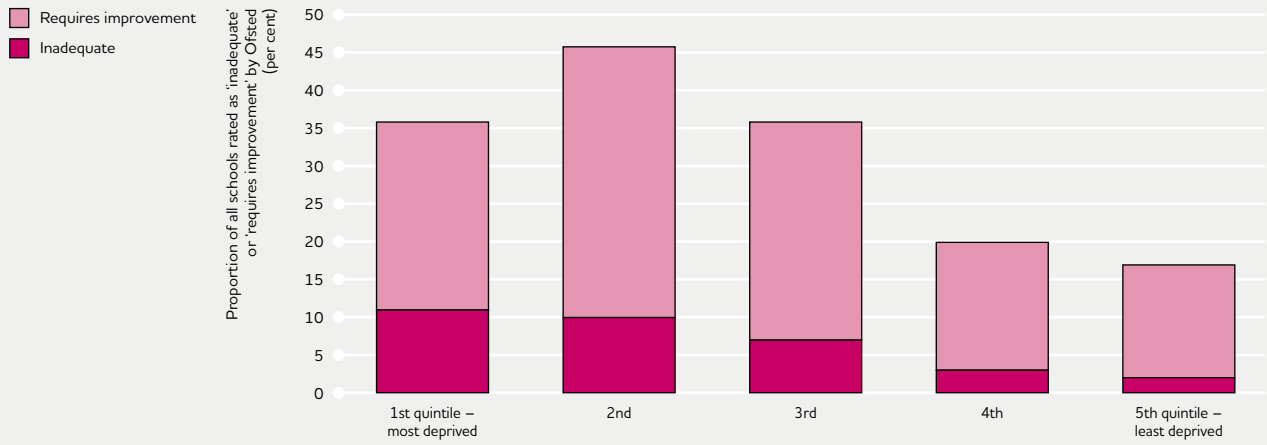
The proportion of schools rated as 'inadequate' in Ofsted inspections has increased in all regions except London, which now has the lowest proportion of such schools.



Source: Data view, Ofsted; the data is for England

Indicator: 47B

The most deprived fifth of areas have the highest proportion of schools rated as inadequate but the second most deprived fifth has a higher proportion that require improvement.



Source: Data view, Ofsted; the data is for England

The first graph looks at the proportion of all secondary schools rated as 'inadequate' in Ofsted inspections by region as at 31 August 2009 and 31 March 2014.

The second graph shows the proportion of all secondary schools rated as 'inadequate' and 'requiring improvement' in Ofsted inspections as at 31 March 2014 according to the deprivation of the area in which the school is located.

Ofsted assigns a grade of 1–4, where 1 is 'outstanding', 2 is 'good', 3 is 'requires improvement' and 4 is 'inadequate'.

Reliability rating: medium. The sample of schools rated as inadequate by Ofsted is relatively small. As a result, breakdowns of this data should be treated with caution. Furthermore, a change in inspection regime can alter the number of schools rated as inadequate over time. This may be a factor contributing to the lack of correlation between the 2009 and 2014 figures in the first graph.

48 Educational attainment at age 11

The proportion of 11-year-olds not meeting expected standards in reading and maths is less than half what it was 15 years ago. However, gaps persist between pupils receiving free school meals and other pupils.

Following the largest year-on-year falls in more than a decade in 2012, progress in reducing educational under-attainment has slowed. In 2013, 14 per cent of 11-year-olds did not achieve expected standards in reading and 15 per cent did not achieve this level in maths – up 1 percentage point and down 1 percentage point respectively on the previous year.

Looking further back there have been big decreases in under-attainment in the last 15 years – particularly for maths. The proportion of students not achieving expected standards in reading is 15 percentage points lower than in 1998. The fall in under-attainment over this period in maths is much higher at 26 percentage points. While there has been some fluctuation in the under-attainment rate in reading, the under-attainment rate in maths is now at its lowest point in the series. As a result of the proportion of pupils not meeting expected standards in maths falling faster than that for reading, the differences in attainment by subject are now negligible.

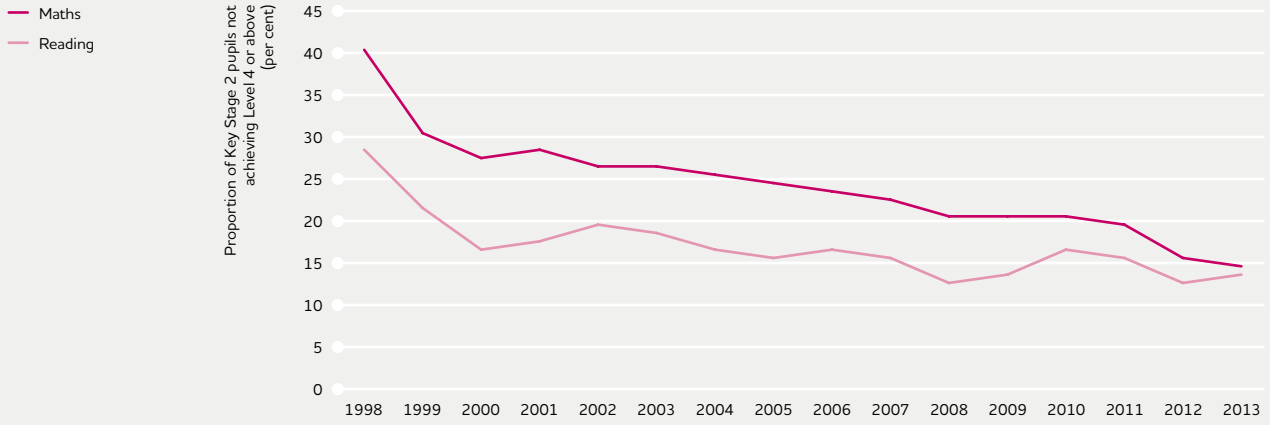
However, alongside these big decreases, large gaps in under-attainment by free school meal status persist. Those receiving free school meals are almost twice as likely to not meet expected standards in reading, writing and maths as students not receiving free school meals. This is the case for both girls and boys. In 2013, 35 per cent of girls receiving free school meals were not achieving expected standards. This compares with 18 per cent for other girls – a gap of 17 percentage points. Similarly, while 24 per cent of boys not in receipt of free school meals fail to meet expected standards, the under-attainment rate for boys receiving free school meals is 20 percentage points higher at 44 per cent.

There are also clear differences in under-attainment by gender. Girls tend to out-perform boys on both the free school meals and non-free school measure. However, at 9 percentage points the gender attainment gap is larger among students receiving free school meals, compared with 6 percentage points for other students.

Educational attainment at age 11

Indicator: 48A

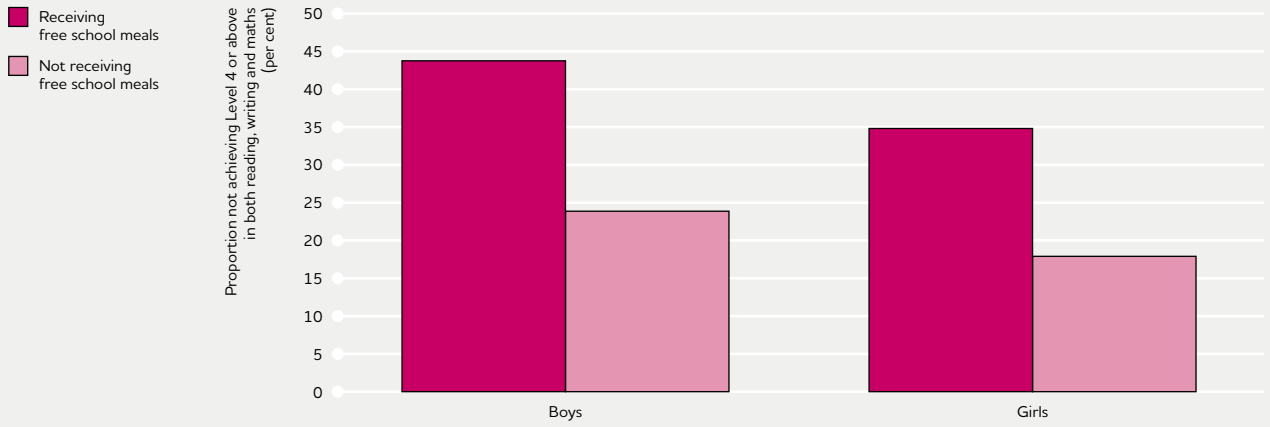
The proportion of 11-year-olds not meeting expected standards in maths is the lowest recorded.



Source: National Student Database, National Curriculum Assessments at Key Stage 2 in England, DFE, 2013

Indicator: 48B

The proportion of free school meals students not achieving Level 4 or above in reading, writing and maths is twice as high as pupils not receiving free school meals.



Source: National Student Database, National Curriculum Assessments at Key Stage 2 in England, DFE, 2013

Level 4 is the level that children are expected to reach in the Key Stage 2 assessments in the final year of primary school (year 6). Key Stage 2 national curriculum assessments are based on the outcome of national curriculum tests in reading, maths, grammar, punctuation and spelling and teacher assessments.

The first graph compares the proportion of children failing to reach Level 4 in reading and maths at Key Stage 2 (11-year-olds) in national curriculum tests for all mainstream schools. The second graph shows, for the latest year, how the proportion of children failing to achieve Level 4 in reading and maths tests and in writing teacher assessments of writing at Key Stage 2 varies by the gender of the pupil and free school meal status.

To receive free school meals, parents have to receive means-tested out-of-work benefits, i.e. they have to be workless. While this is the best available proxy measure, it excludes children in low-income working families – around half of the children in low-income households – and also excludes those who are eligible for, but don't, claim free school meals.

Reliability rating: high.

49 Educational attainment at age 16

The free school meals attainment 'gap' has remained fairly constant over the last five years. However, there are striking differences in the size of this gap by ethnicity.

There are significant differences in the proportion of pupils not attaining at least five GCSEs A*– C (including English and maths) by free school meal (FSM) status. In 2012/13, 62 per cent of students receiving free school meals did not meet this expected standard. For non-free school meal pupils the figure is 35 per cent.

The proportion of 16-year-olds failing to get five good GCSEs A*–C (including English and maths) has steadily decreased over the last five years. This is the case for both FSM students and non-FSM students. Between 2008/09 and 2012/13 the proportion of FSM students not meeting expected standards fell by 11 percentage points. For other non-FSM students the fall was 10 percentage points over this period. Much of these falls are on account of large decreases between 2008/09 and 2010/11. Since then, progress in reducing under-attainment at age 16 has slowed for both FSM and non-FSM students.

With almost equal falls in under-attainment among free school and non-free school meal students, the free school meals attainment 'gap' has remained fairly constant over this period. In 2012/13, the attainment gap was 27 percentage points, compared with 28 percentage points in 2008/09.

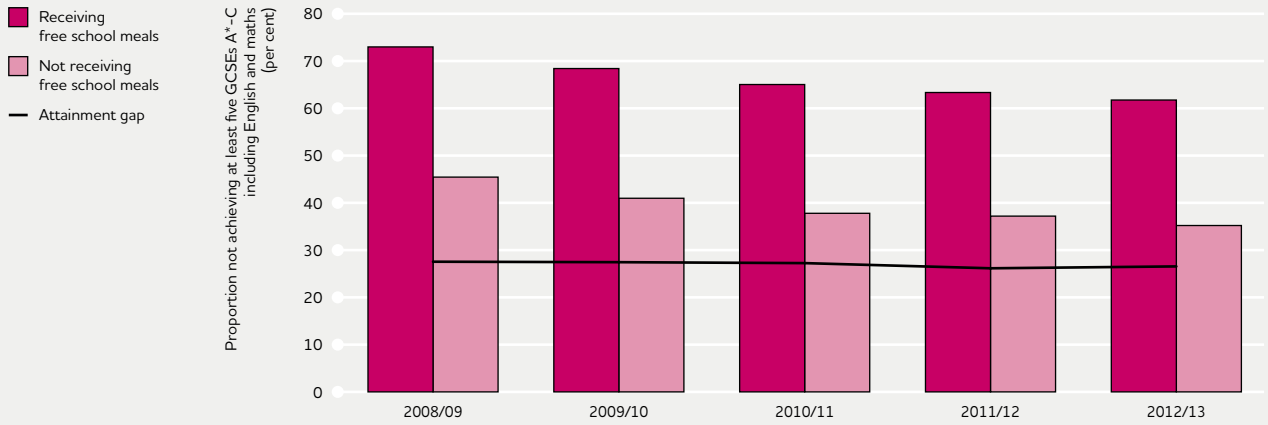
The statistics also show that there is considerable variation in under-attainment by free school meal status and ethnicity. The under-attainment rate among students not in receipt of free school meals ranges from 22 per cent among Chinese students to 43 per cent among Black Caribbean students. This variation is even more striking if we look at students receiving free school meals. Among students not receiving free school meals the under-attainment rate is again lowest among Chinese students at 23 per cent, while the rate is over two-thirds for White British students (68 per cent).

In 2013, the free school meals attainment gap is largest for White British students (32 percentage points). The next highest gap at half this is among Indian students (16 percentage points). So the gap for White British pupils is at least double that of any other ethnic group.

Educational attainment at age 16

Indicator: 49A

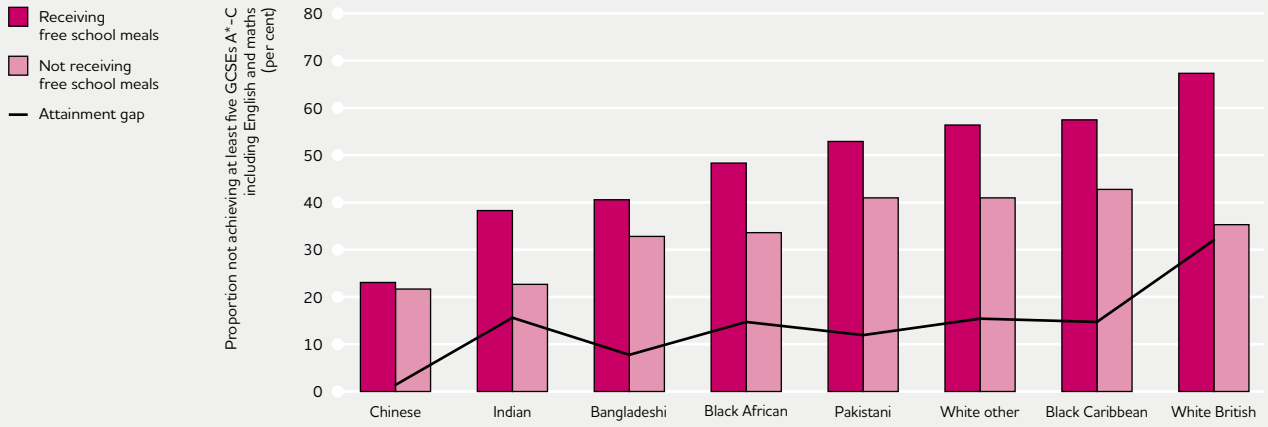
The proportion of students receiving free school meals but failing to meet expected standards has steadily decreased. However, the free school meals 'gap' has remained almost constant.



Source: GCSE and equivalent attainment by pupil characteristics in England, DfE, 2013

Indicator: 49B

More than two-thirds of White British students in receipt of free school meals lack five good GCSEs, higher than any other ethnic group. The free school meals attainment 'gap' is also largest for this group.



Source: Department for Education, 2012/13; the data is for England

The first graph shows the proportion of 16-year-old pupils lacking five GCSEs at A*– C including English and maths. The second graph shows, for the latest year, the proportion of pupils failing to achieve five A*– C grades including English and maths by ethnicity and broken down by whether or not they receive free school meals.

The data is for all maintained schools (including academies and city technology colleges) in England and is based on the number of pupils at the end of Key Stage 4 in each academic year. There are several changes that are likely to have affected attainment levels at GCSE from 2011 onwards. These include marks being given for spelling and grammar, the requirement for school boards to hold grades constant and new GCSEs being awarded for the first time in summer 2012 and 2013.

To receive free school meals, parents have to receive means-tested out-of-work benefits, i.e. they have to be workless. While this is the best available proxy measure, it excludes children in low-income working families – around half of the children in low-income households – and also excludes those who are eligible for but don't claim free school meals.

Reliability rating: medium. Measures introduced in response to perceived grade inflation have meant that exams have recently been made harder. This has impacted on comparability of results when tracking over time.

50 Attainment among disadvantaged students by local authority

Many of the local authorities with the lowest proportion of disadvantaged students not achieving the expected standard at age 16 are in London. Conversely, the South West and the East of England have the worst attainment rates for disadvantaged students.

In 2012/13, 62 per cent of students in receipt of free school meals (FSM) did not attain at least five GCSEs A*–C including English and maths. However, as the map illustrates, there is significant local variation in the proportion of free school meal students failing to achieve these expected standards. The proportion of FSM students not attaining this expected standard ranges from 23 per cent in some local authorities to more than three times this in others.

With 78 per cent of FSM students not attaining at least five 'good' GCSEs, Barnsley in Yorkshire and the Humber has the worst attainment rate of all local authorities in England. This is followed by Portsmouth in the South East at 77 per cent and South Gloucestershire in the South West at 76 per cent. On average, in 2012/13, the regions with the highest rates of under-attainment among FSM students were the South West and the East of England where 68 per cent of FSM students did not meet expected standards at age 16.

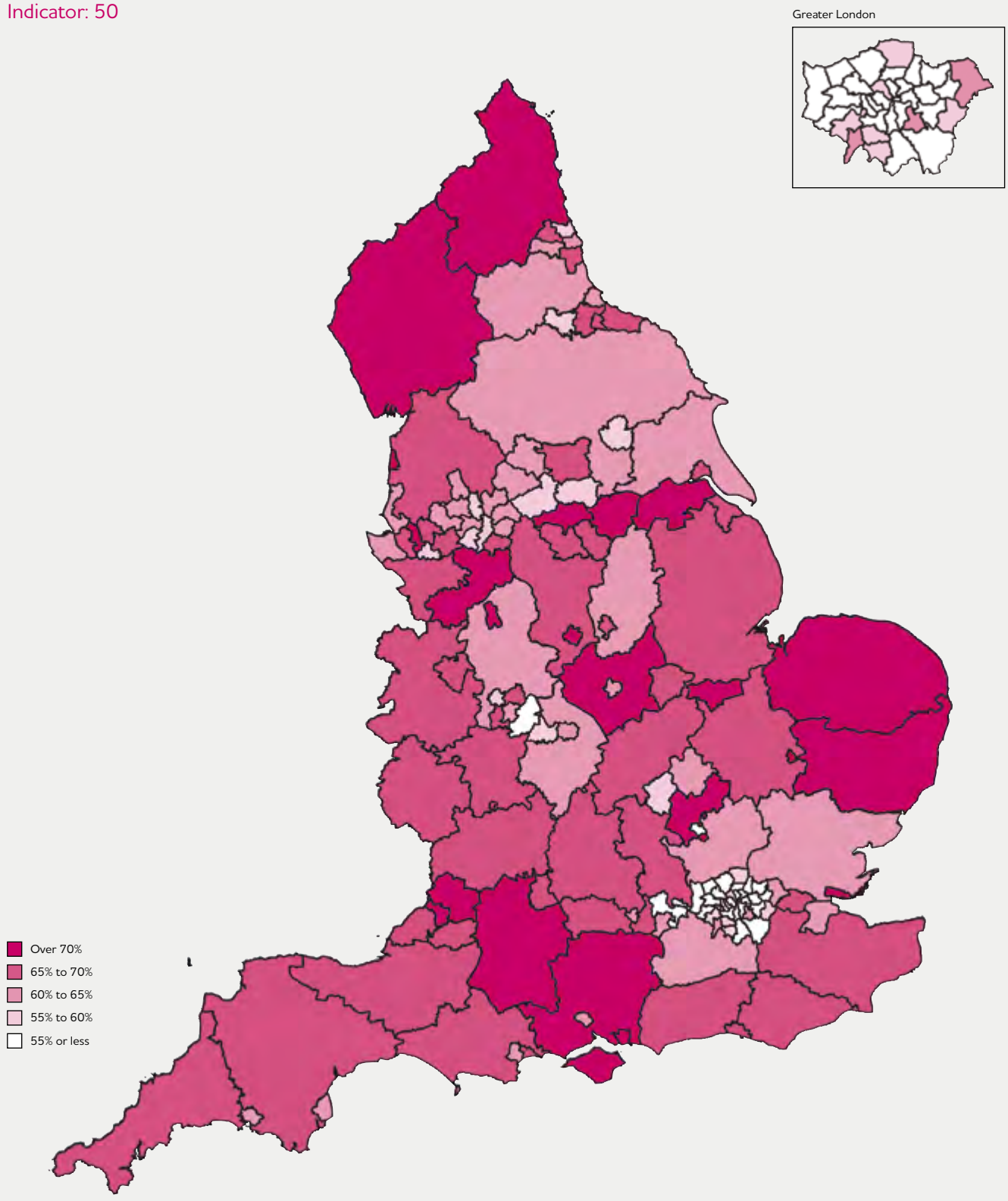
In contrast, the best performing local authority in England was Kensington and Chelsea where 23 per cent of FSM students did not attain at least five 'good' GCSEs in 2012/13. The next best performing authorities were Westminster (38 per cent), Southwark (40 per cent) and Tower Hamlets (40 per cent) in London. Indeed, 25 of the 30 local authorities with the lowest proportion of FSM students failing to achieve at least five 'good' GCSEs were in London, while no London authority featured in the worst performing fifth of local authorities. It is unsurprising then that at 49 per cent London was the region with the lowest average under-attainment rate amongst disadvantaged students in 2012/13.

This map shows the proportion of children on free school meals who did not attain at least five GSCEs A*–C in 2012/13. The map shows these proportions, for England only, for upper tier local authorities. Here, free school meals are used as a proxy for poverty. A child receives free school meals if their parent(s) receives an out-of-work benefit or Child Tax Credit but not the Working Tax Credit component. As such, children in low-income, working families are not included in this analysis.

Reliability rating: high.

Attainment among disadvantaged students by local authority

Indicator: 50



Source: GCSE and equivalent attainment by pupil characteristics, DfE; the data is for the academic year 2012/2013

Commentary

Overall improvements in health and education have meant that low life expectancy and educational under-attainment are less common today among the UK's poorest than in the past. However, gaps between the most and least deprived persist. Similarly, striking differences in the quality, affordability and accessibility of services as well as factors such as trust and satisfaction are apparent when we look at the intersection between deprivation and service provision.

The affordability of local childcare provision is a major issue for parents today, particularly among those living in the most deprived areas. Around two in five parents in the most deprived areas view childcare in their areas as unaffordable. This compares with around one in three parents in the least deprived areas. Meanwhile, negative perceptions of childcare quality in the most deprived areas are double that of the least deprived. These quality issues are not restricted to childcare services. In 2014, 11 per cent of schools in the most deprived areas were rated as inadequate in Ofsted inspections – more than five times the rate in the least deprived areas.

Meanwhile, legislative changes in 2012 have meant that certain categories of law such as social welfare law are now outside the scope for legal aid – the assistance given to those on low incomes to help pay for legal advice and representation. These changes are likely to exacerbate already low levels of trust in the legal system among those on low incomes.

There are also several public service 'success stories'. In the last 15 years dissatisfaction with the running of the NHS has fallen for all groups, although the recent trajectory has been less positive for more deprived people than the population on average. Similarly, satisfaction with transport services has increased across the income distribution in recent years. However, breaking with trends seen elsewhere in this chapter the lowest income group, who are the most likely to lack a personal vehicle and therefore are the most reliant on public transport, are the most satisfied with public transport services.

The effectiveness of public service provision is inevitably shaped by the realities of public spending. While childcare and healthcare expenditure is due to increase, there are no plans to reinstate the support for legal assistance that was cut in 2012. Furthermore, education and public transport services have both seen spending cuts in recent years. As such, the challenge for public services in the coming years is to ensure that they remain effective for all who need and use them within reduced budgets. With those at the bottom of the income distribution receiving more in benefits-in-kind via public services than any other group, it is imperative that the poorest are properly accounted for in policy-makers' decisions about the future of public service provision.

Glossary

Benefit unit 134
Crisis loans 134
Discretionary Housing Payment 134
Economically active and economically inactive 134
Economic status of the family 135
Earnings 135
Equivalisation 136
Fuel poverty 136
Homelessness 136
Household 137
Housing Benefit 137
Income After Housing Costs (AHC) 137
Income Before Housing Costs (BHC) 137
Legal aid 137
Living wage 138
Local Housing Allowance 138
Low pay 138
Low-income households 138
Material deprivation 138
Minimum Income Standard 139
Non-decent housing 139
Overcrowding 139
Qualifications 139
Sanctions 140
Self-employment 140
Temporary contracts 140
Underemployment 140
Unemployment 141
Zero-hour contracts 141

Benefit unit

A single adult or a couple (either married or cohabiting) and all their dependent children. In this report we tend to use the word 'family' instead.

Crisis loans

Until 2012/13 crisis loans were part of the Social Fund, along with Community Care Grants and Budgeting Loans. Crisis loans were available to help people experiencing a sudden lack of financial credit, usually with a view to covering some basic costs. Crisis loans were awarded either for specific items, basic living expenses or 'alignment' (to help with living expenses while the applicant's first benefit payment was due).

Discretionary Housing Payment

Discretionary Housing Payments (DHPs) are provided by local authorities to housing benefit claimants experiencing difficulties with their housing costs. This can be with problems with rental costs or with one-off costs (such as security deposits).

Central government provides local authorities across Great Britain with £20 million of funding for DHP each year. In 2013/14 the allocation was increased to £160 million to support those affected by cuts to housing benefit entitlement.

Economically active and economically inactive

An economically active person is either in paid work or unemployed. An economically inactive person is not in paid work and not actively seeking work in the last four weeks and/or not available to start work in the next two weeks. Economically inactive people can be further divided into those who want to work and those who don't.

Economic status of the family

The economic status of an individual in the Households Below Average Income (HBAI) survey is self-reported. In order to arrive at the family work status, individuals are allocated to the first category which applies in a hierarchical order; so, for example, a couple with one partner unemployed and the other working part-time would be allocated to the 'one or more in part-time work' group. The different categories of work status, in their hierarchical order, are given below:

1. One or more full-time self-employed
2. Single or couple, all in full-time work
3. Couple, one in full-time work, one in part-time work
4. Couple, one in full-time work, one not working
5. No one in full-time work, one or more in part-time work
6. Workless, one or more aged 60 or over
7. Workless, one or more unemployed
8. Workless, other inactive

Earnings

Earnings refer to gross (i.e. before tax) income from work. For employees, this is the pay received for the hours they work. For the self-employed, this is the profit made if they consider themselves running a business, or the pay for hours worked if otherwise (for example, if they are a contractor).

Equivalisation

This is the process by which household income is adjusted for household size and composition. In order to enjoy a comparable standard of living, a household of, say, three adults, needs a higher income than a single person living alone, but not three times that of a single person. The income obtained by the equivalisation process is thus a proxy for living standards and can be used to make comparison between households.

In order to calculate equivalised income household incomes are divided by household equivalence factors, which vary according to the number of adults and the number and age of dependents in the household. The most commonly used scale is the OECD scale, which takes an adult couple without children as the reference point, with an equivalence value of one. The OECD values are shown below.

Person	BHC equivalisation	AHC equivalisation
First adult	0.67	0.58
Spouse	0.33	0.42
Other second adult	0.33	0.42
Third adult	0.33	0.42
Subsequent adults	0.33	0.42
Children under 14	0.20	0.20
Children 14 and over	0.33	0.42

Fuel poverty

Fuel poverty in England is measured by the 'low income high costs' definition, which considers a household to be fuel poor if they (1) have an above average required fuel cost and (2) would be left with a residual income below the official poverty line were they to spend that amount.

This definition has been in use since the Energy Act 2013. Under the previous definition a household was considered to be in fuel poverty if their required fuel cost was more than 10 per cent of their income.

Homelessness

This refers to statutory homelessness as defined under the Housing Acts of 1977 and 1996, and the Homelessness Act 2002. When households apply for assistance under the Housing and Homelessness Acts, local authorities assess the claim based on eligibility, intentions and priority needs. If accepted as homelessness, the local authority owes a 'homelessness duty' to ensure that suitable accommodation is available for the applicant and his or her household. The 'priority need' groups include households with dependent children or a pregnant woman, disabled people, applicants aged 16 or 17; applicants aged 18 to 20 who were previously in care; applicants vulnerable as a result of time spent in care, in custody, or in HM Forces, and applicants vulnerable as a result of having to flee their home because of violence or the threat of violence.

Household

Poverty is calculated at the household level, from the net total household income. A household is defined as a single person or group of people living at the same address as their only or main residence, who either share one meal a day together or share the living accommodation (i.e. living room). A household will consist of one or more benefit units or families (i.e. a single adult or a couple living as married, civil partners, cohabitees or same sex partners and any dependent children).

Housing benefit

Housing benefit provides tenants on a low income with financial assistance to cover all or some of their rental costs. Recipients either rent their home from the local council or housing association (social rented accommodation) or from a private landlord (private rented accommodation).

Income After Housing Costs (AHC)

This is derived by deducting a measure of housing costs from the BHC income measure. Housing costs include:

- rent (gross of housing benefit)
- water rates (if applicable), community water charges and council water charges
- mortgage interest payments
- structural insurance premiums (for owner-occupiers)
- ground rent and service charges.

Income Before Housing Costs (BHC)

Poverty measured on BHC basis uses income that includes in addition to the usual net earnings from employment or profit or loss from self-employment, all social security benefits (including housing benefit) and tax credits and other income (for example income from occupational and private pensions, investment income). This is the government's official poverty measure, used in the 2010 Child Poverty Act.

Legal aid

Legal aid is the provision of assistance to people otherwise unable to afford legal advice, mediation or representation in court and some tribunals. It can include help for family and non-family civil law cases as well as criminal law cases if someone is accused of a crime. In April 2013, the Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act 2012 came into force. LASPO has meant certain categories of law are no longer within the scope of legal aid funding while others only qualify if they meet certain criteria.

Living wage

The living wage is based on the amount an individual needs to earn to cover the basic costs of living. The living wage is £8.55 an hour in London and £7.45 an hour in the rest of the UK. The living wage is an informal benchmark, not a legally enforceable minimum level of pay, unlike the national minimum wage. The national minimum wage is significantly lower. From 1 October 2013 the national minimum wage is £6.31 an hour for adults, and £5.03 for those aged 18 to 21.

The living wage is currently calculated by the Centre for Research in Social Policy at Loughborough University, while the London living wage has been calculated by the Greater London Authority since 2005.

Local Housing Allowance

Local Housing Allowance (LHA) was introduced in April 2008 to calculate how much housing benefit tenants in the private rented sector are entitled to.

Low pay

Low pay in this report is generally defined as earning an hourly pay rate below the UK living wage, currently set at £7.65 an hour.

Low-income households

A household has a low income (or is in poverty) if its net income is less than 60 per cent of the average (median) household income for that year. Income is net of income tax payments; National Insurance contributions; Council Tax; contributions to occupational pension schemes, all maintenance and child support payments, which are deducted from the income of the person making the payment; student loan repayments. This threshold is sometimes referred to as the 'poverty line'. Poverty can be measured on two bases – on income before housing cost (BHC) and on income after housing cost (AHC).

Material deprivation

This measure is based on a group of questions designed to capture the material deprivation experienced by families with children and has been included in the Family Resources Survey since 2004/05. The list includes 21 goods and services, including child, adult and household items. Respondents are asked whether they have the item in question, whether they do not have it because they do not need it or whether they do not have it because they cannot afford it. The list of the 21 items included in the survey was identified by independent academic analysis (see McKay, S. and Collard, S. (2004). Developing deprivation questions for the Family Resources Survey, available at http://bit.ly/1bEycK4).

Minimum Income Standard

The Minimum Income Standard (MIS) is an ongoing programme of work carried out by the Centre for Research in Social Policy at Loughborough University, and published by the Joseph Rowntree Foundation.

It is based on findings from facilitated discussion groups on what people think constitutes a minimum standard of living in the UK today. It is not just a survival level income; rather it is the minimum income that would allow an individual to participate in society. So it includes food and heating, personal and household goods as well as social participation and travel. MIS is updated annually, at least with inflation, with new research every two years ensuring that it reflects changing social norms.

Non-decent housing

Non-decent homes fail to meet at least one of the following criteria: the statutory minimum standard under the Health and Safety Rating System, be in a reasonable state of repair, have reasonably modern facilities and services, provide a reasonable degree of thermal comfort. A detailed definition of each criterion is available in A Decent Home: Definition and guidance for implementation, Communities and Local Government, June 2006. www.gov.uk/government/publications/a-decent-home-definition-and-guidance

Overcrowding

Household overcrowding is measured using the 'bedroom standard' of occupation density. The required number of bedrooms is calculated for each household according to its composition – the age, gender and relationships of its members. Households are overcrowded if they have fewer bedrooms available than the number required by the bedroom standard. Details of the bedroom standard can be found in the English Housing Survey Report Glossary, available at bit.ly/LEfoJU.

Qualifications

The qualification levels contained in this report refer to the National Qualifications Framework or Qualifications and Credit Framework (for vocational or work-related qualifications) or equivalent Scottish qualifications. Level 1 or below or other qualifications include qualifications such as Key Skills at Level 1, Skills for Life, GCSE grades D to G, Foundation Welsh Baccalaureate, GNVQ/GSVQ foundation level and other entry-level qualifications. Level 2 generally refers to GCSEs grades A*– C or equivalent and Level 3 refers to A Level or equivalent. Level 4 or above includes Higher National Diplomas, teaching qualifications and higher education and degree-level qualifications.

Sanctions

A sanction is a reduction in or suspension of Jobseeker's Allowance (JSA) on account of a breach of the terms of a Jobseeker's Agreement. Someone might be sanctioned if they:

- left their job voluntarily or lost their job due to misconduct
- failed to apply for or accept a job that is offered to them
- failed to show that they are available for, and actively seeking, work
- failed to attend a compulsory training or employment scheme
- failed to carry out a direction from a Jobcentre Plus adviser.

Sanctions vary in length depending on the nature of the breach of a Jobseeker's Agreement.

Self-employment

The self-employed are people who run their own business or offer their services as a freelancer or contractor. As such, they are normally paid a fixed amount for pieces of work and can make a loss in a year (unlike employees).

Temporary contracts

Employment contracts in which the employee is intended to leave after a certain period of time are referred to as temporary contracts. This often includes maternity cover and seasonal work.

Underemployment

This includes three groups:

1. those officially defined as unemployed (those lacking but actively seeking paid work and available to start work in the next four weeks)
2. those described as economically inactive but who nevertheless want paid work
3. those in part-time work who cannot find the full-time work they want.

Unemployment

This comprises all those with no paid work in the survey week who were available to start work in the next fortnight and who either looked for work in the last month or were waiting to start a job already obtained. The unemployment rate is the percentage of the economically active population who are unemployed (that is, the number unemployed divided by the total employed and unemployed). People in full-time education are unemployed if they are looking for part-time employment.

Zero-hour contracts

A zero-hour contract is a contract of employment which creates an 'on call' arrangement between employer and employee. Under the provisions of this contract the employer is not obliged to provide work for the employee, nor does it oblige the employee to accept the work offered.

***Monitoring poverty and social exclusion* is a regular, independent assessment of progress in tackling poverty and other types of disadvantage across the United Kingdom.**

The report uses official data from a range of sources to look at trends and patterns across different indicators. Different indicators reveal different patterns, allowing us to get a better understanding of the contemporary nature of poverty and exclusion. This year's key themes are money, housing, work, benefits and services.

This report is the seventeenth in the series. It is a valuable resource for researchers and policy-makers alike. By looking at recent trends, it aims to better illuminate the challenges of tackling poverty in the coming years.

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