

Monitoring poverty and social exclusion 2010



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Monitoring poverty and social exclusion 2010

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As always, the responsibility for the accuracy of this report, including any errors or misunderstandings, lies with the authors alone.

Introduction and commentary

A time of change

This edition of *Monitoring Poverty and Social Exclusion*, the thirteenth in a series that began in 1998, is written at time of uncertainty. The immediate reason for this is that with a new government just a few months old, we do not yet know what its approach towards the subjects covered here will actually be. What is clear, however, is that there will be change.

But while the new government will be the author of those changes, a need for change in this area has been apparent for much longer – since about 2007 in our view – once it became clear that child poverty in general, and poverty levels among children in working families in particular, had begun to rise again.

The experience of the recession in 2008 and 2009 has strengthened this view. First, although big rises in Child Benefit and tax credits in 2008 halted the rise in child poverty in 2008/09, they increased yet further the amount by which the support paid for children exceeds the support paid for working-age adults. This gap between child and adult benefits, which first appeared in 2003, reflects the assessment that this is the most cost-effective way to reduce child poverty. It is an assessment, however, which ignores the wider consequences of making children an increasingly important source of family income.

Second, unlike in past recessions, this one saw no reversal in the long-term rise in poverty among working families. With this 'in-work poverty' at an all-time high, it is no longer possible to rest a serious anti-poverty policy on the idea that work alone is the route out of poverty. Instead, 'work' itself, especially but not exclusively at the lower end, needs reform too.

Third, while unemployment and other elements of 'underemployment' (for example, involuntary part-time work) rose sharply during the recession, this rise was the continuation, albeit accelerated, of a trend that began in 2005. It is not therefore just a question of getting over the effects of the recession but of recognising that orthodox economic policy was failing the labour market at least two years *before* the crash.

Taken together, the child–adult benefit gap, in-work poverty and pre-recession reversal, add up to a case for change concerning both the main anti-poverty policy 'lever', the strategy's over-arching idea and at least some of the underlying economic, financial and labour market policies. On this argument, 2010 would have had to be time for change whatever government had been elected.

Content of the commentary

Because the Coalition government's policies and goals in this area are still unclear, neither the selection of the indicators in this report nor the accompanying discussion are usually directly addressed to them. Instead, like 2009, the report is organised around the recession and its effects. A discussion of the recession is one of the four parts of this commentary. The other three parts are:

- a discussion of the broad view of poverty and social exclusion embodied in this report including what it signifies and why it matters;
- a discussion of how poverty is measured in this report, itself part of the broad view in which conclusions are drawn from several related statistics rather than just one;
- a summary of how the indicators contained in this report have moved over the last ten years. One element of this is a 'scorecard' showing whether indicators have improved, worsened or stayed about the same over time. Another is the identification of some underlying trends that in most cases pre-date the start of the last Labour government.

The commentary concludes by identifying some of the main challenges facing the new government in the field of poverty and social exclusion. In due course, the merits of particular policies will be debated. Before that happens and the detail becomes overwhelming, it is important to try to form a view of which matters require attention.

A broad view of poverty and social exclusion

The development of *Monitoring Poverty and Social Exclusion*

The breadth of the subject matter covered by this report is conveyed by a list of the chapters and themes under which the 50 indicators are organised. While the shape has shifted gradually over the years in response to changing circumstances, this report series has been marked by a broad view of the relevant subject matter.

Table 1: Scope of the report

Chapter	Theme	Number of indicators
Low income	Low income and inequality	4
	Child poverty	4
The recession	Unemployment and worklessness	5
	Debt	3
Child and young adult well-being	Economic circumstances	2
	Education	4
	Health	3
	Exclusion	3
Adult well-being	Economic circumstances	6
	Ill-health	3
	Crime	2
Communities and services	Neighbourhoods	5
	Access to services	6

With low income as the measure of poverty at its heart, the report stretches both to factors that are likely to contribute to poverty, now and in the future, and to disadvantages that statistics show are more likely to be experienced by those on low incomes even if there is no necessary or essential reason why that should be so. For example, underemployment and various aspects of economic disadvantage belong to the first group while lack of access to services belongs in the second. Some things – poor educational outcomes for example – straddle both, increasing the risk of future poverty while also likely to be experienced by those with low incomes. An explanation for the choice of each indicator is given in the relevant chapter of the main report.

The origin of the broad approach reflects the fact that the first report, published in 1998, came after the government's adoption of 'social exclusion' but before Mr Blair's pledge to end child poverty within a generation. One consequence of this timing was that, unconstrained by the still-to-be-made pledge, and on the grounds that if poverty is an evil it is an evil whoever is experiencing it, that first report highlighted poverty across all groups, not just among children. It was, however, the previously academic concept of social exclusion that was really the source of the report's breadth.

'Social exclusion' has two features that 'poverty' does not. First, it is not restricted to income or material consumption but can instead embrace a wide range of things, from essential services like bank accounts or support for living at home, to intangibles like fear of crime. Second, it begs the question of who or what is doing the 'excluding', opening up the possibility that if people lack certain things, the problem lies with decisions made by institutions, in both the public, private and even voluntary sectors, whether as employers or service providers. In mapping out the terrain, the early reports were heavily influenced by the *National Strategy for Neighbourhood Renewal* and its 18 Policy Action Teams examining subjects ranging from jobs and skills to access to shops and financial services.

The practical problem that the series had to grapple with was how to measure social exclusion. The solution was to look at the *gap* in outcomes between those on low and average income. For example, the problem with bank accounts was not that some households did not have one (since some could freely choose not to) but that low-income households were more likely to lack one than others. This focus on gaps (measured however the data allows, for example by social class, gender or ethnicity, as well as income) is reflected in the use of a *pair* of graphs for each indicator, the first one typically showing the change over the time and the second showing the gap.

Significance of the broad view

There are three reasons why the broad view is especially relevant now. Obviously, any such view is a direct expression of the uncontroversial idea that disadvantage suffered in society takes many forms. But the way it is done here goes further. By showing that these disadvantages are linked to income, class, ethnicity and so on, via the higher risks certain groups face, the view presented here shows these disadvantages to be *connected* – yet at the same time only *loosely* so.

The practical implication of this is that policies across a wide range of areas are needed if the disadvantages associated with low income are to be dealt with properly. The fact, however, that the connections are quite loose makes it unlikely that there are ‘magic bullets’ to be found – solving one part of the problem is unlikely to be the key to solving many aspects of it.

This conclusion is reinforced by a second, namely that poverty and exclusion result from the actions of many different institutions. In order to turn poverty into a proper matter for government policy, it was necessary to replace the idea that people were suffering from it as a result of their own failings with one that attributed the problem to social causes. Having succeeded in doing that, however, the last government failed to press on to identify where responsibility for poverty and all its consequences actually lay.

As the abandonment of *Opportunity for All* (the government’s annual report on poverty and social exclusion) after 2007 testifies, Labour eventually retreated from its own broad vision. A pre-occupation with child poverty, addressed through one policy firmly in government hands, namely tax credits, was one place to which it retreated. The focus, in the 2006 *Reaching Out: An Action Plan on Social Exclusion*, on ‘the 2½ per cent of every generation [who] seem to be stuck in a lifetime of disadvantage’ with problems that are ‘multiple, entrenched and often passed down through generations’ was another. Although opposites in one respect (all down to government versus all down to family), both assumed one factor to be the key to many. Both also lost sight of the possibilities originally opened up by ‘social exclusion’ to look at the role of other institutions in causing and perpetuating disadvantage.

The question now is what approach will the Coalition government adopt? Soon after the general election, the Cabinet Office published its *State of the Nation Report: Poverty, Worklessness and Welfare Dependency in the UK*. This covered around a dozen subjects (ranging from income poverty, inequality and welfare dependency to poor health, educational disadvantage and families), and is a clear example of the broad view. The vagueness of the idea of ‘big society’ (a trait it shares with ‘social exclusion’) also has the potential to foster a broad view – although to do that it must be about much more than voluntary action since that is simply not where society’s power or resources lie. Against this, the importance being attached to welfare reform suggests it may be gaining the status of a cure-all. A focus (in the *Independent Review on Poverty and Life Chances* being led by Frank Field) on children’s life chances could go either way, depending on whether it goes outward to identify the bodies responsible for shaping those chances, or inward to create some artificial ‘life chances index’.

Our view is that if the Coalition government is serious, it must adopt a broad view of this subject and not overestimate the importance of any single factor. Some of the main subjects that we believe the government needs to address form the conclusion to this commentary.

Poverty

The measurement of poverty

Almost all measures of poverty in this report are based on household income, after housing costs have been deducted, except for those that relate directly to the targets in the 2010 Child Poverty Act.

A household usually consists of one or two adults, with or without dependent children. Around one in six households also include other adults, usually other family members, often grown-up children aged 16+ (or 19 if still in full-time education) living at home with their parents.

A household is described as being in poverty if what is called its 'equivalised income' is less than 60 per cent of the median for all households that year.

Equivalisation (which takes place within the official statistics) uses an internationally agreed scale to reflect the fact that the standard of living that can be achieved for a given income depends on the number of adults and children in the household. The idea behind this can be illustrated by the fact that two people need more money than one to maintain the same standard of living – but not twice as much. According to this scale, two adults need 172 per cent of the income of a single adult to achieve the same standard of living while two adults and two children under 14 need 240 per cent.

This way of measuring poverty raises several questions, the first of which is why use income to measure poverty? From a practical point of view, the answer is heavily dependent on the fact that the main use of the statistics in this report is to monitor government. That is much easier to do with official statistics. Official statistics on household incomes are published annually.

From a theoretical point of view, a measure of material deprivation is closer to how the modern pioneers of the subject, notably Professor Peter Townsend, defined poverty. The influence of this view can be seen in the material deprivation target in the 2010 Child Poverty Act. The fact that the precise content of this target remains to be defined in regulations is a sign of the difficulty of settling upon something that is sufficiently broad to be defensible while sufficiently narrow to be tractable (and measurable).

A *Minimum Income Standard* (MIS) can be seen as an attempt to bridge these two approaches. It is based on a list of goods and services drawn up in such a way that it can claim to represent a *socially agreed* minimum standard of living. The income required to purchase the items on the list can then be calculated (Davis, A., Hirsch, V and Smith, N. A minimum income standard for the UK in 2010), available at www.minimumincomestandard.org/downloads/2010_launch/MIS_report_2010.pdf. In practice, an MIS has recently been established for several different family types (single adult, lone parent with one child, couple with two, single pensioner and so on). Apart from pensioners where the money needed is rather less, the value of the MIS is about 72 per cent of median income. This is one-fifth *more* than the 60 per cent poverty threshold.

Despite the support provided by the MIS, it must be stressed that 60 per cent *is* ultimately arbitrary. While more money is better than less, the use of this threshold does not mean that life on say 65 per cent of median income is fundamentally different from life on 55 per cent. But while that lessens the importance of this particular level, it creates the need to look at other, lower thresholds as well, here both 50 and 40 per cent of median income. In this way, the *depth* of poverty enters alongside its *extent* as a subject of concern.

‘Absolute’ versus ‘relative’ poverty

The other contentious aspect of the way that poverty is measured on the basis of income is the use of a threshold that changes each year as the median changes, instead of one that is fixed. In common parlance, the two are described as measuring ‘relative’ poverty and ‘absolute’ poverty respectively. At the end of this section, we explain our opposition to these two terms. But that opposition does not extend to the use of the fixed threshold itself for measuring poverty: on the contrary, it has a very important role to play.

By convention, the ‘absolute’ poverty threshold has for some time been taken as 60 per cent of median income in 1998/99. (For the purposes of measuring progress to 2020, the 2010 Child Poverty Act decrees that it will be replaced by the 60 per cent threshold in 2010/11). Updated for inflation (but only inflation), this ‘absolute’ threshold is worth about four-fifths of the ‘relative’ (headline) threshold in 2008/09.

Critics of poverty measured using the ‘relative’ threshold point to the situation where, if incomes are falling across the board (say during a recession), poverty could be coming down even while the living standards of those on low incomes are falling. Measured by poverty alone, this situation would count as an improvement – yet that would be nonsensical (say the critics) given that poor people are worse off. We agree with this criticism. The answer, however, is not to abandon the ‘relative’ threshold but rather to *qualify* it by what is going on against the ‘absolute’ threshold. A look at what has happened to child poverty over the last 14 years illustrates this.

Table 2 divides the 14 years into three periods. For each period, the table shows the average annual change in: the value of the ‘relative’ poverty line (after inflation); the percentage of children with household incomes below the ‘relative’ line; and the percentage of children with household incomes below the ‘absolute’ line.

Table 2: Annual average changes in the ‘relative poverty’ line and the proportions of children in ‘relative’ and ‘absolute’ poverty

	Annual average		
	Growth in value of ‘relative poverty’ line (after inflation)	Change in percentage of children in ‘relative poverty’	Change in percentage of children in ‘absolute poverty’
1994/95 to 1998/99	+2.5%	+0.3%	–0.8%
1998/99 to 2004/05	+3.5%	–0.9%	–2.7%
2004/05 to 2008/09	+0.4%	+0.5%	+0.2%

Three points stand out. The first is how good the middle six-year period looks, with falling ‘relative’ poverty (down by 0.9 percentage points a year), sharply falling ‘absolute’ poverty (down 2.7 percentage points a year) *and* a sharply rising ‘relative’ poverty line (up 3.5 per cent a year). This is an unequivocally positive outcome.

By contrast, the picture in the first four-year period is mixed. On the negative side, ‘relative’ poverty was rising (0.3 percentage points a year). Set against this, the relative poverty line was rising fast (up 2.5 per cent a year) while ‘absolute’ poverty was falling (down 0.8 percentage points). A reasonable way of interpreting this is that while the first statistic shows that an increasing number were not keeping up with the median, the second and third show that they were improving compared with where they had been before. While there is room to argue which should be given the greater weight, an unequivocal verdict is not possible.

The same cannot be said of the third, most recent, period. Here, both ‘relative’ and ‘absolute’ poverty were up (by 0.5 and 0.2 percentage points a year respectively) while the relative poverty line barely rose at all. Not only were more children falling far enough behind the median to count as being in low income, more were in households with an income lower than before.

This approach, of using the two measures in tandem, is another example of basing conclusions on several statistics rather than one. But why not just use the ‘absolute’ measure on its own? There is a long answer to this, along the lines of poverty being something that is *inherently* relative. The short answer, however, is that it is not possible to make definitive statements about the number of people in ‘absolute’ poverty because that number will vary according to the choice of base year – and any year is as good a choice for the base as any other. So for example, what was the level of absolute child poverty in 1980? Using the 1998/99 threshold, the answer would be about 49 per cent. Convention aside, however, we could just as well use a threshold for, say, 1961, in which case the answer would be about 5 per cent. Since neither answer has greater claim to validity than the other, this is clearly not much use.

It is for this reason that (except in this part of the discussion) we avoid the phrase ‘absolute poverty’. Far from being ‘absolute’, not only is it actually relative but also, in the choice of year, it is arbitrary too. As a result, we prefer the more neutral designation ‘fixed’. Similarly, since all these measures are relative, there is no reason to apply that designation to the ‘current year’, headline measure. So, while the concept of absolute poverty is flawed, the use of a fixed year threshold as a *supporting* statistic is invaluable in making sense of movement in the current year headline measure.

The longer-term record

The five- and ten-year scorecard

This part of the commentary summarises Labour's record on poverty and social exclusion, based closely on the longer assessment of this question made in the 2009 report. Given the delay in publishing the official statistics on household income, coupled with the fact that outcomes for at least the first year of a new government reflect the policies of the old, it will still be another two years before a complete record can be drawn up.

Table 3 presents the raw material on which this summary is based, namely the 47 statistics in this report where the series goes back at least ten years to around 1999. Each statistic is classified according to: (a) how it changed over the ten years; and (b) how it changed over the five or so years since 2004. The judgements here are as much art as science – how much difference is truly significant? – and the rule is that if in doubt, our verdict veers towards 'no change'.

The five-year assessment is included alongside the ten-year one because 2004/05 was a turning point for several key indicators, usually (but not always) for the worse. This led to one of the 2009 report's main conclusions, namely that the recession that began in the second quarter of 2008 was *not* the moment at which things started to go wrong – although it was not until the recession that it became clear that the mid-decade turn marked a long-lasting shift rather than just a temporary blip.

Summing this up, of the 47 statistics shown, 24 improved over the ten years while 13 were worse. Over the five years, by contrast, just 17 improved while 18 got worse.

Table 3: The five- and ten-year record of change in the statistics

Subject	Theme	Description	No. 2009	Change 98/99 to 09/10	Change 04/05 to 09/10
Low income	Child poverty	Children in low income (%)	2	Better	Worse
		Children in low income (fixed year threshold) (%)		Better	Worse
		Children in low-income working families (%)	6	Worse	Worse
		Children needing tax credits to escape low income	7	Worse	Worse
	Low income and inequality	Working-age adults in low income (%)	2	Worse	Worse
		Pensioners in low income (%)	2	Better	Better
		People in very low income	1	Worse	Worse
		Social wage (excess value of benefits in kind to bottom fifth as a percentage of the value for those on average income)	4	Worse	No change
		Ratio of richest fifth median income to overall median	3	No change	Worse
Ratio of overall median to poorest fifth median income	3	Worse	Worse		
The recession	Unemployment and worklessness	Working age adults officially unemployed (%)	9	Worse	Worse
		Underemployment	9	Worse	Worse
		Young adult unemployment (%)	10	Worse	Worse
	Debt	Mortgage repossessions	14	Worse	Worse
Child and young adult well-being	Economic circumstances	Children in workless households	17	Better	Worse
	Education	11-year-olds not attaining Level 4 KS2	19	Better	Better
		16-year-olds not obtaining 5 GCSEs	20	Better	Better
		Looked-after children not attaining 5 GCSEs	21	Better	Better
		Lacking qualifications at age 19	22	Better	Better
	Health	Rate of infant mortality	24	Better	Better
		Under-age conceptions	25	Better	Better
	Exclusion	16-19-year-olds not in education, employment or training	26	Worse	Worse
Children permanently excluded		27	Better	Better	
Under 18s cautioned/guilty of an indictable offence		28	Better	Better	
Adult well-being	Economic circumstances	Workless households	29	No change	No change
		Disabled working-age adults lacking work	30	Better	No change
		Lone parents lacking work	30	Better	Better
		Adults receiving out-of-work benefits	31	–	Worse
		Older people lacking private income	32	Better	No change
		Low-paid employees	33	Better	No change
		Gap between low-paid women and male median pay	34	Better	No change
		Gap between low-paid men and male median pay	34	No change	No change
	Ill-health	At risk of mental illness	35	Better	Better
		Limiting long-term illness (%)	36	No change	No change
		Deaths before the age of 65	37	Better	Better
	Crime	Victims of crime	38	Better	Better
		Fear of crime	39	Better	Better
Communities and services	Neighbourhoods	Participation in volunteering and other civic activities	40	–	Worse
		Ability to affect decisions	41	–	No change
		Polarisation – social renters	42	No change	No change
		Homelessness	43	Better	Better
		Satisfaction with local areas	44	No change	No change
	Access to services	Older people helped to live at home	45	Worse	Worse
		Take-up of means-tested benefits for older people	46	Worse	Worse
		Low-income households without a bank account	47	Better	Better
		Low-income households without contents insurance	48	No change	No change
		Low-income households without internet connection at home	50	Better	Better

Longer-term trends

One aspect of the summary of progress over five and ten years is where these changes seem to be part of longer-term trends, starting (given availability of data) either in the late 1970s or the mid- to late-1990s. The notable trends are as follows:

- The contradictory trends in *in-work* and *out-of-work child poverty* [6A], the former rising steadily for three decades – the only significant interruption being during the five years 1999 to 2004 – and the latter falling steadily from the early 1990s. Closely connected to the first is the rising proportion of *children needing tax credits to avoid poverty* [8A]. With in-work child poverty now accounting for 58 per cent of the total – and at a record high in 2008/09 – while out-of-work has not been lower since 1984, the picture now looks very different from that at the end of the last recession in the early 1990s.
- The rising *rate of unemployment among young adults* (under the age of 25) [10A], up from 14 per cent in 1997 to almost 20 per cent in the first half of 2010. That young adult unemployment fell up to 2001 means that it does not strictly belong here as a *long-term* trend. Its inclusion is nevertheless justified on the grounds that it stopped falling long before the more general turn for the worse in other key statistics around 2004 or 2005 and at a level no lower than 12 per cent even *after* a period of strong and sustained economic growth.
- The rise in ‘deep’ poverty, specifically the *number with incomes below 40 per cent of the median* [1A] which rose from 4.9 million in 1996/7 to 5.8 million in 2008/09. As a share of total poverty, deep poverty now accounts for 44 per cent, compared with 35 per cent in 1996/97. On the face of it, this appears to be a consequence of policy, namely, the uprating of out-of-work benefits for working-age adults by inflation (rather than earnings). Thirty years ago, deep poverty made up just 18 per cent of all poverty.
- The steady fall in the rate of *pensioner poverty*, from 28 per cent in 1996/97 to 16 per cent in 2008/09 [2A], due in considerable part to the much higher value of means-tested support (via Pension Credit) [8B].
- This in turn is part of a profound shift in the shape of the benefit system since 1997 whereby *support for pensioners and children has risen substantially relative to that for working-age adults* [8A]. The increase for children (up from 78 per cent of the support for working-age adults in 1997, to 129 per cent in 2010) reverses what had been the norm since the start of the welfare state.
- The decline in the *proportion of 11-year-olds failing to reach minimum standards in English and maths* both overall and (especially) in deprived schools [19A], the latter down from around 60 per cent in 1996 to around 32 per cent in 2009 (these figures are for England).
- The decline in the *proportion of older people receiving care at home*, down from more than 150 per 1,000 over-75-year-olds in 1993 and 1994 to 82 per 1,000 in 2008 [45A]. This long-term trend is thought to be the result of a continuing process of concentrating resources on those deemed most in need.

- The decline in the *proportion of the population very worried about being a victim of crime* [39A], down from 20 per cent in 1998 to 10 per cent (for burglary) in 2009/10 and from 25 per cent to 13 per cent (for violent crime). The decline in the relevant crimes themselves [38A] will have played a part in this, but how far this is the result of policy is a moot point.

These trends are a mixture of the positive and the negative, sometimes the clear result of policy choices and sometimes not. While the negative ones need to be recognised and addressed (a failure to do so meaning that doing nothing will see things getting worse), they are all important to the extent that they mean the situation now looks very different from before, in particular, before the start of the last government.

The effects of the recession

Timing of the recession

As measured by the size of the UK economy, the recession ran for 18 months, starting in the second quarter of 2008 and finishing in the third quarter of 2009. Accordingly, the financial year 2008/09 (which is the time period for each set of annual poverty statistics) covers the first four of those six quarters. Moreover, as measured by the quarterly rates of economic growth, most (four-fifths) of the total decline in UK economic activity took place in those four periods.

However, the fact that the really big falls in economic activity took place in the final two quarters of 2008/09 means that on an annual basis, the economy was just under 2 per cent smaller in 2008/09 than 2007/08 but nearly 4 per cent smaller in 2009/10 than 2008/09. Unemployment shows a similar pattern, being some 300,000 higher in 2008/09 than 2007/08 but more than 500,000 higher in 2009/10 than 2008/09. The clear conclusion is that while most of the recession happened in what is the latest year for which poverty statistics are available, that is 2008/09, the majority of the recession's adverse effects on poverty are not contained in those statistics but will instead be seen in those for 2009/10.

One other point by way of introduction to this topic: in 2008/09, median household income after housing costs was just under 1 per cent lower after adjusting for inflation than in 2007/08. This fall, the first in 15 years, looks like a symptom of the recession (although there is no comparable fall on the before housing costs (BHC) measure). As a consequence, the value of the poverty line has also come down, for example, by £2.70 a week for a family of two adults and two children under 14. This is important to bear in mind at two points in the following discussion.

Poverty, workless households and unemployment

Table 4 summarises changes in the main low-income and employment-related statistics in 2008/09 compared both with one year earlier and four years earlier.

Table 4: Summary of one- and four-years statistics up to and including the recession

	Indicator number	One-year comparison: 2007/08 to 2008/09	Four-year comparison: 2004/05 to 2008/09
Low income			
Children	2A	-0.8 per cent (-100,000)	+1.9 per cent (+210,000)
Children (fixed threshold, AHC)		-0.8 per cent (-100,000)	+ 0.8 per cent (+100,000)
Children in working families	6A	-0.1 per cent (+11,000)	+3.5 per cent (+380,000)
Working-age	2A	+0.7 per cent (+280,000)	+ 2.9 per cent (+1,210,000)
Pensioner	2A	-2.1 per cent (-200,000)	-1.6 per cent (-80,000)
Employment			
Children in workless households*	17A	+60,000	-9,000
Employed		-60,000	+480,000
Unemployed	9A	+300,000	+500,000
Underemployed	9A	+370,000	+830,000

*Interpolated from the published second quarter figures.

Starting with child poverty, the proportion of children in poverty fell by 0.8 per cent (100,000) in 2008/09 measured against the current year threshold. It also fell by this amount when measured against a fixed threshold. With median income lower than the year before, the fall in this supporting statistic shows that the fall in the headline measure is not just a case of those on low incomes getting poorer a bit more slowly in a recession than those on average. Rather, the improvement in the headline measure, though small, is a real one.

Since there was no significant change in the number of children in low-income *working* families in 2008/09, almost all of the fall is concentrated in non-working ones. This still leaves in-work child poverty at a record level – and accounting for a record share of all child poverty (58 per cent) – but equally noteworthy is that out-of-work child poverty fell in a recession. At 1.6 million, this number is now lower than at any point since 1984.

Since the fall in child poverty among those in out-of-work households came about despite an estimated rise of 60,000 in the number of children living in workless households over the year, what lies behind it? The answer, almost certainly, is the rise of nearly £5 a week in the combined value of Child Benefit and Child Tax Credit in April 2008. Our estimate last year was that around one-quarter of a million children had family incomes sufficiently close to the poverty threshold such that an extra £5 per child would take them over it. It is also possible that the fall in the value of median income may also have contributed a little to the fall in child poverty.

Adult poverty in 2008/09 showed much larger changes than those for children. Among pensioners, the number in low income fell by some 200,000. While it is not clear why the fall was so large in this particular year, it continues a much longer trend which has brought the pensioner poverty rate down to 16 per cent, barely more than half of that for children. One consequence of this is that pensioners now account for just 13 per cent of all of those in poverty. While there is no doubt that pensioner poverty has been a success story, that does not necessarily mean that it will carry on being so.

In 2008/09, the number of working-age adults in low-income households rose by 0.7 per cent, some 280,000 individuals. The 7.8 million working-age adults in poverty account for 58 per cent of all those in low income. The likely explanation for the rise is not hard to find, with unemployment up 300,000 and the wider measure of underemployment up 370,000. As well as those counted as unemployed, this measure also includes those deemed 'economically inactive' who nevertheless want work and the part-time employees who report that they could not find a full-time job.

Of course, those adults with dependent children saw their household income go up by any Child Benefit and Child Tax Credit to which their family was entitled. The effect of these rises can probably be seen in the number of adults in low income, with poverty among working-age without dependent children accounting for 230,000 of the 280,000 overall increase. It should also be remembered that 2008/09 was the year in which the 10p starting rate of income tax was abolished, an abolition with a disproportionate impact on low-paid workers without dependent children.

Debt and repossessions

The other main focus of concern in the recession is debt and home repossession. Clearly, the fall in the bank base rate, from 5 per cent at the end of September 2008 to just 0.5 per cent six months later, made a big difference here. In particular, the number of court orders for repossession for mortgage arrears, which rose from 9,000 in the first half of 2004 to 30,000 in the second half of 2008, fell away again after that to 15,000 in the first half of 2010 [14A]. On the long view, court orders for repossession reached their low point in 2003, from a peak during the last recession of 75,000 for the whole of 1991.

Two points, however, show that this is not quite as benign a picture as it may at first seem. First, court orders for repossession by landlords exceed those by mortgage lenders by about 40 per cent in the period from the third quarter of 2009 to the second quarter of 2010 [14B]. Second, the numbers of mortgages deeply in arrears (that is, behind in repayments by more than 2.5 per cent of the loan), has been above a quarter of a million since the second half of 2008 [15A]. This stock of potential repossessions is more than six times the actual number of repossessions recorded in any twelve-month period. The sense therefore is that while the problem of repossessions may have been eased for the time being, it has not been solved and the potential exists for a sharp rise in numbers at some point in the future if lenders deem that to be in their interest.

Prospects for 2009/10 and beyond

Given that further effects from the recession are to be expected in 2009/10, what might they be? Child Benefit and Child Tax Credit went up by a further £4 a week in January and April 2009: clearly, these would lead to falls in child poverty, all else being equal. Although nothing can be said yet about median income, it is plausible that it could see a further fall. Against this, the number of children in workless households rose again, by some 80,000, while there is no reliable estimate of how the number of children in part-working households has changed. Comparing all this with what happened a year earlier suggests that child poverty in 2009/10 might be slightly higher than it was in 2008/09, although the usual degree of uncertainty surrounding these statistics means that both a rise and a fall are possible. Whatever it eventually turns out to be, it can be confidently said that without the substantial increases in Child Benefit and Tax Credit in 2008 and 2009, the numbers of children in poverty would be around half a million higher.

As far as working-age adults are concerned, with unemployment having risen by a further 540,000 and the wider measure of underemployment having gone up by 920,000, it is impossible to see how anything other than another large rise in poverty can be expected.

One striking feature of the four years to 2008/09 is that both unemployment *and* employment each rose by about half a million over the period. This means that while employers' need for labour continued to grow before the recession, the supply of labour grew faster still. A further sign of the imbalance within the labour market is contained in the wider measure of underemployment, which rose by more than 800,000 over the four years. While 500,000 of that is the extra unemployment already referred to, a further 210,000 are part-time workers who could not find a full-time job. While the rise in part-time work during and in the aftermath of the recession has been much remarked upon, it was happening for some time before too.

All this is evidence of a weakening labour market, even before the recession. A weak labour market is a good candidate for being the main explanation of why the poverty results were so disappointing from the middle of the decade onward. For as long as this weakness persists – and there is no sign of anything else for the foreseeable future – the prospects for poverty can only be bleak. As a result, it is very possible that the poverty statistics for 2008/09 will be as good as they get for some time.

Conclusion: the challenges now

While the last decade has seen progress in many of the subjects covered here, the challenges remain formidable. As they come forward over the next year or so, the merits of new policies in this area will be subject to scrutiny and debate. The danger is, however, that once this policy detail is upon us, it will be difficult not to lose sight of the broad range of issues that need to be addressed. Now is therefore a good moment to list what we consider those issues to be.

In-work poverty

We make no apology for putting this first. What is required is that it be accorded equal status with out-of-work poverty. Until this happens, debates about poverty will be misleading and programmes to address it doomed to fall short of expectations. Although in-work *child* poverty is the usual headline measure, it is just as much a problem among working-age adults *without* dependent children as it is among adults *with*.

Poverty among children in workless households

The issue with out-of-work child poverty (the 'in-work' variety being covered above) is how the new government intends to sustain the progress (the number is now at its lowest since 1984) made under the last one, assuming it is not prepared to continue with its predecessor's reliance on substantial increases in Child Benefit and tax credits.

'Deep' poverty

Although some of the very lowest household incomes in official statistics are likely to reflect temporary factors only, the growing proportion of poor households with very low incomes can be seen as a consequence of past policies. A recognition of the importance of the *depth* of poverty alongside its *extent*, would allow a more balanced approach to be taken.

Education outcomes among the lowest-attaining school children

Reductions in the number of 11-year-olds falling short of expected levels of attainment, including at schools with high numbers of deprived children, has been a success story since the mid-1990s. Improvement at age 16 in the number gaining fewer than five GCSEs has been much slighter. With a heightened likelihood of disadvantage in their own childhood and facing a higher risk of future poverty, those with weak school outcomes are a key group linking poverty between generations.

Young adults without minimum qualifications

In contrast to progress among school-age children, there has until recently been little reduction in the proportion of young adults with either low or no qualifications. With more than one in five 19-year-olds still in this situation, a substantial minority of those entering the workforce are not equipped to do even moderately well.

Progression in work

For work to pay, entry into low-paying jobs has to contain the prospect of progression. This includes pay, but also covers flexibility of conditions, particularly for parents, as well as the availability of on-the-job training (employees with no qualifications have long been only one-third as likely to receive in-work training as others).

Young adult unemployment

As well as being a direct cause of low income today, young adult unemployment has a scarring effect on *future* employment prospects. Having reached its low point as long ago as 2001, and having been rising since 2004, this must be recognised as a chronic problem to which the policies of not just the last two or three years but rather the last 20 or 30 have not provided an adequate answer.

Underemployment

The scale of this problem – some six million people – is more than twice that of conventionally defined unemployment and four times the claimant count. While it, too, is a chronic problem worsened, but not caused by, the recession, it does contain the new element of sharply rising ‘involuntary’ part-time work (now numbering more than a million).

Health inequalities

Despite overall improvements, risks of both infant mortality and premature death among those under 65 are some 50 per cent higher for those in manual social classes. Classifying people by income, differences in risks of mental ill-health are even more pronounced. Since there is no good reason why economic inequality should carry this extra health penalty, the latter has to be addressed directly even if the former is not.

Lack of access to essential services

Marked differences by income in household access to essentials including insurance, internet and car ownership are another avoidable penalty of poverty and low income. When they are ‘enabling’ products that in turn allow access to a wider range of other goods and services, they are doubly important. Progress on bank accounts, one of the few areas where there has been an active policy, shows that change can be achieved.

Conclusion

Clearly this list is selective. For one thing, it is not comprehensive. For another, it reflects a degree of personal valuation of what is most important. The constraints imposed by the space devoted to the recession in this report means that in one case (health inequalities), it would be necessary to go back to earlier reports to find the supporting evidence within this series. Some but not all of the issues chosen are connected with the long-term trends identified above. Yet however partial it may be, a list like this which others can add to and amend provides a basis for an early assessment of how far the ambitions of government policy match up to the extent of the challenges faced.

Chapter 1 Low income

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People in low-income households

The measurement of low income

A household is counted as having a low income ('being in poverty') if its income is less than 60 per cent of *median* household income for the year in question. The value of this poverty line in terms of pounds per week depends on the number of people in the household, reflecting the fact that larger households need more money (although not proportionately more) than smaller ones in order to achieve the same standard of living.

The 2008/09 poverty line (after housing costs)

In the most recent year, 2008/09, 60 per cent of median income was worth:

- £119 per week for a single adult;
- £161 per week for a lone parent with one child under 14;
- £206 per week for a couple with no children;
- £288 per week for a couple with two children under age 14.

These figures are net of income tax, Council Tax and housing costs. Housing costs comprise rent, mortgage interest (but *not* the repayment of principal), buildings insurance and water charges. They therefore represent what the household has available to spend on everything else it needs, from food and heating to travel and entertainment.

The 2008/09 poverty line (before housing costs)

Targets for child poverty written into the 2010 Child Poverty Act measure poverty on a different basis, namely, before housing costs have been deducted (BHC) rather than after housing costs have been deducted (AHC). In this report, the use of the BHC measure is restricted to the discussion of those targets. That is because BHC counts Housing Benefit as income without deducting the rent for which the benefit is given, thereby making households receiving Housing Benefit look better off. Besides some anomalies – higher rents resulting in higher Housing Benefit reduces BHC poverty – the BHC measure gives a very different level of poverty and a different mix.

For completeness, the values of the 60 per cent threshold BHC in 2008/09 are:

- £164 per week for a single adult;
- £213 per week for a lone parent with one child under 14;
- £244 per week for a couple with no children;
- £342 per week for a couple with two children under age 14.

Choice of indicators

The first indicator shows the number of people living in low-income households. The 60 per cent threshold is the headline measure. The 50 per cent and 40 per cent thresholds enable us to look at the 'depth' of poverty, which often gets overshadowed by the headline measure.

The second indicator looks at the risk of poverty (the poverty rate) for different age groups. The first graph shows the proportion of children, working-age adults and pensioners in low-income households. The reason for doing this is that the trajectories are so different. The second graph shows the changes in the numbers of all four groups, comparing the figures for the most recent three years to the average for three years a decade earlier, again showing how great the differences are between groups.

The third indicator measures income inequality in the UK. Language and literature on social policy have seen a strong focus on inequality in recent years, with the publication of the National Equality Panel report (Hills, J. *et al.*, *An Anatomy of Economic Inequality in the UK, A Report for the National Equality Panel*, London: CASE, 2010) and the book *The Spirit Level* (Wilkinson, R. and Pickett, K. *The Spirit Level: Why equal societies almost always do better*, London: Penguin, 2009). Poverty is one aspect of income inequality – the differences in income in the below-average part of the distribution. In order to have a complete picture, we look at inequality among above-average incomes as well. We look at how inequality has changed over time, and how the growth in income over the last decade has been shared out.

The final indicator in this section provides an analysis of taxes paid and benefits received. This analysis is key to understanding how changes in state expenditure over future years will impact on different income groups.

1 Numbers in low-income households

- At 13.1 million, the total number of people living in low-income households in 2008/09 was broadly unchanged compared with the year before. This marked a break in the trend of rising numbers in low income since 2004/05. The numbers were similar to the level of early 2000s.
- In the latest year, 7.3 million people lived in households with incomes between 40 per cent and 60 per cent of the median, down by 200,000 since 2007/08.
- However, the number of people living in households with lowest incomes, that is, less than 40 per cent of the median, continued to rise. At 5.8 million, it surpassed the previous year's level and was the highest on record. Unlike the headline 60 per cent figure, the numbers living under the 40 per cent threshold did not see a fall even in the years of progress.
- In 2008/09, those living under the 40 per cent threshold accounted for 44 per cent of all people in poverty. This is the highest share of those in poverty in the history of the series dating back to 1979.
- Of those in households under the 40 per cent threshold, 3.7 million (two-thirds) were working-age adults, out of whom 2.3 million did not have any dependent children. By contrast, pensioners made up only a tenth of this group.
- Pensioners made up the largest group of those who were just above the poverty line i.e. who lived in a household with income of between 60 per cent and 70 per cent of the median. 1.2 million pensioners were just above the poverty threshold, which is over half the number below it. For other age groups, the proportion just above the poverty line was between one-quarter and one-third of those below it.

The clustering of pensioners just above the poverty line is a direct result of the Pension Credit policy, which helps pensioners on low incomes. Pensioner incomes are more easily targeted in this way than those of working-age adults, as there are no complications around incentives to work.

Conversely, working-age adults without dependent children have a very high risk of being in deep poverty. One explanation is that the level of benefits for out-of-work working-age adults without children is not sufficient to lift them even above 40 per cent of median income. In 2008/09 there were 1.5 million workless working-age adults without dependent children below the 40 per cent threshold.

The number of people living below 40 per cent of median is not published as a national statistic as it is officially seen as less reliable than, for instance, the number below 50 per cent. Many households report zero incomes, which are hard to explain, and such households have, on average, higher living standards than households with slightly higher incomes. However, research from the Institute for Fiscal Studies (IFS) suggests that the recent growth in the numbers of households with incomes below 40 per cent of the median came not from a rising number of households with zero incomes, but a rising number with incomes between 20 per cent and 40 per cent of the median (Brewer, M., Phillips, D. and Sibieta, L. *What has happened to 'Severe poverty' under Labour?* London: IFS, 2010). They suggest that the increase represents a rise in the number of households with very low living standards.

2 Low income by age group

- In 2008/09, 30 per cent of children lived in poverty. This was slightly lower (a fall of 1 per cent) than the previous year and 4 per cent lower than the level a decade ago. This was also the first time in the last five years that the child poverty rate fell. However, children still faced the highest risk of poverty among all age groups.
- The risk of poverty for adults with dependent children, was, at 26 per cent, unchanged from the previous year, and at a similar level to a decade earlier.
- 19 per cent of adults without dependent children were in poverty, the highest proportion since the start of the Households Below Average Income (HBAI) data series in 1994/95. This was an increase of 1 per cent over 2007/08. The poverty rate for this group has been rising slowly but steadily over the past decade.
- The rate of pensioner poverty fell by 2 per cent compared with the previous year to reach 16 per cent in 2008/09 and was the lowest in the series. It stood 50 per cent lower than the levels seen in the late 1990s.
- The number of children in poverty fell by 370,000 in the ten years from 1998/99 to 2008/09. Two-thirds of the fall in the number of children living in poverty was among children living in single adult households.
- Similarly, three-quarters of the 930,000 decrease in the numbers of pensioners in poverty was concentrated among single pensioners.
- The number of adults in poverty without dependent children rose by 830,000 during the same period, with single adults accounting for two-thirds of this increase.

Though the conventional focus groups of anti-poverty strategies have been children and pensioners, the slow rise in working-age poverty, especially among those without dependent children, merits serious attention. As seen in the first indicator, not only are the numbers in poverty increasing, but the depth of poverty for this group, that is the number below the 40 per cent threshold, is also increasing.

Though the pensioner poverty rate is at a remarkably low level, it remains to be seen if and for how long it can continue this downward trend. Its decline is largely down to the increasing value of benefits for pensioners, notably the Pension Credit.

3 Low income and inequality

- The ratio of median income for the whole population to the income at the bottom decile of the income distribution (50:10 ratio) rose for the fourth consecutive year in 2008/09. In that year, household income at the median (the 50th percentile) was 247 per cent that of the 10th percentile.
- The increase in this ratio, from the lowest point in 2004/05 to the 2008/09 level, has undone the reduction since its peak in 1996/97 and established a new high point since 1994/95.
- The ratio of income at the top decile point to median income (90:50 ratio) also rose continuously from 2004/05, albeit at a slower rate. However the increase in 2008/09 made it surpass the previous peak point in 1998/99. Income at the 90th percentile point is now 217 per cent that at the median.
- The richest tenth of the population accounted for a disproportionate share of growth in income over the last decade – 39 per cent of the increase in income over the last 10 years went to the top income decile.
- A further 13 per cent of the increase went to the second richest decile, and 10 per cent to the third richest. These rises are more or less proportional – any decile represents 10 per cent of the population. So the growth of income in the top fifth is largely down to the huge growth in the incomes of the top tenth.
- In contrast, the whole of the lower half of the income distribution got only a fifth of the extra income. The growth of incomes among the second bottom tenth accounted for 4 per cent of total growth. The growth of incomes for the bottom tenth was, after inflation, effectively zero.

According to the National Equality Panel report (Hills, J., 2010) the long-term trends show that income inequality in the UK is at its highest in a generation and is also high in comparison to other developed nations. What is clear from the analysis is that inequality is increasing at both ends of the spectrum. The poorest are falling further behind the average, and the richest are moving further ahead.

4 The social wage

- In 2007/08, households in the bottom fifth of the income distribution received on average £7,500 in benefits-in-kind. The value was 63 per cent higher than it had been a decade ago. Most of the increase took place in the years 1997/98 to 2004/05.
- The average value of benefits-in-kind received by the bottom fifth was a quarter higher than for households on average incomes. This proportion remained more or less steady during the last ten years, despite the overall increases in benefits-in-kind. Though higher in value, the bottom fifth of the income distribution has not seen a disproportionate share of the growth of the social wage in the past decade.
- For the latest year, the amount paid by households in each income quintile in taxes, direct and indirect, was higher than the value received in non-contributory social security benefits. In the poorest quintile, taxes amounted to some £4,100 on average, while non-contributory benefits amounted to £2,600.

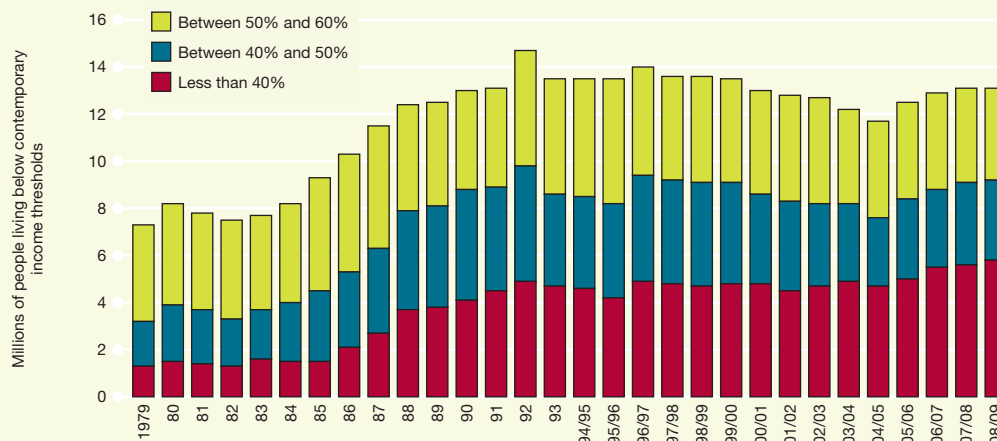
Methodology underlying the time series in the first graph has been altered in such a way as to make comparisons in future years impossible, which is why this series stops in 2007/08. Issues of distribution of public spending across different parts of society are now receiving a greater prominence in the light of anticipated cuts to public expenditure. It is important to be able to compare any changes to the historical position.

Numbers in low-income households

Low income
People in low-income households

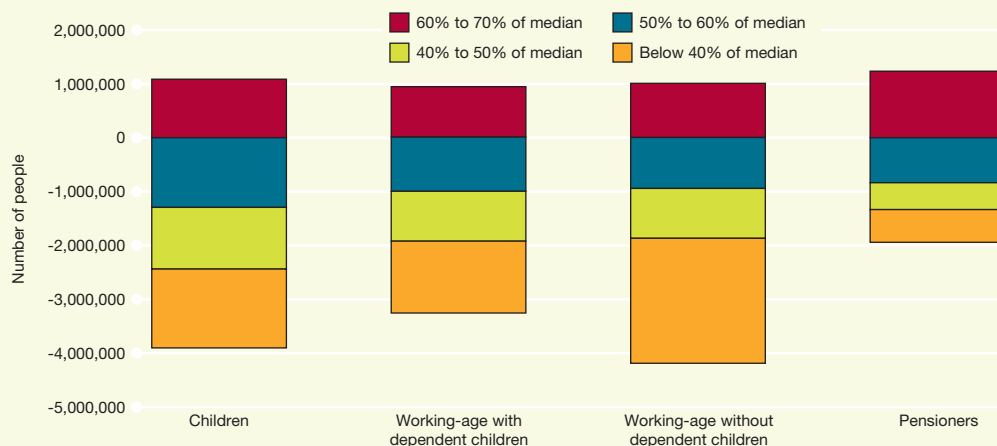
Indicator 1

1A: The number of people in poverty was unchanged in 2008/09 after three years of rises. The number living with very low incomes rose to a new high and now accounts for more than two-fifths of those in poverty.



Source: Family Expenditure Survey to 1992, Households Below Average Income thereafter, from Institute for Fiscal Studies (IFS); the data is for Great Britain

1B: Most of those with the lowest incomes – below 40 per cent of median – are working-age adults.



Source: Households Below Average Income, Department for Work and Pensions (DWP), 2006/07 to 2008/09, UK

The first graph shows the number of people living in households below 40 per cent, 50 per cent and 60 per cent of the contemporary UK median household income for each year since 1979.

The second graph shows the number of children, working-age adults and pensioners living in such households. Additionally, it shows, above the line, the number of children, working-age adults and pensioners who are not in low income but are still below 70 per cent of median income. The figures in the second graph are an average of the three years to 2008/09.

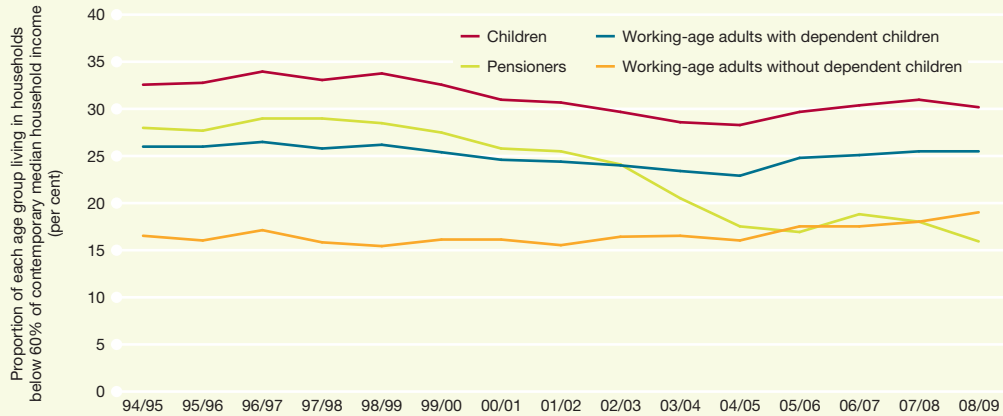
Income is disposable household income after deducting housing costs. All data is equivalised (adjusted) to account for differences in household size and composition.

Before 1994/95, the data in the first graph was sourced from the Family Expenditure Survey, at that time a much smaller (and less robust) survey than the post 1994/95 Family Resources Survey which underlies the modern Households Below Average Income. As a result, caution should be exercised in drawing conclusions about individual years prior to 1994/95, or to year-on-year fluctuations.

Low income by age group

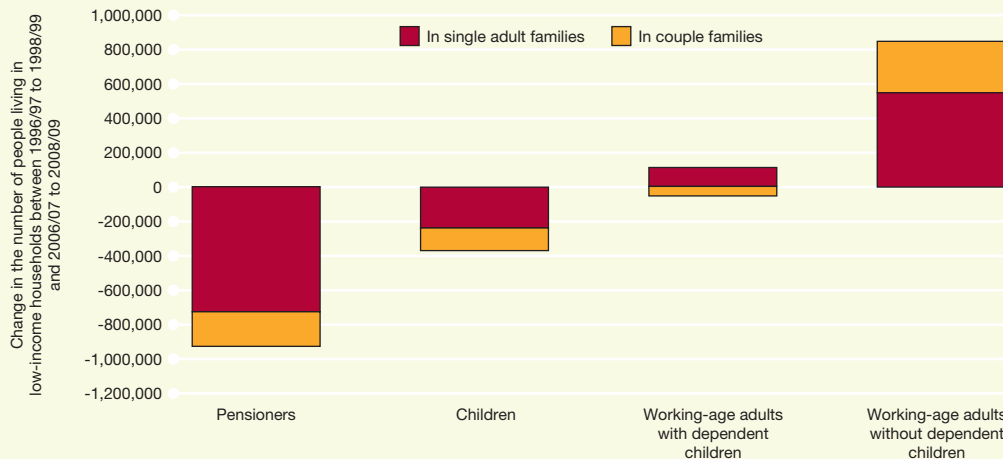
Indicator 2

2A: In the mid-1990s, pensioners were more likely to be in poverty than working-age adults. Now, their risk of poverty is slightly lower than working-age adults without children and much lower than working-age parents.



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

2B: The fall in pensioner and child poverty has been concentrated in single adult families. Similarly, the majority of the rise in poverty among childless adults has been among single people.



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

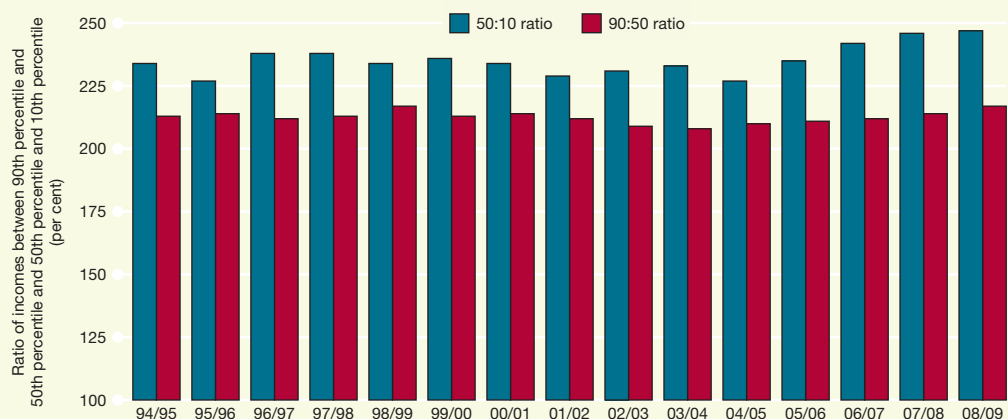
The first graph shows the proportion of people in low-income households. The results are shown separately for children, pensioners and working-age adults with and without children.

The second graph shows the change in the number of people in low-income households between the 3-year averages for 1996/97–1998/99 and 2006/07–2008/09. The result is shown by type of person (children, pensioners and working-age adults with or without dependent children) and family type (single adult or couple).

Income is disposable household income after deducting housing costs. All data is equalised (adjusted) to account for differences in household size and composition.

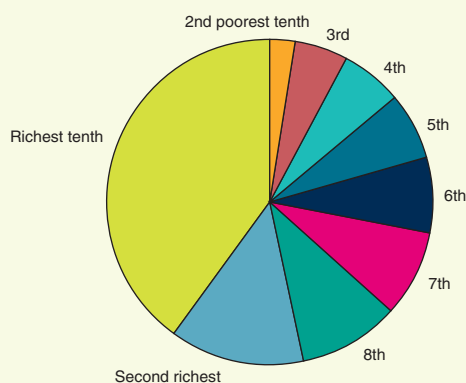
The data relates to Great Britain for the years 1994/95 to 2001/02 as Northern Ireland was not included in the survey for these years, and to the UK thereafter.

3A: While the gap between those at the top of the income distribution and those in the middle has grown slowly in recent years, the gap between the middle and the bottom has grown much more quickly.



Source: DWP Households Below Average Income (from Institute for Fiscal Studies); the data is for Great Britain to 2002/03, and for the UK thereafter

3B: Four-fifths of the total increase in incomes over the last decade has gone to those with above-average incomes and two-fifths has gone to those in the richest tenth.



Source: DWP Households Below Average Income (from www.poverty.org.uk); the data is the difference in real incomes between 1998/99 and 2008/09; Great Britain

For each year since 1994/95, the first graph shows: (i) the 50:10 ratio (that is, the income of the median household divided by that of a household one-tenth of the way from the bottom of the income distribution) and (ii) the 90:50 ratio (that is, the income of the household one-tenth of the way from the top of the income distribution divided by that of the median household).

Each of these ratios is a measure of the degree of income inequality, respectively in the lower and upper halves of the income distribution. In a world of complete income equality, both would be equal to 1. In both cases, the higher the ratio, the greater the degree of inequality.

The second graph shows the shares of the total change in real incomes between 1998/99 and 2008/09 and by each income decile (tenth of the population in income order). The pie chart does not show the slice for the poorest tenth as its share in the growth in real income has been negative.

Income is disposable household income after deducting housing costs. All data is equivalised (adjusted) to account for differences in household size and composition.

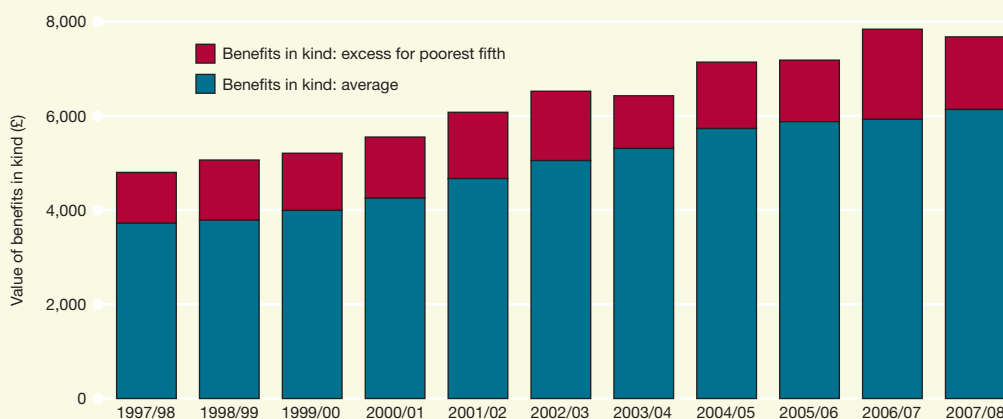
While the ratios shown in the first graph are standard measures of inequality, the fact that several million people belong to households with incomes above the 90th percentile means that conclusions drawn from the graph take no account of the 'super-rich'.

The second graph is suggestive as to why this omission is likely to be important – the richest tenth account for a disproportionate amount of the growth in wealth in the last decade.

The social wage

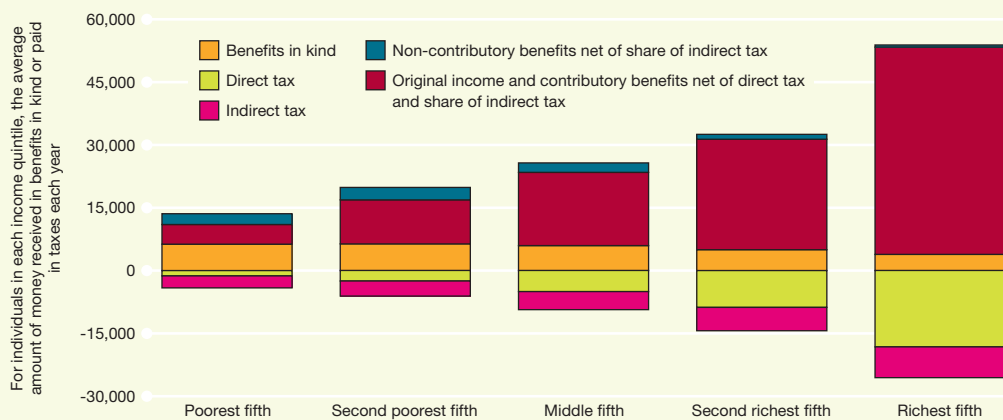
Indicator 4

4A: Although 'benefits in kind' through public services are higher for those in the poorest fifth than for others, they have not received a disproportionate share of the growth in such provision over the past decade.



Source: Expenditure and Food Survey; this data is for the UK

4B: Even those in the poorest fifth pay more in taxes than they receive in non-contributory social security benefits.



Source: Expenditure and Food Survey, 2008/09, UK

For each year since 1997/98 to 2007/08, the first graph shows: (i) the value of 'benefits in kind' for a household in the middle fifth of the income distribution and (ii) the additional value of such benefits for a household in the poorest fifth.

The second graph shows for the year 2008/09 (i) benefits in kind and (ii) gross income for the average household in each fifth of the income distribution. This total is reflected in the full length of each bar (i.e. both above and below the £0 line). Direct and indirect taxes are shown below the line while the various categories of net income are shown above it.

Though data for 2008/09 is available, it is not comparable to previous years due to a change in methodology, and hence is not shown in the first graph.

All series have been adjusted to 2007/08 prices using the deflator for household final consumption expenditure.

In calculating net income, direct taxes have been deducted from 'original income' (chiefly income from employment, self-employment, investment and occupational pensions) plus social security benefits due as a result of National Insurance contributions (including the state retirement pension). Indirect taxes have been deducted proportionately from this and from non-contributory social security benefits (including universal – e.g. Child Benefit, needs-based – e.g. Disability Living Allowance, and means-tested – e.g. Income Support).

'Benefits in kind' comprise various categories of public expenditure on services, of which more than 90 per cent is accounted for by spending on health and education. 'Post tax income' includes all forms of income (including social security benefits) less both direct and indirect taxes. For further information, see Office for National Statistics (ONS), *The effect of taxes and benefits on household income, 2007/08* available at www.statistics.gov.uk/pdffdir/taxbhi0709.pdf.

Child poverty

Choice of indicators

The first indicator monitors the progress on the various child poverty targets set out by the Child Poverty Act. The Act imposes a duty on government and local authorities with respect to four child poverty targets. In line with the Act, and in contrast to every other low-income statistic in this report, income here is measured *before* housing costs (BHC) have been deducted.

The first graph shows two of the measures that are currently best defined, namely (i) the proportion of children living below 60 per cent of median income in that year (the current year measure); (ii) the proportion of children living below 70 per cent of the median income in 1998/99, this being our proxy for the official target of 60 per cent of median income in 2010/11 (the fixed-year measure). The reason we choose this proxy is that 1998/99 was previously used as the fixed-year comparison, and we take 70 per cent of this level to allow for rising average incomes between 1999 and 2010.

The supporting graph compares the child poverty rate in the UK, on the same basis, with the rate in the EU member nations. The reason for showing this is that it was the very high rate of child poverty relative to the EU which was one of the main reasons cited for action in the late 1990s.

The second indicator looks at in-work poverty. Work is frequently cited as the best route out of poverty, but this indicator shows up the limitations in that argument. The first graph shows the number of children living in poverty, split between 'in-work' and 'out-of-work' families from 1979 onwards. The second graph shows the risk of being in poverty for different families by their work status.

The third indicator in this section assesses the effectiveness of tax credits, the most important policy response to the problem of alleviating in-work poverty. We look both at how effective they have been, and how specifically they have been targeted. For this analysis, we consider only those families receiving more than the basic family element of the tax credits.

The final indicator shows how much the means-tested benefits for different groups, including children, are worth. The rising levels of child and pensioner benefits relative to those of working-age adults explain some of the patterns we observe earlier in the chapter – notably the fall in pensioner poverty and the falling number of children in low-income, workless households.

5 The child poverty targets

- In 2008/09, the BHC child poverty rate fell by 1 per cent compared to the previous year, to 22 per cent. This was the first time this rate had fallen for five years, though it was still higher than its lowest point in 2004/05. It was 4 per cent lower than a decade earlier.
- In order to meet the new 2020 target for child poverty of less than 10 per cent of children living in a low-income household, this child poverty rate needs to fall at an average of 1.2 per cent a year from now on, higher than the 0.8 per cent annual average fall actually seen during the years from 1998/99 to 2004/05, itself a period of relatively sustained reduction.

- The supporting child poverty measure (using a fixed low-income target) fell from 36 per cent in 1998/99 to 22 per cent in 2008/09, the lowest since 1998/99. To reach the corresponding target by 2020, this rate needs to fall at an annual average of 1.5 per cent from now on.
- In 2008 the UK BHC child poverty rate was the sixth highest among all EU countries, ahead of many new and less wealthy members like Lithuania and Slovenia. Only two of the pre-2004 15 members, Italy and Spain, had a rate higher than UK.

Until 2004/05, the progress on child poverty had been quite steady. During this period, the child poverty rate fell from 26 per cent to 21 per cent, about three-quarters of that required to meet the then target of a reduction of one-quarter by 2004/05. However after that point, child poverty rose to 23 per cent in 2007/08, and notwithstanding the fall in the latest year, the progress is just one-third of what would be required to reach the now abandoned target of halving child poverty by 2010.

6 In-work child poverty

- In 2008/09, the number of children living in poverty where at least one adult was working was 2.1 million. It was at its highest level since the start of the series in 1979 and almost half a million higher than its most recent low point in 2003/04. All the progress in reducing in-work poverty since 1998/99, the previous peak, had been wiped out by 2008/09.
- Children in working families have accounted for more than half of the children living in poverty for the past five years. The share of in-work poverty has never been so high for such an extended period of time.
- By contrast, the number of children in poverty in workless families in 2008/09 was lower than at any time since 1985. Having fallen by 130,000 in a year, it stood at 1.6 million in 2008/09. It was down by almost a million since its high point in the early 1990s.
- In the last 30 years, the only period when both the in-work and out-of-work poverty statistics were falling was from 1998/99 to 2003/04. The increases in child poverty since 2004/05 until at least 2007/08 were entirely due to the rise in in-work poverty.
- In the three most recent years, the risk of poverty was highest for adults and children living in workless households with 70 per cent of people in such households being in low income. On the other hand, at 5 per cent, the risk was lowest for those living in full working households. It varied from 25 per cent to 35 per cent for part-working families – those where either one adult works and one does not or the only paid work carried out is part-time.

What these figures demonstrate is that while paid work will reduce the risk of poverty, it is not in itself enough to eliminate the risk altogether. The only family types where the risk of poverty is low enough to meet the 2020 child poverty target are those where all the adults work. Even then, however, in the most recent statistics there were still 370,000 children in low-income households where all the adults were working.

7 Tax credits

- In 2008/09, 1.1 million children living in working families in Great Britain were lifted out of poverty due to tax credits above the family element, the highest for a decade. More than 90,000 children were lifted out compared to the previous three years and around 500,000 more children when compared to the early years of the decade.
- Along with those being lifted out of poverty, the number of children receiving tax credits but still being in poverty has also risen steadily over the decade, to reach 1.3 million in 2008/09.
- At 3.3 million, the total number of children in working families needing tax credits (i.e. they live in a low-income family or would do so if not for the tax credits) was also the highest over the decade in 2008/09. In the early part of the decade the comparable number was 2.5 million.
- The number of children being lifted out of poverty made up only a quarter (or 1.1 million) of all children in working families who were getting tax credits in the UK in the last three years. A third (around 1.4 million) of children receiving tax credits were still in poverty, despite the tax credit money received, whereas about half (or 2 million) would not be in poverty even without that money.

Given the depth of the recession, it is worth noting that child poverty did not worsen during the recession, indeed it fell slightly as indicated by graphs 2A and 5A (child poverty data for 2008/09 covered four out of the six recessionary quarters from April 2008 to September 2009). The changes implemented by the government in the Child Tax Credit and Child Benefit in April 2008/09, increasing the combined amount by £5 a week, were instrumental in staving off a worse outcome.

8 The value of benefits

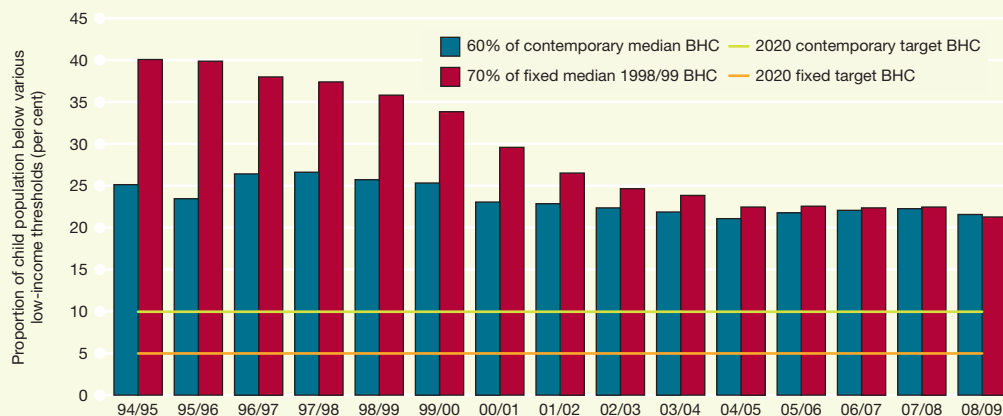
- The maximum amount of benefits received for two children (through Child Benefit and Child Tax Credit) was £132.50 per week from April 2010. A pensioner couple could receive up to £202 a week in Pension Credit, whereas the amount of Income Support or Jobseeker's Allowance payable for a working-age couple was £103 per week.
- Over the past decade, the value of benefits for pensioner couples has always been higher than that for children or working-age adults and has increased at a faster pace. Compared to ten years ago the cash value of benefits for pensioners in 2010 is two-thirds higher.
- Until 2001, the value of working-age benefits exceeded that of benefits for children, the difference between the two being £15 (in favour of adults) a decade ago. However since then the position has reversed. By 2010, an adult couple received £30 less than two children.
- The value of benefits for children has grown steadily since 1998, and at a much faster rate than that for working-age adults, aided by the big increases in Child Tax Credit and Child Benefit. The cash value of benefits for children had more than doubled in the last ten years, whereas it increased by only one-quarter for adults, in line with inflation.

- If the value of means-tested social security benefits for different groups was expressed as a percentage of the 2008/09 poverty line (60 per cent of net median income AHC), it would be 53 per cent for a single working adult aged 25 or over, and between 80 and 85 per cent for a couple with two children or a lone parent with two children under 14. It was around 96 per cent for a pensioner couple. So only a pensioner couple on means-tested benefits would be close to the poverty line; all others would fall far short.
- Expressed as a percentage of the Minimum Income Standard (MIS), the value of means-tested benefits was 41 per cent for a single working adult aged 25 or over and 60 per cent for a couple with two children and a similar value for a lone parent with one child. For a pensioner couple it was 99 per cent of the MIS. Again, only the value of benefits for pensioners is sufficient to reach this level.

The child poverty targets

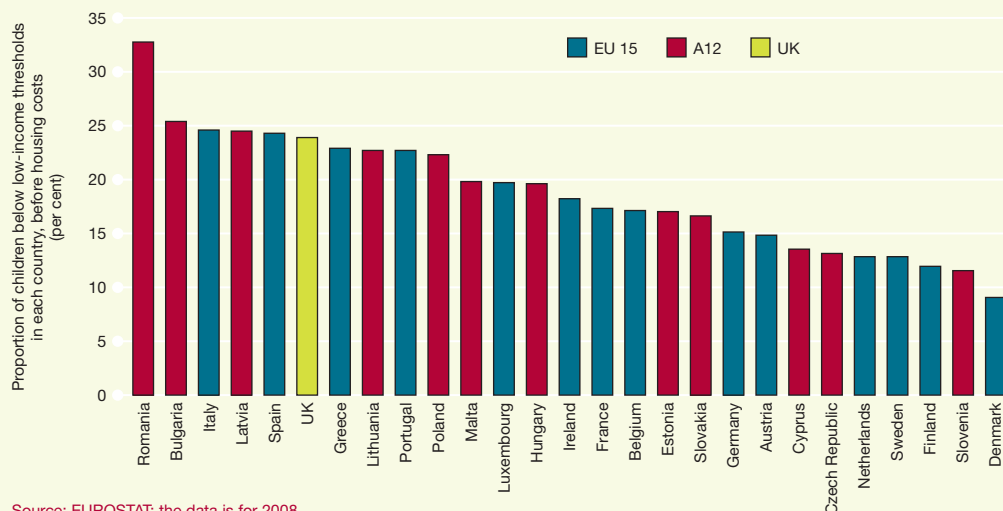
Indicator 5

5A: Almost no progress has been made since 2005 towards either the contemporary or fixed child poverty targets.



Source: DWP HBAI (from Institute for Fiscal Studies)

5B: In 2008, child poverty in the UK was higher than anywhere in the EU 15 except Spain and Italy.



Source: EUROSTAT; the data is for 2008

The first graph shows the proportions of children in households with incomes before housing costs (BHC) (i) below 60 per cent of same-year ('contemporary') relative median income and ii) below 70 per cent of ('fixed') median income in 1998/99 (adjusted only for inflation). The graph also shows two targets for contemporary and fixed low income in 2020, as set out in the 2009 Child Poverty Act.

The second graph shows the proportion of under 18-year-olds in households in relative income poverty in the 27 member countries of the European Union. This is measured on a before housing costs basis.

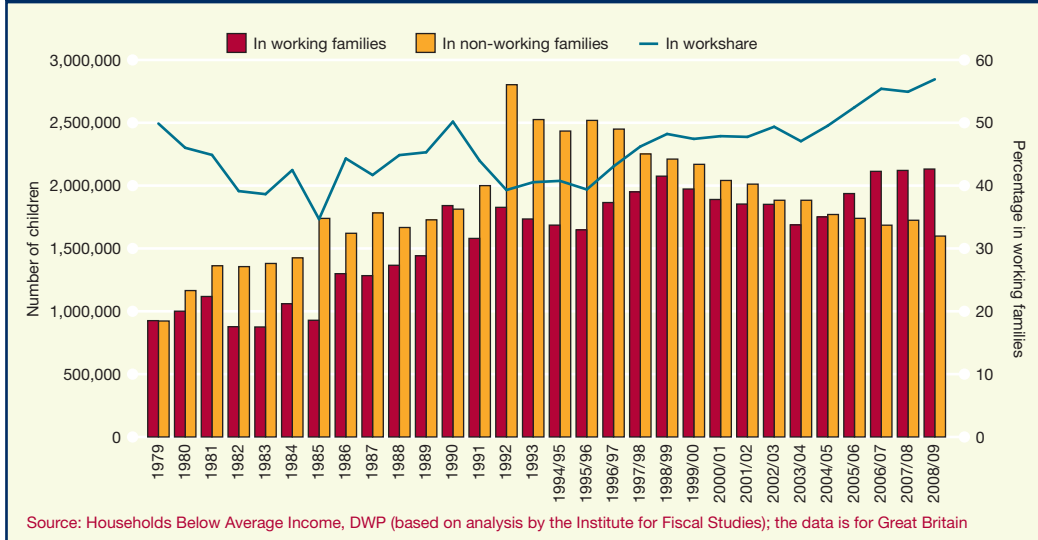
The 2020 'fixed' target is set out in the Child Poverty Act in relation to 60 per cent of median income in 2010/11. 70 per cent of median income in 1998/99 is therefore used here as a convenient proxy, as the value of the median in 2010/11 is of course unknown, and a fixed threshold based in 1998/99 has long been part of both the DWP and this report's monitoring of poverty levels. We use 70 per cent rather than 60 per cent as incomes will have grown in the years from 1999 to 2010.

Households in relative poverty are defined as those with an income of less than 60 per cent of the median net income before housing costs are deducted. Income is equalised to account for different sizes of households.

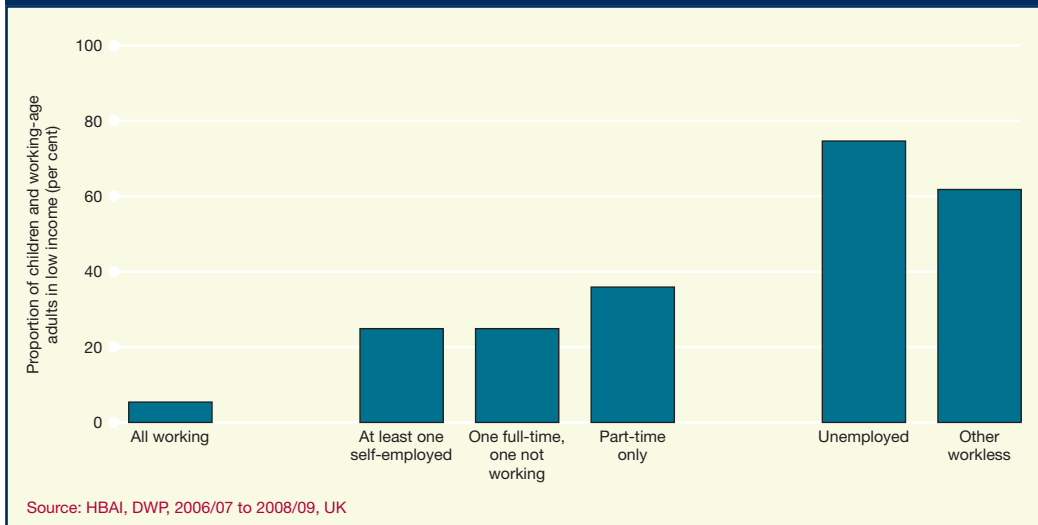
In-work child poverty

Indicator 6

6A: The lack of progress on child poverty since the middle of the decade is due to sharply rising numbers of children in low-income families where at least one adult works.



6B: The only families where the risk of poverty is small are those where all the adults are working.



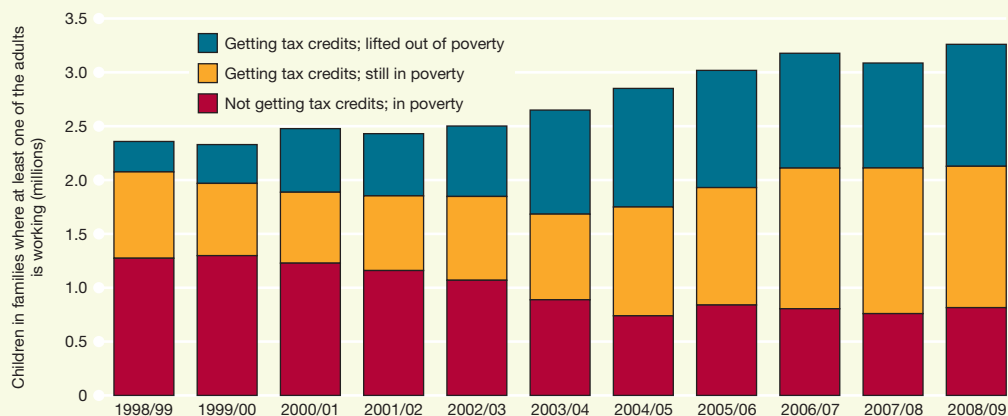
For each year since 1979, the first graph shows the numbers of children in households with incomes below 60 per cent of same-year median income divided between (i) those in families where at least one adult is working and (ii) those in families where no adult is working. The graph also shows those in working families as a proportion of all such children (right-hand axis).

The second graph shows the proportion of people (adults and children) in working-age families who are in poverty. The results are shown separately according to the family's work status.

Before 1994/95, the data for the first graph was sourced from the Family Expenditure Survey, at that time a much smaller (and less robust) survey than the post 1994/95 Family Resources Survey which underlies the modern Households Below Average Income. As a result, caution should be exercised in drawing conclusions about individual years before 1994/95, or on year-on-year fluctuations.

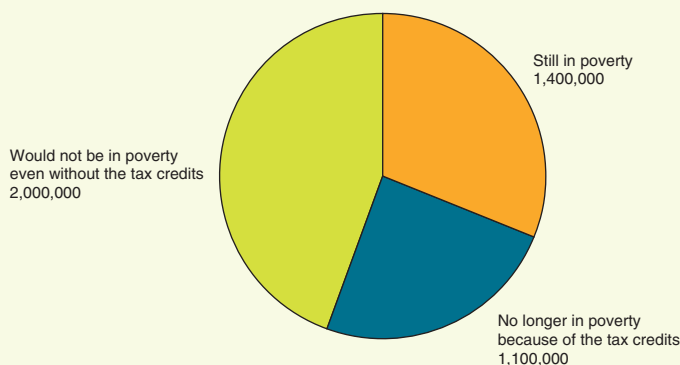
All-working families are those where at least one adult works full-time and a second adult (in a couple family) works at least part-time. A working-age family is any single adult or couple, with or without dependent children, where someone is working or where no-one is aged 60 or over. A family is in poverty when its equivalised household income is below 60 per cent of median household income in the year in question.

7A: Tax credits now take around 1 million children in working families out of poverty – but 1 million more children need this support than a decade ago.



Source: DWP Households Below Average Income; the data is for Great Britain (updated Sept 2010)

7B: Only a quarter of the children in working families in receipt of tax credits are no longer in poverty because of the tax credit monies received.



Source: DWP Households Below Average Income; the data is the average for 2006/07 to 2008/09 for the UK (updated September 2010)

The first graph provides an analysis of the number of children in working families where, excluding tax credits (and their predecessors), the household is in poverty. For each year, it shows the number of children in three categories: not in receipt of tax credits; in receipt of tax credits (over and above the family element) but still in poverty; and in receipt of tax credits and, as a result, no longer in poverty.

The second graph provides, for the latest year, an analysis of the children in working families in receipt of tax credits over and above the family element. The first two categories – those who are still in poverty and those who, as a result of tax credits, are no longer in poverty – are the same as in the first graph. The third category is children whose household would not be in poverty even without tax credits.

For this analysis, we only consider those families who receive more than the family element of the child tax credit (CTC). This element is paid to each family that is entitled to CTC, regardless of the number of children or young people in the family and was £545 a year in 2009, roughly equal to £10.50 a week.

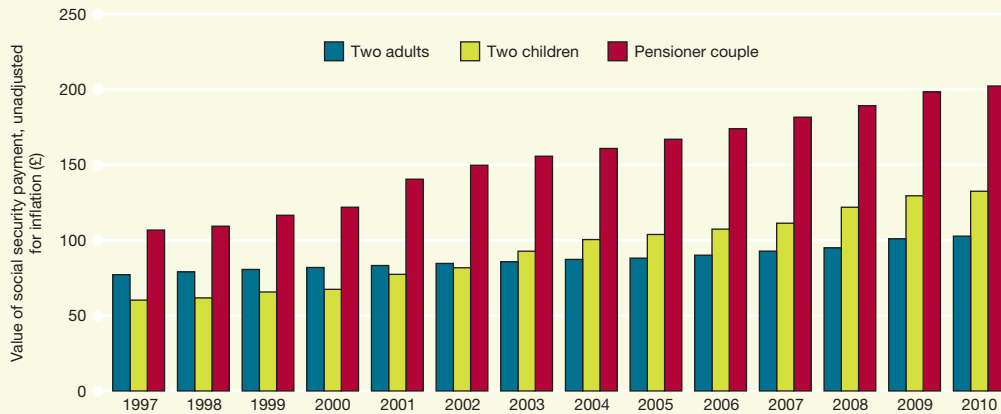
The definition of poverty used in both graphs is 60 per cent of median income after housing costs. A working family is any single adult or couple with dependent children, where at least one adult is working or where no-one is aged 60 or over.

The results shown here require much more analysis of the underlying *Households Below Average Income* data than any of the other poverty graphs. Repeated analysis over several years suggests the results are robust. Nevertheless, the extensive changes in the system from year-to-year make the data somewhat difficult to interpret.

The value of benefits

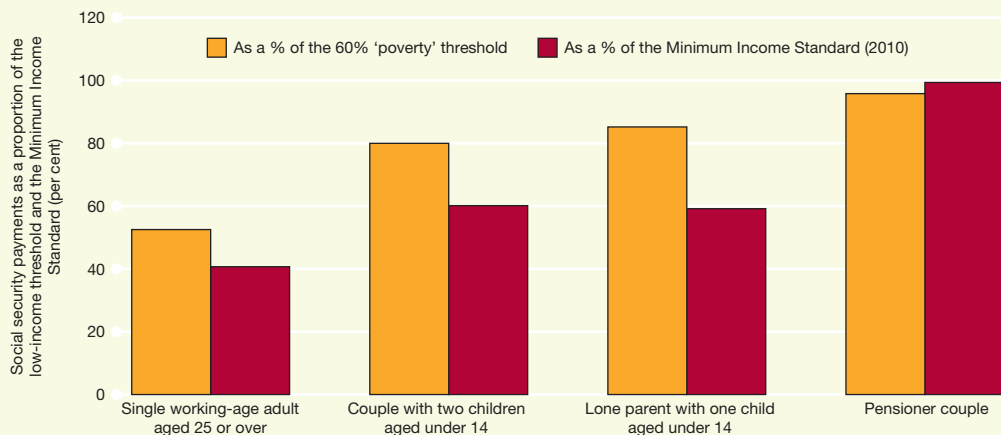
Indicator 8

8A: The steady rise in the value of Child Benefit and Tax Credits means that the social security payable for two children is now markedly higher than that for two working-age adults.



Source: Department for Work and Pensions and predecessors, from Institute for Fiscal Studies; the data is for the UK

8B: Social security for a single working-age adult is worth only 41 per cent of the Minimum Income Standard whereas that for a pensioner couple is worth almost 100 per cent.



Source: DWP Households Below Average Income, 2008/09; Institute for Fiscal Studies; A Minimum Income Standard for the UK in 2010, JRF; the data is for the UK

The first graph shows, for the April of each year since 1997, the weekly value of Income Support or its equivalent for: (i) a working-age couple; (ii) two children aged 11 to 15; and (iii) the value of Pension Credit guarantee for a pensioner couple. The winter fuel allowance is not included as a social security payment.

The second graph compares for each of four family types the value of social security in April 2010 with: (i) the 2008/09 low-income threshold (60 per cent of median income after housing costs) but adjusted so as to be before water charges are deducted; and (ii) the 2010 Minimum Income Standard (MIS) calculated by Loughborough University.

In the second graph, the adjustment for water charges (which increases the median income of a couple with no children by approximately £5 a week) is to make this measure more properly comparable with Social Security benefits. The MIS used for comparison itself includes the cost of water charges, but not council tax, rent or childcare. They were calculated using the online Minimum Income Calculator. In the cases of families with children, they were assumed for the calculation to be of primary school age.

The low income threshold used in the second graph refers to 2008/09, whereas the benefit levels refer to April 2010. We therefore assume no increase in the low income threshold between 2008/09 and 2009/10.

Chapter 2 The recession

Unemployment and worklessness **40**

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Unemployment and worklessness

Choice of indicators

The first half of this chapter looks at a variety of statistics related to the labour market. The first indicator looks at a broad measure of underemployment. This includes unemployment, as normally defined, but also covers those wanting work but not actively seeking employment and those working part-time but wanting a full-time job. The reason for taking a broad view is that it gives a better picture of the overall effects in the UK labour market of the declining demand for labour that marked the recession.

The next pair of indicators looks at unemployment more specifically. One indicator looks at unemployment by age and gender. The next looks at the industries that unemployed people had previously been working in. In so doing, we can track the distributional effects of the rise in unemployment. We know from previous recessions (and as discussed in previous editions of this report) that different age groups and industries are differentially affected by rising unemployment.

We then have two indicators on Jobseeker's Allowance (JSA). The first looks at the number of recipients at a point in time, and then estimates how many people in total have claimed JSA since the start of the recession. This is an important point often lost in the media discussion of 'the claimant count'; that any, often small, difference in the numbers claiming from one month to the next is essentially the difference between a large number of people signing on and a large number of people signing off.

Finally, we analyse those signing on and off JSA by occupation. The reason for doing this is that both the number of people signing on to JSA and the destinations of people leaving JSA differ noticeably by occupation. Again, these distributional effects deserve discussion.

9 Underemployment

- Averaged across the first six months of 2010, around 5.9 million people in the UK were either officially unemployed, students wanting work, other economically inactive wanting work, or employed in part-time work but wanting full-time. This figure is at its highest since 1993.
- Of these, 2.4 million people were officially unemployed under the ILO measure. This is, in itself, the highest since 1994, but not notably higher than 2009.
- 2004 marks the low point both for the underemployment measure and for unemployment. In 2004, around 4 million people were underemployed, including 1.4 million officially unemployed.
- The number of students wanting work in 2010 was around 560,000, up from 330,000 at its 2004 low point. By contrast, in 2010, there were some 1.8 million people who were not students and were otherwise economically inactive but wanted to work, a figure unchanged since 2004.

- In the 18 months to mid-2010 there were significant rises in the number of people working part-time but wanting full-time work. This figure is now 1.1 million, rising from 700,000 in 2008.
- Around 600,000 of those in part-time work wanting full-time work are women, and 450,000 are men. There are, though, far more women working part-time than men, so as a proportion, men working part-time work are more likely to want full-time work than women are.
- Around 700,000 men and 750,000 women work on temporary contracts. Around half of each want permanent positions.
- Since 2004, the underemployment measure has risen by half, a slower rate than ILO unemployment, which has increased by around two-thirds. This is because the number of people economically inactive but wanting paid work, included in the underemployment measure, is, at 1.8 million, no higher than it was six years ago.

10 International Labour Organization (ILO) unemployment by age and gender

- The unemployment rate – that is, the unemployed as a proportion of those who are in work or unemployed – for 16- to 24-year-olds was 20 per cent in the first half of 2010. Slightly higher than the previous year, this rate is the highest in the 17 years of the series. The unemployment rate for the rest of the population was around 6 per cent, itself the highest since 1996.
- In 1993, the unemployment rate among young adults was, at around 16 per cent, twice the rate of the rest of the population. Now it is three times as high. This gap has been increasing for some time – young adult unemployment was rising in 2002, while the rate was still falling among the rest of the population. In fact, in 2006, the young adult unemployment rate was three-and-a-half times as high as that of the rest of the population.
- Since the start of the recession the increase in the number unemployed has been greater among the over 25s. By mid-2010, there were 590,000 more people unemployed aged over 25 than there were in mid-2008, an increase of around two-thirds. For younger adults, the increase was around one-third (230,000).
- Over the same period, male unemployment had risen faster than female unemployment – up by around three-fifths compared with two-fifths.

It is worth acknowledging the role of demography in the statistics above, most notably those for young adult unemployment. By 2009, there were 1.1 million more 15- to 24-year-olds in the UK than there were a decade earlier. All else being equal, this is bound to increase competition for apprenticeships, training courses, entry-level jobs, and the rate of unemployment among this group.

11 ILO unemployment by sector

- Over the last five years, the unemployment rate among skilled and other manual workers has been consistently higher than for other workers. Moreover, it increased most sharply with the onset of recession, rising from 6 per cent in the second half of 2007 to 10 per cent by 2009.
- In comparison, the rate of unemployment among administrators and retail workers rose from 4 per cent to 6 per cent and among professionals and managers from 2 per cent to 3 per cent. This means that even during the recession, professionals and managers were less likely to be unemployed than manual workers were even before the recession began.
- Of all those unemployed in the year to mid-2010, two-fifths were previously working in skilled or other manual trades. Around one-quarter had never previously worked.
- Three-fifths of those unemployed in the year to mid-2010 were men.

The vast majority of those unemployed who have never previously worked are aged under 25. The second graph shows some 550,000 unemployed people who have never had a job or place on a scheme, and more than 450,000 of these are aged under 25.

12 Jobseeker's Allowance (JSA) stocks and flows

- By mid-2010, the number of people claiming JSA was around 1.4 million, down by 120,000 compared to the same time six months earlier. However, the number of people who had been claiming for more than six months was still rising, and was at 580,000 by June 2010.
- Proportionately, the growth in long-term claimants has been greater than short-term claimants. At its lowest in the second half of 2007, the number of people who had been claiming JSA for more than six months was 240,000. It has increased by 150 per cent since then. The number of short-term claimants rose from 550,000 to 1.1 million from trough to peak, an increase of 100 per cent.
- Given that there were 1.56 million claimants in total at the end of 2009 and 580,000 who had been claiming for more than 6 months by mid-2010, we can infer that there were 990,000 people claiming JSA at the end of 2009 who were no longer claiming by mid-2010. This turnover is well over half of the stock of claimants.
- The second graph looks at the cumulative effect of these flows. 820,000 people were claiming JSA when the recession began in the second quarter of 2008. In the next two years, some 2 million people claimed JSA who had never claimed before. 1.5 million people who had claimed before the start of the recession made a new claim in this period. So in total, around 4.2 million people claimed JSA (in at least one period) during the two years following the start of the recession.

The second graph shows numbers of people, not numbers of claims. Some people will have made two or more claims for JSA in the period, having moved off the benefit into work and then back onto JSA. In the first quarter of 2010, around 45 per cent of 'new' JSA claimants had been claiming previously within the last six months.

13 JSA flows and occupations

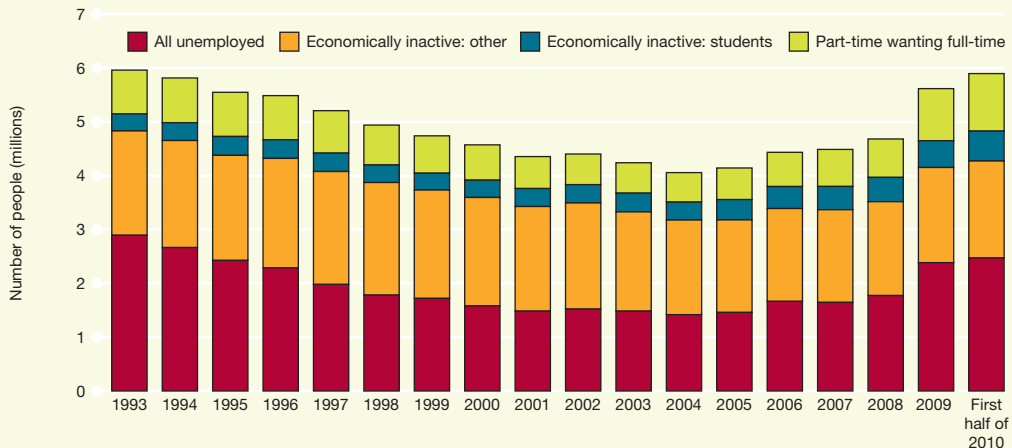
- The number of people making new claims for Jobseeker's Allowance rose for all professional groups in 2008 and 2009. For all groups it fell back slightly in the first half of 2010.
- In terms of numbers, the largest rise came in the manual and skilled group, from 650,000 new claims in the second half of 2007 to more than 1.1 million claims in the first half of 2009, a rise of around two-thirds.
- Proportionally, however, the rise among professionals and managers was greatest. The number of new claims from this group more than doubled between 2007 and 2009, rising from 160,000 to 370,000.
- Around 50 per cent of managers and professionals leaving JSA, do so because they have found work. This proportion is higher than for those working in retail and administration or skilled and manual trades (35 per cent each).

It is unclear what happens to people when they leave JSA. Many people leaving – around 1.5 million people in the graph above – were recorded as 'failed to sign' or 'unknown'. Unusually, the data source, Nomis, suggests that many of these people had found work – but the basis for this suggestion (which is not to be found within the published statistics themselves) is wholly unclear, as is what is meant by the word 'many'. Even then, the second graph shows that in the year to mid-2010, some 500,000 other claimants left JSA for 'other' undefined reasons.

Underemployment

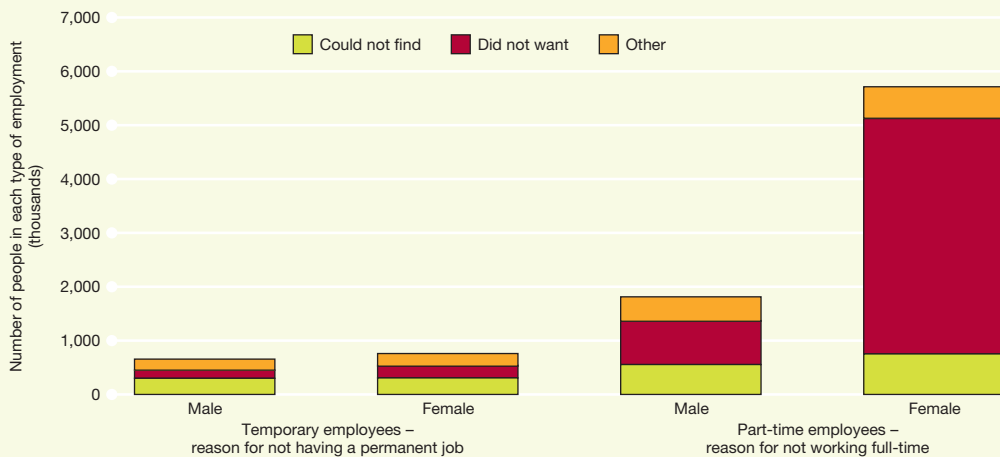
Indicator 9

9A: Averaging 5.9 million across the first half of 2010, underemployment in the UK was back to the level last seen in 1993 – and up almost 2 million since its low point in 2004.



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

9B: Some 250,000 men and women work on temporary contracts and want permanent work. Around 600,000 women and 450,000 men are in part-time work but want full-time work.



Source: Labour Market Statistics, Historical Supplement, ONS; UK; the data is for Q3 2009 to Q2 2010

The first graph shows, since the start of the data series in 1993, the number of people aged 16 and over who are either workless (i.e. unemployed or inactive people wanting but lacking paid work) or underemployed (i.e. those who work part-time because they could not find a full-time job). The lacking but wanting numbers have been further split by reason for inactivity.

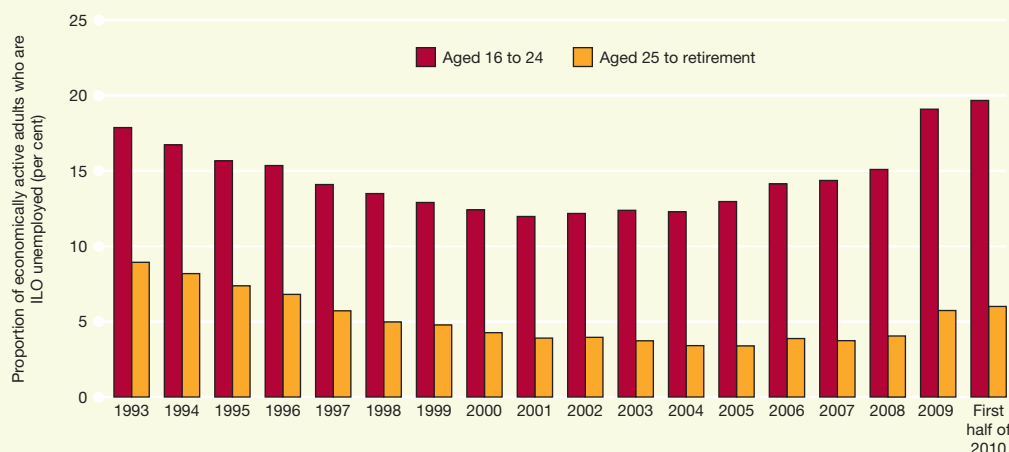
The second graph, for the year to mid-2010, shows employees on temporary contracts and part-time employees only. The data is split by gender. Those on temporary contracts are broken down by the reason why they are not working on a permanent contract (could not find, do not want and other). Those working part-time are divided by the reason why they are not working full-time (similarly, could not find, do not want and other).

In the first graph, unemployed 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 economically inactive who want paid work includes people (between the ages of 16 to 64) not available to start work for some time and those not actively seeking work.

International Labour Organization (ILO) unemployment by age and gender

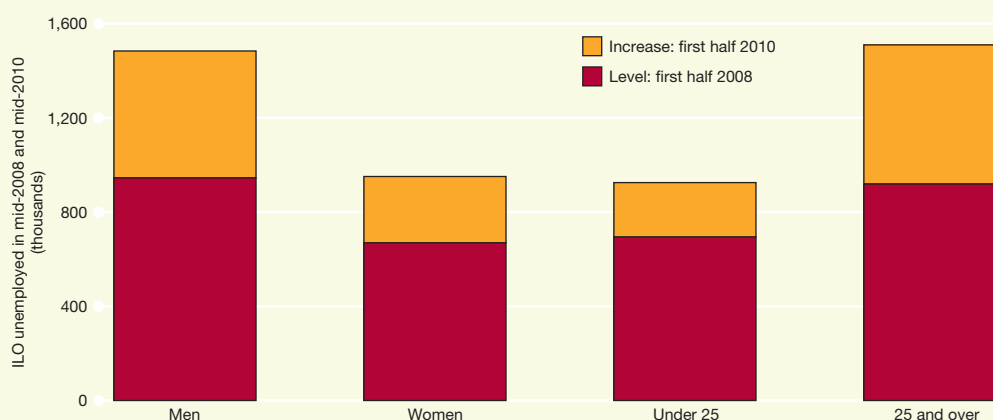
Indicator 10

10A: Averaging 20 per cent in the first half of 2010, the unemployment rate for 16 to 24-year-olds is the highest for the series and is more than three times the rate for older workers.



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

10B: The increase in unemployment has been greater among men than women.



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

The first graph shows the unemployment rate for those aged 16 to 24, compared with those aged 25 and over (up to retirement). The second graph compares the number of people unemployed in the first half of 2008 with the increase in the number between then and the first half of 2010. The results are broken down first between men and women and second between those aged under 25 and those aged 25 and over.

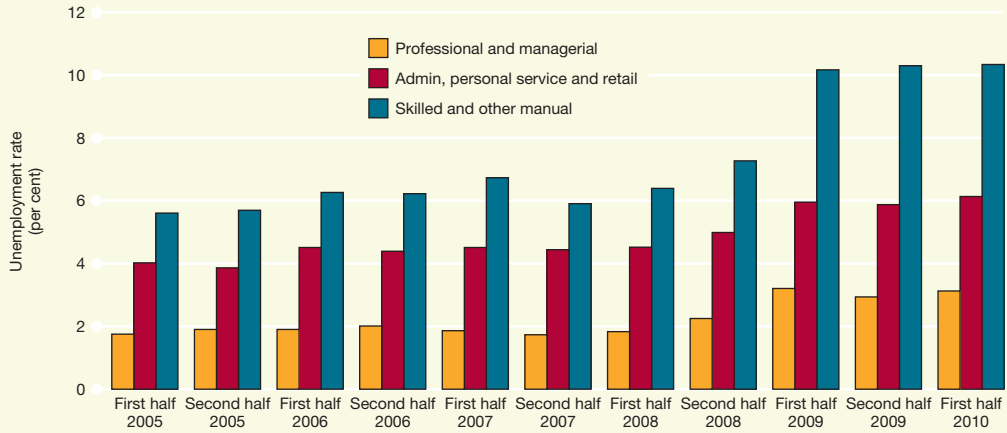
'Unemployment' is the ILO definition, which is used for the official government unemployment numbers. It comprises all those with no paid work in the survey week who were available to start work in the next fortnight and who either looked for work in the last month or were waiting to start a job already 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).

(ILO) unemployment by sector

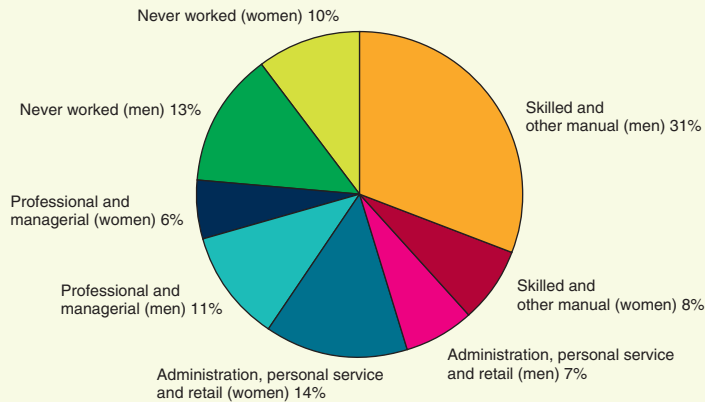
Indicator 11

11A: Since 2007, the unemployment rate has risen more for skilled and other manual workers than for other occupations.



Source: Labour Force Survey; UK

11B: Two-fifths of the 2.3 million who were unemployed between mid-2009 and mid-2010 had previously worked in manual trades. Around one-quarter had never previously worked.



Source: Labour Force Survey; UK; the data is for the four quarters to Q2 2010

The first graph shows, for each of three occupation groups, the unemployment rate of working-age adults. This is calculated by taking the number who are currently unemployed whose last job was in the relevant occupation – the unemployed – and dividing it by the sum of the number of people currently employed in that occupation and the number unemployed.

The second graph shows the total unemployed population, broken down by previous occupation, namely: professional and managerial; administration, personal service and retail; and skilled and other manual. We also show those who had not previously worked. Results are further divided between men and women.

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).

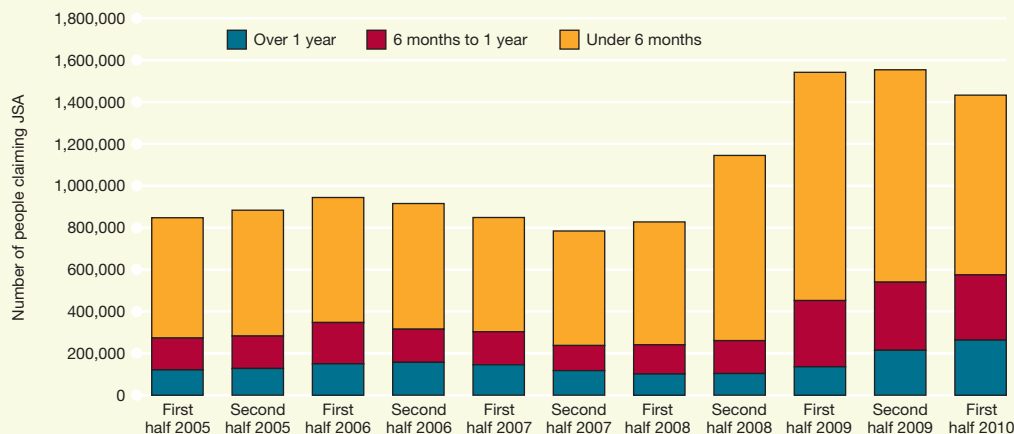
The three occupational groups are built up from the nine major occupation groups used in the official statistics, namely: professional and managers (groups 1 to 3); administration, personal service and retail (groups 4, 6, and 7); and skilled and other manual (groups 5, 8 and 9).

We define the working-age population as men aged 16–64 and women aged 16–59. The Office for National Statistics has recently moved away from this definition, in recognition of the increase in the retirement age for women. This is a change we will reflect in a future analysis.

Jobseeker's allowance (JSA) stocks and flows

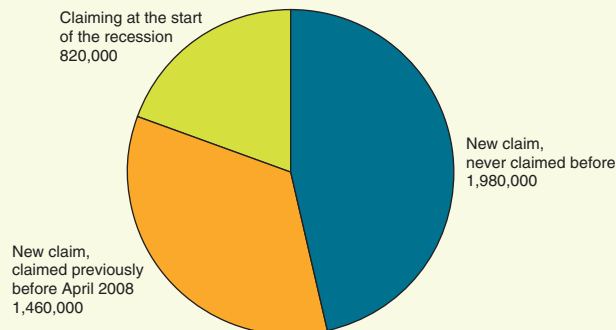
Indicator 12

12A: While the total number of JSA claimants was falling by mid-2010, the number claiming for 6 months and longer was still rising.



Source: Claimant Count Statistics from NOMIS; the data is for Great Britain

12B: Around 4.2 million people claimed JSA at some point in the two years from the beginning of the recession. Around half had never previously claimed.



Source: JUVOS cohort data from Labour Market Statistics, ONS, and claimant count data from NOMIS; the graph covers the period from April 2008 to April 2010

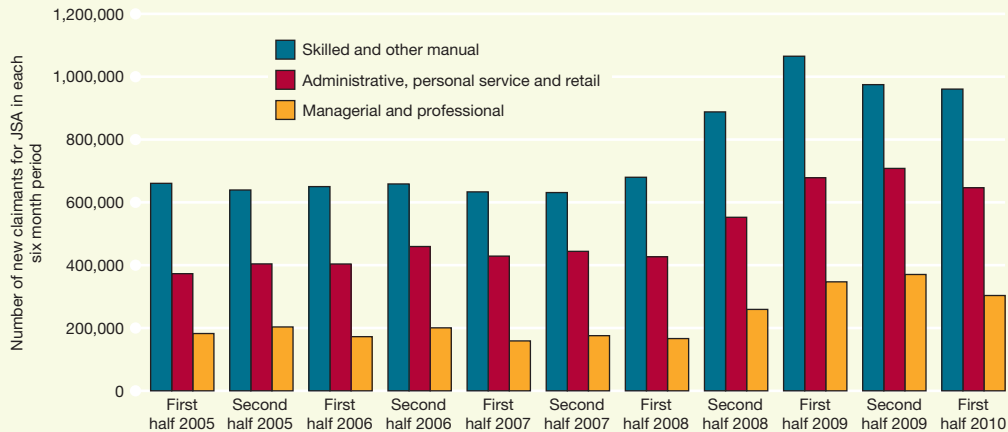
The first graph shows the number of people claiming JSA at six-month intervals from 2005 to mid-2010. The data is split between those who have been claiming for under six months and those claiming for a longer period.

The second graph shows the total number of people who claimed JSA, from the start of the recession in the second quarter of 2008 until the end of the first quarter in 2010. This figure is composed of three distinct elements: the first group are those already claiming at March 2008, the end of the first quarter of that year; the second group are those who made a new claim for JSA between the second quarter of 2008 and the first quarter of 2010 having never claimed JSA before; the third group are those who made a new claim between the second quarter of 2008 and the first quarter of 2010, having claimed in the past but whose previous claim had ended by the time the recession began. Given the way the data on intervals between claims is presented, we have made some assumptions on whether a previous claim ended before or after this point.

JSA flows and occupations

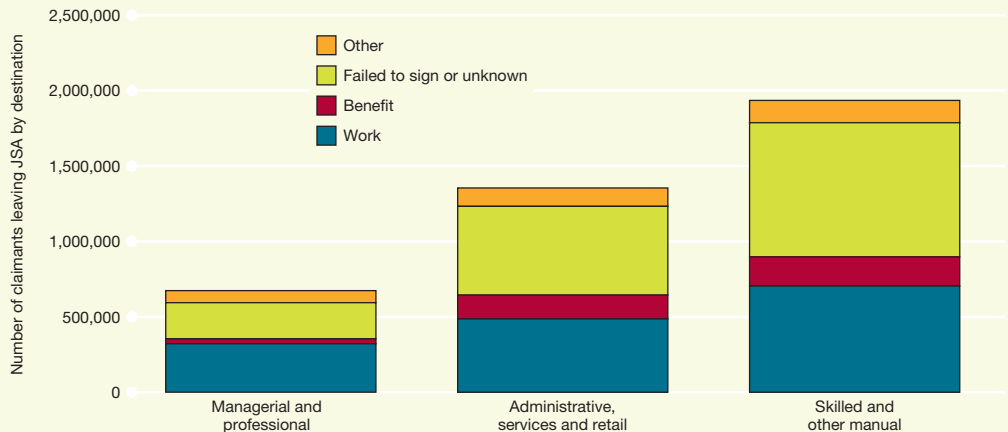
Indicator 13

13A: The rise in the number of JSA claimants from skilled and other manual trades during the recession was greater than for other occupations, but the largest proportionate rise was among managers and professionals.



Source: Claimant count data via NOMIS, UK

13B: A greater proportion of managers and professionals find work when leaving JSA. Regardless of the type of job sought, less than half of all people leaving JSA are known to have found work.



Source: NOMIS, the data is for mid-2009 to mid-2010

The first graph shows the total number of new claims for JSA in each six-month period with the results shown separately according to the claimant's sought occupation. The graph shows claims, not people. It is possible that someone can make a new claim for JSA, then find work, then claim again within six months, so a person may be counted twice in any particular bar in the graph.

The second graph shows the number of people ceasing to claim JSA in the year to mid-2010 with the results broken down first according to the claimant's sought occupation and second according to whether they are leaving JSA for (i) a job, (ii) for training or to transfer to another benefit, (iii) for failing to sign or 'unknown' reasons or (iv) moving abroad or other reasons (grouped together as 'other').

The three sought occupational groups are built up from the nine major occupation groups used in the official statistics, namely: professional and managers (groups 1 to 3); administration, personal and retail (groups 4, 6, and 7); and skilled and other manual (groups 5, 8 and 9).

Nomis, which publishes the statistics, points out that the number of people leaving JSA in the 'other' or 'failed to sign' categories has increased to 44 per cent of all people leaving JSA since they started producing the series. They assume that many people in this category have gone on to find work, but neither substantiate nor quantify this.

Debt

Choice of indicators

Debt is an area in which the availability of reliable and relevant data has recently increased. The reason for placing this analysis in the recession chapter is twofold. First, the indicators we look at here – notably those on repossessions and arrears – are likely to get worse as unemployment rises. Second, high levels of household and personal debt are intrinsically linked to the boom of the 2000s and the slump that followed.

The first indicator looks at housing debt, both for home-owners and renters. Repossessions are a clear indicator of hardship, and the huge growth in the number of claims for mortgage repossessions since 2004 makes the series even more worthy of attention. Repossession is not only an issue for home-owners, and the second graph in this indicator also includes repossessions by landlords of rented accommodation.

The next indicator looks at mortgage arrears and households with high mortgage costs. This takes us one step further back from repossession, but rising numbers of households in arrears, and the depth of those arrears indicate a problem.

Finally, we look at household problem debt – households behind with bills and levels of unsecured debt. Households in arrears with bills risk being cut off from essential services. Those with high levels of debt need to spend a large part of their income servicing these debts, leaving them with less disposable income for essentials.

14 Repossessions

- The number of mortgage repossessions made in the first half of 2010 was, at 19,000, the lowest since the first half of 2008. The number of court orders was, at 15,000, the lowest since 2005.
- The fall in both these statistics follow the introduction of the mortgage pre-action protocol. Last year, when reporting on this, we suggested that its introduction may merely have postponed repossessions for a short period of time. So far, that does not appear to have been the case.
- Landlord orders for repossession are far higher in London than elsewhere as a proportion of renting households. In the year to mid-2010, 16 renting households per 1,000 were issued with a repossession order, a rate almost twice as high as the South West.
- Mortgage repossession orders are, by comparison, less common in all regions. In London, the North East and the North West, the rates of repossession in the year to mid-2010 were around 10 per 1,000 mortgage-holding households. Region by region, the patterns are different for mortgage and landlord repossessions.

15 Mortgage arrears

- The number of loans newly falling into arrears peaked in the second half of 2008 at around 125,000. In the first half of 2010 the number of loans falling behind was 80,000.
- The stock of loans in arrears is still 50 per cent higher than it was in 2007, though falling. In the first half of 2010, some 260,000 loans were over 2.5 per cent in arrears.
- Nearly half of all mortgage-holders in the poorest fifth – around 400,000 households – devote more than 25 per cent of their post-tax income to mortgage interest payments. Some 210,000 of these devote more than 50 per cent of their post-tax income to mortgage interest.

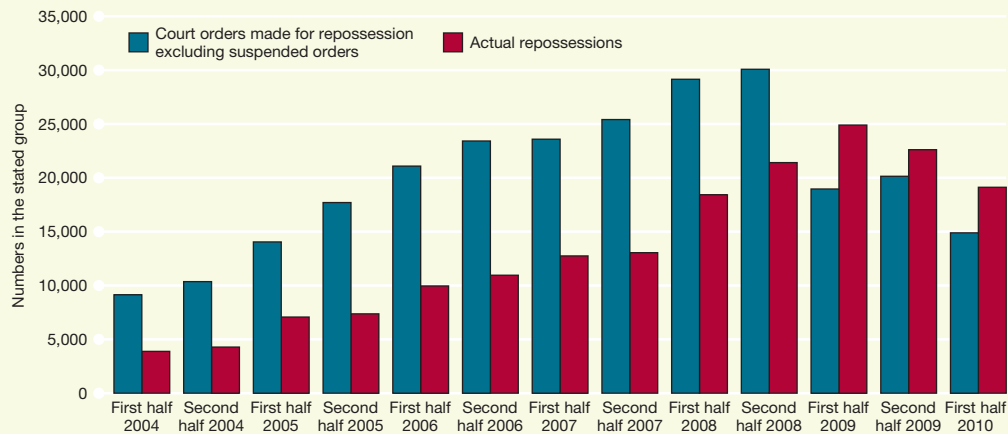
This indicator, combined with the previous one, suggests that the rising rates of arrears and mortgage repossessions have both peaked. One could attribute this to government policy – the new protocol on repossessions in the former, and the long period of low interest rates in the latter. What remains, though, are large numbers of households who spend significant proportions of their income on mortgage interest. A rise in interest rates, or a spike in unemployment, could see the number of repossessions and loans in arrears rise again.

16 Problem debt

- Of all household types, lone parent households are the most likely to be in arrears with bills. 18 per cent are in arrears with at least one of their utility, Council Tax or rent bills, and 8 per cent owe more than £500.
- Notably, all single adult households are more likely to be in arrears than couple households. Around 9 per cent of single adults are in arrears with bills, compared to only 3 per cent of couples without children.
- In contrast, pensioner households are least likely to be behind with their bills. Only 1 per cent of pensioner households are behind at all with any bill.
- 30 per cent of households in the bottom fifth by income have more than £1,000 in unsecured debt. 6 per cent owe more than £10,000 and 2 per cent more than £20,000.
- The amount of unsecured debt rises with income. 40 per cent of households in the second to bottom fifth have more than £1,000 in unsecured loans, as do 47 per cent in the middle quintile and 52 per cent in the top two quintiles.

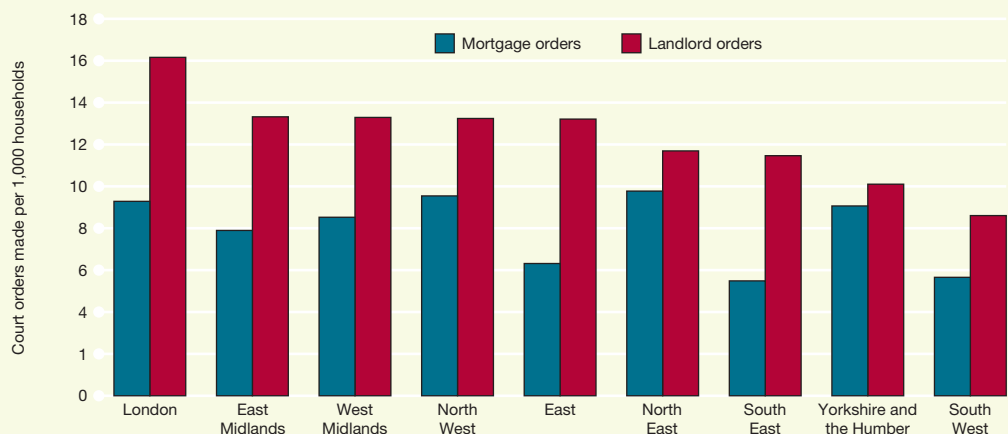
This is the first time in this series of reports that we have used this particular data source (the Wealth and Assets Survey). Other sources, notably the Family Resources Survey (FRS), also look at households with bills in arrears. While FRS also finds that lone parents are most likely to be in arrears with bills, it finds that other households with children are second most likely. The second graph in this indicator shows other single adult households are more likely to be in arrears than couples with children.

14A: Though actual mortgage repossessions have fallen since the first half of 2009, they are still five times the level of 2004.



Source: Ministry of Justice statistical bulletin, Mortgage and Landlord Possession Statistics; the data is for England and Wales

14B: Across England, court orders for repossession by landlords exceed orders for repossession by mortgage lenders.



Source: Mortgage and Landlord Possession Statistics, MoJ Statistical Bulletin, the data is for the four quarters to mid 2010

The first graph shows the number of mortgage repossessions for the first and second half of the year; and the number of court orders made for mortgage repossession during that period, excluding suspended orders.

The second graph shows the number of orders for repossession made in the county courts (including suspended orders) per 1,000 households in the relevant tenure in each of the English regions. Results are shown separately for orders made for mortgage repossession and orders made for landlord repossession (i.e. against owners and against tenants). Although landlords can register repossession claims against their tenants for a variety of reasons, the majority who begin a possession case do so because the tenants are in arrears. The denominator used to calculate the rate of mortgage orders is the number of households buying their home with a mortgage and to calculate rate of landlord orders is the number of households renting in each region.

Data for the second quarter of 2010 is based on provisional figures. Data for preceding years is based on revised data and replaces that provided in the previous MoJ bulletins.

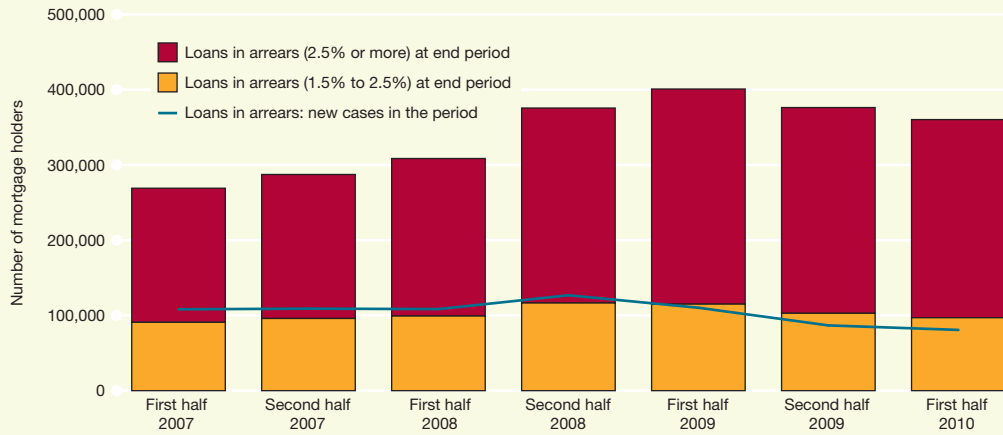
Over the recent period, just under half of all orders made have been suspended. 'Orders made', therefore do not correspond to repossessions. In addition, repossession can take place without a court process.

The sharp flattening off in court orders in 2009 in part reflects the introduction of a Mortgage Pre-Action Protocol in November 2008. It remains unclear how far this has genuinely reduced court actions as opposed to delaying them.

Mortgage arrears

Indicator 15

15A: Though the number of loans newly falling into arrears has declined, the number of loans deeply in arrears is still one-and-a-half times the level of 2007.



Source: Mortgage Lending and Arrears Return Statistics, Financial Services Authority; the data is for the UK

15B: Around half of all those with mortgages in the bottom fifth of the income distribution are devoting at least 25 per cent of their income after tax to mortgage interest.



Source: DWP Households Below Average Income; the data is for 2006/07 to 2008/09 for the UK

The first graph shows the number of mortgage loan accounts in arrears with the results shown separately for those loans: where arrears lie between 1.5 per cent and 2.5 per cent of the loan; and where the arrears exceed 2.5 per cent of the loan.

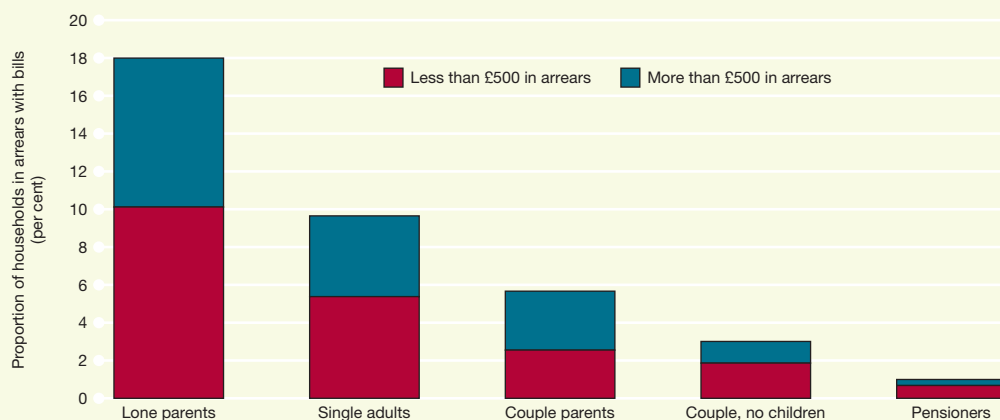
The second graph shows the proportion of households with mortgages whose mortgage interest repayments are: between 25 per cent and 50 per cent of their net household income; and more than 50 per cent of their income. Results are shown separately for each fifth of the income distribution.

As the Financial Services Authority (FSA) stresses, the number of loan accounts in arrears is not the same as the number of borrowers in arrears. The former includes first charge loans; second and subsequent charge loans (where the borrower takes an extra loan from another lender); and some further advance loans. These numbers are therefore on a different basis to, and materially higher than, those published by the Council of Mortgage Lenders (CML) on the number of first charge mortgages in arrears. 'Arrears in excess of 1.5 per cent' is also a lower threshold than used by the CML, another reason why the numbers in arrears will therefore be higher.

Net household income is equivalised (adjusted) income before housing costs are deducted.

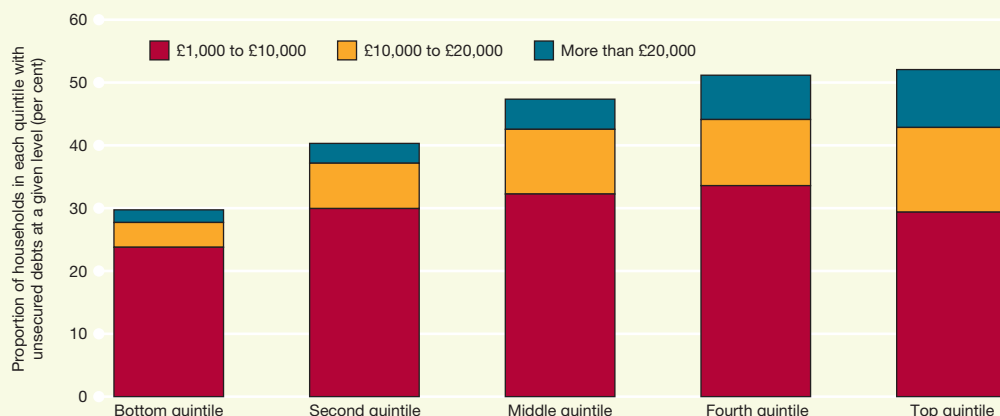
The choice of 25 per cent as the threshold for a 'high' mortgage repayment is based on a calculation with the following elements: the FSA's description of a mortgage to gross income multiple is 'high' if it exceeds 2.75 for a single or 3.5 for a couple; the average mortgage rate over the period in question (approximately 6 per cent); the ratio of net to gross income (approximately 70 per cent).

16A: Lone parents are more likely than other types of household to be behind with bill payments, with one in twelve having arrears of more than £500.



Source: Wealth and Assets Survey, 2006 to 2008; ONS, the data is for Great Britain

16B: A third of the households in the bottom quintile of income distribution have unsecured debts of more than £1,000.



Source: Wealth and Assets Survey, ONS; the data is for 2006 to 2008 for Great Britain

The first graph shows the proportion of households, by the household's composition, that are in arrears with bills. The result is split by the value of arrears.

The second graph shows the proportion of households that have outstanding unsecured debt for each quintile of income distribution. The result is split by the amount of debt outstanding.

Bills in arrears cover all utilities, Council Tax and rent, but not mortgage repayments.

Unsecured debt includes credit or store cards balances which are not paid off within the required period, authorised and unauthorised overdrafts and all forms of fixed-term loans (including personal loans, student loans, hire purchase agreements and mail order accounts). It excludes mortgage repayments and credit secured from unregulated sources like loan sharks.

Chapter 3 Child and young adult well-being

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Economic circumstances

Choice of indicators

Having considered low income in previous sections, this section analyses two more aspects of a child's economic well-being – living in a workless household ('worklessness') and material deprivation.

The first indicator looks at the number of children living in workless and part-working households (households containing both workless and working adults). In the efforts to tackle poverty, work has been given prime importance and moving workless households into work has been the priority route out of poverty. However, as shown by the in-work poverty graph in indicator 6, the number of children in low-income working families has grown steadily over the past few years. This indicator therefore allows us to analyse the trends in both workless and part-working households, over time and across the country.

The second indicator looks at material deprivation. The Child Poverty Act uses a combined low income and material deprivation index. The index is based on a set of questions asking households about 'everyday' items that they can and cannot afford. We use this information to highlight experiential aspects of being poor – what is it that households have to go without? Instead of measuring the material deprivation index itself, the graphs show its constituent items and measure deprivation for children and parents.

17 Children in workless and part-working households

- After a steady decline since 2003, the number of children in workless families rose in the second quarter of 2009 to reach 1.92 million. In the second quarter of 2010, the number fell slightly to 1.86 million, similar to the level in 2003.
- The number of children living in part-working households, that is households containing both working and non-working adults, has been rising since 2005. In the second quarter of 2010, 3.75 million children lived in such households.
- At 27 per cent, Inner London has the highest proportion of children living in workless households of all UK regions, more than two-and-a-half times as high as the region with the lowest proportion, the South East.
- Outer London has the highest proportion of children living in households with working and non-working adults (41 per cent) and a relatively high proportion of children in workless households (19 per cent). Overall, London has the highest proportion of children living in households where at least one adult does not work.

In the first quarter of 2010, the proportion of children living in households where all the adults worked fell to its lowest level (51.3 per cent) since at least 1998. But the proportion of children in fully working households has not even reached 55 per cent in the last decade – such households are not in any sense 'the norm'. Of course, some part-working households may have one very high earner, and a resultant high household income, but we include part-working households in the indicator because of the higher risk of poverty associated with them.

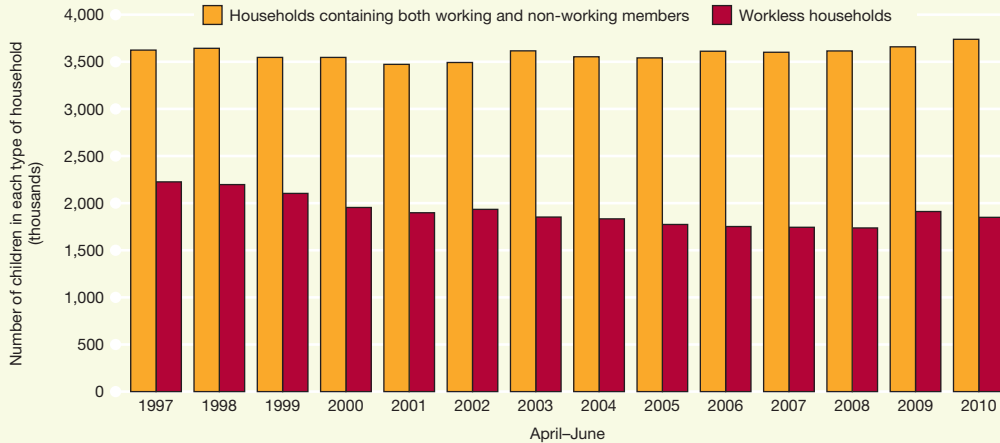
18 Children living in material deprivation

- More than half of children in low-income households (57 per cent) cannot afford to go on holidays away from home once a year. 27 per cent of children in low-income households live in overcrowded conditions because their families cannot afford more bedrooms.
- With the exception of holidays and living space, less than one-quarter of children living in low-income families lack any one particular essential item for reasons of cost.
- Around one in five children who are not in low-income households do not go on holiday because the family cannot afford it. So while holidays are considered to be the kind of thing that a 'normal' household can afford, large numbers cannot, even among households that are not classified as being in low income.
- In low-income households, parents tend to go without more essential everyday items than their children. More than half of parents in low-income households lack four or more essential items because they cannot afford them, as compared to only a tenth of children. Conversely, almost a third of children in low-income households lack no essentials, as compared to only a fifth of parents.

Among adults, the most common item that people could not afford was to put aside a small amount of money once a month. More than half of adults in low-income households could not afford to do this. This means that, even if low-income households can get by week-to-week, even a moderate financial 'shock' such as an appliance needing replacing or a sudden drop in income, would be very hard to manage. For the detailed statistics see The Poverty Site (www.poverty.org.uk/10/index.shtml)

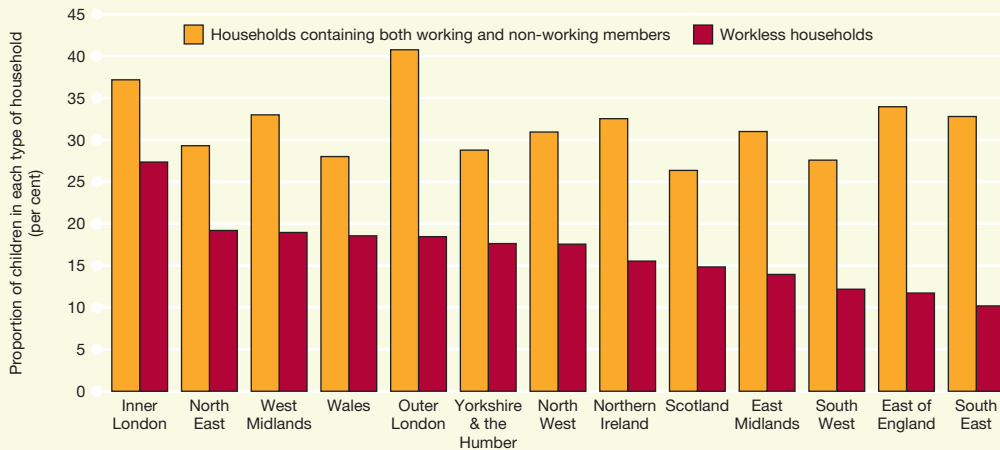
Children in workless and part-working households

17A: In the first half of 2010, the number of children in workless households fell slightly to 1.9 million. The number of children in households with working and non-working members is now 3.8 million.



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

17B: In both inner and outer London three-fifths of children live in a household with at least one non-working adult.



Source: Labour Market Statistics, ONS; the data is an average for the second quarter of each year from 2008-2010

The first graph shows the number of children living in working-age households; (i) where none of the adults is in paid work, i.e. a workless household; (ii) households containing both working and non-working members, where at least one adult is *not* working. The data relates to the second quarter of each calendar year from 1997 to 2009.

The second graph shows, in each UK country and each English region, and with London split between inner and outer, the proportion of children living in workless households and the proportion living in a household where at least one adult is not working.

A working-age household is one in which at least one of the people is aged 16 to 59-64. In line with ONS methods, children comprise all those under the age of 16 (i.e. not including people aged 16-18 in full-time education).

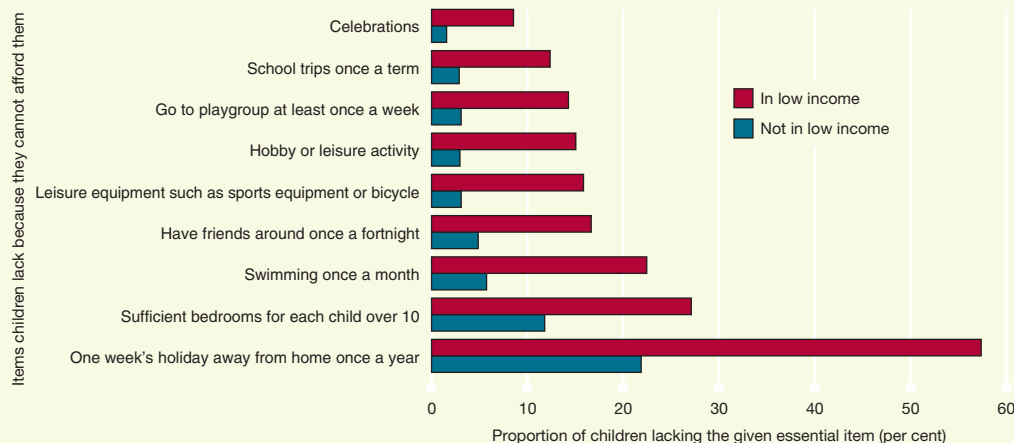
Children living in material deprivation

Child and young adult well-being

Economic circumstances

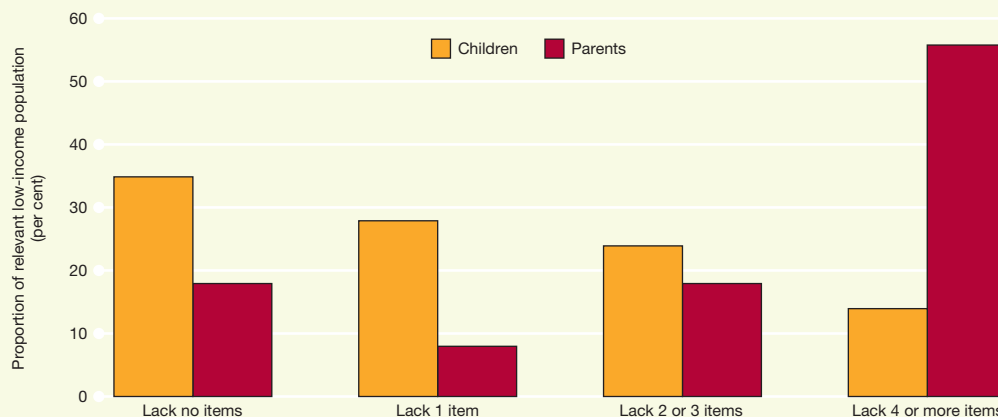
Indicator 18

18A: More than half of the children in poverty do not go on holidays because their families can't afford them.



Source: Family Resources Survey; the data is for 2006/07 to 2008/09 for the UK

18B: Children in poverty tend to lack fewer items for reasons of cost than their parents.



Source: Family Resources Survey; the data is for 2006/07 to 2008/09 for the UK

The first graph shows the proportion of children who 'do not have because they cannot afford' particular kinds of 'essential' items and activities. Results are shown separately for children in low-income households and for other children.

The second graph shows the proportion of children in low-income households who lack zero, one, two or three, or four or more 'essential' items because they cannot be afforded, broken down according to the number of essential items their parents lack (again on affordability grounds).

'Do not have because they cannot afford' means that the household lacks the item/activity due to hardship rather than choice.

'Essential' means that more than half the population consider the item/activity to be a necessity in contemporary society. 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*, Department for Work and Pensions. Working Paper Number 13, available at <http://research.dwp.gov.uk/asd/asd5/WP13.pdf>).

The definition of poverty used here is households with income of less than 60 per cent of median income after housing costs.

The adequacy of this indicator as a measure of deprivation is unclear. For one thing, the nature of response is quite subjective, with less than clear distinction between 'cannot afford' and 'do not need' and there is a possibility of reporting bias between these. Moreover, in 2008/09, around half of the adults in even the middle quintile of income distribution lacked at least one of the listed items and hence it is not obvious that these items can be considered as essential.

Education

Choice of indicators

The first two indicators in this section look at the educational attainment of 11-year-olds and 16-year-olds over time and by their eligibility for free school meals, the latter used as a proxy for low income. The ages are chosen because they represent important milestones in a child's education – age 11 being the age at which children enter secondary school and 16 being the end of compulsory education. In keeping with the overall pattern of this report, the indicators look at the worst outcomes, i.e. children not achieving what can broadly be described as 'minimum standards'.

The third indicator looks at the educational outcomes of looked-after children. Children in care and leaving care have much poorer outcomes than other children; they are a particularly disadvantaged group.

The final indicator looks at young adults who left school without obtaining any qualifications, attempting to map their educational progress after age 16. Here, it is not simply the lack of qualifications at age 16 that is important, but the ability to gain qualifications thereafter.

19 Educational attainment at age 11

- After a steady decline over the decade, the proportion of 11-year-olds not reaching Level 4 in English and maths at Key Stage 2 rose slightly in 2009. The proportion rose in 'deprived' as well as average schools.
- In 2009, 33 per cent of students in deprived schools and 20 per cent in schools on average did not achieve Level 4 in English, up from 30 per cent and 18 per cent respectively in 2008. However, this is still a third lower than the levels in 1998.
- The proportion not reaching Level 4 in maths increased by one percentage point to 31 per cent in deprived schools and remained steady at 21 per cent in schools on average. Again, these levels are lower than a decade ago, when they were 46 per cent and 31 per cent respectively. The attainment gap has closed somewhat in this period, from 15 per cent to 10 per cent.
- Irrespective of gender differences, 11-year-old pupils entitled to free school meals were twice as likely to not reach the basic standards in English and maths as others. 20 per cent of boys and 12 per cent of girls not eligible for free school meals did not achieve a Level 4 in English, compared to 40 per cent of boys and 30 per cent of girls eligible for free school meals.
- Similarly, around 18 per cent of pupils not eligible for free school meals do not achieve the required level in maths, compared to 35 per cent of those eligible for free school meals. Unlike in English, there is no gender difference in maths attainment at age 11, regardless of free school meal status.

We will have to wait at least one more year until we know if the rise in 2009 of the number of children not attaining Level 2 at Key Stage 4 is more than a blip. If so, this would represent quite a serious step backwards, as this proportion has been falling since at least the mid-1990s.

20 Educational attainment at age 16

- The number of 16-year-olds failing to achieve five or more GCSEs in 2009 fell for the fifth successive year and at 49,000 was at its lowest since the start of the series in 1995/96. It has fallen by a quarter since 1998/99.
- The number of pupils not getting any qualification also declined and was down from 35,000 a decade ago to 7,000 in 2009.
- 22 per cent of boys and 15 per cent of girls eligible for free school meals did not achieve five GCSEs, almost three times the proportion for boys and girls not eligible.

The definitions of what constitutes a GCSE equivalent have changed over the last decade, with an expansion of the types of qualification classed as such in 2004. As such, comparisons since 2004 are more reliable than comparisons with earlier years.

21 Looked-after children

- 32 per cent of looked-after children do not get any GCSEs and a further 24 per cent achieve fewer than five GCSEs. Though the proportion of looked-after children failing to get five or more GCSEs has been steadily falling, it is around seven times higher than that for children on average.
- At the age of 19, a majority of care-leavers, about two-thirds, are either in employment or in education. About 30 per cent of care-leavers are not in education, training or employment and a further 5 per cent are not in touch with services. The latter figure is much lower than it was five years ago and has been continuously falling. The proportion of those known not to be in education, employment or training (NEETs), has remained flat at around 30 per cent.

The reason for including this indicator is that outcomes for children leaving care are so obviously much poorer than for other children. While it should not be inferred that the care system itself is to blame, it is clear that this is a well-defined group with significant disadvantages. Care-leavers surely merit the high profile of, for instance, NEETs, a far less well-defined group (with whom they significantly overlap).

22 Lacking qualifications at age 19

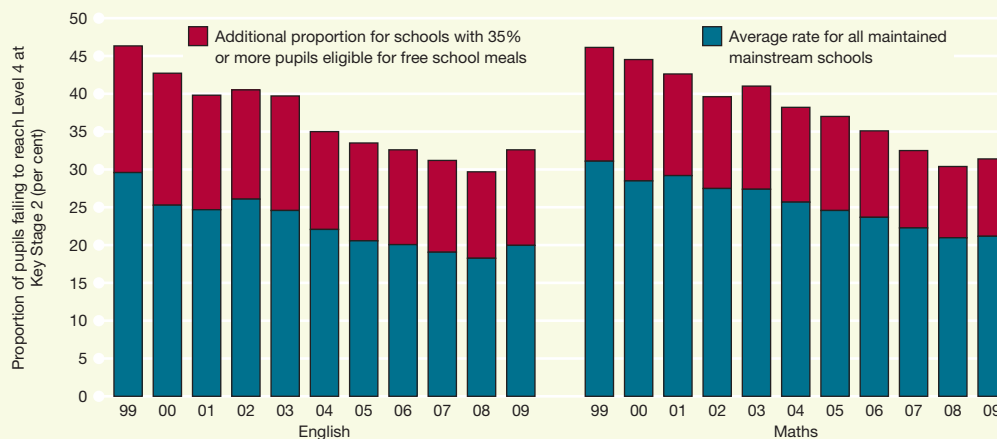
- On the Department for Education's measure, 22 per cent of 19-year-olds did not have any qualifications at Level 2 or above in 2009. This was both lower than the previous year and lower than any other year in the six-year series. On this measure, the proportion of 19-year-olds lacking qualifications at Level 2 or above has fallen by around one-third since 2004.
- On the Labour Force Survey (LFS) measure, the proportion of 19-year-olds with no qualifications at Level 2 or above in 2009 was 23 per cent, down from 26 per cent the previous year. The proportion with no qualifications at all fell to 6 per cent. These figures are the lowest in the series.
- Although half of young adults do not have a Level 2 qualification at the age of 16 this proportion reduces to around a fifth by the age of 21. However, most of the progress occurs by age 19, after which there is hardly any change in the qualifications acquired.

The fall in the DfE measure is certainly notable, but does follow improvements in GCSE attainment for that age group. The proportion of 16-year-olds not getting to Level 2 at GCSE fell by ten percentage points between 2001 and 2007, and it is this age group we follow in the second graph. While the DfE and LFS trends are very different, the fact that both series are now at their lowest points on record is worth remarking upon, all the more notable because the longer time series indicates no progress at all to the middle of the last decade.

Educational attainment at age 11

Indicator 19

19A: Substantial progress has been made in the literacy and numeracy of 11-year-olds – including those in schools with high levels of deprivation.



Source: DCSF Performance Tables (from www.poverty.org.uk); the data is for England

19B: 11-year-old pupils eligible for free school meals are around twice as likely not to achieve basic standards in literacy and numeracy as others.



Source: DCSF National Pupil Database (from www.poverty.org.uk); the data is for 2009 for England

The first graph compares the proportion of children failing to reach Level 4 at Key Stage 2 (11-years-old) in schools which have at least 35 per cent of pupils eligible for free school meals with that for all maintained mainstream schools. Results are shown separately for maths and English.

The second graph shows, for the latest year, how the proportion of children failing to achieve Level 4 at Key Stage 2 varies by the gender of the pupil and whether or not the pupil is eligible for free school meals.

Level 4 is the level that children are expected to reach in the Key Stage 2 tests taken in the final year of primary school (year 6).

The 35 per cent threshold is a level commonly used by the government itself when looking at examination results for schools with a high level of children with free school meals.

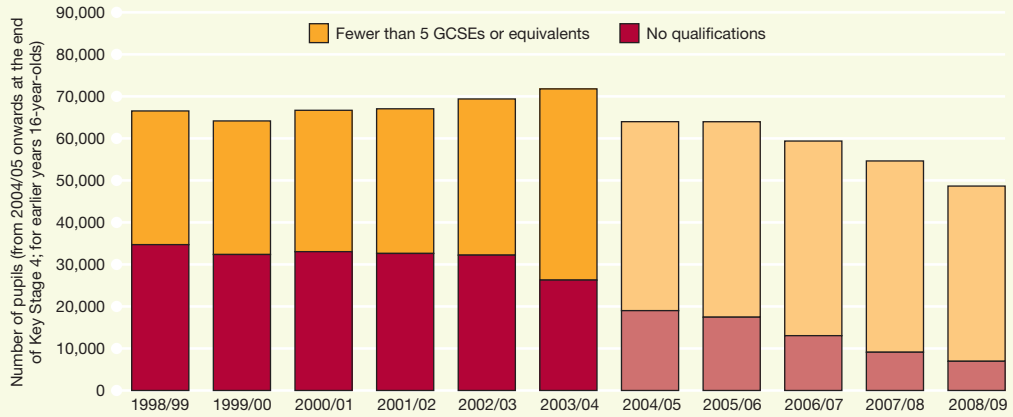
'Maintained mainstream schools' includes all local education authority schools except for special schools.

With eligibility for free school meals confined to children in workless households, the free school meal statistics is at best no more than a proxy for educational attainment of all children in low-income households (half of whom belong to working households).

Educational attainment at age 16

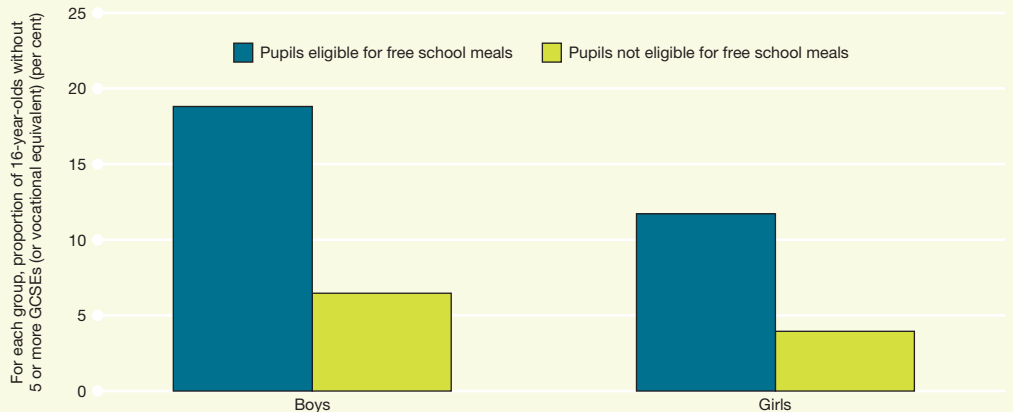
Indicator 20

20A: Although falling, 50,000 16-year-olds in England still obtain fewer than five GCSEs.



Source: DCSF statistical releases (from www.poverty.org.uk); the data is for England

20B: A fifth of all boys eligible for free school meals do not obtain five or more GCSEs.



Source: DCSF National Pupil Database (from www.poverty.org.uk); the data is for 2009, for England

The first graph shows the number of 16-year-old students failing to obtain five or more GCSEs (or vocational equivalent). The results are shown separately for those who obtain no GCSE grades at all (either because they do not enter for exams or achieve no passes) and those who get some GCSEs but fewer than five.

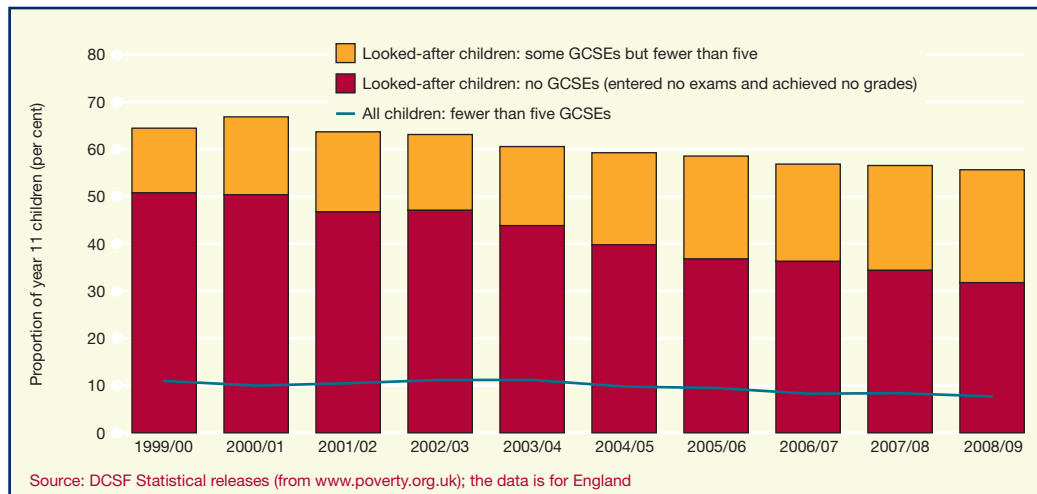
The second graph shows, for the latest year, how the proportion of students failing to achieve five or more GCSEs (or vocational equivalent) varies by gender and whether or not the pupil is eligible for free school meals.

The data covers all maintained schools and relates to pupils who were aged 15 at 31 August in the calendar year prior to sitting the exams.

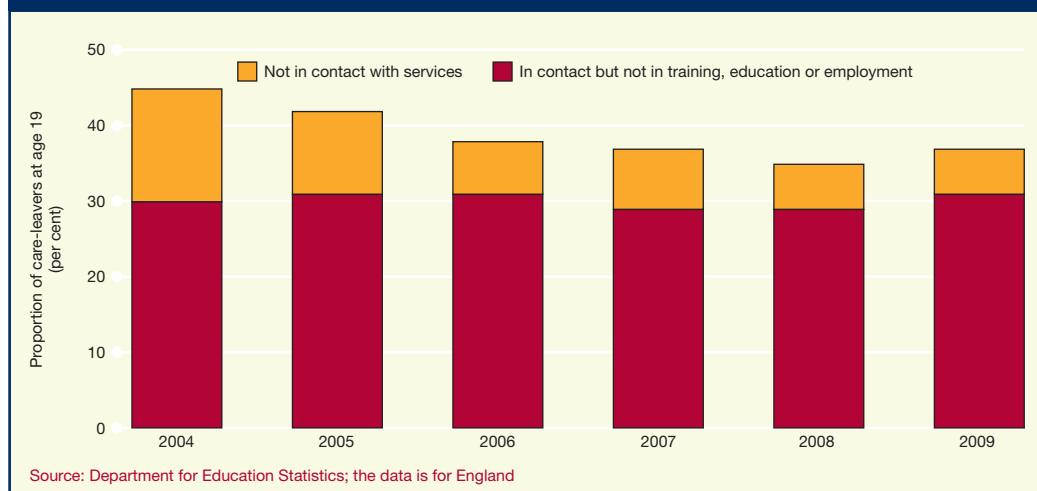
The scope of what was counted as an 'equivalent' in England was widened in 2003/04, while in 2004/05 the 'no GCSEs' threshold was changed to 'no qualifications' and appears to exclude 'entry level qualifications which do not contribute towards GCSE grade G thresholds'. Both changes may reduce the proportion considered to have no grades in those years and beyond and hence may make the data not directly comparable to previous years (reflected in the different colours).

Looked-after children

21A: A third of looked-after children still obtain no GCSEs and a further fifth obtain fewer than five GCSEs.



21B: The proportion of care-leavers not in contact with services has fallen in recent years, but around one-third are still not in education, employment or training.



The first graph shows the proportion of looked-after children who obtained fewer than five GCSEs, split between those who got some GCSEs and those who obtained no grades at all. By way of comparison, the figure for all children – the national average – is also shown.

The second graph shows the destinations of care-leavers at age 19. It shows the proportion of children in care at the age of 16 who, by the age of 19, were either not in education, employment or training or not in contact with Connexions services at all.

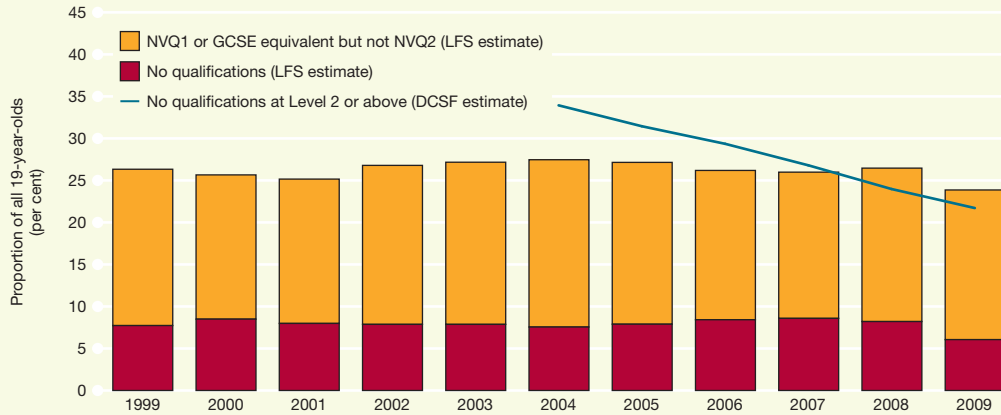
The term 'looked after' was introduced by the Children's Act 1989 and refers to children who are subject to care orders and those who are voluntarily accommodated.

The graph shows a decreasing number of care-leavers who lose touch with Connexions services but a steady proportion of those not in education, employment or training. We consider the two together, as it is most likely that those not in contact with Connexions are likewise not in education or work. So the overall decline should be seen as a definite improvement, even if the level is still very high.

Lacking qualifications at age 19

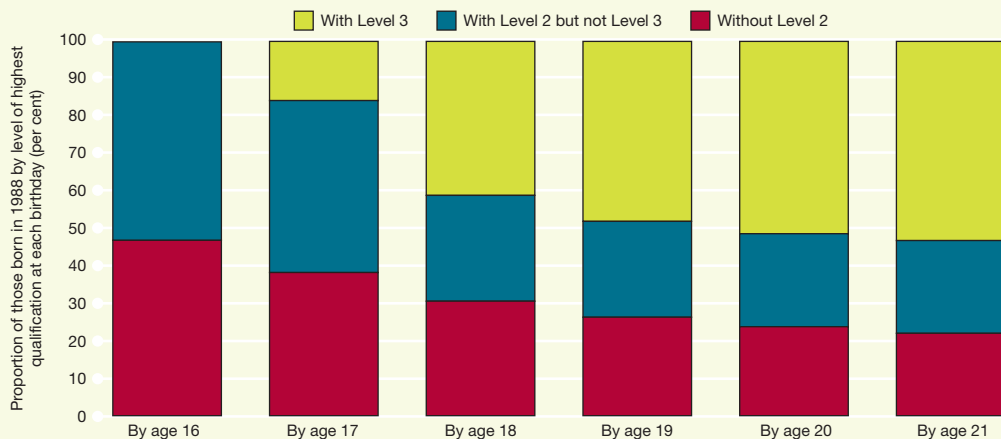
Indicator 22

22A: Around one in four 19-year-olds lack a basic level of qualification and one in fifteen have no qualifications at all.



Source: Labour Force Survey, ONS (UK data) and DCSF publication, based on matched administrative data (from www.poverty.org.uk); the data is for England

22B: Although a half of young adults do not obtain a Level 2 qualification at age 16, this proportion reduces to a fifth by age 21.



Source: DCSF publication based on matched administrative data (from www.poverty.org.uk); the data is for England

The first graph shows the proportion of 19-year-olds without a basic qualification, with the principal results (over the full time period) shown separately for those without NVQ2 or equivalent and those without any GCSEs at grade G or above, i.e. no qualifications. The graph also shows a separate estimate of the proportion without a basic qualification, from a different data source (available only from 2004) and for England only.

The second graph shows, for people born in 1988, the proportions who achieve certain educational levels at each age from 16 (in 2004) to 21 (in 2009). The educational levels shown are: below Level 2; Level 2 but not Level 3; and Level 3 or above.

In the first graph, Department for Children, Schools and Families (DCSF) equivalence scales have been applied to the Labour Force Survey (LFS) data to translate academic qualifications into their vocational equivalents.

Level 2 and Level 3 (shown in the second graph) are similar, but not quite identical, to NVQ2 (shown in the first graph) and NVQ3.

For the second graph, several data sources are matched together at an individual level, including the pupil level schools census database, awarding body data collected as part of the achievement and attainment tables exercise, National Information System for Vocational Qualifications (NISVQ) database and the Individualised Learner Record (ILR) database covering participation and qualifications.

The ages in the second graph are the ages the children reach in that school year.

The adequacy of this indicator is called into question by the inconsistency of the results from the two data sources in the first graph. In particular, the discrepancy in the trends makes it impossible to draw robust conclusions about the success of policy in this area.

Health

Choice of indicators

Poor health outcomes in early years are the consequence of low income and could inhibit the individual's future life chances. This section presents evidence on this link between low income and health disadvantages amongst children and young adults.

The first indicator shows the trends in low birth-weight babies over the last seven years, by social class of the father. The second indicator looks at mortality rates for infants under the age of one and how this has changed over time. Both of these indicators give a clear indication of early health inequalities.

The third indicator deals with the issue of under-age pregnancy, showing trends over time and by region. It is important to note that this indicator uses under-age pregnancy, i.e. conception by girls under the age of 16, and not teenage pregnancy as its measure. The implications of a girl getting pregnant before completing compulsory education are quite different from that of a young woman of 18 having a child.

23 Low birth-weight babies

- At 8 per cent in 2008, a slightly higher proportion of babies born to parents of manual social backgrounds had a low birth weight compared with 6.5 per cent for babies of parents from a non-manual background.
- The gap between the two classes has been narrowing due to slightly faster progress in reducing the proportion of low birth-weight babies from manual backgrounds. In 2008 the proportion of low birth-weight babies from manual classes was lower than a decade ago, but had remained quite steady for babies born to non-manual families.
- Low birth weight becomes a matter of concern because it seems to be closely associated to high infant mortality – two-thirds of all deaths among infants aged under a year were among those with a low birth weight of less than 2.5 kilograms.

24 Child and young adult deaths

- The infant mortality rate in 2008 was higher for infants in manual social classes – at 4.9 per 1000, as compared to that for infants in non-manual classes – 3.4 per 1000. Though the rates have consistently fallen and were down by almost a fifth in 2008 compared to a decade ago, the gap between the two groups has hardly closed.
- Until the age of 15, gender does not seem to make a big difference to mortality rates. However the death rate for men aged 15 to 24 is, at around 5 per 10,000, almost two-and-a-half times higher than that of women of the same age. The risks for men are higher across all categories, especially accidents and assaults.

Throughout the history of this series of reports, the rate of infant mortality has fallen consistently. While monitoring the steadily declining rates may not seem very interesting, what it means is that an upward turn in this trend would indicate a serious deterioration in outcomes.

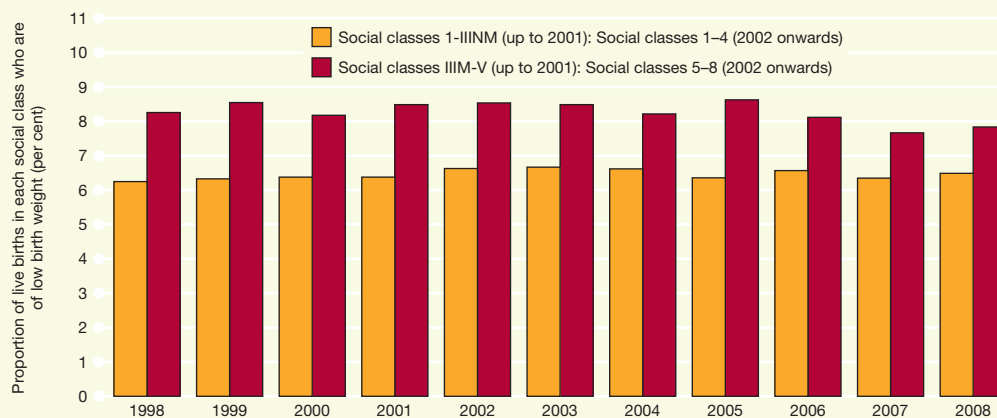
25 Under-age pregnancy

- At 8,300, the number of conceptions to girls aged under 16 in 2008 dropped by 600 from 2007. It is at a level similar to that in 2004, itself the year with the lowest recorded conceptions since 1998.
- The number of births to under-age girls in 2008 was, at 3,200, the lowest since 1998. Though the number of abortions was lower than in 2007, it was still higher than any year between 1998 and 2006.
- Regionally, the North East had the highest rate of conception, at 10.5 conceptions per 1,000 girls aged 13 to 15, followed by Yorkshire and Humber at 10 per 1,000. At 6 per 1,000, the rate was lowest in East of England.

In this indicator we show the time series of the *number* of conceptions, but showing it as a *rate* instead would not alter the conclusions. The trend in both numbers and rates of under-age pregnancy has been quite flat in the past ten years, despite the government's continued efforts in dealing with the issue. This possibly indicates the limited scope and influence that the state can have on such issues, which are linked as much to socio-cultural and behavioural factors as financial.

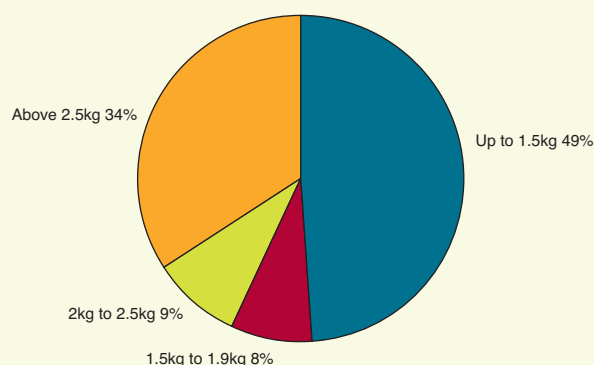
Low birth-weight babies

23A: Babies born to parents from manual social backgrounds continue to be somewhat more likely to have a low birth weight than those born to parents from non-manual social backgrounds.



Source: Child mortality statistics, ONS (from www.poverty.org.uk); the data is for England and Wales

23B: Two-thirds of all deaths among the newborn and infants are among those with a birth weight below 2.5kg.



Source: Live births, stillbirths and linked infant deaths; ONS cause groups and birth weight, ONS; the data is for 2006 to 2008 for England and Wales

The first graph shows the proportion of babies born each year who are defined as having a low birth weight, i.e. less than 2.5kg (5.5lbs). The proportions are shown separately for babies according to the social class of the father.

The second graph shows the proportion of newborn and infant deaths (including stillbirths), broken down by their birth weight.

The eight social class classifications (which were first introduced in 2002) range from 1 (higher managerial and professional) to 8 (never worked and long-term unemployed).

The data in the first graph is for live births only (i.e. it excludes stillbirths). It is based on a 10 per cent sample coded to father's occupation and excludes sole registrations by mothers.

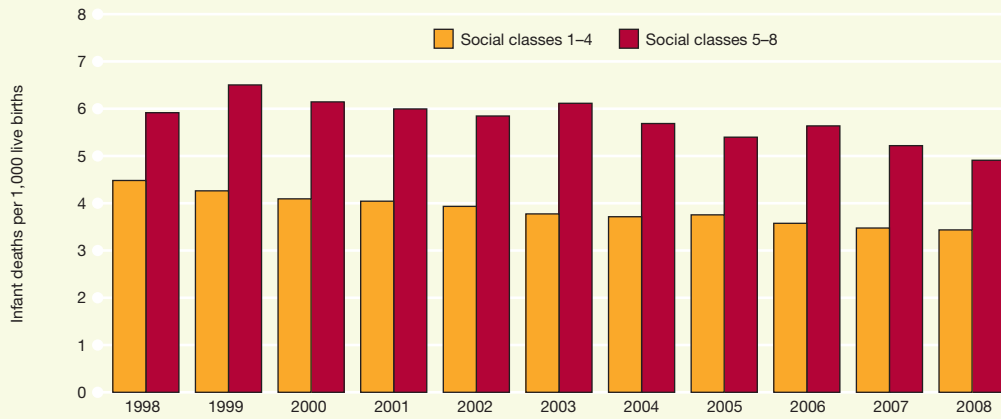
The data in the second graph is for all infant mortalities before the age of 12 months.

The fact that classification is by the social class of the father and the resulting exclusion of those births where no details are known about the father means that some 10 per cent of low birth weights and 7 per cent of all births are excluded.

Child and young adult deaths

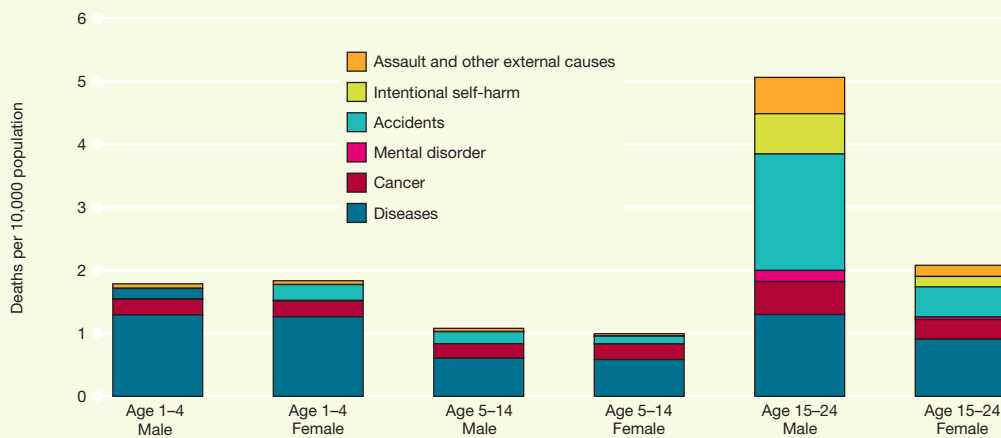
Indicator 24

24A: Although down by a fifth on a decade ago, infant deaths are still 50 per cent more common among those from manual backgrounds than among those from non-manual backgrounds.



Source: Child mortality statistics, ONS (from www.poverty.org.uk); the data is for England and Wales

24B: The risk of death for young men aged 15 to 24, particularly in accidents, assaults or through self-harm, though also from illness, is far higher than for women of the same age.



Source: ONS Mortality statistics; the data is for 2009 for England and Wales

The first graph shows the annual number of infant deaths per 1,000 live births, with the results shown separately according to the social class of the father.

The second graph shows the number of deaths per 10,000 people recorded by cause, grouped using the ICD10 classification system. Rates for each age group are obtained by dividing the number of deaths by the relevant population for 2009.

'Infant deaths' are those which occur before the age of one year. They do not include stillbirths or perinatal deaths.

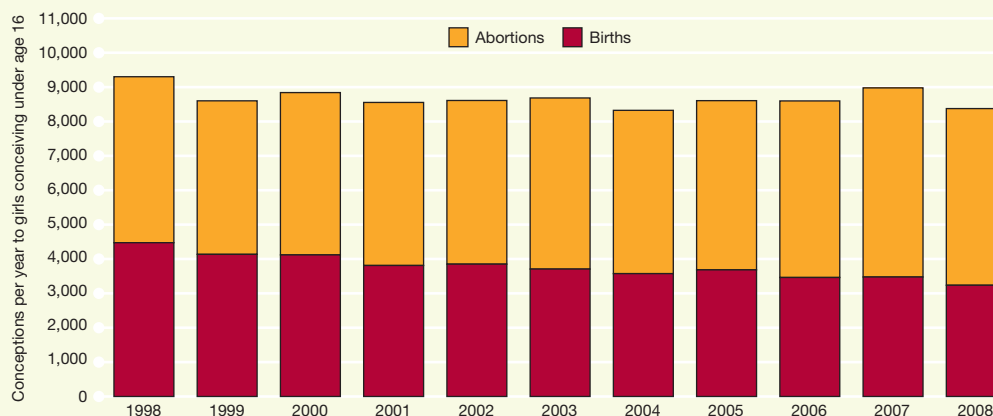
The social class classifications are those introduced in 2002 which range from 1 (higher managerial and professional) to 8 (never worked and long-term unemployed). The categorisation was introduced in 2002, but the figures back to 1997 were later recoded, allowing the full-time series presentation.

Cases where the social class of the father is unknown (including all births where the registration is solely in the name of the mother) have been excluded from the analysis.

Under-age pregnancy

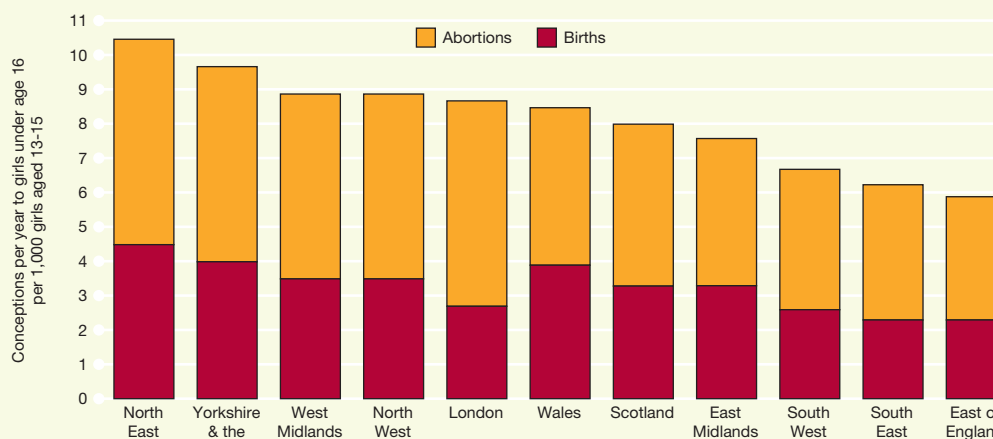
Indicator 25

25A: The overall number of under-age conceptions is similar to a decade ago, although a lower proportion now lead to births.



Source: Conception statistics, ONS and ISD Scotland (from www.poverty.org.uk); the data is for Great Britain

25B: The rate of conceptions among girls aged under 16 is highest in the North East of England.



Source: Conception statistics, ONS and ISD Scotland (from www.poverty.org.uk); the data is the average for 2006 to 2008 for Great Britain

The first graph shows the number of conceptions per year to girls conceiving under the age of 16, with the data shown separately for delivered babies and for abortions.

The second graph shows the rate of conceptions to girls aged under 16 for Scotland, Wales and each English region. The rate is shown as a number per 1,000 girls aged between 13 and 15.

English and Welsh conceptions leading to births are counted during the actual year of conception, while Scottish conceptions are counted after the birth of the child, which is commonly in the calendar year following conception. ONS population projections have been used for the number of 15-year-old girls.

Exclusion

Choice of indicators

The first indicator looks at 16- to 18-year-olds who are out of education, training or employment (NEETs). This group has been the subject of much media and political attention, often taken to indicate other poor outcomes such as low-educational attainment in life. The first graph looks at the numbers of 16-, 17- and 18-year-olds over the last decade. The second graph looks at their proportion across the English regions.

The final two indicators in this chapter look at permanent school exclusions and criminal records among children. Both school exclusions and criminal records may set off events that may have a serious long-term impact on a child's life.

26 Not in education, employment or training (NEETs)

- The total number of NEETs in 2009 was higher than a decade ago. The number of 16- to 18-year-olds not in education, training or employment was around 220,000 in 2009, a rise of around 40,000 since 2001.
- At around 116,000, the number of 16- to 17-year-old NEETs is higher than it was a decade ago, though it has been falling since 2005. On the other hand, the number of 18-year-old NEETs has been steadily rising since 2001 and at a faster rate. There were around 107,000 18-year-old NEETs in 2009, a rise of almost 50 per cent since 2001.
- Regionally, the North East has the highest proportion of 16- to 18-year-old NEETs at 16 per cent while the East of England has the lowest at 9 per cent.
- Though the proportion of NEETs has risen everywhere except London since 2001, the increases have not been uniform. The South West had the lowest proportion of NEETs in 2001 and has seen the largest increase of about five percentage points since then, followed by the South East where the proportion increased by around three percentage points. London saw a small drop in the proportion of NEETs.

Though NEETs may receive a lot of attention, they are a difficult group to define. It is not a uniform group and may consist of young adults who are caught in phases of transition as well as those who are at a more serious risk of becoming disengaged. Also, our MPSE report last year showed that a majority of them do have some form of family support.

27 School exclusions

- Continuing the trend of steady decline since 2003/04, the number of children permanently excluded from schools is at its lowest level in the past decade. In 2008/09, 6,800 students were permanently excluded, down by 1,700 since last year and 4,300 lower than in 1998/99.
- Boys account for more than three-quarters of all exclusions, and this proportion has remained broadly unchanged over the decade.
- Students from a Black Caribbean background had the highest rate of exclusions at around 3 per 1000 and were almost ten times as likely as students from an Indian background to be excluded from school.

- The rate of exclusion has fallen across most ethnic groups, in particularly those with the highest rates. So while Black Caribbean pupils are most likely to be excluded, this likelihood has come down (from 3.4 to 3 per 1,000) since the middle of the decade.

Permanent exclusions are subject to administrative procedures in the school. In some cases, parents are encouraged to remove their children from the school before they are excluded. The numbers are also rather small. In any given year, most schools do not exclude any pupils permanently.

28 With a criminal record

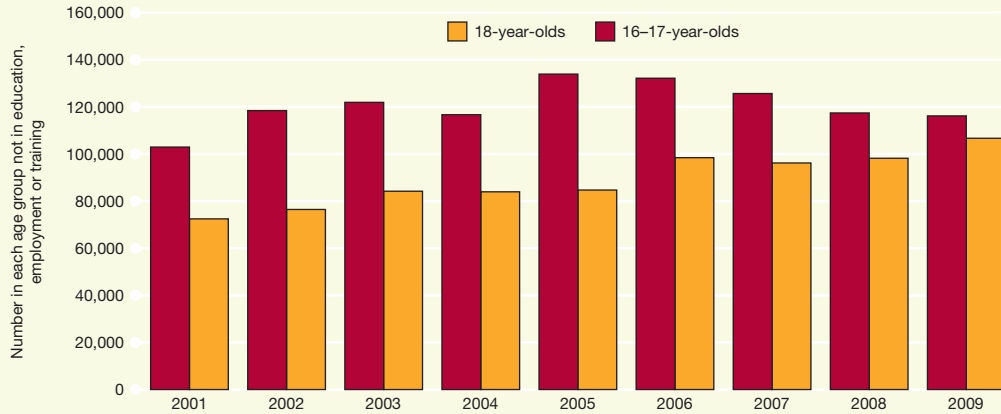
- Having risen continuously since 2003, there was a sharp decline in the number of children found guilty or cautioned in 2008, taking it to the lowest level in the decade. The numbers fell by almost a fifth, from 126,000 in 2007 to 104,000 in 2008. The number of children found guilty declined by 5,000 to reach the second lowest level over the decade and those cautioned fell by 17,000.
- The proportion of boys and young men found guilty or cautioned for offences is four times the proportion for girls and young women.
- At 5,400 per 100,000, the proportion of men found guilty or cautioned peaks between the ages of 18 to 20. The proportion of women found guilty or cautioned was highest among those aged 15 to 17, at 1,500 per 100,000, and falls to 1,000 per 100,000 among women aged 18 to 20.

Other research shows that among girls aged 10 to 17, theft is the most common type of crime, accounting for two-thirds of all crimes committed by girls. Although still the largest category, theft accounts for a third of the crimes committed by boys aged between 10 and 17, followed by drug offences. For the detailed statistics see The Poverty Site (www.poverty.org.uk/28/index.shtml).

Not in education, employment or training (NEETs)

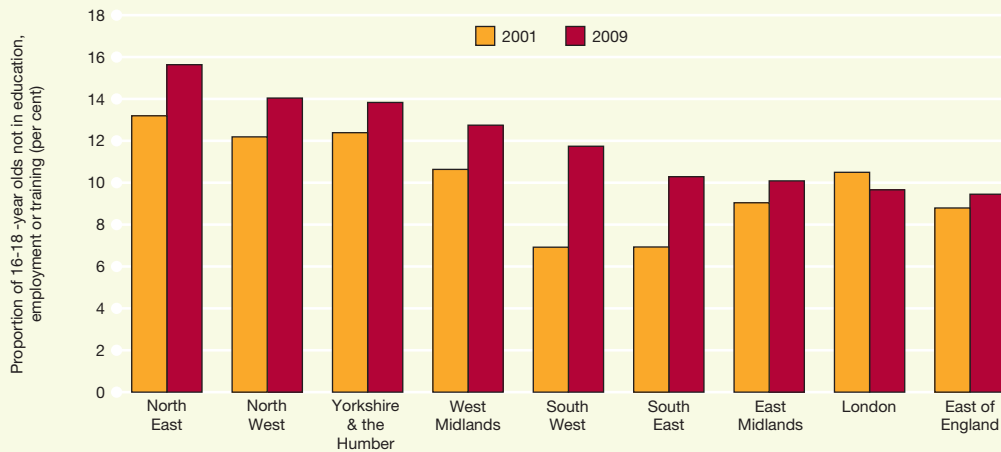
Indicator 26

26A: The number of 16- to 17-year-olds not in education, employment or training is a little higher than a decade ago. The number of 18-year-olds not in education, employment or training has risen much more quickly over the same period.



Source: DfE NEET statistics; the data is for England

26B: The proportion of 16- to 18-year-olds who were NEET rose almost everywhere in England in the last decade, but these rises were far from uniform.



Source: NPI calculations based on DfE NEET statistics

The first graph shows separately the number of 16- to 17- and 18-year-olds who are neither in education, employment nor training (sometimes referred to as NEETs). The series goes back to 2001.

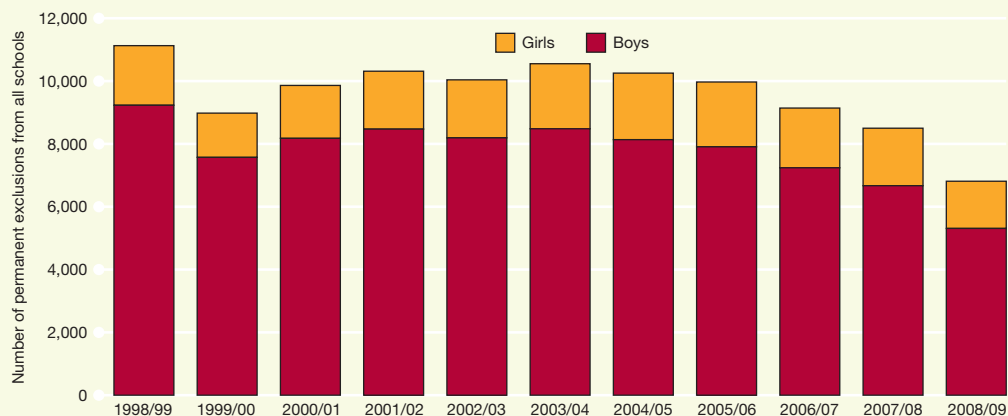
The second graph shows how the proportion of 16- to 18-year-olds not in education, employment or training has changed in each region since 2001.

The figures come from the Department for Children, Schools and Families (DCSF) Statistical First Release which is used for measurement towards the Public Service Agreement. This method combines data from a variety of sources.

Although the LFS is a large, well-established, quarterly government survey designed to be representative of the population as a whole, the sample sizes here are small. Furthermore, LFS may not always capture all types of education or training that a person is engaged with.

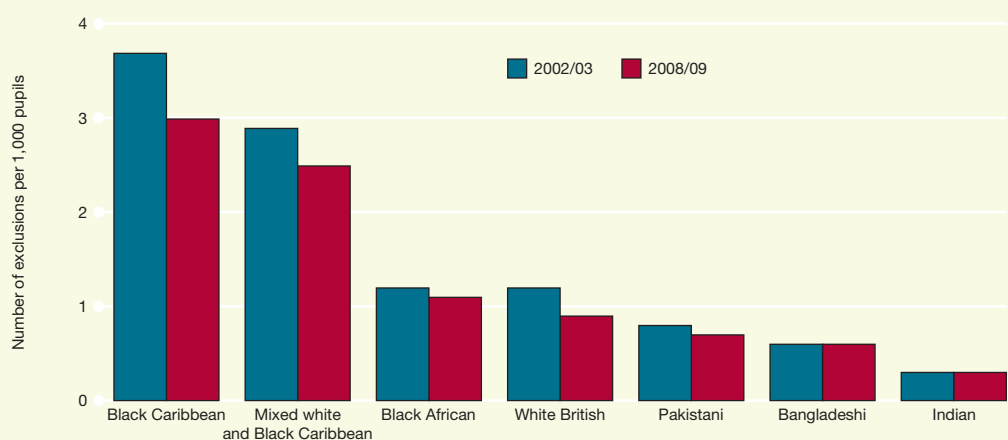
School exclusions

27A: The number of permanent exclusions has fallen by a third over the last six years.



Source: DCSF Statistical Bulletins, National Assembly for Wales and the Scottish Executive (from www.poverty.org.uk); the data is for Great Britain

27B: The rate of school exclusions is still highest among students from a Black Caribbean background, although this rate has fallen in recent years.



Source: DCSF Permanent and fixed period exclusions from schools in England

The first graph shows the number of pupils permanently excluded from primary, secondary and special schools, with results shown separately for boys and girls.

The second graph compares the rate of permanent school exclusion for children from different ethnic backgrounds in 2002/03 to the most recent year.

Since a gender breakdown is not available for Scotland, these numbers have been estimated by assuming that the gender split is the same as in England and Wales.

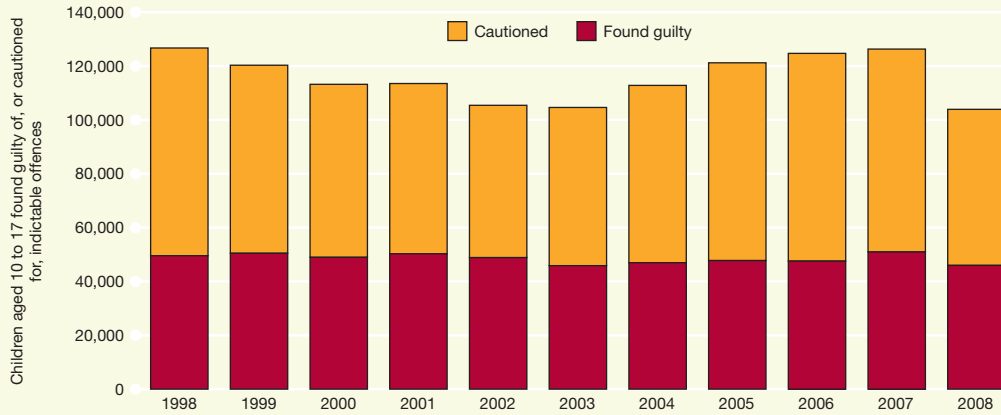
For reasons of sample size, the second graph does not include Chinese, mixed white and Asian and mixed white and Black African pupils. The other Asian, other Black and other or undefined ethnic groups are likewise not included.

Exclusions are susceptible to administrative procedures; for example, the officially recorded numbers may well under-represent the true number of exclusions if parents are persuaded to withdraw their child instead.

With a criminal record

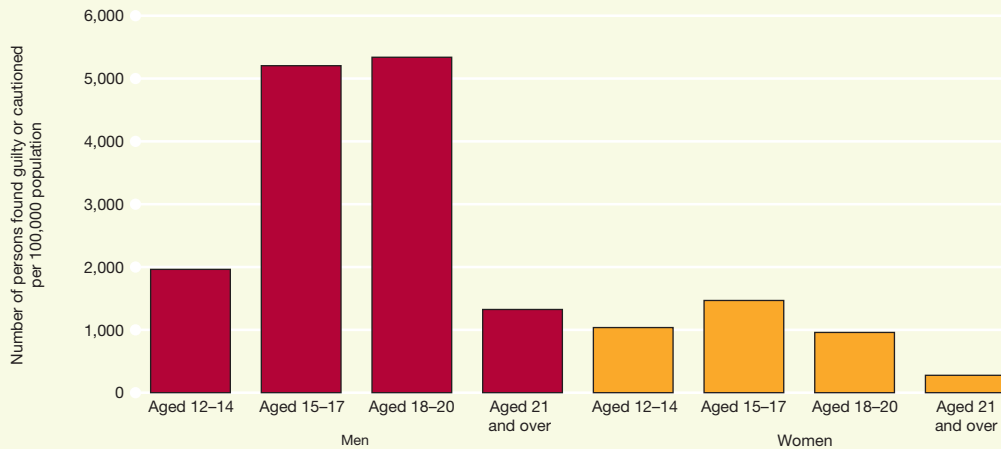
Indicator 28

28A: The number of children cautioned for indictable offences fell sharply in 2008, reversing the previously rising trend.



Source: Ministry of Justice Criminal Statistics (from www.poverty.org.uk); the data is for England and Wales

28B: The proportion of young men found guilty or cautioned peaks between the ages of 18–20, by which age the proportion of young women found guilty or cautioned is already falling.



Source: Ministry of Justice crime statistics; the data is for 2008 for England and Wales

The first graph shows the number of children between the ages of 10 and 17 who were either formally cautioned for, or convicted of, an indictable offence.

The second graph shows, for ages 12 to 14 and upwards, the number of persons found guilty or cautioned per 100,000 of the population. The results are shown separately for men and women.

Indictable offences are more serious offence and are tried at a crown court. Both a guilty verdict and a caution result in a criminal record.

The figures are police-recorded crimes only and should not therefore be taken as a reflection of the overall level of crime committed by children.

Chapter 4 Adult well-being

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Economic circumstances

Choice of indicators

While the recession chapter looked at broad measures of worklessness, here we look more closely at how economic circumstances vary across different household types. The first indicator considers workless households, analysed by household type. The variation between the proportion of couple households and single adult households that are workless is marked, whether or not the household contains children.

The second indicator looks at how work rates have changed for different types of working-age adults, most notably lone parents and people with disabilities. The increase in work rate of the former group is contrasted with the lack of such a change in the latter. Both were, however, priority groups for the previous government at various times over the period we analyse.

The next two indicators look at low pay and pay inequalities. Clearly, low pay is a contributing factor to the in-work poverty discussed in Chapter 1, but low pay is in itself an issue of fairness. Risks of low pay vary substantially by gender and sector, as the analysis shows.

The indicator on pay inequality looks at how the gap between the highest paid, the lowest paid and the average has changed over time and by gender. In doing so, it moves the focus away from just low pay and fair pay at the bottom and more towards fair pay at the top, broadening the analysis.

29 Workless households

- Prior to the recession, the proportion of working-age households that had no working adult fell for all household types. Between 2008 and 2009 these proportions rose, albeit slightly, for all groups.
- Single adult households are far more likely to be workless than households with two adults. 42 per cent of lone parent households are workless, compared to 6 per cent of households with two adults and children.
- Even in households without children, the difference is almost as large, 29 per cent of single adult households without dependent children are workless, compared to 6 per cent of couple households without dependent children.
- In total, three-quarters of workless households are single adult households. Most of these (and half of the total) are single adult households without dependent children.

30 Disability, lone parenthood and work

- The proportion of lone parents without a disability who lack work has fallen consistently for a decade. In 2009 it stood at 32 per cent, down from 43 per cent a decade earlier.
- Over the same period, the proportion of working-age adults with a disability who lack work has barely changed at all, remaining at around 60 per cent.
- For comparison, only 14 per cent of adults who are neither lone parents nor disabled lack work.

- Disability affects work rates much more than gender or parenthood. Among adults who are not lone parents, around 40 per cent of disabled men and women are in work, compared to 82 per cent of non-disabled women and 90 per cent of non-disabled men.
- The work rates for (female) lone parents without disabilities in the three years to 2009 was, at 67 per cent, much closer to women who are neither lone parents nor disabled than to disabled women, regardless of whether or not they were lone parents.

Both lone parents and people with disabilities have been the subject of policy interventions to increase their labour market participation. In the early years of the last government, there was a New Deal for each group. More recently, changes to the benefits system have been designed to move both lone parents and people with disabilities off 'passive' benefits (Income Support in the case of lone parents, Incapacity Benefits in the case of disabled adults) to more work-focused benefits.

It is worth remarking that the evidence of the first graph would suggest that the onset of recession in 2008 did not affect the work rates of either lone parents or people with disabilities disproportionately. The without-work rates of both groups are no higher in 2009 than they were in 2007. In contrast, the proportion of non-disabled, non-lone parents lacking work has risen by almost 2 percentage points.

31 Out-of-work benefits

- The total number of working-age people claiming an out-of-work benefit in Great Britain was 5.5 million in February 2010. This was higher than at any point since 2002.
- The rise since 2008, the lowest point in this series, is entirely due to the increase in people claiming unemployment benefits (JSA). This number almost doubled in two years, from 800,000 in 2008 to 1,500,000 in 2010.
- There were fewer people claiming benefits as lone parents in 2010 than at any point since 2002. This is not to say there were fewer lone parents claiming – rather that changes in eligibility meant that many would now be claiming for reasons of unemployment.
- In Scotland, Wales and all the English regions, between 4 per cent and 7 per cent of the working-age population have been claiming an out-of-work benefit for less than a year. In all bar the English South and North East, between 5 per cent and 6 per cent have been claiming for less than 12 months.
- The variation in longer-term claimants is much greater. The rate in Wales, 14 per cent, is twice that of the South East (7 per cent). There is no real clustering within this range, either, with regions being evenly spread between the two extremes.

Comparing the components of the graph becomes ever more difficult as benefit recipients are increasingly moved onto Jobseeker's Allowance and away from other benefits. The new Work Capability Assessment for Employment and Support Allowance (ESA) will inevitably mean that some people previously claiming for reasons of disability will be declared 'fit for work' and moved to JSA. Of those assessed between October 2008 and May 2009, more than one-third were declared fit for work (see *Employment Support Allowance Work Capability Assessment Statistical Release January 2010*, available at http://research.dwp.gov.uk/asd/workingage/esa_wca/esa_wca_19012010.pdf). It should be noted, however, that Citizens Advice has concluded that the assessment does not effectively measure fitness for work and is producing inappropriate outcomes (see *Not working: CAB evidence on the ESA work capability assessment*, available at www.citizensadvice.org.uk/not_working_march_2010_final.pdf).

32 Pensioner income and savings

- The number of pensioners with no private savings and hence entirely reliant on state benefits is, at around 1.2 million, roughly the same as it was a decade ago. For the last decade, this figure has remained between 1.2 million and 1.3 million.
- Most of those pensioner households lacking private income are single pensioner households – 820,000 or two-thirds of the total.
- Around one in three pensioners have less than £1,500 in savings. One-third of these (around one in ten of all pensioners) do not own their own homes, so 20 per cent of pensioners have little in the way of assets other than the homes they live in.
- Another third (36 per cent) of pensioners have between £1,500 and £20,000 in savings. Most of these own their own homes.

We noted in the indicators on low income that there had been significant success in reducing the number of pensioners in low-income households. But the balance of importance between income and assets is, we suggest, different for pensioners and working-age adults. A working-age adult, barriers to work notwithstanding, has the potential to increase their income if necessary through paid employment. Pensioners rarely have this option, so assets and savings become much more important.

33 Low pay

- The proportion of men and women who were paid less than a set low-pay threshold (worth £7 per in 2009 prices, adjusted accordingly for previous years) fell until 2005, but has remained quite flat since.
- So in 2009, 22 per cent of women and 11 per cent of men aged over 22 were paid less than £7 per hour, roughly the same proportion as four years earlier.
- 70 per cent of people working in hotels and restaurants are paid less than £7 per hour, as are around 50 per cent of those in retail.
- In most sectors, the majority of low-paid people are women. The exceptions are manufacturing and private sector services. Both these sectors have relatively low proportions of low-paid jobs.

The link between the level of the national minimum wage and the proportion of low-paid jobs is not clear and likely to be indirect. Even so, it is noticeable that in the four years to 2005, the minimum wage for workers aged over 22 rose by £1.35. In the four years after, the rise was only 75p. Moreover, inflation was somewhat higher in the latter part of the decade than the earlier part, meaning these later rises were relatively even smaller.

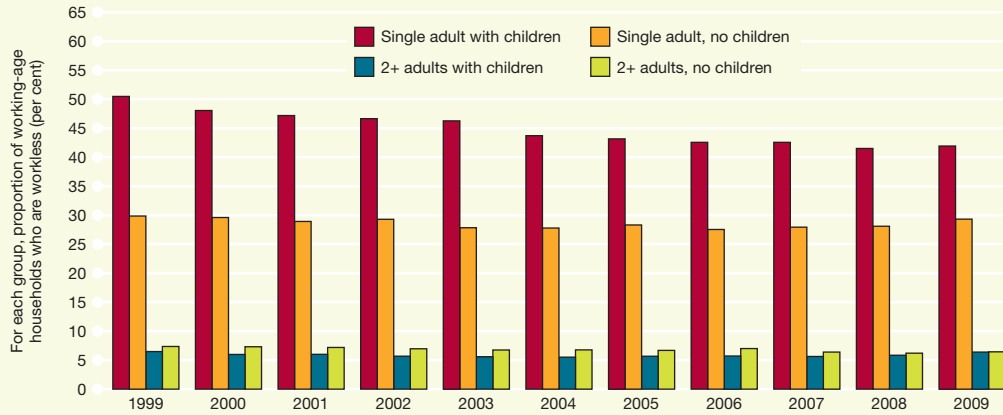
34 Pay inequalities

- The gap between pay at the bottom and the average has reduced slightly for women, in the last decade. In 2009, women in the lowest-paid 10 per cent were paid around 51 per cent of male median earnings, up from 48 per cent in 1999.
- Over the same period, though, the earnings of the lowest paid men have barely changed in relation to the male median, remaining at around 55 per cent.
- Changes at the top have been more significant, however. The highest paid tenth percentile for men is at 220 per cent of the male median, up from 210 per cent a decade ago. The highest paid tenth percentile for women is at 170 per cent of male median earnings, up five percentage points.
- What this means is that the gender gap has widened slightly at the top of the distribution while closing slightly at the bottom.
- Around 40 per cent of both male and female part-time employees are paid less than £7 per hour. This compares to 15 per cent of female full-time employees and 10 per cent of male full-time employees. Regarding the gender pay gap, then, this means that women working full-time are more likely to be low-paid than men working full-time, among part-time workers there is no gender difference.
- What there is, though, is a significantly higher risk of low pay for part-time workers regardless of gender.

Workless households

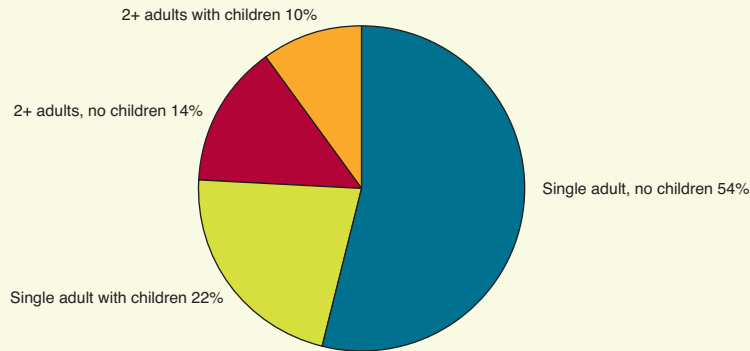
Indicator 29

29A: Single adult households – both with and without children – are much more likely to be workless than couple households.



Source: Labour Force Survey, ONS (from www.poverty.org.uk); the data is for the UK

29B: Half of workless, working-age households are single adults without dependent children.



Source: Labour Force Survey, ONS (from www.poverty.org.uk); the data is the average for 2007 to 2009 for the UK

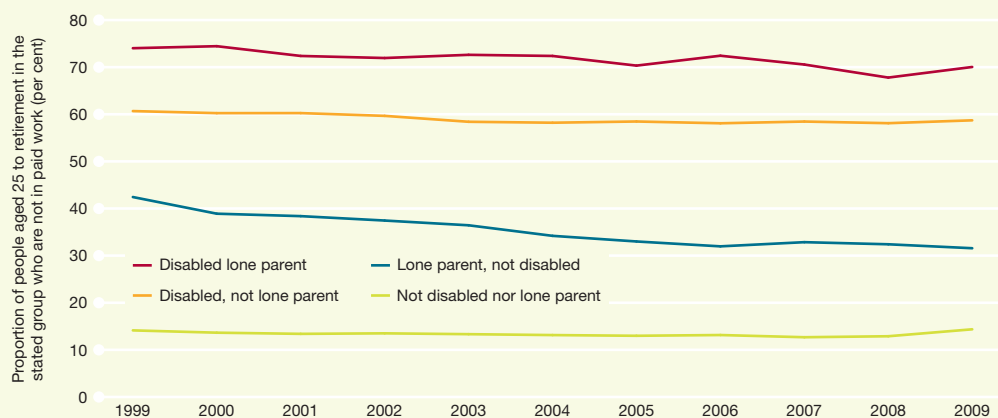
The first graph shows the proportion of the households who are workless for each of a number of working-age household types. The four household types shown are single adult with dependent children, single adults without dependent children, households with two or more adults but no dependent children, and households with two or more adults and one or more dependent children.

The second graph shows the proportion of all workless working-age households who are in each household type.

A working-age household is one in which at least one of the people is aged 16 to 59–64 and not a full-time student. Children comprise all those under the age of 16.

A workless household is one in which no working-age adult is in paid work.

30A: While the proportion of non-disabled lone parents who are not in paid work has fallen a lot, the proportion of disabled people who are not in paid work has only fallen slightly.



Source: Labour Force Survey, ONS (from www.poverty.org.uk); the data is for the UK

30B: Disability affects work status much more than gender or lone parenthood.



Source: Labour Force Survey, ONS (from www.poverty.org.uk); the data is the average for 2007 to 2009 for the UK

The first graph shows the proportion of people aged 25 to retirement who are not in paid work, with the data shown separately for each combination of disabled/not disabled and lone parent/not lone parent.

The second graph shows, for the most recent three years, the distribution across different work statuses of working-age adults aged over 25. The data is shown for each combination of lone parent status, disability and gender. Note that male lone parents are not shown, as the sample sizes are not sufficient to derive reliable estimates.

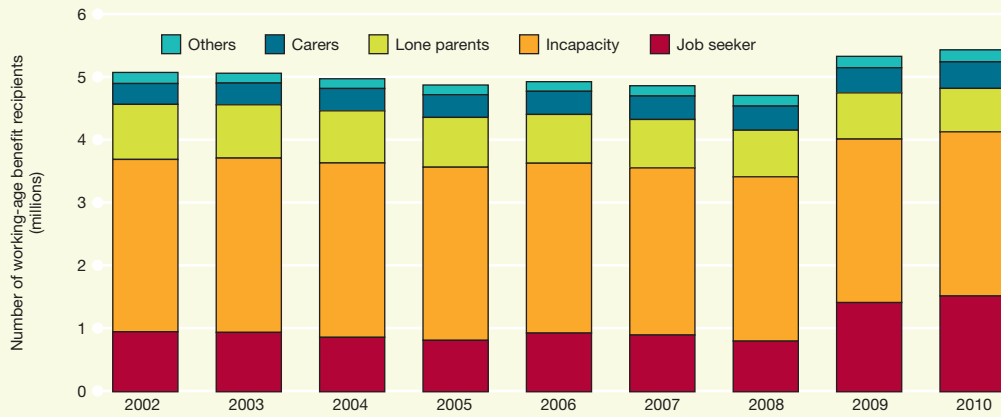
The definition of disability used here is that of 'work-limiting disability', a Labour Force Survey (LFS) classification comprising those people who stated that they have had health problems for more than a year and that these problems affect either the kind or amount of work that they can do. The reason for using this definition, rather than that of the Disability Discrimination Act (DDA), is that those who are disabled according to the DDA but not according to the work-limiting definition have work rates which are similar to those who are not disabled under either definition.

The lower age limit of 25 has been used because the high prevalence of unemployment among younger adults combined with the low prevalence of disability in that age group arguably distorts, and certainly changes, the comparisons.

Out-of-work benefits

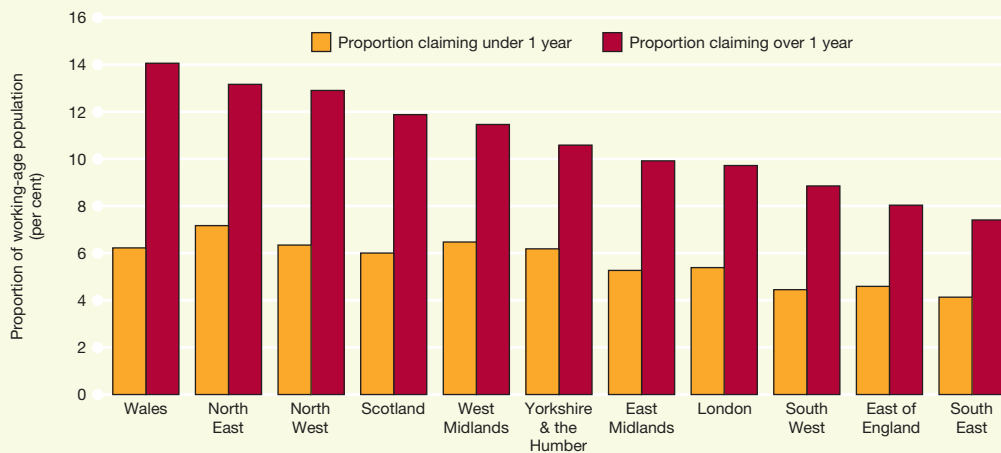
Indicator 31

31A: The increase in the numbers of people claiming key out-of-work benefits since 2008 is entirely down to rising numbers claiming unemployment benefit.



Source: DWP tabulation tool; the data is for Great Britain

31B: The proportion of people claiming benefits for a short period of time varies little between regions. The proportion claiming for longer periods varies a lot.



Source: DWP longitudinal series and ONS population estimates; the data is for 2010

The first graph shows the number of working-age adults in Great Britain claiming out-of-work benefits in February of each year going back to 2002. The numbers are broken down by the reason for claiming, rather than the benefit claimed.

The second graph shows the proportion of the working-age population in each region who claim these benefits by the duration of the current claim. We divide claimants into those who have been claiming for more than one year and those claiming for less than a year.

A person claiming benefits for multiple reasons appears in the first category for which they are eligible, the order being Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA) and Incapacity Benefits, lone parents, carers and others on income-related benefit.

Lone parents on Income Support are defined as claimants on Income Support with no partner whose youngest child is under seven.

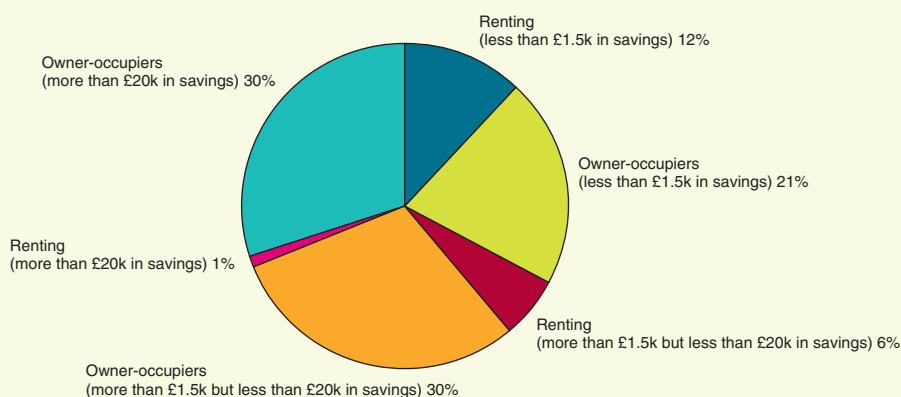
From November 2008 benefits claimed for reason of incapacity includes ESA, which replaced Incapacity Benefit and Income Support paid on the grounds of incapacity for new claims from 27 October 2008.

32A: 1.2 million pensioners have no private income other than the State Retirement Pension and state benefits. This is a slightly lower number than a decade ago.



Source: Households Below Average Income, DWP (from www.poverty.org.uk); the data is for Great Britain

32B: Around one-third of pensioners have less than £1,500 in savings. A further third own their home and have less than £20,000 in savings.



Source: Family Resources Survey; the data is for 2006/07 to 2008/09 for the UK

The first graph shows over time the number of pensioners, in couples and living alone, who have no source of income other than state support in the form of the state retirement pension and Pension Credit.

The second graph shows the number of pensioners with different amounts of savings, split by their housing tenure, i.e. owners (including those buying their homes with mortgages) and renters. The savings are grouped as less than £1,500, £1,500 to £20,000 and more than £20,000.

'Private income' includes any private pension or money from savings interest. Note that the figures exclude all those with any other income even if very small.

'Savings' constitute the following: current accounts; NSI accounts; basic bank accounts; post office accounts; ISAs; other bank/building society accounts; stocks and shares/member of a share club; PEPs; unit trusts; endowment policies, premium bonds; national savings bonds; company share scheme/profit sharing; credit union savings; government bonds or gilts.

Fixed assets, most notably homes, are not included, though this is indicated by the housing tenure.

Low pay

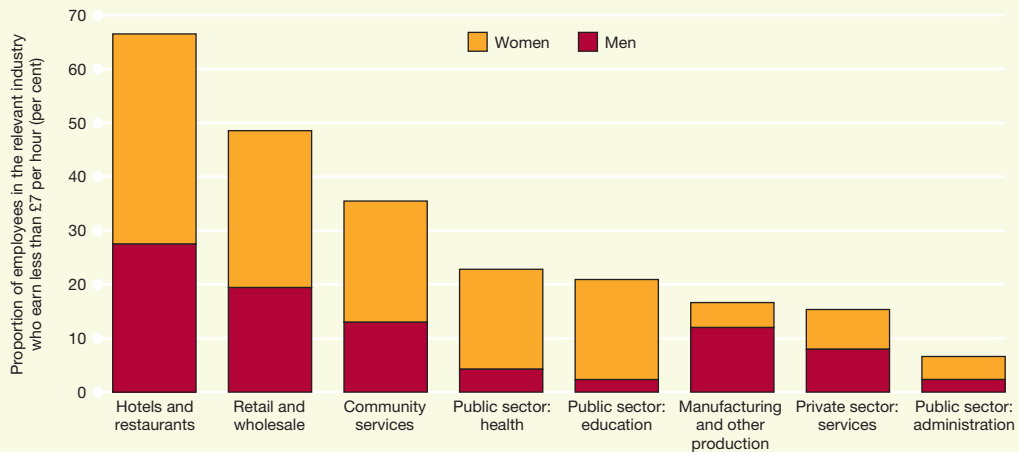
Indicator 33

33A: The proportion of employees, particularly women, aged 22 and over who were low-paid, fell between 2002 and 2005 but has not changed much since then. In 2009, 22 per cent of the women – and 11 per cent of the men – were paid less than £7 per hour.



Source: Calculations based on ONS estimates (from www.poverty.org.uk); the data is for the UK

33B: Two-thirds of employees in hotels and restaurants – and half of those in retail and wholesale – earn less than £7 per hour. Three-fifths of these are women.



Source: Labour Force Survey, ONS (from www.poverty.org.uk); the data is for 2009 for the UK

The first graph shows the proportion of employees aged 22 to retirement who were paid below an hourly pay threshold that rises in line with average earnings and reaches £7 in 2009. It is therefore £4.77 in 1999 rising each year until it reaches £7 in 2009. The data is shown separately for men and women.

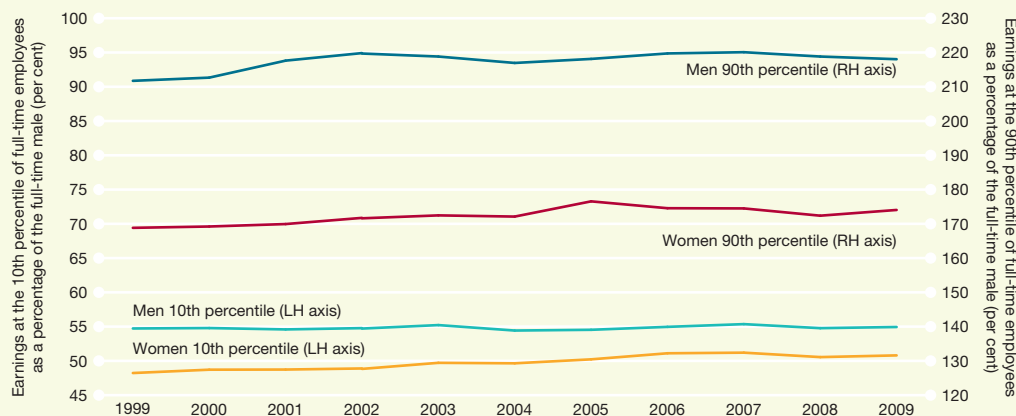
The second graph shows the proportion of workers paid less than £7 per hour by gender and industrial sector. The figure of £7 per hour is chosen because it is roughly two-thirds of the Great Britain median hourly earnings and is commonly used as a threshold when analysing low pay.

No data is available for the years before 1998 and the available data only distinguishes between the 18–21 and 22+ age groups. The figures are from published ONS statistics which were themselves derived from a combination of data from the Labour Force Survey (LFS) and Annual Survey of Hours and Earnings (ASHE), with adjustments by the ONS.

Pay inequalities

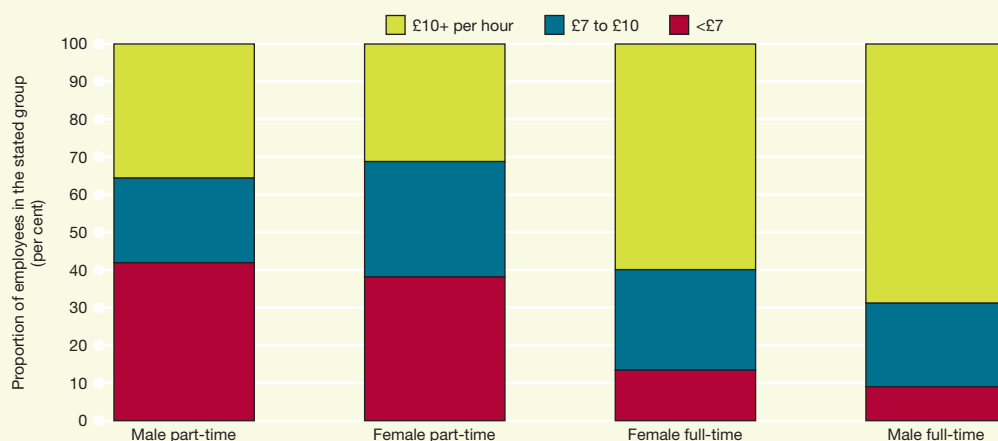
Indicator 34

34A: Pay inequalities between men and women have reduced at the bottom but not at the top.



Source: Annual Survey of Hours and Earnings, ONS (from www.poverty.org.uk); the data is for the UK

34B: Two-fifths of all part-time workers – both men and women – are paid less than £7 per hour.



Source: Annual Survey of Hours and Earnings, ONS (from www.poverty.org.uk); the data is for 2009 for the UK

The first graph compares four separate time series – the pay of men and women at the top and bottom of their respective pay distributions, relative to male median pay in the same year.

The second graph shows, for the latest year, the distribution of employees across the pay spectrum with the data shown separately for part-time women, part-time men, full-time women and full-time men.

The bottom of the pay distribution for men/women is measured by the gross hourly pay for full-time male/female employees one tenth of the way from the bottom of the male/female pay distribution (the 10th percentile). Similarly, the top of the pay distribution for men/women is measured by the gross hourly pay for full-time male/female employees one tenth of the way from the top of the male/female pay distribution (the 90th percentile). In each case, the statistics are shown as a proportion of average (median) hourly pay of full-time male employees. The left-hand axis shows proportions at the 10th percentile and the right-hand axis shows the proportion at the 90th percentile.

The 90th percentile is chosen because above that point, the data is not reliable. By looking at the 90th percentile as the measure of high pay, this indicator cannot look at the pay at the very top, the highest percentile.

Ill-health

Choice of indicators

This section looks at both the physical and mental aspects of ill-health, as well as the risks of premature mortality. Where possible, we analyse the data by either income or social class, though in some cases we are unable to do this.

Relationships between ill-health and deprivation are not straightforward, so in our analyses we give a variety of presentations, by income, gender, geography and over time.

The three indicators are chosen to give a breadth of analyses. The first concerns mental ill-health, which we analyse by both income and gender. The second looks at limiting long-term illness, analysing the differences by both age and income.

The final indicator looks at premature mortality – deaths before the age of 65. We believe this is a preferable measure to life expectancy, as it is based on actual occurrences, rather than some expectation of what will happen.

35 Mental ill-health

- In 2008, around 15 per cent of women and around 10 per cent of men in England were considered to be at risk of mental illness. Both these figures are somewhat lower than they were a decade earlier. The figures do vary from year to year, so any changes over short periods of time need to be considered with this in mind.
- The difference in risk of mental ill-health by income is pronounced. Around 24 per cent of women and 20 per cent of men in the lowest income quintile are at risk of a mental health problem. The comparable figures for the richest fifth are 10 per cent and 7 per cent.

Other research indicates that there is little difference by geography in the risk of mental ill-health. In all regions in England, between 10 per cent and 15 per cent of adults are considered to be at risk (see The Poverty Site www.poverty.org.uk/62/index.shtml for the detailed statistics).

36 Limiting long-term illness

- Rates of limiting long-term illness increase quite clearly with age. In 2008, 47 per cent of people aged over 75 reported a long-term illness that somehow limited their activities, compared to 33 per cent of 65- to 74-year-olds and 22 per cent of 45- to 64-year-olds.
- The proportion of over 75s with a limiting long-term illness has not really changed in the last decade, likewise the proportion of 65- to 74-year-olds reporting a limiting illness.
- Though difficult to say with any certainty, the proportion of 45- to 64-year-olds with a limiting long-term illness appears lower in 2008 than previous years. It was 22 per cent in 2008, 28 per cent in 2002/03 and 32 per cent in 1996/97. Moreover, the average from 2006–2008 is lower than any other three-year period in the series.
- People with lower incomes are more likely to have a long-term limiting illness than people further up the income spectrum. 44 per cent of 45- to 64-year-olds in the bottom income quintile have a limiting long-term illness compared to 13 per cent in the top quintile and 27 per cent on average.

- Among older people, the differences by income are less stark, as limiting long-term illness becomes more common. Between 40 per cent and 50 per cent of those aged over 65 in the bottom three income quintiles – that is, including those on average incomes – report a limiting long-term illness. Over time, the social gradient has become slightly less pronounced.

The causation between long-term illness and low income may, of course, run in both directions. Having a limiting illness restricts one's capacity to earn an income. The effects are lessened somewhat by age, but not entirely. For more on disability and low income, see The Poverty Site (www.poverty.org.uk/40/index.shtml) for the detailed statistics.

37 Premature death

- The rate of premature death has come down for men and women steadily over the last decade. In 2008, this rate was 230 deaths per 100,000 men and 143 per 100,000 women, compared to 277 and 168 respectively ten years earlier.
- Since 1998, the rate of premature mortality has fallen by 17 per cent for men and 15 per cent for women, closing the gap between men and women only slightly. Even after ten years of decrease, the male premature death rate is far higher than the female rate was a decade ago.
- Scotland has by far the highest rate of premature death of anywhere in the UK, particularly for men. The premature mortality rate among Scottish men was 305 per 100,000 people in the three years to 2008. In the North West, the region with the second highest rate, it was 265. In the South East of England, the region with the lowest rate, it was 188.
- The rate for Scottish women is also, at 175, higher than anywhere else in the UK, but the gap is not as pronounced.

Every local authority in Scotland has a premature death rate that is in the top six of authorities in Great Britain. Scotland's overall very high rate is not, then concentrated in certain parts of the country – it is high everywhere (see The Poverty Site www.poverty.org.uk/60/index.shtml for the detailed statistics).

Mental ill-health

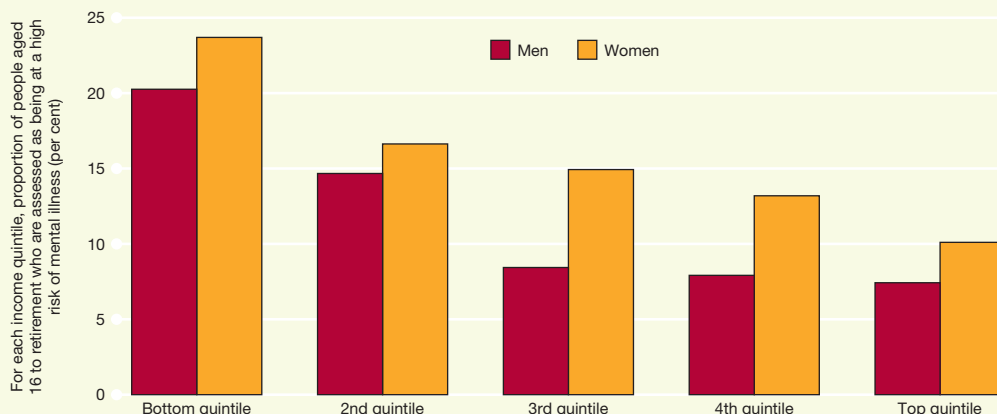
Indicator 35

35A: The proportion of working-age people who are deemed to be at high risk of developing a mental illness is somewhat lower than a decade ago. Women are more at risk than men.



Source: DH Health Survey for England (from www.poverty.org.uk); the data is for England

35B: Adults in the poorest fifth are much more likely to be at risk of developing a mental illness than those on average incomes.



Source: DH Health Survey for England (from www.poverty.org.uk); the data is the average for 2006 and 2008 for England

The first graph shows the proportion of people aged 16 to retirement who are classified as being at high risk of developing a mental illness, with the data shown separately for men and women.

The second graph shows, for each income quintile, the proportion of adults who are at risk of developing a mental illness. This is shown separately for men and women.

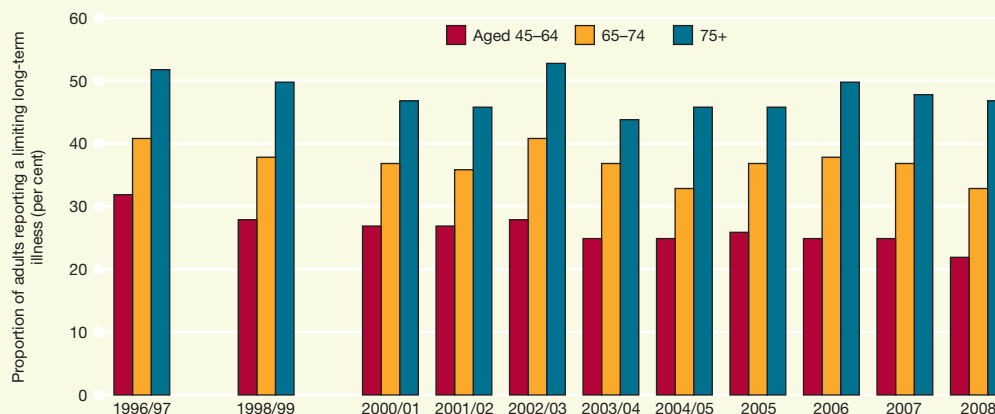
In both graphs, a high risk of mental illness is determined by asking informants a number of questions about general levels of happiness, depression, anxiety and sleep disturbance over the previous four weeks, which are designed to detect possible psychiatric morbidity. A score is constructed from the responses, and the figures published show those with a score of 4 or more. This is referred to as a 'high GHQ12 score'. 'Working-age people' is defined as everyone aged between 16 and 59–64.

The survey has a smaller sample size than many of the datasets used in this report. Both rely on the respondents' accurate reporting of their own mental health, and have different metrics of mental health. Data for 2007 is not available as the survey was not carried out in that year.

Limiting long-term illness

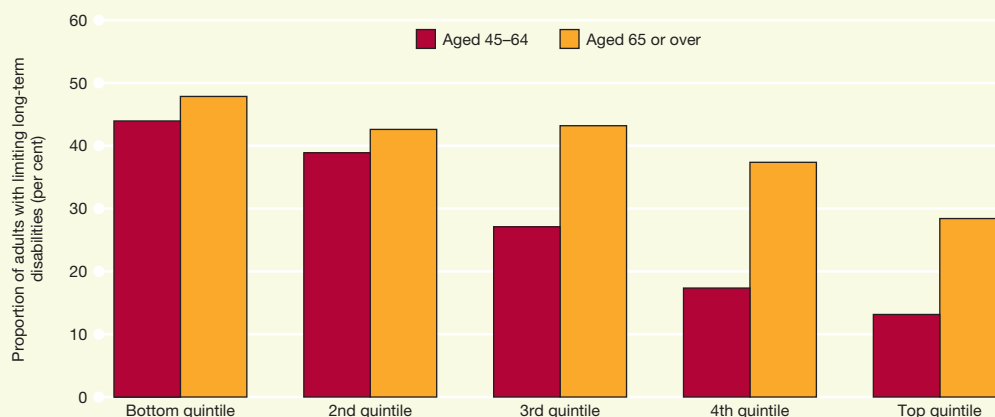
Indicator 36

36A: For adults over 65 the proportion with a limiting long-term illness is similar now to that of a decade ago. For adults between 45 and 65, the proportion is slightly lower.



Source: General Household Survey (to 2007) and General Lifestyle Survey 2008; the data is for Great Britain

36B: Adults on lower incomes are more likely to have a limiting long-term illness than those on higher incomes. The difference is more pronounced among those aged 45–64 than those aged 65 or over.



Source: General Household Survey, 2006 and 2007; General Lifestyle Survey 2008; the data is for Great Britain

The first graph shows, separately for those aged 45–64, 65–74 and over 75, the proportion of people reporting a limiting long-term illness.

The second graph shows, separately for those aged 45–64 and those aged over 65, the proportion of people reporting a limiting long-term illness by each income quintile.

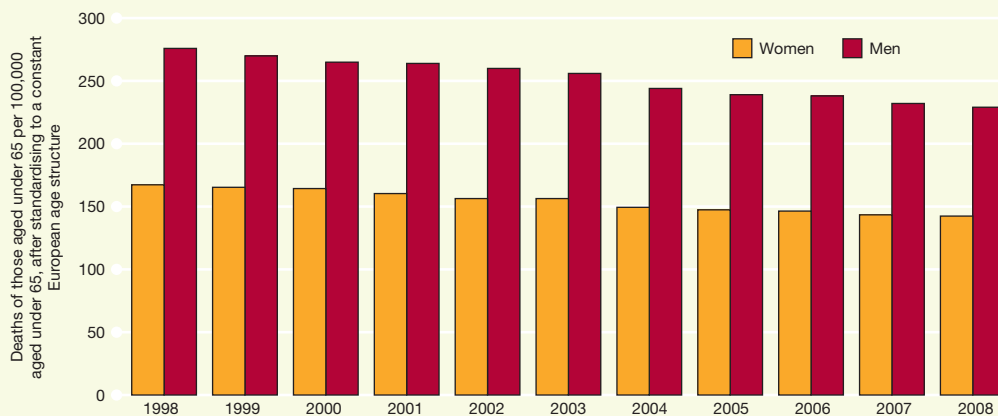
In both graphs, a limiting long-term illness is self-reported in answer to the question 'Do you have any long-standing illness, disability or infirmity? Long-standing is anything that has troubled you over a period of time or that is likely to affect you over a period of time. Does this illness or disability limit your activities in any way?'

The income quintiles in the second graph are based on gross, unequalised (unadjusted) income.

Premature death

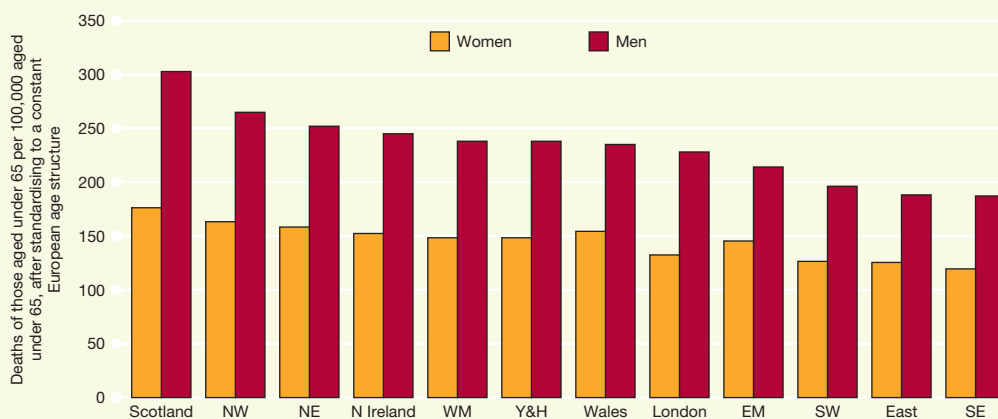
Indicator 37

37A: The rate of premature death has fallen by a sixth over the last decade. It is, however, still one-and-a-half times higher for men than women.



Source: General Register Office (Scotland) and Mortality Statistics Division, ONS (England and Wales) (from www.poverty.org.uk); the data is for the UK

37B: Premature deaths are much higher in Scotland than elsewhere, particularly for men.



Source: General Register Office (Scotland), Registrar General (Northern Ireland) and Mortality Statistics Division, ONS (England and Wales) (from www.poverty.org.uk); the data is for 2008

The first graph shows the number of deaths of people aged under 65 per 100,000 population aged under 65, with the results shown separately for men and women.

The second graph shows the same results for Scotland, Wales, Northern Ireland and the English regions.

All data has been standardised to a constant European age structure. This allows for comparisons between parts of the UK with slightly different age structures, for instance the younger population of Northern Ireland compared to the older population of South West England.

Crime

Choice of indicators

The final two indicators in this chapter look at crime, both victims of crime and fear of crime. These crime indicators belong to the adult well-being chapter as there is little data available on children as victims of crime, though notably plenty on children as perpetrators (see indicator 28, for example).

Being a victim of crime is strongly associated with certain personal characteristics, most obviously being young. Fear of crime is itself socially excluding – being afraid to leave one's home can lead to isolation.

38 Victims of crime

- The number of victims of both burglaries and violent crimes resulting in injury is now below half of that in 1997. In 2009/10, there were 1.1 million incidents of violent crime with injury, compared to 2.1 million in 1997. The number of burglaries was around 650,000, down from 1.6 million in 1997.
- Much of this decrease, though, took place in the 1990s. Since 2001/02, the number of violent crimes resulting in an injury has fallen by around 400,000, compared to a fall of 600,000 between 1997 and 2001/02.
- Since 2001/02, the number of burglaries has fallen by around 300,000, compared to a fall of around 650,000 between 1997 and 2001/02.
- The risks of being a victim of crime vary substantially across the population. Men are twice as likely to have been a victim of violent crime as women (4.3 per cent compared to 2.1 per cent). Likewise people in urban areas have a higher risk of being a victim of violent crime than those in rural areas (3.3 per cent compared to 2.3 per cent).
- But the difference by age is far greater than the difference by gender or location. The risk of being a victim of violent crime for people aged between 16 and 24 is, at 9.3 per cent, five times higher than for the rest of the population.
- A similar pattern can be seen, albeit less starkly, for burglary. Households where the head of household is under 25 are two-and-a-half times as likely to be burgled as other households. This is a much bigger gap than for tenure type or location.

Possibly more than any other statistics in this report, the statistics on crime are the subject of fierce debate and discussion. Partly, this arises from the apparent mismatch of data, some based on crimes recorded by police, and some (the data used here) from a survey of the population (the British Crime Survey).

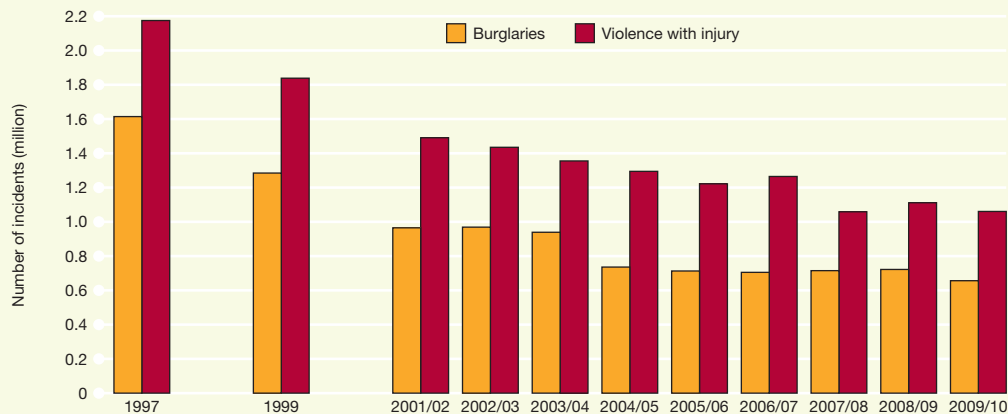
In correspondence with the then shadow Home Secretary, Sir Michael Scholar, Chair of the UK Statistics Authority stated that police-recorded statistics between the late 1990s and 2008/09 are likely to 'mislead the public' due to changes in the recording methodology in 2002/03. By contrast, the British Crime Survey is not affected by changes in reporting, police recording or local policing activity, and therefore provides a more reliable measure of trends in violent crime (<http://www.statisticsauthority.gov.uk/news/statistics-authority-sets-out-position-on-violent-crime-figures.pdf>).

39 Fear of crime

- The number of people who were 'very worried' about being a victim of violent crime or burglary fell in the last decade. Both figures are now just over half the level of 2000, with the proportion very worried about violent crime falling from 25 per cent to 13 per cent, and the proportion very worried about burglary falling from 19 per cent to 10 per cent.
- For older people, those on lower incomes are more likely to feel worried about walking alone at night than those on average or higher incomes. 12 per cent of men and 30 per cent of women whose household income is below £10,000 per year say they feel unsafe out at night. Both figures are around double that of older people living in better-off households.

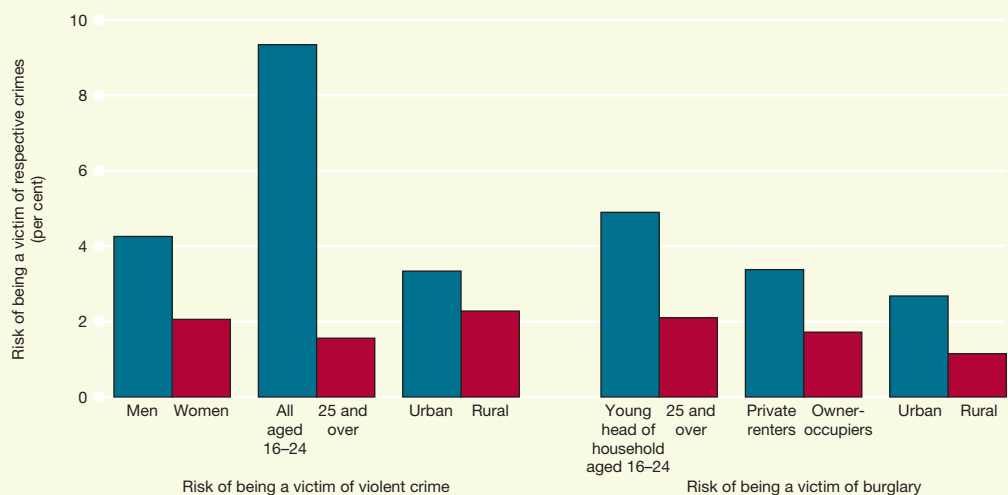
There is clearly a conclusion to be drawn about the falling fear of crime matching its falling incidence. Over a similar period, the number of people who believe crime is increasing has also come down, while the number who believe it is decreasing has risen. Despite this, however, twice as many people believe crime is increasing as believe it is decreasing (see The Poverty Site, www.poverty.org.uk/87/index.shtml for more the detailed statistics).

38A: Both burglaries and violent crimes are almost half the level of a decade ago.



Source: Home Office British Crime Survey (from www.poverty.org.uk); the data is for England and Wales

38B: Young adults face a high risk of being a victim of violent crime – and young households face a high risk of being a victim of burglary.



Source: British Crime Survey; the data is for 2007/08 to 2009/10

The first graph shows the number of incidents of burglary and violence with injury over the last decade.

The second graph shows the proportions of people who were a victim of either a crime of violence or a burglary. Results are shown separately by gender for violent crime, by tenure for burglary and age and by whether living in an urban or rural area for both. The data is the average for the most recent three years.

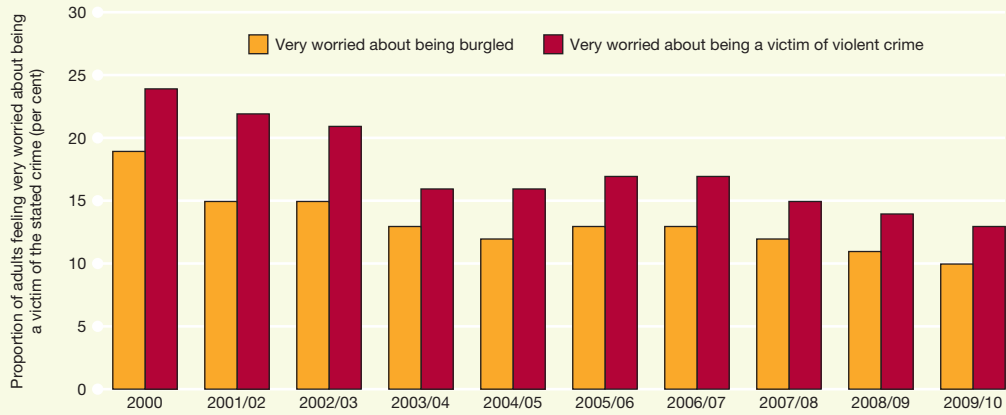
'Violent crime' includes attacks with and without injury, robbery and wounding.

Note that burglary is a crime against a household so the figures are presented as a proportion of households whereas violent crime is a crime against the individual, so the figures are presented as a proportion of adults. This difference also restricts the groups for which data on both burglaries and violent crime exists. In the second graph, the age status for burglaries is the age of the household reference person.

Fear of crime

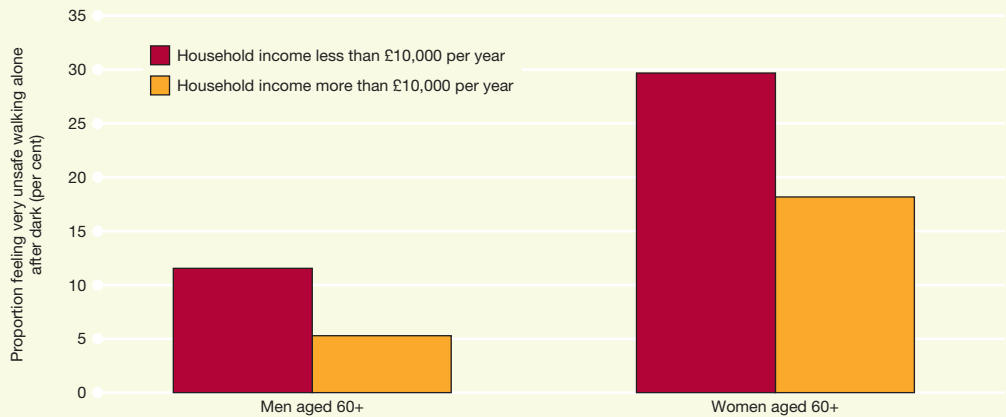
Indicator 39

39A: The proportion of adults who are very worried about being the victim of crime is much lower than a decade ago.



Source: Home Office British Crime Survey (from www.poverty.org.uk); the data is for England and Wales

39B: Among women aged 60 and over, those from lower-income households are one-and-a-half times as likely to feel very unsafe out at night as those from higher-income households.



Source: Home Office British Crime Survey (from www.poverty.org.uk); the data is the average for 2006/07 to 2008/09 for England and Wales

The first graph shows the proportion of people who are very worried about violent crime or burglary.

The second graph shows the proportion of over 60s who felt worried or very worried about going out at night, split by gender and income.

The British Crime Survey (BCS) is a well-established annual government survey and the fact that the proportions feeling very unsafe have changed little over successive surveys suggests a degree of robustness to this result. However, it is unclear to what extent these feelings reflect anxiety more generally or simply with respect to being out at night.

Chapter 5 Neighbourhoods and services

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Neighbourhoods

Choice of indicators

This section looks at local areas, and issues of participation and influence. The first indicator uses data from the Citizenship Survey to analyse levels of volunteering. We use this here as a measure of social engagement and participation, looking at how it has changed over time and varies by income and area. The second indicator looks at whether people feel able to influence decisions made about their local areas, which we use as a measure of attitudes. Again we look at changes over time, and how the measure is affected by income and area.

Clearly, both of these measures fit into the broad 'Big Society' agenda, which champions the role of volunteers and seeks to empower local communities. It is an area the new government has given a lot of prominence to, but has yet to fully define.

The next two indicators look at the issue of housing from two different perspectives. The first looks at the polarisation of different types of housing tenure by work status. The earlier indicators on unemployment and worklessness have looked at work status from the point of view of the individual or the household. This analysis allows us to look at it across whole communities. We also look at homelessness and households in temporary accommodation. This has long been a staple indicator in this report, and tells us something of acute housing need.

The final indicator looks at how satisfied people are with their local area and local services. Again, the new government wants local people to be more involved in the delivery of their services, presumably to improve them from the perspective of local people. So once again, this indicator is a baseline against which we can measure progress in future years.

40 Participation

- In 2009/10, 34 per cent of adults had not volunteered at all, either formally or informally, or through their employer. A further 24 per cent had volunteered but did so less than once a month.
- These figures are, if anything, slightly higher than at the beginning of the last decade. In particular, in 2001 the proportion of people who had not volunteered at all in the previous year was 26 per cent, compared to 34 per cent in 2009/10.
- By age and income there is little variation in volunteering rates. Around half of people of all ages and income do not volunteer.
- By area, though, the differences appear greater. As many as 60 per cent of people in the most deprived areas do not volunteer, nine percentage points more than in non-deprived areas. A similar sized gap is found between urban and rural areas.

This suggests that there is ample possibility for increased participation – regular volunteering is certainly not the norm. But the lack of any increase in the last decade is instructive. At various stages, the previous government praised the role and contributions of volunteers and promised resources to expand volunteering, but participation rates did not increase.

41 Influence

- The proportion of people who felt they could not affect decisions made locally was, at 63 per cent, very similar in 2009/10 to 2003. If anything, it was slightly higher than in 2001, when the figure was 56 per cent, but there has been little or no year-on-year change since then.
- The proportion of people who felt they could not affect decisions made nationally was higher at 80 per cent. This figure was also little changed from 2003, but slightly higher than 2001.
- Irrespective of income, work status or deprivation of the area in which they live, over half of adults feel they cannot affect decisions made locally.
- Differences, such as they are, between respondents suggest that those with lower incomes, in more deprived areas, feel even less able to exert any influence.

42 Polarisation

- In 2009, some 67 per cent of heads of household in social rented accommodation were workless, compared to 35 per cent in owner-occupied households.
- The proportion of heads of household in social rented accommodation who are not working was slightly lower in 2009 than it was in the first half of the last decade, at 67 per cent compared to 71 per cent. The difference though, is rather small.
- 77 per cent of heads of household in social rented accommodation in Northern Ireland are not in paid work. This is the highest in the UK, and some 16 percentage points higher than the region with the lowest proportion, the South East of England.
- Wales has a notably high proportion of workless heads of household in owner-occupied housing. 40 per cent of owner-occupied households in Wales have a head of household not in paid work, compared to 29 per cent in London.

While the time series in the first graph show that the gap in household employment status is long-standing, the figures from 1981 show that this gap was not always so pronounced. In 1981, around half the heads of household in social rented accommodation were in paid work. 1981 coincides with the introduction of right to buy legislation, which enabled tenants to buy their council houses. Such tenants as could afford to buy their houses were likely to have been in paid work and in buying the property, moved it from the socially rented to the privately owned sector (although not necessarily owner-occupied).

43 Homelessness

- The number of people accepted by local authorities as homeless fell again in 2009/10, for the sixth successive year. At 56,000, this number has fallen by almost 150,000 since 2003/04 and 15,000 since 2008/09.
- The number of people housed by local authorities in temporary accommodation also fell in 2009/10, to 51,000 from 64,000. This is now around half of its level in 2004/05.
- London has a disproportionately high number of people living in temporary accommodation. In 2009/10, three-quarters of all those housed by local authorities under homelessness provision were in London, some 39,000 households in total.

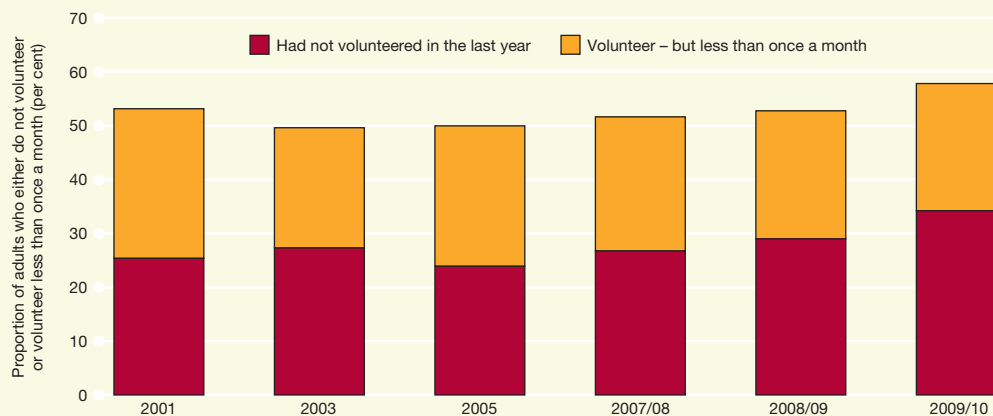
The decrease in the number of households accepted as homeless since the middle of the last decade is eye-catching. The figures on homeless households are subject, more than any other statistic we use, to administrative procedure. Research by Crisis (*No-one's priority: the treatment of single homeless people by local authority homelessness services*, Crisis, 2009) indicated some evidence of 'gatekeeping' deterring people from making an application.

However, there is also evidence that local authorities' work in homelessness prevention has yielded results. In 2009/10, according to Department for Communities and Local Government statistics, some 140,000 households in England were prevented from becoming homeless by homelessness prevention work carried out by local authorities. Of these, 65,000 were helped to stay in their homes, and 75,000 were found alternative accommodation.

44 Satisfaction with local area

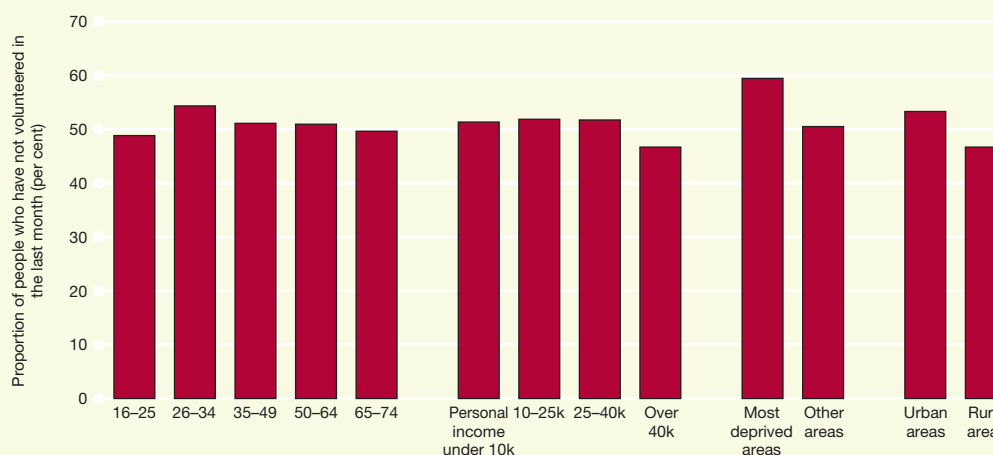
- Over the past decade, lower-income households have been consistently less satisfied with their local areas than households with higher incomes. The series moves around from year-to-year, so it is difficult to spot a trajectory, but the gap by income is clear.
- In 2008, 11 per cent of heads of households with weekly income below £200 were dissatisfied with the areas they lived in, compared to 7 per cent of other heads of household.
- People in more deprived areas are slightly less satisfied with their local services than people in less deprived areas. Around 24 per cent said they were dissatisfied or very dissatisfied with council services overall, compared to 22 per cent of people in other areas. Similar proportions apply as regards housing.
- Overall, people were least dissatisfied with schools, with this dissatisfaction reported by around 12 per cent of people in the most deprived areas and 9 per cent of people in other areas.
- This contrasts with dissatisfaction with the police. Around 25 per cent of all respondents said they were dissatisfied with the local police. There is no obvious difference by income.

40A: The proportion of adults who did not volunteer or only volunteered infrequently was higher at the end of the decade than at the beginning. In 2009/10, a third of adults did not volunteer at all.



Source: DCLG Citizenship Survey; the data is for England and Wales

40B: The type of area a person lives in – urban or rural, deprived or non-deprived – makes more of a difference to their likelihood of volunteering than their age or income.



Source: DCLG Citizenship Survey; the data is for 2009/10 for England and Wales

The first graph shows the proportion of adults who had not taken part in any form of volunteering, either formally or informally, in the last year or in the last month.

The second graph shows how this participation rate varies by age, personal income and location.

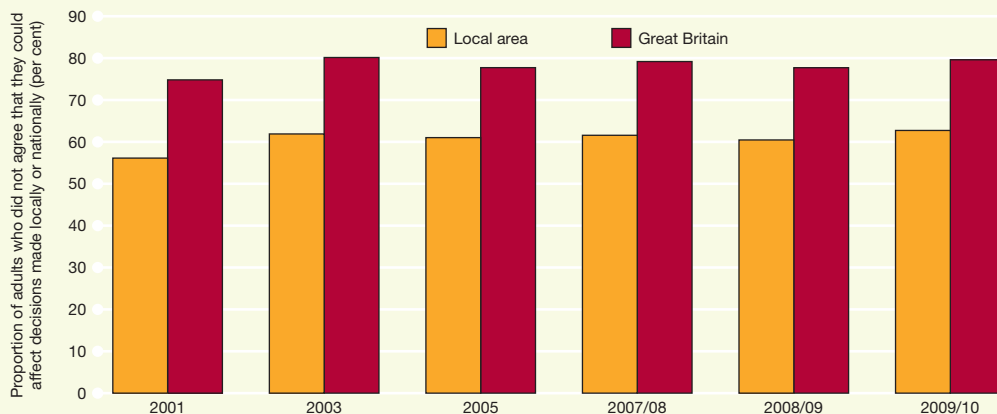
Formal volunteering is defined as volunteering through a group, whereas informal volunteering is arranged individually by the participant. Volunteering is defined as time given for free to any activity or non-family member.

In the second graph, income relates to the individual, not the household. So low incomes in this context need not necessarily mean that the individual is in a low-income household.

Lack of influence on decision-making

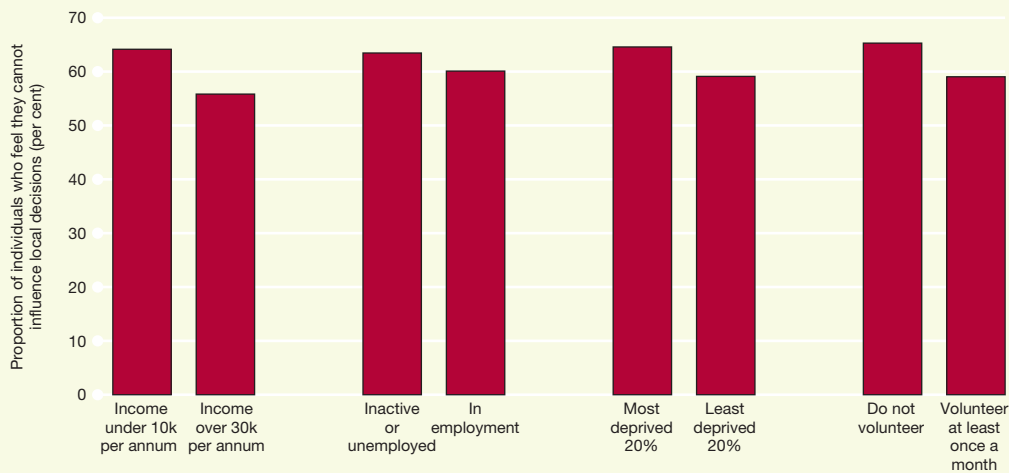
Indicator 41

41A: Most adults feel they cannot affect decisions made locally, and the vast majority feel they cannot affect decisions made nationally.



Source: DCLG Citizenship Survey; the data is for England and Wales

41B: Regardless of income, employment status, type of area and amount of voluntary activity, more than half of adults feel they cannot influence decisions made locally.



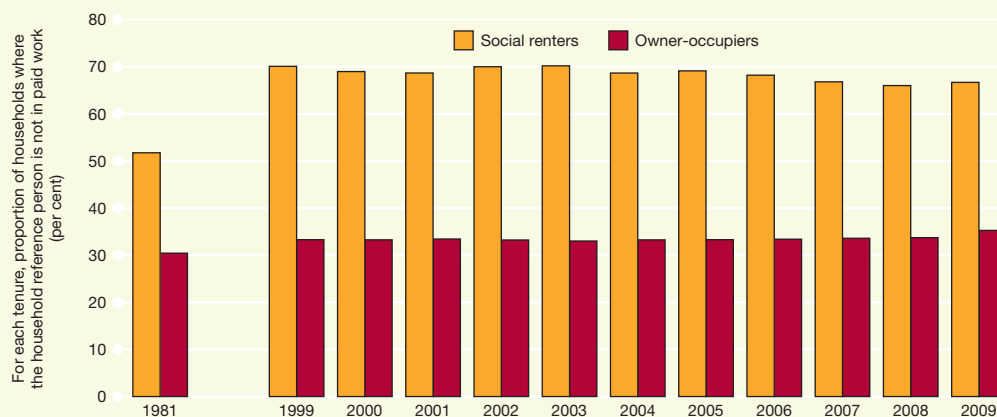
Source: DCLG Citizenship Survey; the data is for 2007 and 2008/09 for England and Wales

The first graph shows the proportion of adults who feel they cannot affect decisions made either locally or nationally.

The second graph shows how the proportion of adults who feel they cannot influence local decision-making varies according to income, work status, the area they live in and whether or not they volunteer.

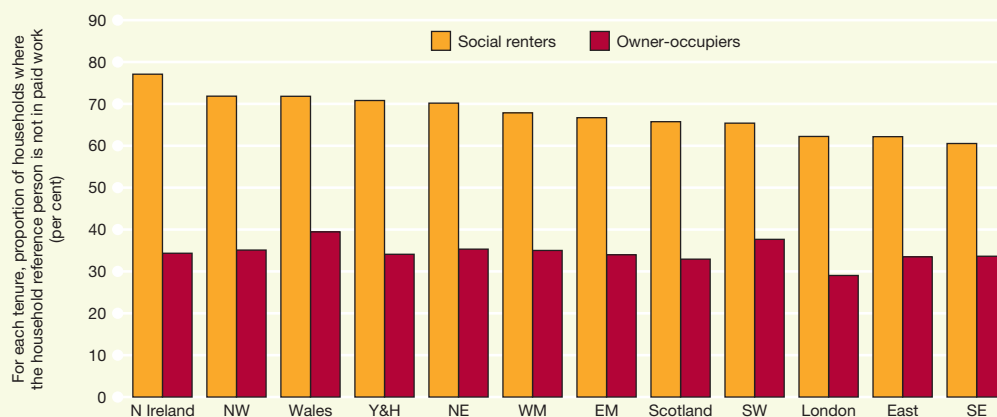
Respondents to the survey are read the statement 'I am able to affect decisions made about my local area' and 'I am able to affect decisions made about Great Britain'. The proportions in the graph are those who disagreed or disagreed strongly, as a proportion of all those who expressed an opinion. People who did not answer, or did not know, are excluded from the graph.

42A: In two-thirds of households in social housing, the head of household is not in paid work. Although this has been the case throughout the last decade, it was only the case in one half of households at the start of the 1980s.



Source: Labour Force Survey, ONS (from www.poverty.org.uk); the data is for the UK

42B: Three-quarters of heads of households in social housing in Northern Ireland are not in work, more than in any other part of the UK.



Source: Labour Force Survey, ONS (from www.poverty.org.uk); the data is the average for 2007 to 2009 for the UK

The first graph shows the proportion of heads of household not in paid work by their housing tenure. Results are shown separately for social housing households and for owner-occupied households.

The second graph shows the same data for each English region, Scotland, Wales and Northern Ireland.

In both graphs, we use the household reference person as the head of household. The household reference person is the household member who owns the accommodation; or is legally responsible for the rent; or occupies the accommodation as reward of their employment, or through some relationship to its owner who is not a member of the household. If there are joint householders, then the head of household is the one with the highest income. If their income is the same, then it is the eldest one.

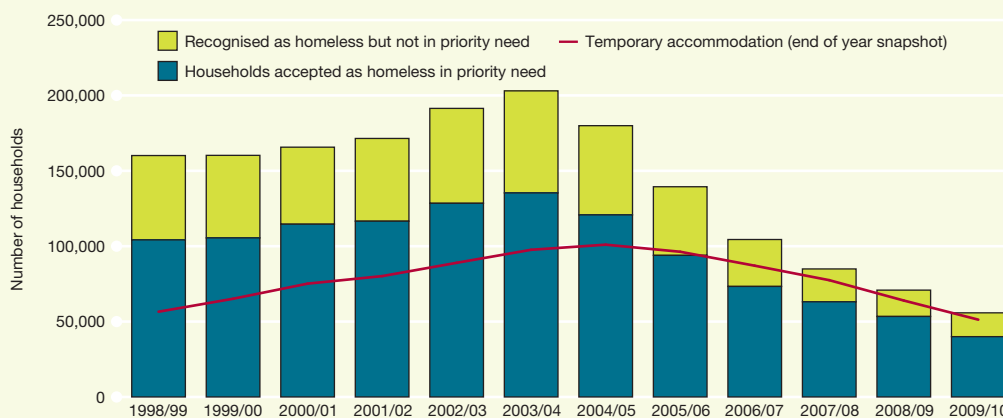
In 2001 this replaced the previous definition of head of household, which in a mixed sex couple would always have been the male.

This graph shows households of all ages, not just working-age households.

Homelessness

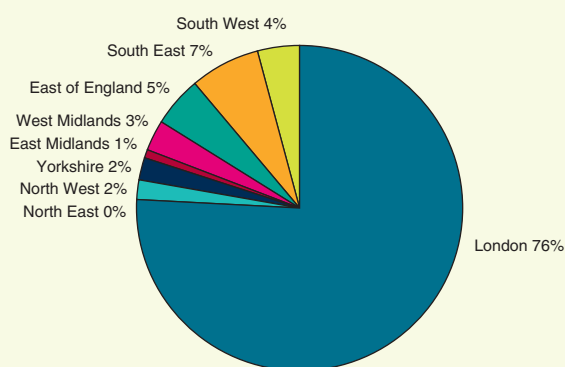
Indicator 43

43A: The number of households accepted as homeless has fallen by almost three-quarters in six years. The number in temporary accommodation has also declined by one-half.



Source: DCLG statistics on homelessness; the data is for England

43B: Three-quarters of all households in temporary accommodation live in London.



Source: DCLG statistics; the data is for March 2010

The first graph shows the number of people newly accepted as homeless in each year. The bars are split between those who are deemed in priority need, often households with children, and those not deemed in priority need. The line shows the number of people who are living in temporary accommodation under homelessness provision at the end of each year. Essentially, therefore, the graph combines the flow of people into homelessness and the stock of people accommodated by local authorities under homelessness provisions at any one time.

The second graph shows the number of people living in temporary accommodation under homelessness provisions by the geographical regions in England. Temporary accommodation includes bed and breakfast, hostel accommodation, private renting, and other.

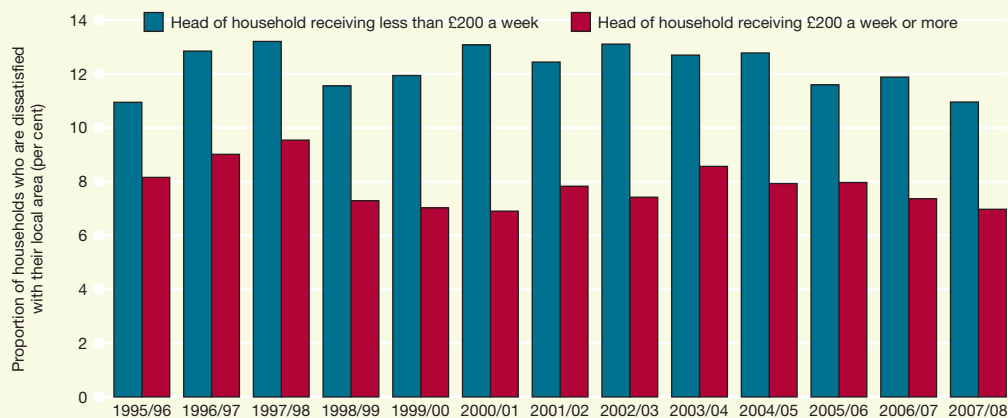
The number of households officially recognised by their local authority as newly homeless includes those 'in priority need', those 'not in priority need' and the 'intentionally homeless' (a small number).

It is important to note that these two statistics (newly accepted as homeless/number of people living in temporary accommodation) are of different types: the former is the cumulative number over the period of each year while the latter is a point-in-time number at the end of the year.

Neither is a complete count: the former excludes those recognised as homeless in previous years but still homeless while the latter excludes homeless households whom their local authority has no duty to accommodate.

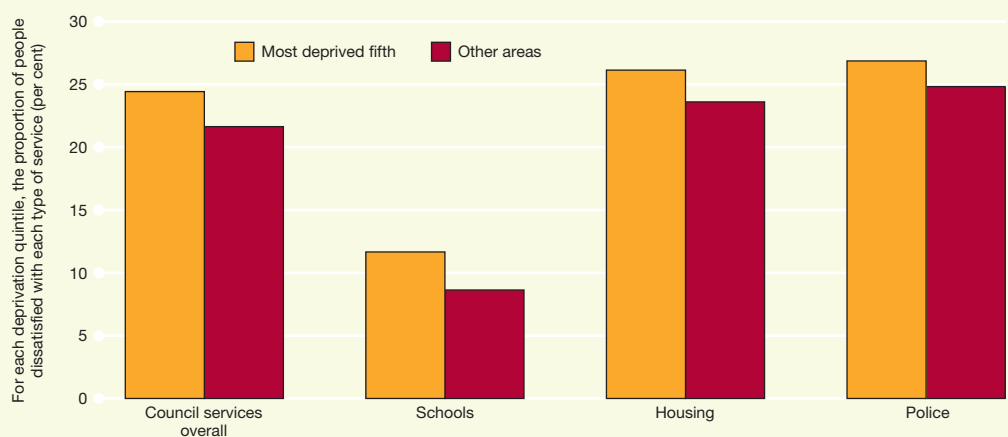
While there is no reason to believe there is any problem with the underlying data, the extent to which it leaves 'homelessness' dependent on administrative judgement is not satisfactory. In particular, the figures do not include many single people who are effectively homeless, as local authorities have no general duty to house such people and therefore many may not apply.

44A: Low-income households are more likely than richer households to feel dissatisfied with their neighbourhood, but the proportion is still small.



Source: DCLG Survey of English Housing (from www.poverty.org.uk)

44B: On average, people in more deprived areas are slightly more dissatisfied with their public services. Schools have low levels of dissatisfaction.



Source: DCLG Citizenship Survey; the data is for 2008/09 for England and Wales

The first graph shows the proportion of adults who say they are dissatisfied with their local area, shown for both households with incomes above and below £200 per week.

The second graph shows the proportion of people in areas falling in the most deprived fifth of areas, compared to all other areas combined, who, when prompted, responded that they were dissatisfied (fairly or very dissatisfied) with each type of service provided.

Areas in bottom quintile of deprivation are those areas that fall in the bottom fifth of respective Index of Multiple Deprivation (IMD) scores for England and Wales (WIMD).

Access to services

Choice of indicators

The final section in this chapter looks at services, and a particular emphasis on how access has changed over time. Whereas the indicators on income and work analyse rates and risks of poverty, these indicators on access are central to our analysis of 'social exclusion'.

We look at access to different types of services, for different groups. The first indicator considers older people helped to live at home. This indicator concentrates on the supply of a service which is essential for social well-being but also social exclusion – home visits are important to older people to lessen any sense of isolation.

We then look at take-up of benefits, first for older people then for all adults. With means tested benefits such as the pension credit, high take up is essential to their success. The indicator tracks this over time.

Following this we look at car ownership, which looks at the importance of car ownership in accessing many essential services.

The final graphs look at access to services at a household level. These indicators explore how market mechanisms can leave households without basic services that most would consider essential. We look at two financial services – access to bank accounts and home contents insurance. In both cases, we look at the gap in access between those on low incomes and those on average incomes.

Finally, we look at a new indicator – people lacking internet access at home. Domestic internet access is now considered an essential item for most families, according to the most recent Minimum Income Standard study (see www.minimumincomestandard.org).

45 Help to live at home

- In 2008, local authority social services helped 82 older people per 1,000 population aged 75 and over to live at home.
- This figure was lower than previous years, as resources are ever more targeted at those requiring intensive help. The total number of people receiving help to live at home was 82 per 1,000, down from 147 in 1994. The number of older people receiving such help rose from 17 per 1,000 in 1998 to 27 per 1,000 in 2008.
- The proportion of adults helped to live at home varies a lot by region, with levels in the north of England tending to be higher than in the south. Around 175 older people per 1,000 aged 75 and over are helped to live at home in the North East, compared to around 110 in the South West.
- The exception to this rule is London, where, in both Inner and Outer London, an above average proportion of older people are helped to live at home.

The change in the type of care offered in the first graph is thought to be the result of a definite shift in policy. Resources have been re-allocated by eliminating socially-oriented support for the many to increase the level of care-oriented support for those most in need.

46 Non-take-up of benefits

- The first graph shows, separately for Council Tax benefit, Pension Credit and Housing Benefit, the proportion of pensioners who are eligible but not claiming. In 2008/09, an estimated 40 per cent of eligible pensioners were not claiming the Council Tax Benefit to which they were entitled. The figures for Pension Credit and Housing Benefit were 33 per cent and 17 per cent respectively.
- All three figures are higher than a decade earlier, but while the levels of non-take-up for Council Tax Benefit and Pension Credit fell in the last five years, non-take-up of Housing Benefit has risen quite consistently for a decade. The level of non-take-up in 2008/09 was twice as high as it was at the end of the 1990s.
- The 40 per cent of pensioners who do not claim the Council Tax Benefit to which they are entitled is far higher than the rate for non-pensioners, which is 24 per cent. By contrast, the proportion of pensioners not claiming the Housing Benefit to which they are entitled is, at 17 per cent, lower than for non-pensioners (20 per cent).
- Among working-age adults without children, an estimated 48 per cent of those eligible for Jobseeker's Allowance are not claiming it. This is far greater than for any other working-age benefit.

Other analysis of the data presented here shows significant variation in take-up of pensioner benefits by tenure, with those in social housing far more likely to claim benefits to which they are entitled. This indicates that some existing interaction between the individual and the state makes take-up more likely (see The Poverty Site for the detailed statistics www.poverty.org.uk/66/index.shtml).

47 Without a bank account

- Over the last decade, the proportion of households lacking a bank account has decreased both on average and among households in the bottom fifth by income.
- In 2008/09, 7 per cent of households in the bottom fifth and 3 per cent of households with average incomes did not have a bank account. This compares to 20 per cent and 5 per cent ten years earlier.
- One of the reasons for the increase in access to banking services has been the introduction of new types of bank account, such as the basic bank account and the Post Office Card Account (POCA). These are less functional accounts which offer limited services, and have been targeted at low-income households, some 5 per cent of whom have such an account and no other type. Only 1 per cent of households on average or above average incomes are reliant on the POCA as their only type of bank account.

There is a sense from looking at the time series data that this policy may have gone as far as it can. The gap between low-income households and other households is now very small, and has been for some years. The final step is making the post office card account into something more flexible and functional.

48 Without home contents insurance

- In 2008, 52 per cent of households in the bottom fifth by income lacked home contents insurance, little different from the figure a decade earlier.
- Among middle-income households, the figure was 18 per cent, and 9 per cent among the richest fifth of households. These figures are likewise little different from a decade earlier.
- Three-quarters of households who lack home contents insurance are in rented accommodation. Most of these (half of the total) are social renters.

The lack of progress in reducing the number of low-income households without home contents insurance should be contrasted with the relative success of increasing the number of such households with a bank account. The concentration of households lacking home contents insurance in socially rented households does suggest one way of increasing the take-up of insurance. Policies could be tailored to social renters, and offered either via the local authority or the housing association.

49 Car ownership

- In 2009, 52 per cent of households in the poorest fifth did not have access to a car. Though somewhat lower than a decade earlier, it is far higher than households with average or above average incomes, between 10 per cent and 15 per cent of whom do not have a car.
- Notably, households in the richest two-fifths of the income distribution are as likely to lack a car in 2009 as they were in the mid-1990s. This suggests that there are around 10 per cent of households that will never want or need a car.
- Between 15 per cent and 20 per cent of households without a car find it difficult to access supermarkets, doctors or post offices. This compares to between 5 per cent and 10 per cent of households with a car.
- The proportion of households who find it difficult to access a hospital is, though, twice as high for both groups. 40 per cent of those without a car find hospitals difficult to access, as do 20 per cent of those with a car.

The indicators here look at how car ownership helps in accessing services. It is also the norm in terms of travel to work. In the last census, around 80 per cent of people travelled to work by car. Not owning a car can be a significant barrier to working.

50 Digital exclusion

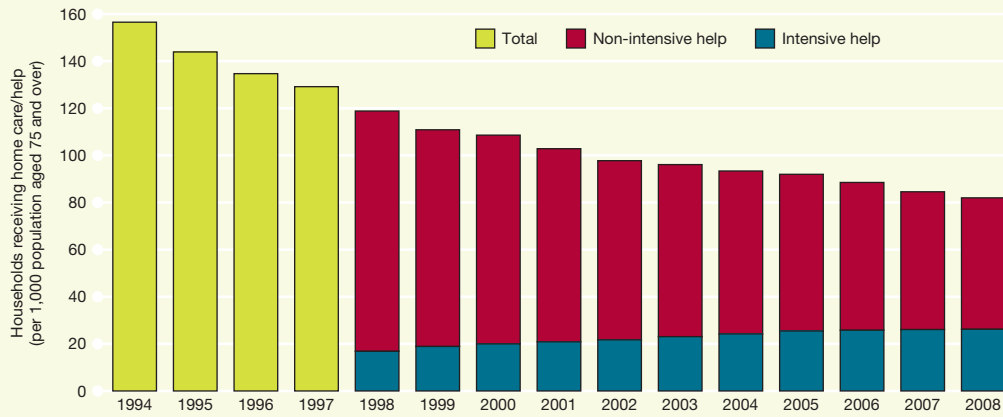
- In 2008, 64 per cent of households in the bottom income quintile did not have internet access at home. This rate was double that of households on average incomes.
- The proportion of households lacking internet at home came down between 2004 and 2008 for all income groups, but at a slower rate among low-income households than households with average incomes. As a result, the proportion of households in the bottom fifth who lacked internet at home in 2008 was higher than the proportion in the second bottom fifth five years earlier. So households with the lowest incomes are at least five years behind.
- Almost half of households lacking internet at home are older households and one-third are headed by someone aged over 75. Only one in six households without domestic internet is headed by an adult aged 35 or under.

Age is, then, a big factor when considering digital exclusion. The internet may be perceived as a younger person's domain. Certainly, in the most recent Minimum Income Standard report (see www.minimumincomestandard.org) computers with internet were seen as essential for households with working-age adults but not for pensioners. But many services, such as banking, telephones and utilities offer discounts for internet only users, so exclusion from these offers becomes an income and expenditure issue.

Help to live at home

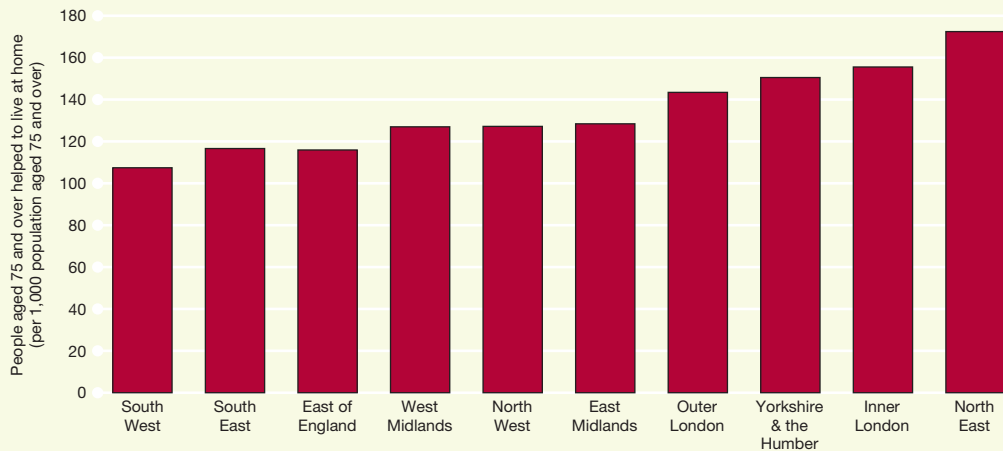
Indicator 45

45A: The proportion of older people receiving home care has halved since 1994 as available resources are increasingly focused on those deemed most in need.



Source: DH returns HH1 and ONS population estimates (from www.poverty.org.uk); the data is for England

45B: A smaller proportion of older people are helped to live at home in the South (outside London) than elsewhere in England.



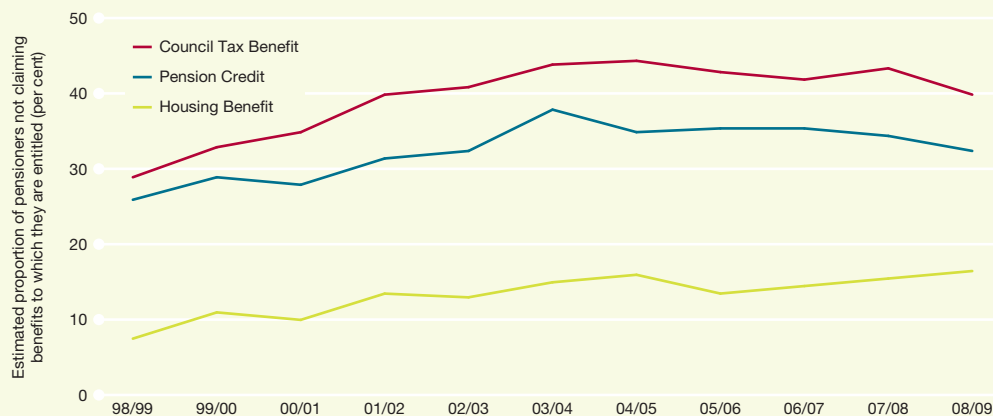
Source: NHS Information Centre, P2S data (from www.poverty.org.uk); the data is the average for 2007 to 2009 for England

The first graph shows the number of households receiving home help/care from their local authority. The results are expressed per 1,000 population aged 75 and over on the grounds that the majority of people receiving home help/care are in this age group. The series only goes up to 2008 as the method of collection changed in 2009, making results impossible to compare.

The second graph shows how the proportion of people being helped to live at home varies by the region in which they live. In the first graph, from 1998 onwards, the data is shown separately for those receiving intensive help (more than 10 hours per week or 6 or more visits) but this information is not available for the earliest years.

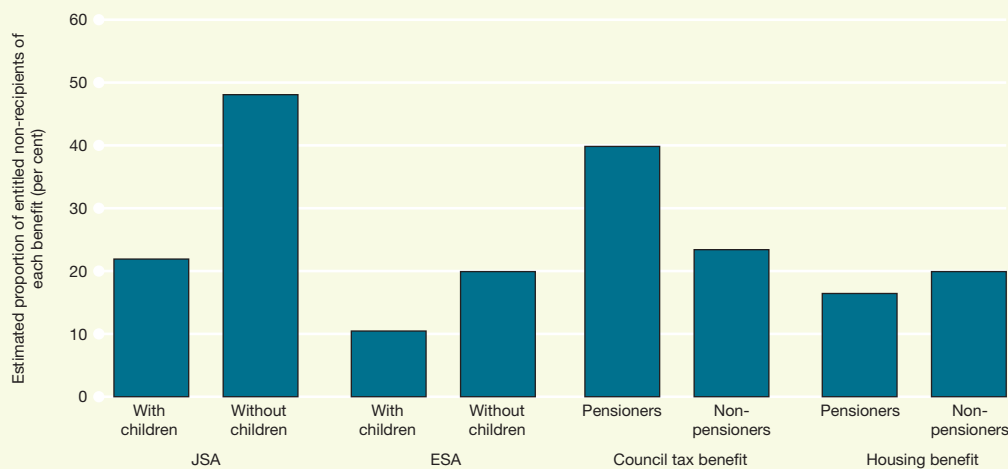
The second graph shows the number of people helped to live at home. Note that 'being helped to live at home' is a wider measure than the 'receiving home help/care' in the first graph as it includes meals-on-wheels, day care etc. The underlying data has been collected for a number of years and can be considered reliable. However, 'receiving home help/care' is only one possible measure of being helped to live at home. Furthermore, comparisons between local authorities have to be qualified by the fact that statistics ought ideally to be measured in relation to need and levels of support from friends and relatives.

46A: Although falling in recent years, the proportion of pensioners not claiming the Council Tax Benefit, Housing Benefit or Pension Credit they are entitled to is higher than a decade earlier.



Source: DWP Income Related Benefits Estimates of Take-Up; the data is for Great Britain

46B: An estimated 50 per cent of adults without children who are eligible for JSA do not claim it.



Source: DWP, Income Related Benefits Estimates of Take-up; the data is for 2008/09

The first graph shows, for a number of selected benefits, the estimated proportion of pensioner households entitled to the benefit who are not taking up their entitlement. The benefits shown are the three major benefits of older people, namely Council Tax Benefit, Pension Credit (and its predecessors) and Housing Benefit.

The second graph shows, for the most recent year (2008/09) estimated take-up rates for a range of benefits including working-age means-tested benefits.

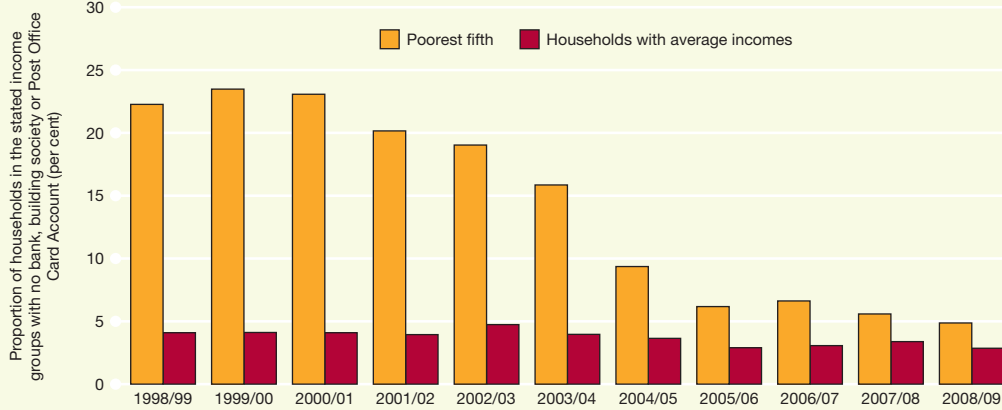
In both graphs the results shown are the averages of low end and high end estimates published by DWP.

The figures are Department for Work and Pensions (DWP) estimates only, based on the modelling of data from surveys such as the Family Resources Survey (FRS). In all the graphs, the figures shown are the mid-points of quite wide-ranging estimates, so the figures for any particular benefit in any particular year are subject to considerable uncertainty.

Without a bank account

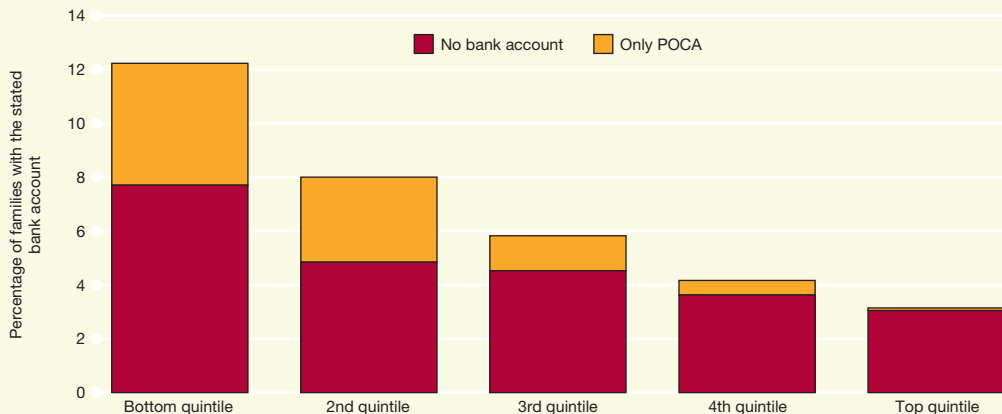
Indicator 47

47A: The proportion of low-income households with no bank account is much lower than a decade ago.



Source: Family Resources Survey, DWP (from www.poverty.org.uk); the data is for Great Britain

47B: Almost 8 per cent of families in the poorest fifth of the income distribution do not have a bank account; a further 4 per cent only have a Post Office Card Account.



Source: Family Resource Survey, ONS; the data is for 2006/07 to 2008/09

The first graph shows the proportion of households without a bank, building society or any other kind of account. The data is split to show households in the poorest fifth of the income distribution and for households on average incomes (middle fifth of the income distribution) separately.

The second graph shows, for the latest three years, the proportion of households with either no bank account or with only a Post Office Card Account. The results are shown separately for households in each fifth of the income distribution.

In the first graph, income is defined as household disposable income, equivalised (adjusted) to take account of household composition and is measured after deducting housing costs.

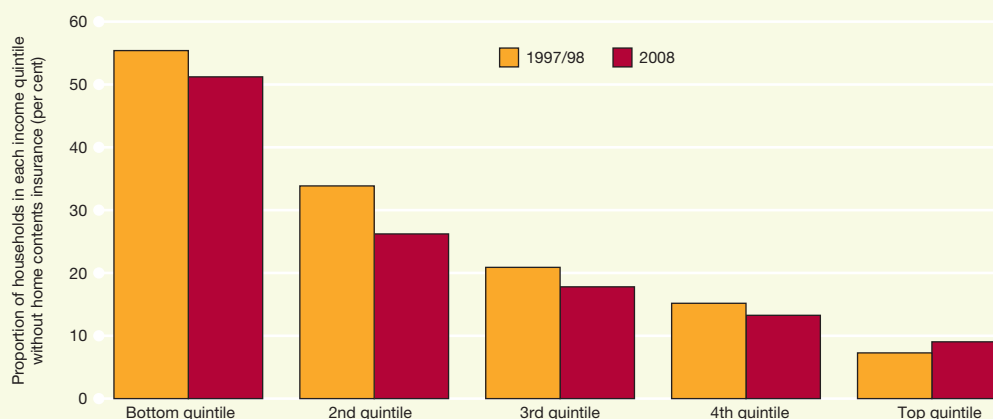
As well as bank and building society accounts, the figures also count any savings or investment accounts as well as Post Office Card Accounts. Stocks and shares, premium bonds, gilts and save-as-you-earn arrangements are excluded.

The Post Office Card Account is shown separately in the second graph as it has less functionality than a standard current account. For example it does not allow the account holder to set up a direct debit.

Without home contents insurance

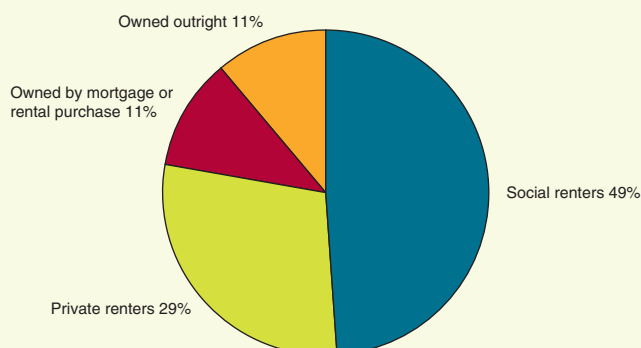
Indicator 48

48A: Half of the households with the lowest incomes do not have home contents insurance, more than twice the level among households with average incomes. Neither level has changed much in the last decade.



Source: The Family Expenditure Survey (1997/98) and The Living Costs and Food Survey, 2008, ONS

48B: More than three-quarters of those households that do not have home contents insurance are renters; about half are social renters.



Source: The Living Costs and Food Survey, ONS; the data is for 2008

The first graph compares the proportion of households without home contents insurance in the latest year with the proportion ten years ago. The results are shown separately for each fifth of the household income distribution.

The second graph shows the proportion of households without home contents insurance split by their housing tenure.

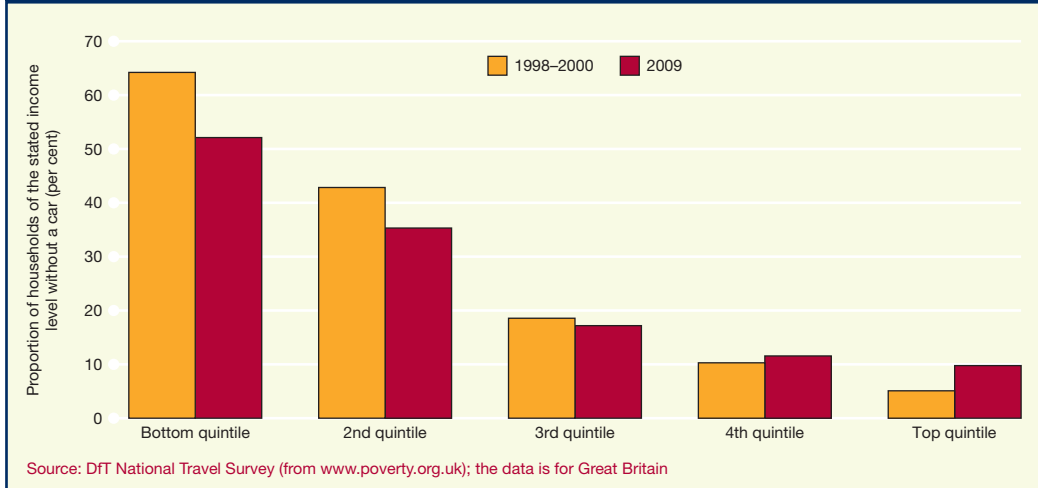
The division into income quintiles is based on gross income. For the latest year, this is after equivalisation (adjustment) for household size and composition. By contrast, the results for a decade earlier are based (due to limitations in that data) on unadjusted unweighted income.

Social renting involves renting furnished or unfurnished accommodation from a local authority or housing association. Private renting can also be furnished and unfurnished.

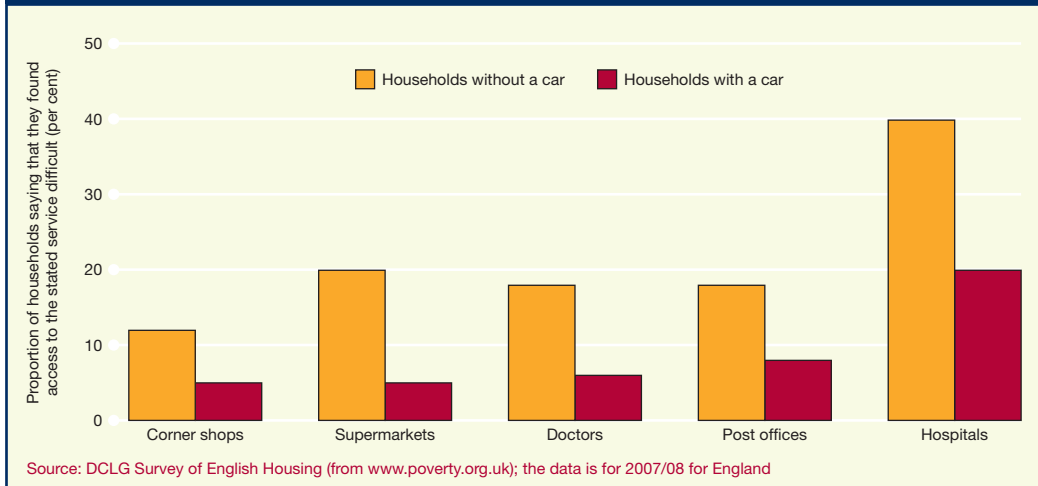
Car ownership

Indicator 49

49A: Nearly all households with above-average incomes have a car but half of low-income households do not.



49B: The proportion of households who find it difficult to access essential local services is much higher for those without cars than for those with cars.

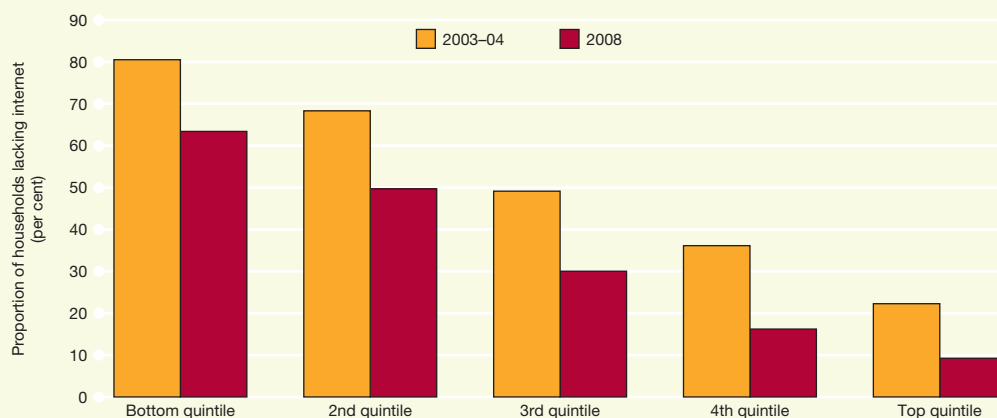


The first graph shows the proportion of households without a car, comparing 2009 with 1998-2000. Results are shown separately for each fifth of the income distribution.

The second graph shows, separately for those with and without cars, the proportion of people who find it hard to access certain basic amenities.

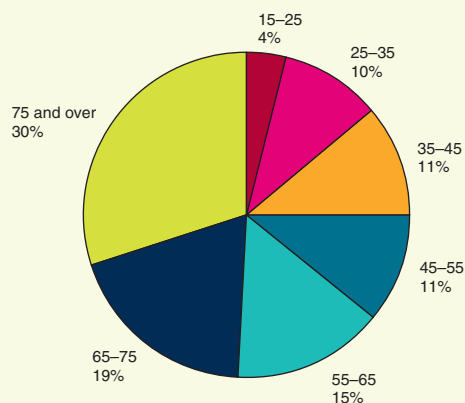
The household income in the first graph has been equivalised (adjusted) for household size.

50A: Despite progress in recent years, households in the bottom quintile are still twice as likely not to have the internet as those in the middle quintile.



Source: ONS, Expenditure and Food Survey; the data is for 2003/04 and 2008 for the UK

50B: Half of households lacking internet connection at home are headed by over-65s.



Source: ONS, Expenditure and Food Survey; the data is for 2006 to 2008 for the UK

The first graph shows the proportion of households lacking an internet connection at home for each income quintile for the years 2003/04 and 2008.

The second graph shows the composition of households without an internet connection at home by the age of the household reference person.

Internet connection includes both broadband and dial-up connection.

The household income in the first graph has been equivalised (adjusted) for household size.

The household reference person (HRP) is the person who owns or rents or is otherwise responsible for the accommodation. In the case of joint householders, the person with the highest income takes precedence and becomes the HRP. Where incomes are equal, the older person is taken as the HRP.