

Monitoring poverty and social exclusion 2010

Findings
Informing change

December 2010

The New Policy Institute has produced its thirteenth annual report of poverty and social exclusion indicators, the first to be written under the Coalition government. It highlights the challenges the new government faces, looking at long-term trends and more recent changes resulting from the recession.

Key points

- By mid-2010, almost 2.5m people in the UK were unemployed, slightly more than in 2009. In total, around 6m were unemployed, 'economically inactive' but wanting work, or employed part-time and unable to find full-time work.
- By 2008/09, 13m people were in poverty. Of these, 5.8m (44% of the total) were in 'deep poverty' (household income at least one-third below the poverty line), the highest proportion on record.
- Despite the recession, the number of children in poverty in workless families fell in 2008/09, to 1.6m, the lowest since 1984, but those in working families rose slightly to 2.1m, the highest on record.
- The numbers of 16-year-olds lacking five GCSEs at any level and of 19-year-olds lacking a level 2 qualification fell in 2009, and are lower than any time in the previous decade.
- By mid-2010, the unemployment rate among those aged 16–24 was, at 20%, the highest in 18 years, and three times that for other adults. After the last recession (1993), the rate was 16%, twice as high as for the rest of the population.
- While Jobseeker's Allowance claimants peaked at 1.6m in 2009, 4.2m people (one in eight of the economically active population) claimed at least once in the two years from the start of the recession in spring 2008.
- The government's many challenges include in-work poverty, the number of children/young adults with few/no qualifications, young adult unemployment, health inequalities and low-income households' lack of access to essential services.

The research

By Anushree Parekh, Tom MacInnes and Peter Kenway

The new context

This is the thirteenth annual report in the *Monitoring poverty and social exclusion* series. The previous 12 were written during the period of the Labour government. The context in which this report has been produced is quite different. While this government's agenda is still taking shape, it is timely to look at its inheritance.

Table 1 summarises how those statistics the report measures over time have changed over the last five and ten years. The ten-year assessment broadly represents the record of the previous government. The five-year assessment shows what has happened since a major turning point in about 2004/05 (some three years before the recession's onset). In each case, the assessment of change is a matter of judgement rather than statistical significance. Where there has been no obvious movement, the assessment is one of 'no change'.

Around half of the 47 indicators have improved since 1998/99, and just over a quarter have got worse. Of the 13 deteriorating indicators, ten are associated with low income, employment or debt. Of the 24 improving indicators, nine are in child well-being and nine in adult well-being.

By contrast, since 2004/05, 17 indicators have improved and 18 have got worse. The only low income or employment indicator to improve in that period was pensioner poverty. Twelve of the deteriorating indicators concern low income, employment or debt. In most cases, the deterioration pre-dated the recession and was not just a consequence of it.

Unemployment, underemployment and worklessness

By mid-2010, almost 2.5m working-age adults in the UK were unemployed. This figure, slightly more than for 2009, was the highest since 1995. However, there were also 560,000 students and 1.8m other working-age adults who were not working or actively seeking work but would like to work. A further 1.1m people in part-time jobs were unable to find full-time work; this figure has doubled since 2004.

Taken together, this totals 5.9m people unemployed or underemployed in mid-2010, almost two million more than in 2004 – a 50% increase (see Figure 1).

The unemployment rate for 16- to 24-year-olds was 20% by mid-2010, the highest in the last 18 years. Just after the end of the last recession, in 1993, the rate was 16%, twice as high as for the rest of the population. The 2010 rate is three times higher than for other adults. An unemployment rate of 20% means that for every four young adults in work, another one is actively looking for a job and ready to start straightaway.

Jobseeker's Allowance (JSA) claimants

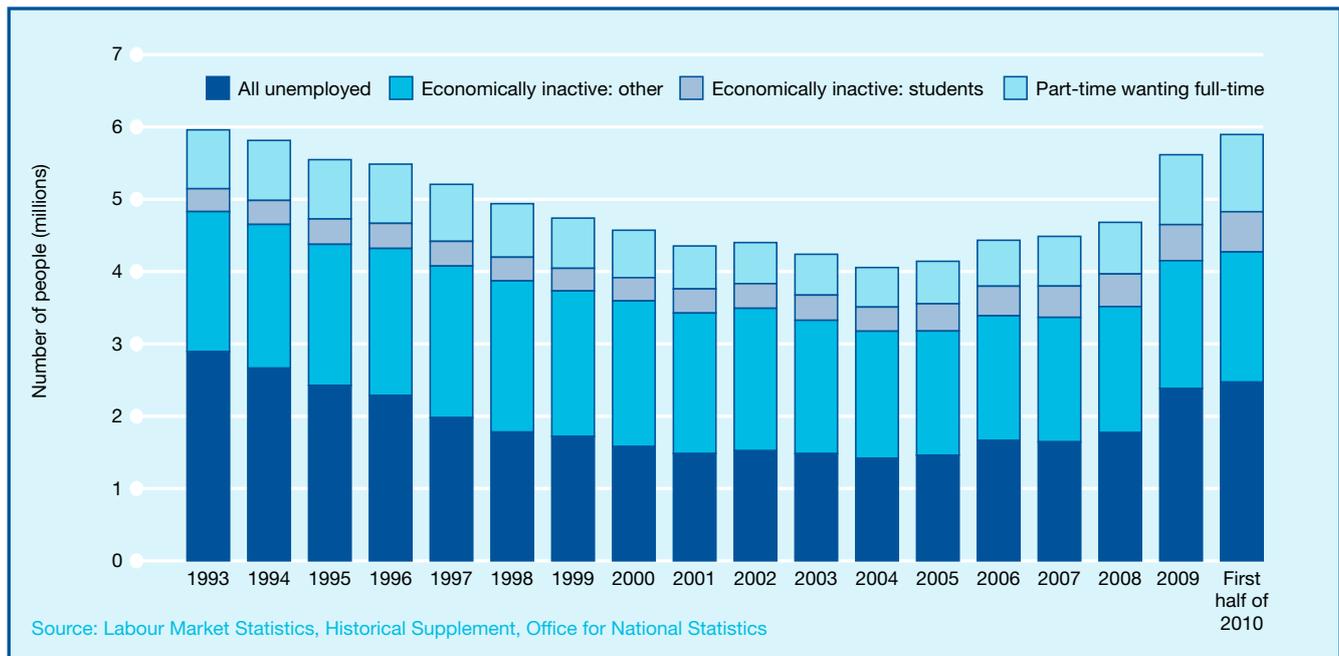
By mid-2010, the number of people claiming JSA was 1.4m, down by 120,000 compared with six months earlier. However, the number of those who had been claiming for over six months was still rising, and reached 580,000 by June 2010.

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

	Change since 1998/99			Change since 2004/05			Total
	Better	No change	Worse	Better	No change	Worse	
Low income	3	1	6	1	1	8	10
Employment and debt (recession)			4			4	4
Child and young adult well-being	9		1	8		2	10
Adult well-being	9	3		5	7	1	13
Community	3	3	2	3	4	3	10
Total (of indicators)	24	7	13	17	12	18	47

Source: *Monitoring poverty and social exclusion 2010*, summary of Table 3

Figure 1: Unemployment and underemployment 1993 to mid-2010



Looking at points in time tells only part of the story, however. Most JSA claimants do not spend long claiming, and turnover is substantial. Around 4.2m people claimed JSA for at least one spell in the two years following the start of the recession in the second quarter of 2008. This represents 13% of the economically active population.

Low-income households

A household is deemed to be in poverty if its income is less than 60% of *median* household income for the year in question. The value of this poverty line depends on the number of people in the household, reflecting that larger households need more money (though not proportionately more) than smaller ones to achieve the same standard of living. In 2008/09, 60% of median income was worth, per week:

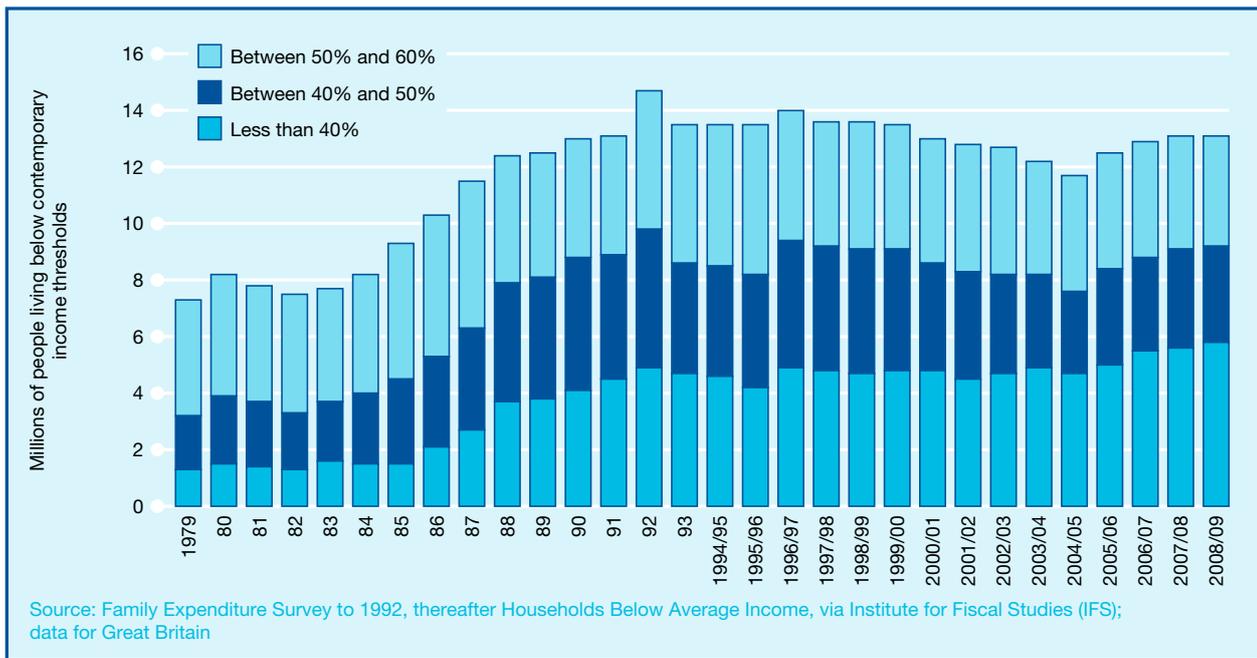
- £119 for a single adult;
- £161 for a lone parent with one child under 14;
- £206 for a couple with no children;
- £288 for a couple with two children under 14.

These figures are net of income tax and council tax and after deducting housing costs (rent or mortgage interest, water charges and buildings insurance).

In 2008/09, by this definition, 13.1m people were living in poverty, little different from the previous year (see Figure 2). However, the number of people deepest in poverty, with a household income below 40% of the median (£80 a week for a single adult), rose again, to 5.8m. At 44% of all those in poverty, this figure was the highest on record.

More than 3.5 million of those in deep poverty were working-age adults, 2.3m of whom were without dependent children. The proportion of such adults in poverty – deep or otherwise – has not been higher in the last 14 years, at 19%. In 2008/09, for the first time in the series, the proportion of working-age adults in poverty without dependent children was higher than that of pensioners.

Figure 2: People living in poverty



Children in poverty

In 2008/09, two very different patterns were apparent among children in low-income households. The number of children in low-income, working households ('in-work poverty') has never been higher (see Figure 3). The rise from 2007/08 was slight, but meant that 2.1m children – 57% of all children in poverty – lived in a household with at least one working adult. Conversely, the number of children in low-income, workless households was,

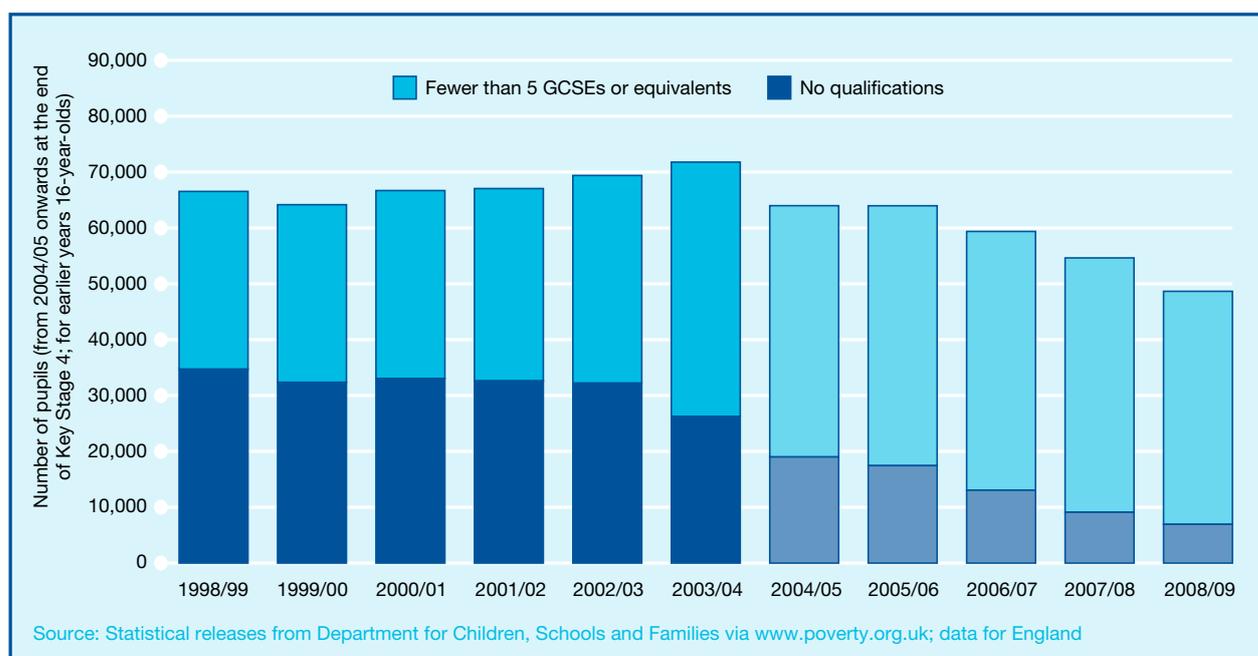
at 1.6m, the lowest since 1984. This figure has fallen consistently since 1995/96.

A likely explanation for this fall in out-of-work child poverty is the increase (of nearly £5 per child per week) in Child Benefit and Child Tax Credit in April 2008. Although overall child poverty fell in the first year of the recession, the precise timing of the recession (and especially the rise in unemployment) means that its full effects on poverty will not be known until the statistics for 2009/10 are available.

Figure 3: Child poverty, households in and out of work



Figure 4: Pupils obtaining fewer than 5 GCSEs



Educational attainment

The number of pupils not attaining five GCSEs of any grade fell in 2009, the fourth fall in the last five years, and a fall of one-third since 2004 (see Figure 4). Some 50,000 pupils did not get five GCSEs in 2009 (8% of all pupils). Of these, 7,000 obtained no GCSEs at all.

As the number of 16-year-olds not attaining five GCSEs has fallen for several years now, the number of 19-year-olds lacking qualifications has also fallen. In 2009, some 180,000 19-year-olds lacked at least an NVQ level 2 or equivalent qualification. At 23%, this is the lowest proportion in the last decade and five percentage points lower than in 2004.

At age 11, 2009 saw the first rise in the proportion of children not reaching basic levels of numeracy and literacy for over a decade. This rise was more pronounced in English than maths, and among schools with high proportions of children eligible for free school meals. Until 2009, these statistics had been trending gently downwards since at least 1996.

Ill-health

All indicators of ill-health have improved or stayed steady for the last ten years. Infant mortality rates are down among children born to parents in both manual and non-manual social classes. Premature death rates (deaths under the age of 65) have fallen for men and women. The proportion of adults at risk of mental health is lower than a decade ago. The number of older adults with a limiting long-term illness or disability has remained constant. However, there are still significant differences among different groups. The risk of mental illness for someone in the poorest fifth of the population is around twice the average, for instance.

Conclusion – challenges for the government

While the last decade has seen progress in around half the topics covered by *Monitoring poverty and social exclusion*, the challenges remain formidable. Although too soon to subject new policies to scrutiny, many issues that need addressing can be identified. These include:

- **in-work poverty**, which needs to be given equal status with out-of-work poverty;
- **poverty among children in workless households**, where the challenge is to sustain the substantial progress, back to the levels of the mid-1980s, made under the previous government;
- **'deep' poverty**, which requires recognition of the importance of the depth of poverty as well as its extent or scale;
- **educational outcomes among the lowest-attaining school children**, including reviving the progress made among 11-year-olds dating back to the mid-1990s and sustaining more recent progress at age 16;
- **young adults without minimum qualifications**, where despite recent progress, more than one in five 19-year-olds enter the workforce ill-equipped to do even moderately well;
- **progression in work**, including pay and flexibility of conditions, particularly for parents and carers, as well as availability of on-the-job training;
- **young adult unemployment**, which, rising since 2004, must be recognised as a chronic problem for which the policies pursued even before the recession were inadequate;
- **underemployment**, the scale of which – some six million people – far outstrips conventional unemployment;
- **health inequalities**, which remain wide and persistent by class and/or income, despite overall reductions;
- **lack of access to essential services**, where differences by income in household access to essential services (including insurance, internet and transport) are an avoidable penalty of poverty.

Although this list is selective, it provides a basis for early assessment of how far the ambitions of government policy match up to the extent of the challenges faced.

For further information

The full report, **Monitoring poverty and social exclusion 2010** by Anushree Parekh, Tom MacInnes and Peter Kenway is published by the Joseph Rowntree Foundation. It is available as a free download from www.jrf.org.uk or www.poverty.org.uk

All the underlying analyses for this Findings can be found at the poverty statistics website: www.poverty.org.uk

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Tel: 01904 615905 email: info@jrf.org.uk