

# Monitoring poverty and social exclusion 2016

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by Adam Tinson, Carla Ayrton, Karen Barker, Theo Barry Born, Hannah Aldridge and Peter Kenway



# **MONITORING POVERTY AND SOCIAL EXCLUSION 2016**



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# MONITORING POVERTY AND SOCIAL EXCLUSION 2016

Adam Tinson, Carla Ayrton, Karen Barker, Theo Barry Born,  
Hannah Aldridge and Peter Kenway

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## Foreword



I am pleased to introduce this year's State of the Nation report on poverty in the UK. This long series of annual reports has provided an essential barometer to allow understanding of the changing face of poverty, and therefore the challenge and opportunities facing all of us who are seeking to solve it.

This task has never been more important. The vote on 23 June made it clear that despite record levels of employment, there are deep levels of disaffection among those who feel left out of the success enjoyed in some parts of the country. We have made real progress as a country. Fewer children live in workless households, old age is no longer automatically associated with a risk of poverty and we have largely broken the link between housing squalor and poverty.

But there are risks ahead. This report shows:

- an alarming concentration of poverty among families with a disabled member; disability in the UK is closely associated with poverty
- real risks of poverty for the growing number of people housed in the private rented sector, who face high rents, insecurity and, frequently, poor quality housing
- a continuing rise in poverty among those who are in work.

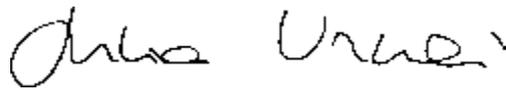
Earlier this year JRF published our Strategy to Solve UK Poverty. This strategy set out a five-point plan to:

- boost income and reduce costs
- deliver an effective benefits system
- improve education and raise skills
- strengthen families and communities
- promote long-term economic growth that can benefit everyone.

The strategy demonstrated the ways in which poverty in the UK is threatening our longer-term prosperity, and argued that it is the responsibility of all of us – individuals and families, communities, business and governments, at every level – to work together to solve poverty in the UK. It set some achievable goals for a UK in which:

- no one is ever destitute
- fewer than one in ten of the population are in poverty at any one time
- no one is in poverty for more than two years.

The essential data in this report provides a clear-sighted, unambiguous picture of poverty in the UK this year. It focuses our attention on the reality of life for people in poverty, making it clear that while the face of poverty has changed, its impact, and its costs, and the waste of human potential, is a reality to which we must respond. With clear information, and with a strategy for action, we have never been in a better position to start the long, sustained programme of work to solve UK poverty.



Julia Unwin CBE  
Chief Executive, Joseph Rowntree Foundation

## Commentary

### The record of the last ten years

Table 1 summarises the key trends shown by the indicators in this report, comparing the current level with five and ten years ago. It makes a subjective judgement on whether they are better, worse or unchanged. When the trends are unclear, the report errs on the side of caution and reports them as 'no change'.

Median household income is unchanged compared with five years ago, and higher than it was a decade earlier. This is an improvement on last year's report. Income at the bottom fifth has also improved in the last five years, but is not higher than a decade earlier. Despite this increase in incomes at the bottom, the proportion of people with no savings in this group has grown.

There are signs of the changing nature of poverty: there are more people in working families in poverty compared with five or ten years earlier, and fewer people in poverty in workless ones. Progress on both pensioner poverty and child poverty has stalled, with no change in the last five years.

Trends in housing have been mixed. The number of mortgage repossessions has fallen over the last five and ten years, whereas evictions have increased in the last five. The number of households in temporary accommodation is still lower than ten years ago, but higher than five years ago. In-work housing benefit claims have risen as workless housing benefit claims decline.

Life chances, a new chapter looking at the prospects for children and young people, shows a more positive picture. There have been reductions in the number of children in workless households and the proportion of younger men and women who are not in education, employment or training. Educational attainment has also improved over five and ten years. However, there is a growing number of children in poverty in the private rented sector (PRS), a tenure associated with higher costs and more frequent home moves.

Turning to work, there are improvements in underemployment, young adult unemployment and lone parent employment in the last five years. Average incomes for the self-employed are lower than five years earlier, while the number of workers in households in poverty has grown.

Finally, in the social security system, the number of sanctions for Jobseeker's Allowance (JSA) claimants has fallen compared with five years ago and is back to the level of ten years earlier. This is in part due to fewer people on JSA. Employment and Support Allowance (ESA) sanctions have also fallen in the last five years.

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

Better ● Worse ● No change ● No data –

Topic		10-year change	5-year change	Rate or number
<b>Income</b>	Child poverty rate	●	●	29%
	Pensioner poverty rate	●	●	14%
	Working age without children poverty rate	●	●	18%
	Number of people in working families in poverty	●	●	7.4 million
	Number of people in workless families	●	●	6.1 million
	Number of people in persistent poverty	–	●	9%
	Proportion of people in the bottom fifth for income with no savings	–	●	69%
	Median income	●	●	–
	Income at the poorest fifth	●	●	–
	<b>Housing</b>	Proportion of bottom fifth for income spending a third of income on housing	●	●
Private rented sector overcrowding		●	●	5%
Social rented sector overcrowding		●	●	6%
Living in non-decent housing		–	●	4.6 million
Evictions		–	●	37,000
Mortgage repossessions		●	●	3,300
Households in temporary accommodation		●	●	91,000
Workless HB claims		–	●	3.6 million
In-work HB claims		–	●	1.1 million
<b>Life chances</b>		Number of children in workless households	–	●
	Number of children in private rented sector in poverty	–	●	1.4 million
	Under-attainment in maths at age 11	●	●	13%
	Under-attainment in English at age 11	●	●	11%
	School exclusions	●	●	5,800
	Men not in education, employment or training	●	●	11%
	Women not in education, employment or training	●	●	15%
<b>Work</b>	Underemployment	●	●	5 million
	Proportion of women low paid	●	●	26%
	Proportion of men low paid	●	●	16%
	Lone parent employment rate	●	●	65%
	Temporary workers unable to find a permanent contract	●	●	560,000
	Median income from self-employment	●	●	£235/week
	Number of workers in working poverty	●	●	3.8 million
	Proportion of 18 to 24-year-olds who are unemployed	●	●	9%
	<b>Social security</b>	Value of benefits for a family with two children	●	●
Number of people on JSA		●	●	600,000
Number of JSA sanctions		●	●	204,000
Number of ESA sanctions		–	●	8,400

## Key stats

- 62% of the additional employment since 2010 is made up of full-time employee jobs
- There were 13.5 million people in poverty in 2014/15, 21% of the population

## The economic context

The background to this report is an economy in which both employment and income have now recovered from the falls experienced during the recession and its aftermath. The working-age employment rate is at a record high. 62% of the employment created since 2010 is made up of full-time employee jobs, which is the same as the share that full-time employee jobs take of total employment. Both median income and GDP per head have recovered to reach all-time highs, albeit only reaching this level in the last year or two.

What has this economic recovery meant for poverty? This depends partly on what measure of poverty is used. Against the 'fixed' measure of poverty, comparing incomes against 60% of the average (median) in a given year (currently 2010/11), the number in poverty first increased by around a million over two years up to 2012/13, and then fell back by a million in the two most recent years.

Using the 'relative' measure, in which a household's income is compared with 60% of average income in the same year, the poverty rate – that is, the proportion in poverty – has barely changed from 21% every year since 2010/11. There are 13.5 million people in poverty in 2014/15 on this measure.

Taken together, both measures suggest that UK poverty is roughly back where it was at the start of the decade, although they offer somewhat divergent accounts of exactly what happened in the intervening years.

Against this background, this commentary draws out the main features of poverty and social exclusion shown by the evidence presented in this report. Past commentaries have often tended to focus on the progress (or lack of it) that has been made, especially when the government has set targets. With a new government, such a backward look feels less appropriate, although the evidence to construct such a view can be found in the report. Yet while change over time is not the focus of the commentary, it is only because of change that a picture of 'modern poverty' is worth painting. The remainder of the commentary is divided into four main sections:

- what poverty looks like now
- the role of costs in poverty
- poverty and insecurity
- future risks for poverty and life chances.

## Key stats

- Pensioner poverty rates have fallen from 28% in 1994/95 to 14% in 2014/15
- 7.4 million people were in a working family in poverty in 2014/15, 55% of all people in poverty

## What poverty looks like in the UK now

Some groups are more likely to experience poverty, and those who are in poverty can change over time.

### Disabled people and their families

Disability needs to be central to our understanding of poverty. Disabled people face extra costs, such as equipment or appliances, as well as potentially higher costs such as higher heating bills due to immobility. Once we partially adjust income for the extra costs that come with disability by removing the social security benefits given to help with them, we find that 50% of people in poverty are either themselves disabled or living in a household with a disabled person. Disabled people face higher poverty rates than non-disabled people, and are more likely to lack basic goods and services for reasons of cost. Working-age carers also face higher poverty rates than average if they provide over ten hours of informal care a week. Most long-term (two years or more) workless couple families with children have at least one disabled adult.

### Age

Poverty rates for different age groups have changed over the last 10 to 20 years, with declines for pensioners and children, and rises for working-age adults without children. For pensioners, the rates have fallen from 28% to 14% since 1994/95. There have been more modest and less consistent falls for children, from 33% to 29%. Both falls represent success stories for social policy since the late 1990s, through, among other things, the introduction of child and pension tax credits.

In contrast, the poverty rate for working-age adults without children has increased slightly. This varies within the broad category of 'working age', with the poverty rate for 16 to 24-year-olds increasing by three percentage points to 28% in the decade to 2014/15.

### Working poverty

In 2014/15, there were 7.4 million people in working families in poverty, making up 55% of all those in poverty. This is the highest proportion since the data series began in 1994/95. A family here refers to one or two adults, with or without children.

78% of the adults in working families in poverty were themselves working, with female employees as the single largest group within this group. Among the non-working adults, a majority are sick or disabled or are looking after children. These are groups who face high barriers to getting and keeping employment, which reduces the scope for in-work poverty to be reduced solely through more people working.

## Key stats

- 38% of the poorest fifth spend a third or more of their income on housing, rising to 70% in the private rented sector
- In 2016/17, 690,000 families will pay at least £200 more in Council Tax as a result of the abolition of Council Tax Benefit

## Housing tenure

Twenty years ago, there were more social renters in poverty than owner-occupiers (6 million and 5.2 million respectively). At 2.3 million, private renters were a relatively small minority. Now there are roughly similar numbers of people in poverty in each tenure, at around 4.5 million, with the number of private renters in poverty rising by 2.5 million in 15 years.

However, the risks of poverty differ across tenures despite the similar numbers. 43% of social renters and 36% of private renters are in poverty, compared with 11% of owner-occupiers.

## The role of costs in poverty

Our treatment of poverty examines two key costs: the additional costs of disability and housing costs.

It is important to note that the disability benefits intended to meet the extra costs of disability do not do so completely. Disabled people receiving extra costs benefits are more likely to lack basic goods and services than non-disabled people with the same income.

Housing costs are particularly important as a driver of poverty, particularly in the private rented sector, which now in many ways reflects the front line of poverty. This report charts the rise in evictions and people placed in temporary accommodation that are related to that sector's growth. Nearly 40% of the poorest fifth face housing costs that account for over a third of their total net income. In the private rented sector, 70% face housing costs this high.

Aside from disability, there are further interactions between social security and costs for those on low incomes, particularly in relation to housing. For many, having an affordable and stable home is partly dependent on the support they receive from the state. Recent changes to the social security system have made this ambition harder to achieve. Examples of this include unpegging local housing allowance from rents, and introducing the overall benefit cap and the bedroom tax. The protection against homelessness for those on low incomes has been eroded.

This is part of a broader change in the social security system. Previously, out-of-work state benefits represented the baseline of what families could be expected to be able to live on. Changes in housing benefit (which now may not cover rent entirely) or help with Council Tax (which can vary between local authorities) now mean that such costs have to be borne regardless of income. There was also the change to the Jobseeker's Allowance sanctioning regime, which potentially lengthened the period in which a claimant may be without income. All of these changes are to means-tested benefits, that is those for which eligibility depends on having a low income. Any reduction in these benefits therefore by definition hits those on the lowest incomes.

## Key stats

- 69% of the poorest fifth of households have no savings at all
- 600,000 workers on a temporary contract would like permanent work but are unable to find it

## Poverty and insecurity

Poverty also brings insecurity. This can be thought about in several ways. In any one year, many people will enter poverty, and many others will leave. Between 2011 and 2014, a third of the population had at least one spell when their income fell below the poverty line. Even if a lot of this group left poverty, this indicates a widespread level of insecurity in the UK.

This income insecurity is compounded by a lack of financial resilience for the future, with 69% of those in the bottom fifth for income having no savings whatsoever.

Another source of insecurity comes through housing. An affordable home in good condition makes a big difference to coping with a period of unemployment or low income. High housing costs put pressure on family incomes, while being in temporary accommodation or being evicted creates chaos in lives and can make holding or gaining employment more difficult. Stable and affordable housing, currently lacked by too many, needs to be a cornerstone of policy for reducing poverty.

There is also insecurity in the labour market, for example through the rise of zero-hours contracts. Although these still only represent a small proportion of overall employment, at 3%, they are more prevalent among younger adults, who also face higher risks of in-work poverty. The number of workers on temporary contracts who cannot find a permanent job is also still higher than before the recession, at around 600,000. These workers face the insecurity of an uncertain income once their contract ends.

## Future risks for poverty and life chances

Prevention is another part of the discussion, and is reflected to some extent by the 'life chances' agenda. 'Life chances' as a subject was given renewed emphasis by the then Prime Minister David Cameron at the start of 2016. While some emphases may vary, it is still being taken forward. This is not surprising since in many ways it resembles the focus on children which held up to the recession of 2008. The key concerns now are around improving educational attainment and reducing the number of children in workless families. In general, both of these indicators have improved in recent years.

A full life chances agenda needs to be broader than this. There are inequalities in educational attainment on the basis of income or having special educational needs. Children with special educational needs or receiving free school meals are also more likely to be excluded. Growing up in a household with a low income, regardless of the family's work status, also needs to feature in thinking around life chances. Children in low-income families are more likely to lack opportunities such as going on school trips or having regular fresh fruit and vegetables.

Poverty rates are also much higher for certain children. Compared with an overall child poverty rate of 29%, 45% of children of foreign-born parents are in poverty, as are 46% of children living in the private rented sector and 51% of children living in the social rented sector. Most of the children in poverty with two foreign-born parents were themselves born in the UK. With poverty risks around a half, it is not much of an exaggeration to say that poverty for these children is nearly normal. Improving the life chances of children cannot be blind to the depth of the difficulties that some groups face.

## Prospects for poverty reduction

In the last two years, the number of people in poverty against a fixed poverty line has fallen by around a million, making up for a similar rise in the two years before that. There has been little change on the relative poverty measure. We can characterise this as a recovery, but not as progress.

In order to make meaningful progress, there are multiple problems that need to be resolved, summarised above and dealt with more fully in the rest of the report. These include the depth of poverty, with low-income benefit claimants expected to pay for new costs from fixed incomes; the increase in housing costs as a share of households' incomes; and hints of underlying weakness in the labour market and with real earnings still below their peak.

Average incomes have started to rise. This potential return to prosperity needs to be shared broadly. It is essential that the gains are felt most by those with the lowest incomes.

## Chapter 1

### **Income**

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## Introduction

This chapter considers the characteristics of people in poverty. Poverty is defined as lacking the resources to fully participate in society, which in our market society is highly dependent on income. We use official statistics on low income to measure poverty. Where our indicators show that people with characteristics such as providing many hours of unpaid care, or living in a household with a person with a disability, are over-represented among low-income households, it indicates that people with these characteristics are more likely to be excluded from full societal participation relative to other people.

Table 2 sets out the poverty threshold for different family types. It shows the contemporary threshold against which 'relative' poverty is calculated which is the measure we have used throughout this chapter. It also shows, for reference, the 2016 minimum income standard level for each family type calculated by Davis *et al* (*A Minimum Income Standard for the UK in 2016*. York: JRF, 2016) and the 2015 destitution threshold for each family type calculated by Fitzpatrick *et al* (*Destitution in the UK*. York: JRF, 2016).

**Table 2: Poverty thresholds for different family types**

Weekly amounts	Single adult	Lone parent with one young child	Couple with no children	Couple with two children
2014/15 'relative' low-income threshold (the poverty line)	£141	£190	£243	£393
Davis <i>et al</i> 's UK MIS threshold 2016	£199	£298	£330	£456
Fitzpatrick <i>et al</i> 's UK destitution threshold 2015	£70	£90	£100	£140

No single measure for poverty can fully capture every facet of poverty. The second half of the chapter considers how the experience of living on a low income is affected by duration, other aspects of finance such as savings and debt, and how the income of those on low incomes has changed relative to the incomes of wealthier people.

By considering broadly both who is in poverty and different aspects of the experience of poverty, this chapter illustrates the complexity of contemporary poverty.

## Choice of indicators

### The changing shape of poverty

This chapter starts with three indicators that demonstrate how the characteristics of people in poverty have changed over time. By showing these changes, which are substantial over long periods, the indicators serve to undermine the idea that poverty is somehow a static thing and so inevitably 'always with us'.

Indicator 1 looks at poverty by age group, comparing how the poverty rate for children, working-age adults without children and pensioners has changed over more than 50 years. While the data before the mid 1990s is less reliable than the data since, its stability allows us to be confident in the big picture it paints.

Indicator 2 addresses poverty by housing tenure over time and how the proportion of households in work has changed in each tenure over the past decade. Indicator 3 further explores the overlap of work and poverty over time and identifies common characteristics of workless families.

The map at the end of this chapter (indicator 10) brings these two indicators together by highlighting the differences in poverty by family work status, disability and housing tenure across the English regions and Wales, Scotland and Northern Ireland.

### Disability, caring and poverty

Indicators 4 and 5 look at the intersection of disability and poverty and unpaid caring responsibilities and poverty respectively. The two indicators attest to the extensive interactions between disability, caring and poverty, where disability and/or sickness is crucial for understanding poverty for people living in a household with a disabled person as well as for disabled people themselves.

### Savings, debt and low income

Indicator 6 looks at the extent to which people in poverty experience low income over periods of time and the likelihood of their income improving. Indicators 7 and 8 look at savings and debt. Savings can ameliorate periods of low or falling income, while debt can create further hardship for people with low incomes.

Indicator 9 looks at how weekly incomes of those in poverty have changed over time and how that compares to the income of the median and wealthiest.

# 1 Age and poverty

**Over recent years the poverty rate for pensioners, working-age adults and children has remained relatively flat, but over the last decade pensioner poverty has fallen while working-age adult poverty has grown.**

In 2014/15, 14% of pensioners were living in low-income households, compared with 18% of working-age adults without children and 29% of children. None of these figures have changed significantly in the past year.

Over a longer time period a substantial shift has taken place. Pensioners were consistently more likely to be living in poverty than working-age adults without children between the 1960s and the early 2000s. Since 2008/09, the rate of pensioner poverty has been lower than the rate of working-age adults without children.

In 1990, 38% of pensioners were living in poverty compared with 31% of children and 12% of working-age adults without children. Throughout the 1990s and 2000s pensioner poverty fell, child poverty fell slowly and unevenly and the rate for working-age adults without children rose slowly.

Pensioners were once much more likely to be in poverty than either children or working-age adults. Over the past 25 years, child poverty has risen and children are now more likely to be in poverty than pensioners. Over the past ten years, the poverty rate for working-age adults without children has also risen, and they are now more likely to be in poverty than pensioners.

In the three years to 2014/15, 28% of 16 to 24-year-olds were in poverty, the highest rate for any adult age group. Those aged 65 to 75 had the lowest rate at 12%.

For adults aged under 55 the poverty rate in the three years to 2014/15 was higher than a decade earlier. For people aged 55 to 64 the poverty rate remained the same at 18%. For people aged 65 and over, the poverty rate has declined. The steepest decline was 8% for people aged 75 and older, from 23% in the three years to 2004/05, to 15% in the three years to 2014/15. The rate for 65- to 79-year-olds declined 7% during that time.

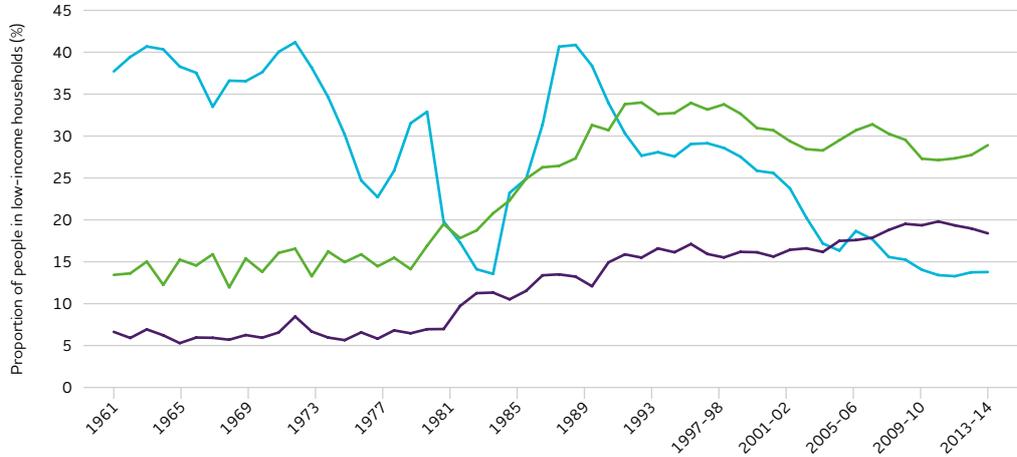
In 2004/05 the poverty rate was highest for children, young adults and older adults. In 2014/15, children and young adults still had the highest poverty rates, but adults over the age of 65 had the lowest poverty rates.

# Age and poverty

## Indicator: 1A

Children have the highest poverty rate and it is rising, while the pensioner poverty rate is close to the lowest on record.

- Pensioners
- Children
- Working age without children

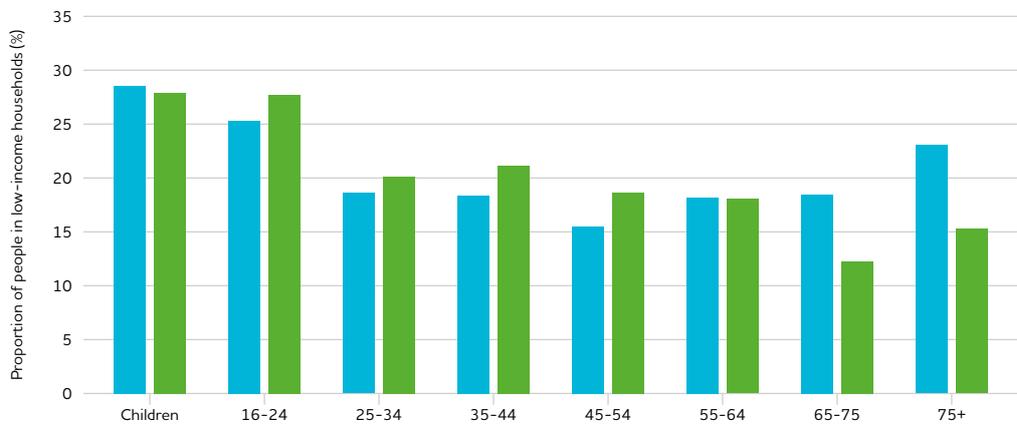


Source: Living standards, inequality and poverty dataset, IFS; the data is for Great Britain to 2001/02 and for the UK thereafter

## Indicator: 1B

In the last decade the poverty rate has risen in each ten-year group between age 16 and 54, while for pensioners it has fallen sharply.

- 2002/03 to 2004/05
- 2012/13 to 2014/15



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

Throughout the chapter, people are said to be in poverty if their income is below 60% of the median income. Income is disposable household income after housing costs. All data is equalised (adjusted) to account for household composition.

The first graph shows the long-term trend in the proportion of children, pensioners and working-age adults in poverty.

The second graph shows the proportion of adults in poverty in each ten-year age group. It compares data for the three years to 2004/05 and 2014/15 (three-year averages are used to improve accuracy).

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

## 2 Tenure and poverty

**The number of people living in poverty in the private rented sector has doubled in the past decade. Most people in poverty in the private rented sector and in owner-occupation are in working families.**

In 2014/15 there were 4.6 million people in poverty living in social rented housing, 4.5 million living in owner-occupation and 4.5 million living in the private rented sector.

The number of people in poverty living in the private rented sector has doubled in the last ten years, from 2.2 million in 2004/5 to 4.5 million in 2014/15. The number had not changed much in the previous ten years, fluctuating between a high of 2.4 million in 2003/04 and a low of 1.9 million in 2000/01.

The number of people in poverty in social housing decreased from 5.9 million in 1994/95 to 4.7 million in 2004/05. Since then the number has remained fairly stable.

The increase in families in poverty in the private rented sector over the past decade was largely made up of working families. There were 2.8 million people in poverty from working families in the private rented sector in 2014/15, up from 1 million in 2004/05.

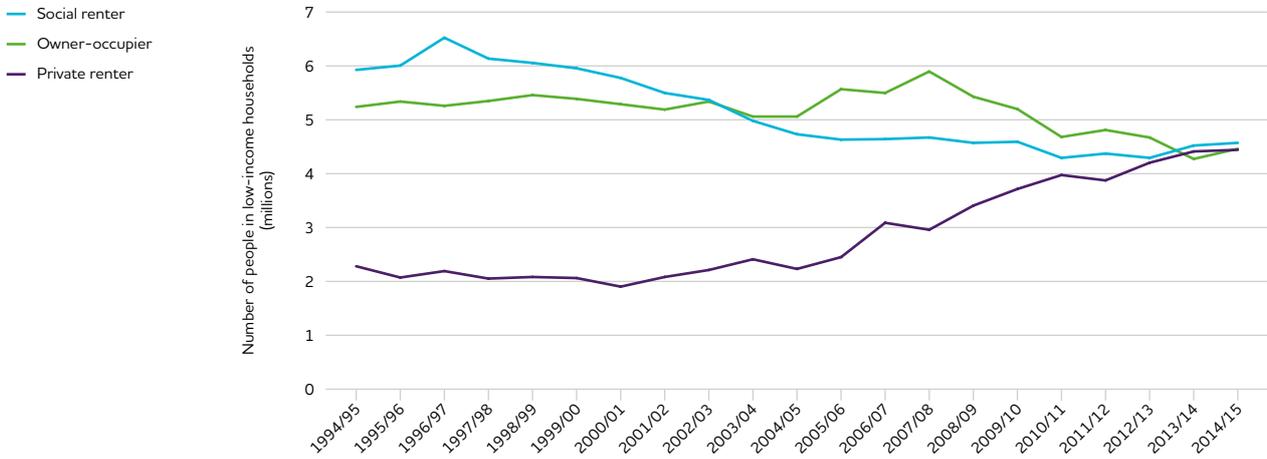
Social housing had the most people in workless families in poverty in 2014/15, with 2.4 million compared with 1.4 million in the private rented sector and 800,000 in owner-occupation. However, the number of workless families in poverty in social housing declined by 500,000 between 2004/05 and 2014/15.

Changing patterns in tenure have been seen across incomes, not just among people in poverty. Owner-occupation declined from 71% of all English households in 2004 to 64% in 2014/15. During the same period, the private rental sector grew from 11% of households to 19%. Social housing has remained fairly stable for the past decade, with a decline of 1 percentage point. The private rental sector has grown because it has absorbed both lower-income households that are unable to gain access to social housing due to lack of supply, and higher-income households that are unable to access owner-occupation due to high house prices.

## Tenure and poverty

### Indicator: 2A

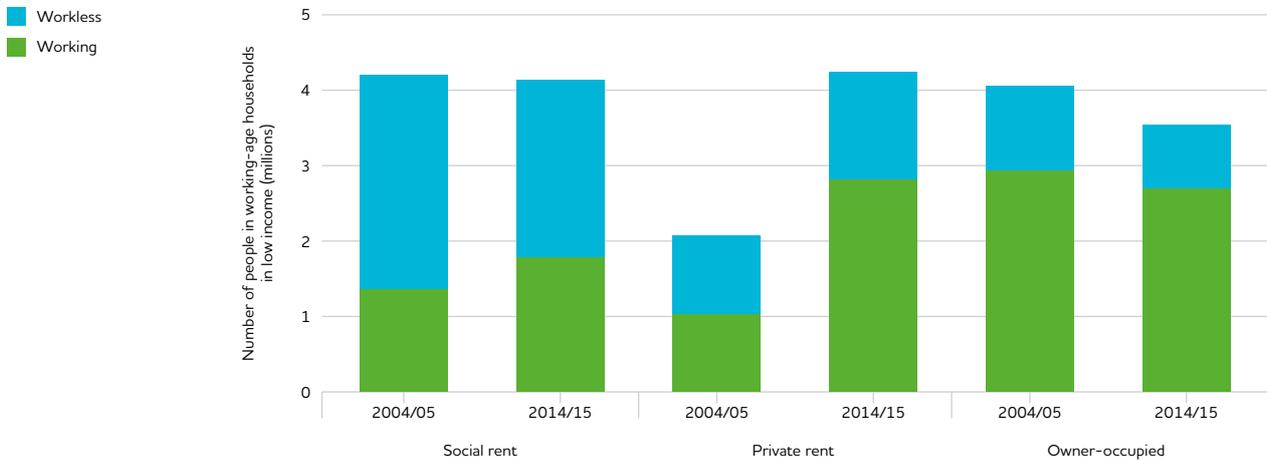
The decade to the mid-2000s saw a sharp fall in the number of social renters in poverty; the decade since has seen a steady rise in the number of private renters in poverty.



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

### Indicator: 2B

The number of people in poverty living in the private rented sector has doubled in the past ten years with more now in in-work poverty than in either the social rented or owner-occupied sectors.



Source: Households Below Average Income, DWP; the data is for Great Britain 2002-2003 and the UK thereafter

The first graph shows the number of people in poverty in each year since 1994/95 by their tenure group: owner-occupied, social rented and private rented. Figures in this measure are different from indicator 10, which uses a three-year average.

The second graph shows the number of people in poverty in a family where someone is working age in 2004/05 and 2014/15 by tenure. The data is split by family work status: where someone is of working age and someone is in work, or where someone is of working age and no one is in work.

**Reliability rating: high.** The data is based on a government published survey with a large sample size.

### 3 Work and poverty

**The number of people in poverty in working families has risen over the last three years, while the number of workless families in poverty has fallen. The majority of workless families in poverty contain disabled members, pensioners and/or lone parents.**

In 2014/15 7.4 million people in poverty were in families where someone was in work. There were 6.1 million people in poverty in families where no one was in work (including pensioner families), 1.3 million fewer than in working families.

Over three years, the number of people in poverty in workless or retired families has fallen by 500,000 people from 6.6 million in 2012/13. During the same time, the number of people in poverty in working families has increased by 700,000 from 6.6 million in 2012/13.

Over the last 15 years the number of people in poverty in a working family has increased and the number in a workless or retired family has fallen. In 2000/2001, there were 8.1 million people in poverty in workless or retired families – 60% of the total number of people in poverty. In 2014/15, 45% lived in a workless or retired family.

Of the 6.1 million people in poverty in a workless family, 2.3 million people lived in a family with a disabled member. This was 37% of workless families and 17% of all families in poverty. 1.6 million people lived in families with pensioners, representing 26% of workless families and 12% of all people in poverty. A further 820,000 people lived in a lone parent family, representing 13% of workless families and 6% of all families in poverty.

In total, 77% of workless families in poverty were in a family with pensioners, a lone-parent family, and/or in a family with a disabled member.

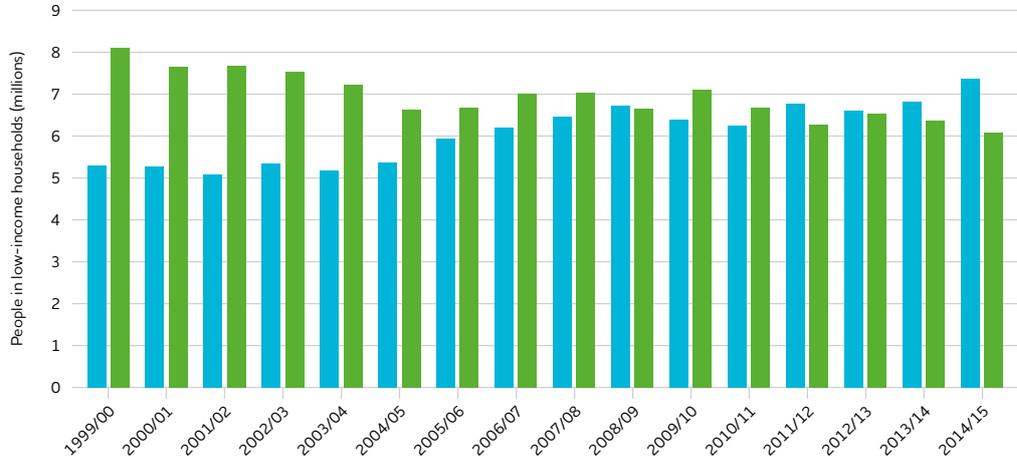
11% of families in poverty do not include a working adult, pensioners, disabled members or a lone parent.

# Work and poverty

## Indicator: 3A

Of the 13.5 million people in poverty 7.4 million (55%) are in working families.

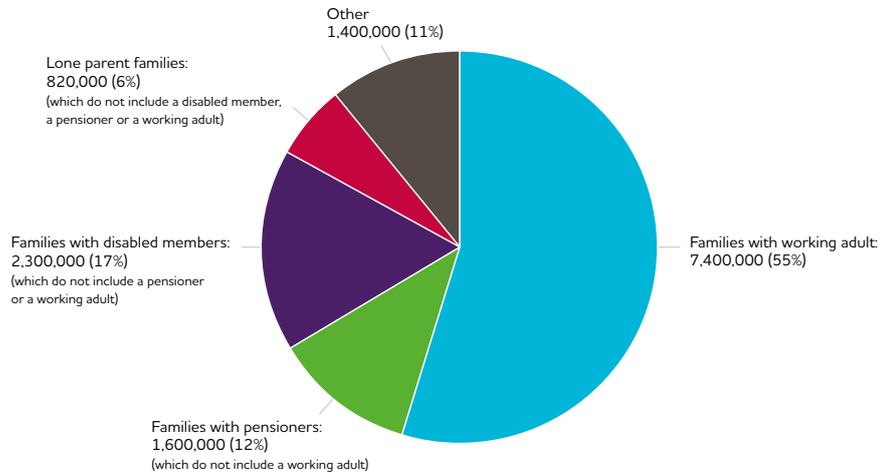
- In a working family
- In a workless or retired family



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

## Indicator: 3B

The vast majority of workless families in poverty either contain pensioners, disabled people and/or lone parents.



Source: Households Below Average Income, DWP; the data is for 2014/15 for the UK

The first graph shows the number of people each year since 1999/2000 in poverty after housing costs, according to whether their family contains someone who is in paid work. A non-working family may not contain any people of working age (eg a retired pensioner couple).

The second graph shows the proportion of families in poverty after housing costs in 2014/15, according to whether their family contains someone who is in paid work. It also shows the proportion of workless families with the following characteristics: household contains disabled member, household contains pensioner, household contains lone parent. A household cannot appear in more than one category. Any household with a working adult is counted in the working family category. Any family with no working adult but a pensioner is counted in the pensioner family group. Any family with no working adult, no pensioners, but a disabled family member is counted in the disabled family member category. Any family with a lone parent and no working adults, no pensioners, and no disabled family members is counted in the lone parent category.

Figures in this indicator are different from indicator 10, which uses a three-year average.

**Reliability rating: high.** The data is from government published survey with a large sample size.

## 4 Disability and poverty

**Disabled people account for half of those in poverty. Households with disabled members are more likely to lack basic items than households without disabled members with the same income.**

Needs-based disability benefits are provided in recognition of the additional cost of living with a disability. In the figures below we have excluded needs-based disability benefits (Disability Living Allowance/Personal Independence Payments) to calculate the number of people who live in a household with a disabled person in poverty.

7.1 million people in poverty are either disabled themselves or live in a household with a disabled person; that is half of all people in poverty.

There are 4.2 million disabled people in poverty, 29% of all people in poverty. Of disabled people in poverty, 2.8 million are working-age adults (19% of all people in poverty), 1.1 million are pensioners (8%), and 320,000 are children (2%).

A further 2.9 million people in poverty, or 21% of all people in poverty, are not themselves disabled, but live in a household with someone who is.

In a three-year average between 2012 and 2015, in households with a disabled person not receiving disability benefits in the poorest fifth of households, 35% of people were lacking multiple basic items. In households with a disabled person who received disability benefits 27% could not afford multiple basic items. In households without disabled people, 20% of people lacked multiple basic items.

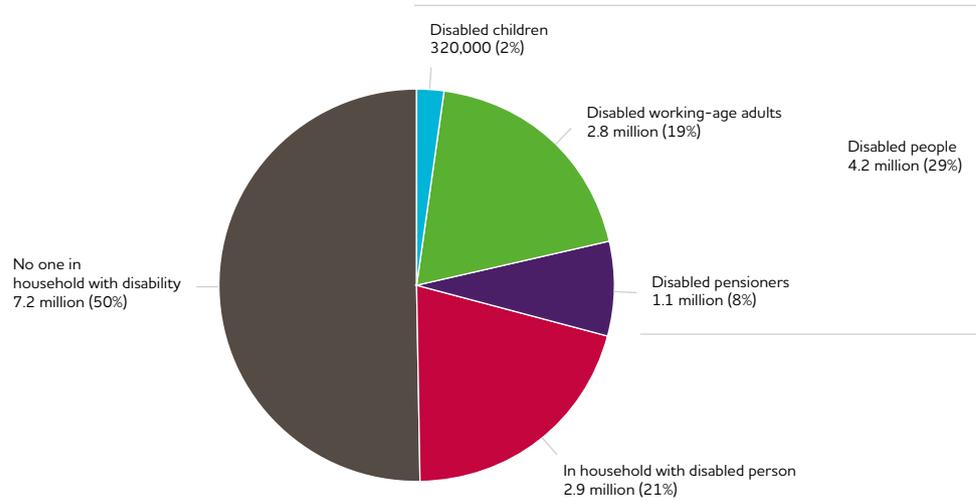
Households with disabled people are more likely to go without basic items than other households on the same income. In the middle fifth, 9% of households receiving disability benefits and 6% of households with a disabled person not receiving disability benefit could not afford multiple basic items. 4% of households with no disabled members lacked multiple basic items.

The figures above indicate that while disability benefits go some way towards meeting these additional costs in the poorest two-fifths, a higher proportion of households with disabled members are lacking multiple basic items than households without disabled members.

## Disability and poverty

Indicator: 4A

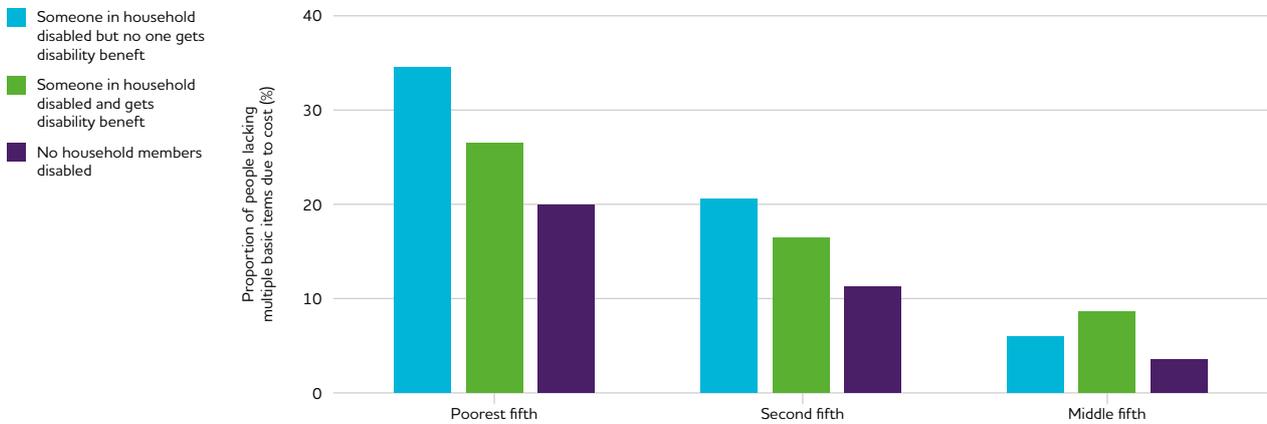
Half of people in poverty have a disability or live with someone who does.



Source: Households Below Average Income, DWP; the data is for 2014/15 for the UK

Indicator: 4B

Households with disabled members are more likely to go without basic items than other households on the same income.



Source: Households Below Average Income, DWP; the data is the UK average for 2012/13 to 2014/15

The first graph shows the proportion of people in poverty who have a disability or live in a household with someone with a disability. This indicator deducts Disability Living Allowance (DLA), Attendance Allowance (AA) and Personal Independence Payments (PIP) from household income, and adjusts the poverty threshold accordingly, as the deduction itself lowers the median income relative to which poverty is measured. The proportion of people with a disability is also broken down by whether they are children, working age or pensioners.

Figures in this measure are different from indicator 10, which uses a three-year average and does not deduct DLA, AA and PIP from household income.

The second graph shows the proportion of people lacking multiple basic items due to cost in the poorest fifth, second poorest fifth and middle fifth of the income distribution, broken down by whether someone in the household is disabled and gets a disability benefit, someone in the household is disabled and no one gets a disability benefit, or no one in the household is disabled.

**Reliability rating: medium.** The measure of poverty excluding disability benefits from income is not an official measure, though it is published by the DWP.

## 5 Carers and poverty

**Working-age carers providing high intensity caring (20+ hours a week) have higher rates of poverty than working-age non-carers. Most carers are working age and caring for someone other than their spouse.**

There are 5.3 million informal carers in the UK. Of these, 1.2 million are in poverty. The majority of carers in poverty are working age (85%) and caring for someone other than their spouse (70%) (Aldridge, H., Hughes, C. *Informal carers and poverty in the UK: an analysis of the Family Resources Survey*. London: NPI, 2016). However, poverty rates among informal carers vary considerably by age and the amount of time spent caring.

In a three-year average from 2012 to 2015, working-age carers providing high intensity caring (20+ hours a week) had higher rates of poverty than the 21% poverty rate for working-age non-carers. The poverty rate increased for working-age people as the hours of care they provided increased. The highest poverty rate was 41% among working-age carers providing 50 or more hours of unpaid care every week. Working-age carers providing between zero and nine hours of care each week had rates below the poverty rate for non-carers; 14% for people providing zero to four hours each week and 19% for people providing five to nine hours each week.

19% of pension-age carers providing 50 or more hours of care were in poverty, which was the only level of caring in which the rate of pensioner carer poverty exceeded the rate for non-carer pensioners of 16%. The trend for working-age carers, whereby poverty rates increased as caring hours increased, did not hold for pension-age carers. The second highest rate of poverty for pension-age carers, at 15%, was found among people providing between 20 and 34 hours of care a week. Pension-age carers providing 35 to 49 hours of care a week had a poverty rate of 14%.

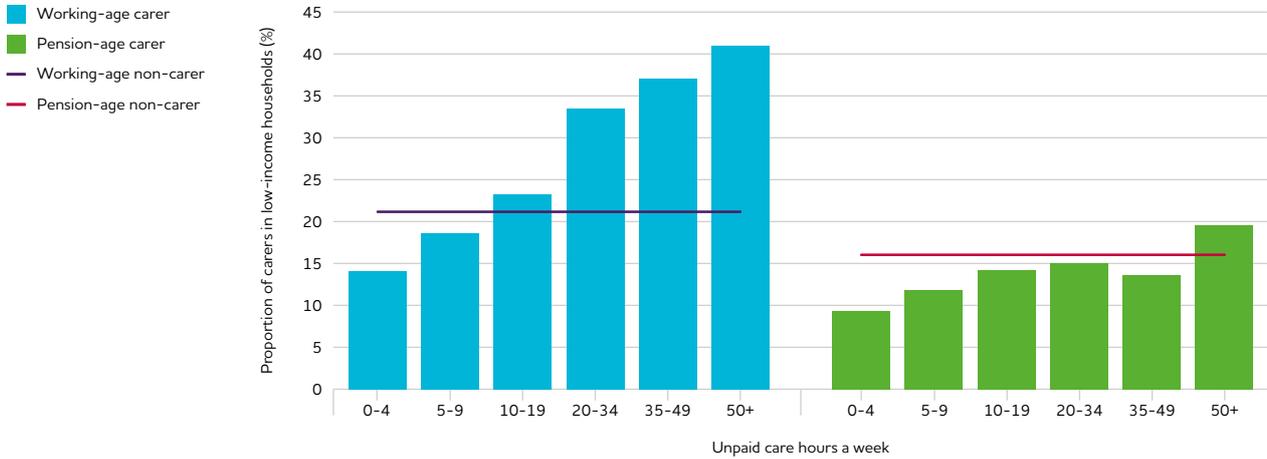
In the three years to 2015 there were 620,000 carers providing high intensity caring in poverty. Of these, 530,000 or 85% were working age and 270,000 or 43% were caring for their spouse.

During the same period, an additional 540,000 carers were providing lower intensity caring (less than 20 hours caring a week). Of these, 470,000 or 87% were of working age and 80,000 or 15% were caring for their spouse.

## Carers and poverty

### Indicator: 5A

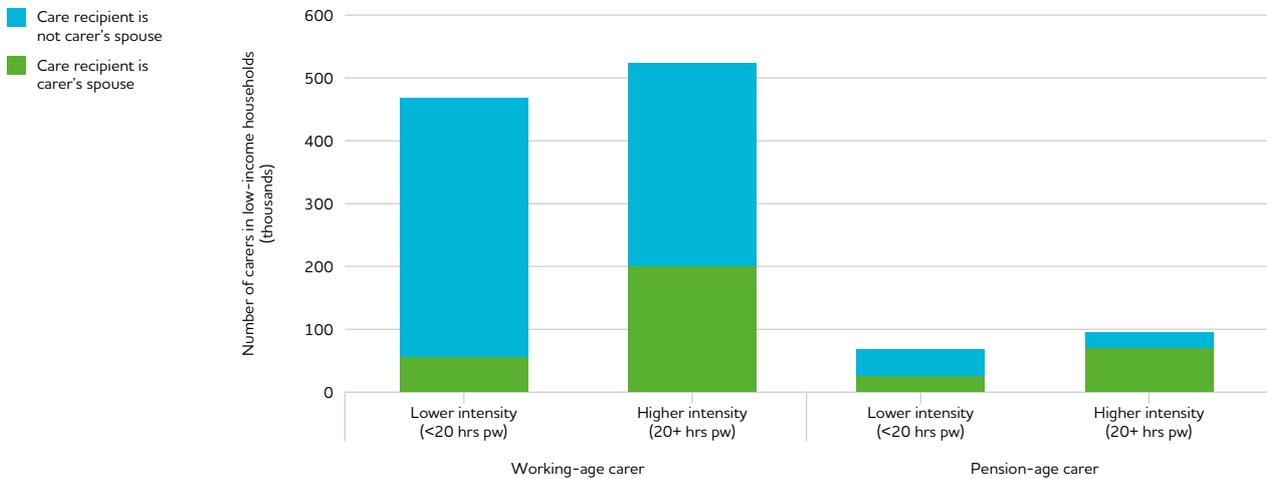
Working-age adults who provide 20 hours of unpaid care or more a week have a much higher poverty rate than pensioners, non-carers and those caring fewer hours.



Source: Households Below Average Income, DWP; the data is the UK average for 2012/13 to 2014/15

### Indicator: 5B

Half of carers in poverty – 620,000 – provide at least 20 hours of unpaid care a week and most of them are of working age.



Source: Households Below Average Income, DWP; the data is the UK average for 2012/13 to 2014/15

The first graph shows the proportion of unpaid carers in poverty, broken down by numbers of hours of care they provide each week. It also shows the poverty rates of those who do not provide care.

The second graph shows the number of unpaid carers in poverty split by whether the carer is working age or pension age and whether they provide lower intensity caring (less than 20 hours of caring a week) or higher intensity caring (20 or more hours of caring a week). It also shows whether the care recipient is the carer's spouse or not.

Both graphs deduct Disability Living Allowance (DLA), Attendance Allowance (AA) and Personal Independence Payments (PIP) from household income, and adjusts the poverty threshold accordingly, as the deduction itself lowers the median income relative to which poverty is measured.

**Reliability rating: medium.** The measure of poverty excluding disability benefits from income is not an official measure, though it is published by the DWP.

## 6 Persistent poverty

**The proportion of people in persistent poverty has remained fairly stable for the past decade. Almost half of people in the poorest fifth in 2014 had been in the poorest fifth three years before.**

Between 2011 and 2014, 33% of people in the UK had experienced poverty. 14% of people had experienced poverty in one year, and a further 10% for two years. 9% of people are in persistent poverty (defined as having been in poverty for the last year and two of the previous three years). 4% of people have experienced poverty for four or more years.

The proportion of people in persistent poverty has remained fairly stable for the past ten years, with a low of 8% in 2008–2011 and a high of 11% following the recession in 2009–2012.

People who have been in poverty for one year have formed the largest proportion of people in poverty at any time over the past decade. In 2011–2014, 14% of people had been in poverty for one year.

The second graph shows that 47% of people in the poorest fifth in 2014 had been in the poorest fifth in 2011. 53% of the poorest fifth had been in a higher income group three years before.

64% of the richest fifth in 2014 had been in the richest fifth in 2011. 36% of the richest fifth had been in a lower income group three years before.

The middle fifth was the least stable group; 27% of members had been in that group three years before.

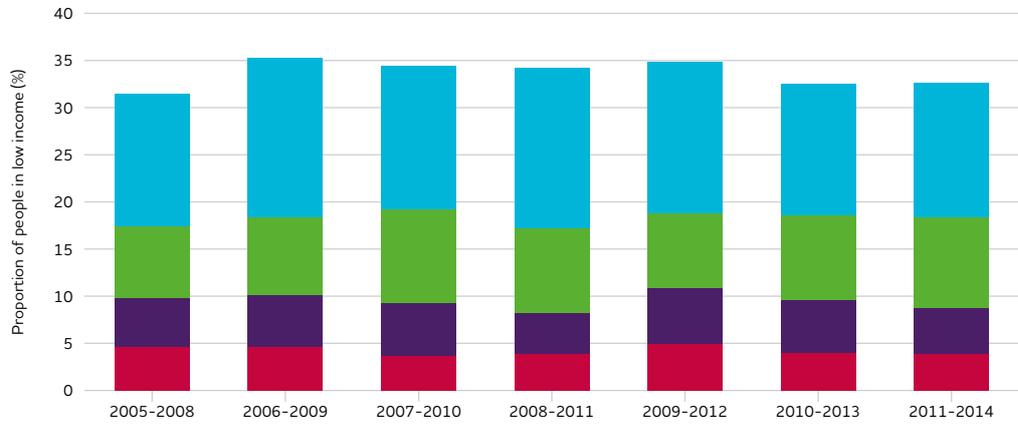
These figures indicate more people moved into the poorest fifth from a higher income group than moved into the richest fifth from a lower income group. In other words, there is more downward mobility to the bottom than upward mobility to the top of the income distribution.

## Persistent poverty

### Indicator: 6A

A third of the population in the UK experience poverty over a four-year period; just under 10% experience persistent poverty.

- 1 year
- 2 years
- 3 years
- 4 years

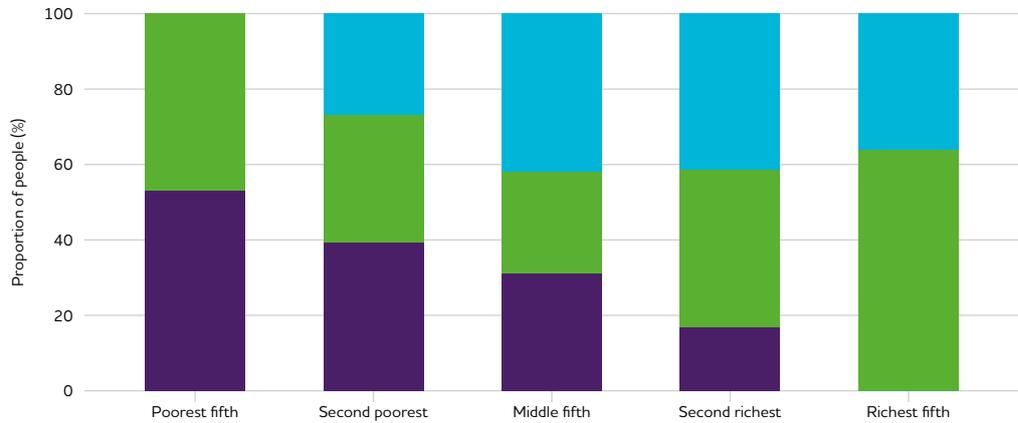


Source: EU-SILC via Euro Stat; the data is for the UK

### Indicator: 6B

Just under half of people in the poorest fifth in 2014 were also in the poorest in 2011.

- In a lower income group three years ago
- In the same income group three years ago
- In a higher income group three years ago



Source: EU-SILC via Euro Stat; the data is for 2014 for the UK

People are said to be in poverty in this indicator if their income is below 60% of the median income. Unlike the rest of the chapter, income is disposable household income **before** housing costs. This indicator is based on Euro Stat data and the household income after housing costs equivalent used in the rest of the chapter is not available. All data is equivalised (adjusted) to account for household composition.

The first graph shows the proportion of people who experience poverty in a four-year period between 2005/08 and 2011/2014, broken down by whether people experienced poverty in one, two, three or four years. Persistent poverty is defined in this indicator as experiencing poverty in the current year and at least two out of the preceding three years.

The second graph shows the proportion of people in each fifth of the income distribution in 2014 who were in a higher fifth three years before, a lower fifth three years before, or the same fifth three years before.

**Reliability rating: high.** Both graphs use data from large datasets, consistently defined.

## 7 Debt and poverty

**A fifth of adults in poverty are behind with a bill. The most common bill for people in poverty to fall into arrears with is Council Tax.**

In 2014/15, 20% of working-age adults in poverty were behind with at least one bill including rent, mortgage and other loans. This is four times more than the rate for those not in poverty, of 5%.

Before 2012/13 'being behind on bills' only referred to arrears in electricity, gas, other fuel, Council Tax, insurance, telephone, television/video rental, hire purchase or water rates; households were not asked if they were behind with rent, mortgage payments and other loans. Therefore, to look at the longer-term trend these items are not included.

Over the past decade, the number of adults behind with a bill has remained stable. For adults in poverty, between 21% and 24% were behind with bills between 2004/05 and 2014/15. The proportion for other adults fluctuated between 5% and 6% throughout the decade.

In 2014/15, the most common bill for working-age adults in poverty to fall behind with was Council Tax, at 8.4%. For working-age adults not in poverty, 2% were behind on their Council Tax bill.

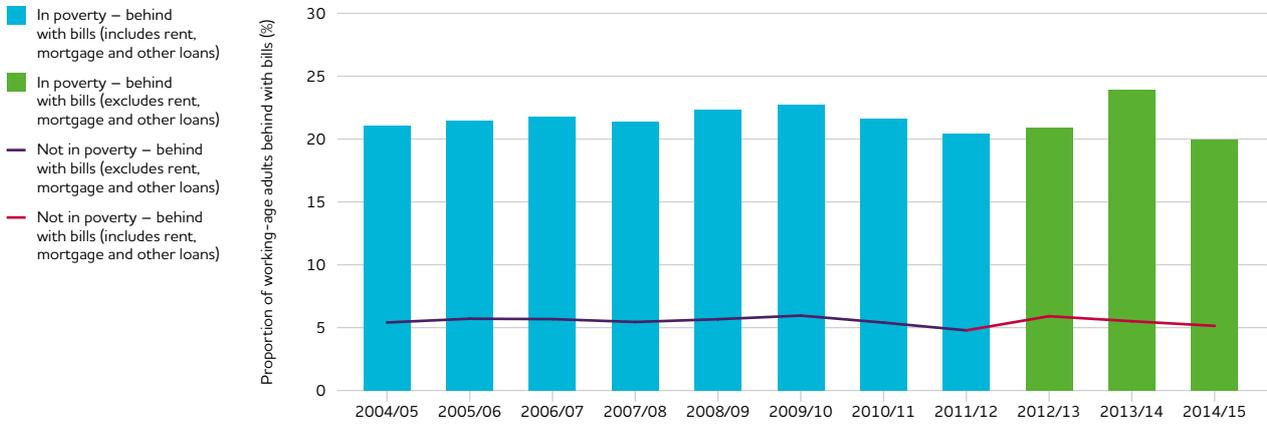
The most common bill for adults not in poverty to fall behind on was rent (for those who were renting), at 2.2%. This was the second most common bill for arrears for adults in poverty, at 7.6%.

Adults in poverty with a mortgage were three times more likely than other adults to fall behind with it, at 3%. However, renters both in poverty and not in poverty were more than twice as likely to be in rent arrears than owner-occupiers on a similar income were likely to be in mortgage arrears.

## Debt and poverty

### Indicator: 7A

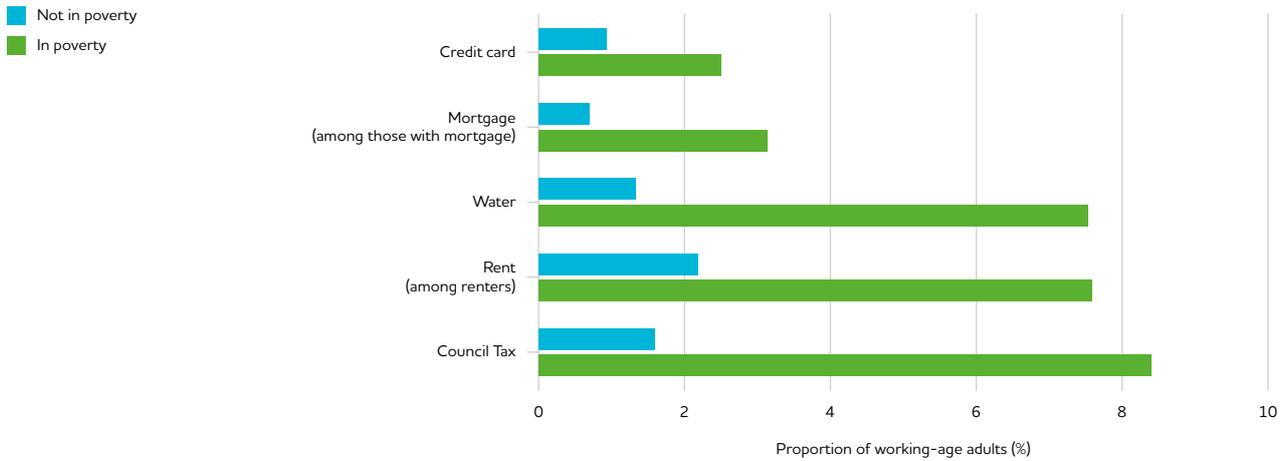
In 2014/15 a fifth of adults in poverty were behind with a bill, lower than the previous year but four times higher than the proportion among other adults.



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

### Indicator: 7B

Over 8% of people in poverty are in arrears with their Council Tax, five times higher than the level among those not in poverty.



Source: Family Resources Survey and Households Below Average Income, DWP; the data is for 2014/15 for the UK

The first graph shows the proportion of working-age adults who are behind with at least one bill, broken down between those in poverty and those not in poverty for the ten years from 2004/05. The bills are Council Tax, water, electricity, gas, telephone insurance, hire purchase and other fuel bills. From 2012/13 households were also asked if they were behind with their mortgage, rent or 'other loans' so these bills are included in the figures for the last three years.

The second graph shows the proportion of working-age adults who are behind with specific bills, broken down between those in poverty and those not in poverty in 2014/15. For mortgage bills and rent bills, the figure is the proportion of all working-age adults with a mortgage or renting, respectively, who are behind with this bill.

In both graphs income is measured after housing costs.

**Reliability rating: medium.** Both graphs are based on data from official government surveys, but data relating to debt should be treated with caution due to the sensitive nature of the subject, uncertainty and under-reporting.

## 8 Savings and poverty

**The proportion of low-income people with no savings has increased over the past decade, while almost half have difficulty making ends meet.**

In 2014/15, 69% of the poorest fifth of households had no savings and a further 10% had less than £1,500 of savings. Of the middle fifth, 39% had no savings and a further 14% had savings of less than £1,500.

The proportion of the poorest fifth with low or no savings has remained fairly constant for the past ten years; it was 78% in 2005/06 and 79% in 2014/15. However, the proportion of people with no savings has increased by 12% over the past ten years from 57% in 2005/06. In 2014/15, a smaller proportion of people in the lowest fifth had some savings compared with a decade ago and a larger proportion had no savings.

The proportion of other working-age adults in the middle fifth with low or no savings has fluctuated between 56% and 52% over the past ten years. In this fifth the proportion of people with no savings has increased steadily from 31% in 2005/06 to a high of 40% in 2013/14.

In 2014/15, 63% of families with children in the poorest fifth of the income distribution were unable to save £10 a month, compared with 35% in the middle fifth, and 10% in the richest fifth.

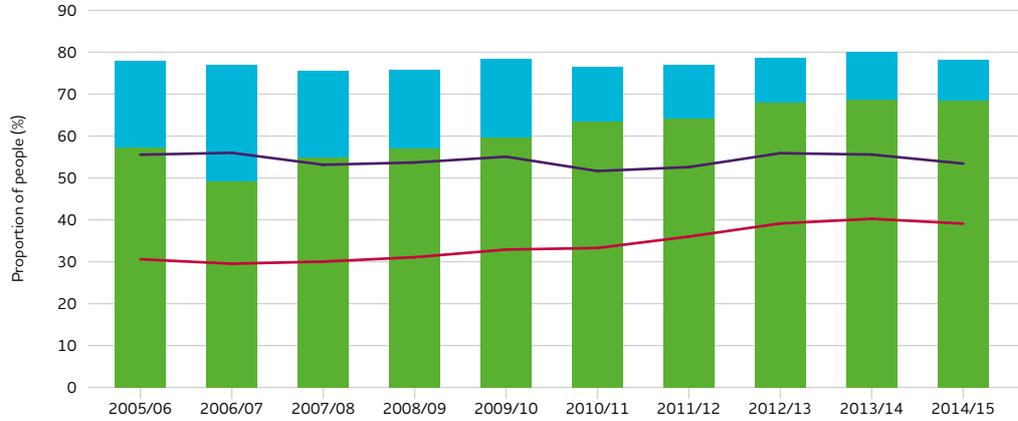
47% of families with children in the poorest fifth had trouble making ends meet, as did 19% in the middle fifth and 5% in the richest fifth. 20% of the poorest group, 7% of the middle group and 2% of the richest group could not keep up with their bills (for more analysis see indicator 7).

## Savings and poverty

### Indicator: 8A

Almost 80% of the poorest fifth lack 'rainy day savings'; increasingly they have no savings at all.

- Poorest fifth: less than £1,500 in savings
- Poorest fifth: no savings
- Middle fifth: less than £1,500 or no savings
- Middle fifth: no savings

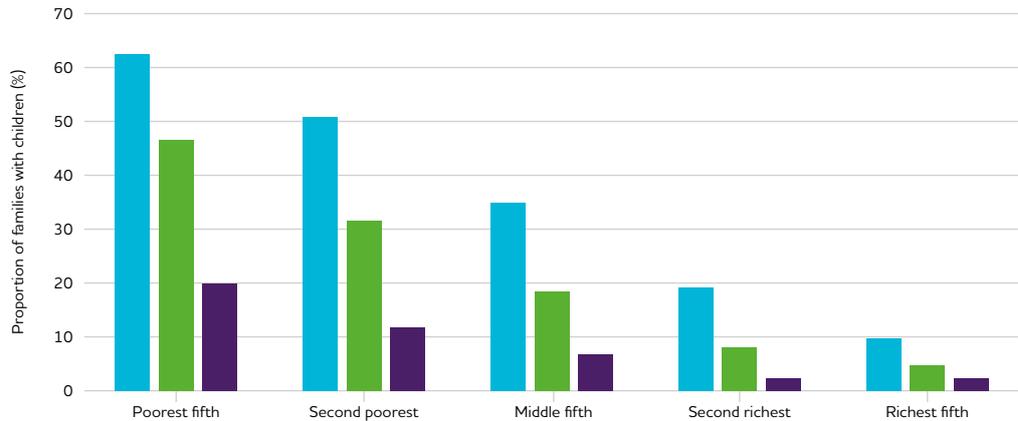


Source: Family Resource Survey, DWP; the data is for the UK

### Indicator: 8B

Almost half of families with children in the poorest 20% find it difficult to make ends meet; a fifth are unable to keep up with bills.

- Unable to save £10 per month
- Difficulty making ends meet
- Unable to keep up with bills



Source: Family Resources Survey and Households Below Average Income, DWP; the data is for 2014/15 for the UK

The first graph shows the proportion of households with no household savings or less than £1,500 in savings, broken down between the poorest fifth and the middle fifth of the income distribution in the ten years since 2005/06.

The second graph shows the proportion of families with at least one dependent child in each fifth of the income distribution who are unable to save £10 a month, the proportion unable to keep up with bills and the proportion having difficulty making ends meet.

In both graphs income is measured after housing costs.

**Reliability rating: medium.** Both graphs are based on data from official government surveys, but data relating to savings should be treated with caution due to the sensitive nature of the subject, uncertainty and under-reporting.

## 9 Incomes over time

**Income for the poorest fifth of households has remained below 2004/05 levels for the past decade. In all regions in the UK except Yorkshire and the Humber the median weekly incomes were lower in the three years to 2015 than in the previous three years.**

In 2014/15 median income, allowing for inflation, was at an all-time high of 5% higher than in 2004/05. The richest fifth was 6% above the 2004/05 level, while the poorest fifth was 1% below the level a decade before.

The richest fifth of households' income has risen for the past two years, to 6% above 2004/05 levels. However, the all-time high for this group was in 2009/10, when incomes reached 9% above 2004/05 levels.

The poorest fifth of households are 1% below the 2004/05 level. This is the highest their income has been in the past decade and a 3% increase from the year before. The median income of this group reached a low of 5% below the 2004/05 level twice, in 2008/09 and 2012/13.

In the three-year average to 2014/15, the South East had the highest weekly median income of £450. The North East had the lowest weekly median income of £357. Of the countries besides England, Scotland had the highest weekly median income of £413, followed by Northern Ireland's £372 and Wales' £370.

London's median weekly income for the three years to 2015 was £391, which was a fall of £17 from five years before. All other regions also saw median weekly incomes fall between the two periods except Yorkshire and the Humber, which saw median weekly income rise from £370 in 2010 to £375 in the three years to 2015.

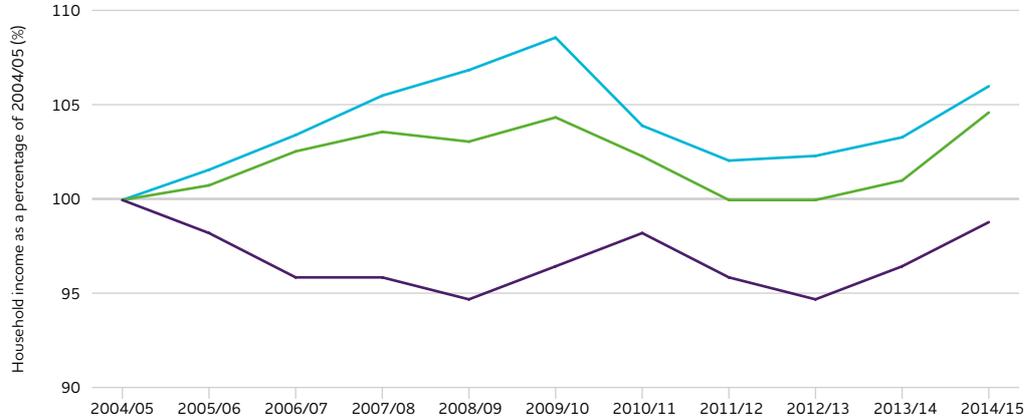
Scotland had the largest increase of £27 in weekly median income in the ten years to 2015. Only London and the West Midlands had their weekly median incomes decrease in the ten years to 2015, by £7 and £2 respectively.

## Incomes over time

### Indicator: 9A

The incomes of the poorest people remain lower than they were a decade ago, but the median income is higher than ever.

- Richest fifth
- Median
- Poorest fifth

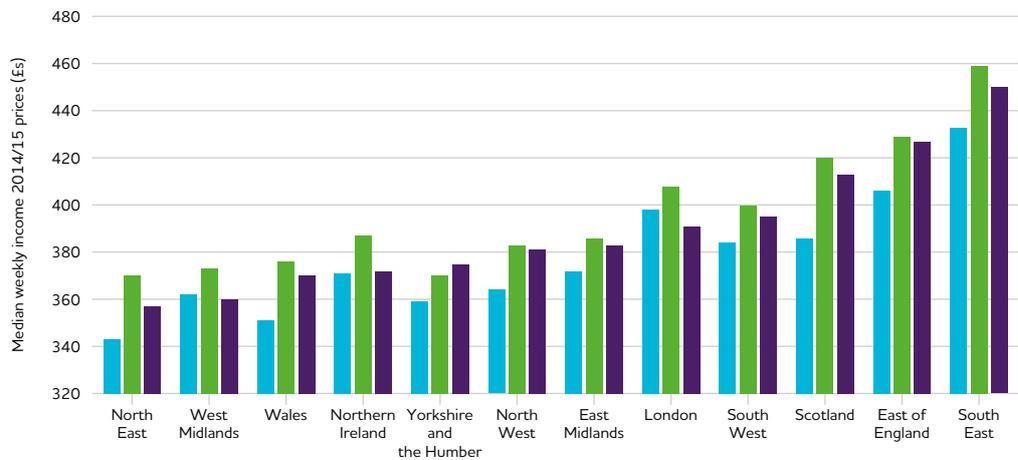


Source: Households Below Average Income, DWP; the data is for the UK

### Indicator: 9B

At £17 London saw the biggest fall in weekly income in the five years to 2012/13–2014/15, but the gap between regions is much greater – £93 between the North East and South East.

- 2002/03 to 2004/05
- 2007/08 to 2009/10
- 2012/13 to 2014/15



Source: Households Below Average Income, DWP

The first graph shows the change in incomes for households at the poorest fifth, middle fifth and richest fifth of the income distribution in the ten years since 2004/05.

The second graph compares the three-year averages for weekly equivalised household income at the 50th percentile of the income distribution for each region in the UK for 2002/03 to 2004/05, 2007/08 to 2009/10 and 2010/13 to 2014/15. In both graphs income is adjusted to account for changes in prices using an inflation index developed by the IFS, which more accurately reflects real changes in households' incomes.

These are snapshots for each year of data. It does not track a household over time, but rather looks at the income distribution each year.

**Reliability rating: high.** The data is from government published statistics based on a large household survey.

## 10 Geographical variations in poverty

**London, Wales and the West Midlands have the highest poverty rates in the UK, while Scotland and the South and East of England have the lowest rates.**

There are 13 million people in the UK in poverty, representing 21% of the total population (the poverty rate). At the UK-level, 23% of people in poverty are disabled, 33% are private renters and 52% are in working families. The map shows how the number in poverty, the poverty rate and the percentage of those in poverty who are disabled, private renters and in a working family, vary across the nine English regions, Wales, Scotland and Northern Ireland.

Of the 11 million people in poverty in England, over half (5.9 million) are in London and the rest of southern England (the East, the South East and the South West).

London has the highest poverty rate of 27%, 6% above the UK average. The West Midlands and Wales have the next highest rate, at 23% each. Scotland and southern England outside London have the lowest poverty rates: 19% in the South West and 18% in Scotland, the East and the South East.

London and southern England have the highest in-work poverty shares: 60% of people in poverty in the South West are in working families, followed by 58% in the South East and 57% in London. The North East has the lowest share at 41% of people in poverty in working families. Northern Ireland and Scotland are only a few percentage points above this.

40% of people in poverty in London are private renters, the highest share of any region and 7 percentage points higher than the UK average. The East Midlands and the South of England also have higher than average proportions of people in poverty in private rented accommodation. The North East has the lowest share of people in poverty in private rented accommodation at 26%.

In the North East, 28% of people in poverty have a disability, the highest of any region and 5 percentage points above the UK rate. Wales, Scotland and the rest of northern England are just a couple of points lower. London has the lowest share at 18%.

The data for this map is from Households Below Average Income, DWP.

The figures on this map vary from the figures in indicators 2, 3 and 4 because those indicators are based on data for one year, while this map's data are three-year averages. The proportion of disabled households in poverty also differs because this indicator has not deducted Disability Living Allowance (DLA), Attendance Allowance (AA) and Personal Independence Payments (PIP) from household income.

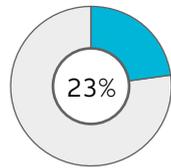
**Reliability rating: medium.** The data is from a government published survey with a large sample size, but the unadjusted rate of disabled people in poverty underestimates disabled people in poverty.

# Geographical variations in poverty

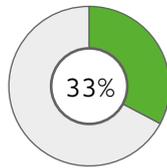
Indicator: 10

13 million people in the UK are in poverty, 21%

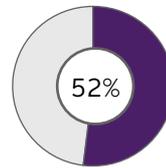
Characteristics of people in poverty:



Disabled people

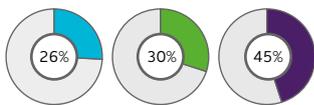


Private renters

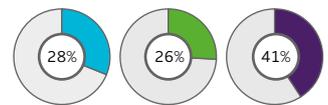


Working families

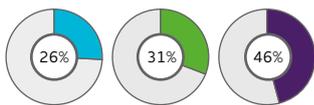
SCOTLAND  
960,000 people in poverty **18%**



NORTH EAST  
560,000 people in poverty **22%**



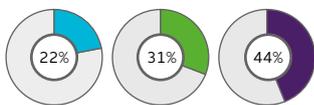
NORTH WEST  
1.5 million people in poverty **22%**



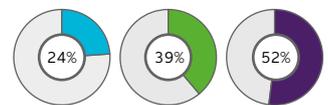
YORKSHIRE & THE HUMBER  
1.1 million people in poverty **22%**



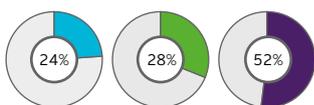
NORTHERN IRELAND  
370,000 people in poverty **21%**



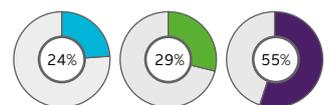
EAST MIDLANDS  
910,000 people in poverty **20%**



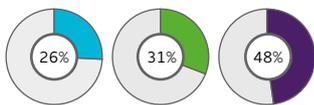
WEST MIDLANDS  
1.3 million people in poverty **23%**



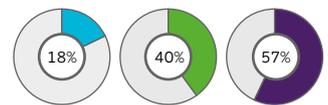
EAST OF ENGLAND  
1.0 million people in poverty **18%**



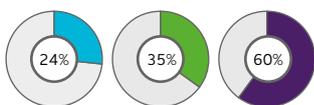
WALES  
690,000 people in poverty **23%**



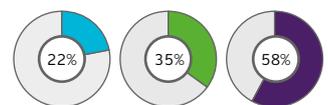
LONDON  
2.3 million people in poverty **27%**



SOUTH WEST  
980,000 people in poverty **19%**



SOUTH EAST  
1.6 million people in poverty **18%**



Source: Family Resources Survey, DWP; the data is for 2014/15 for Great Britain

## Commentary

This chapter has presented a picture of who is experiencing poverty in the UK now. Over half are in a family where at least one person is in paid work, a proportion that is rising. After allowing for the fact that some disability benefits are there to help with the extra cost of disability, another half are either disabled or have a disabled family member. One in three live in a property rented from a private landlord. Poverty rates for children and working-age adults have risen, while those for pensioners are falling and are close to being the lowest on record.

This is a big shift compared with how things used to be. In 2004/05 the proportions of people in poverty in work and out of work were 45% and 55%, the reverse of what they are now. Just one in six lived in a property rented from a private landlord. In addition, the adult face of 21st century poverty is much younger than it used to be.

Over the last two years, the number of people in 'relative' poverty has crept up, but this is due to population growth as the *proportion* in relative poverty has remained steady. By contrast, the number of people below the 'fixed' poverty line has fallen by 1 million. The difference in what has happened to the two measures is explained by median income, which started rising in 2012/13 after falling in the early years of austerity.

The fall on the fixed measure represents a recovery of the ground that was lost after 2010. Although the incomes of both the richest and middle fifths of the population are now higher than they were a decade ago, the incomes of the poorest fifth are still below their 2004/5 level. If median income continues to rise, falls on both relative and fixed poverty will be needed. The history of the last 20 years shows that falls on both measures are quite possible. This happened in nine of the ten years to 2004/05 but just three times in the ten years since.

## Chapter 2

### Housing

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## Introduction

In this chapter we consider the links between housing and poverty. Housing is a basic need and for many households their biggest expense. Housing has a big impact on both the intensity of a household's poverty and its experience of it.

Housing, though, is more than just meeting the basic need for shelter. A long-term study by Crisis and Shelter looked at what people who had previously been homeless wanted from their new accommodation in the private rented sector (PRS) – and what they actually found (Smith, M. et al. *A roof over my head: the final report of the Sustain project, a longitudinal study of housing outcomes and wellbeing in private rented accommodation*. London; Shelter and Crisis, 2014). As the report itself noted, although specifically about the experiences of previously homeless people, the findings were relevant to anyone living in the PRS.

So 'housing', the report emphasised, 'was perceived as the base on which people could rebuild their lives'. In particular, people moving into the PRS felt that their accommodation should feel like a home in terms of comfort and safety. Alongside the basics such as hot water and heating, a home meant 'comfort, safety and security as well as control over the environment'. It also meant stability. 'Stability', the report explained, 'was linked to the ability to stay somewhere long term and settle down. This would enable them to make positive changes and plan ahead'.

Whether seeking to escape from, or for the time being endure, poverty, the advantages of a home, somewhere sound, secure and affordable, are enormous. The experience of poverty with a home is very different from the experience of one without.

Poor housing quality, instability and unaffordability are all issues that vary in prevalence across different types of housing tenure and so it is important to understand how tenure patterns are changing over time.

The last English Housing Survey found that there were now more private rented households in England than social rented ones (*English Housing Survey Headline Report 2014/15*. London: DCLG, 2016). This has been the case since 2011/12. The proportion of people living in social rented housing has been decreasing gradually since the beginning of the 1980s. At the same time the number of owner-occupied properties and private rented properties has been increasing. This trend stopped for owner-occupied housing in 2005 when the proportion of owner-occupied housing began to decrease while the proportion of private rented housing has continued to increase.

Against the background of what constitutes a home, this chapter considers who is living in housing where the conditions are poor, who is unable to afford their housing and who is living in housing that is insecure. Throughout, housing tenure is a key variable.

## Choice of indicators

Where possible throughout this chapter we have used data for the whole of the UK. However the available data for Northern Ireland, Scotland, England and Wales is often not comparable. Where the graphs refers to England or England and Wales, supplementary statistics, especially for Scotland, are provided in the text.

### Housing affordability

Indicator 11 considers the relationship between income, tenure and housing costs. It looks at how the long-term changes in housing have affected the relationship between low income and the proportion of income spent on housing.

Indicators 18, 19 and 20 also address the theme of low income and housing costs, focusing on housing benefit. Housing benefit is only provided to households below a certain income and it is an indication that households are finding it difficult to afford their housing costs. We look at the changing characteristics of housing benefit claimants with a special focus on those currently in work.

Indicator 20 shows how the proportion of housing benefit claimants who are in work and living in the private rented sector varies across the regions of Great Britain.

### Housing quality and living conditions

Indicators 12, 13 and 14 assess trends in housing quality and living conditions, focusing on overcrowding, non-decency of housing and fuel poverty respectively. These indicators also include income measures as some low-income households may have to accept poor living conditions (such as overcrowding or not heating their home adequately) in order to be able to afford their housing costs.

### Housing insecurity

Indicators 15, 16 and 17 focus on evictions, homeless acceptances and temporary accommodation. All three are measures of acute housing problems. There can be a variety of reasons for evictions, including unaffordability. Statutory homelessness is a proxy of the number of vulnerable households with no means of securing suitable housing. Households in temporary accommodation show a shortage of suitable long-term housing available for those who are entitled to it.

## 11 Housing costs

**The proportion of people in the poorest fifth who spend more than a third of their income on housing costs has increased in the last ten years and is now at almost 40%.**

In 2014/15, 38% of those in the poorest fifth spent more than a third of their net income on housing costs; the proportion is 8% for those in the middle fifth and 2% for those in the richest fifth.

Net income is the total income of a household minus any direct taxes such as income tax and Council Tax. It includes the value of housing benefit. Household costs are a household's total housing costs including gross rent – the actual amount of rent that a household would have to pay if it did not qualify for housing benefit.

The proportion of people in the poorest fifth spending more than a third of their income on housing costs did not change much between 1994/95 and 2004/05. Between 2004/05 and 2008/09 there was a large increase, up from 28% to 37%. Between 2008/09 and 2014/15 there was again little change.

In contrast, over the last ten years the proportion of people in the middle fifth spending more than a third of their income on housing has fluctuated between 4% and 10% and is now back to 1994/95 levels at 8%. The pattern for those in the richest fifth has been similar to this but lower, with the proportion of people in the richest fifth spending more than a third of their income fluctuating between 1% and 4%. It is now back to 1994/95 levels at 2%.

The second graph shows that someone in the poorest fifth and living in private housing is much more likely to be spending at least a third of their income on housing than someone in any other category.

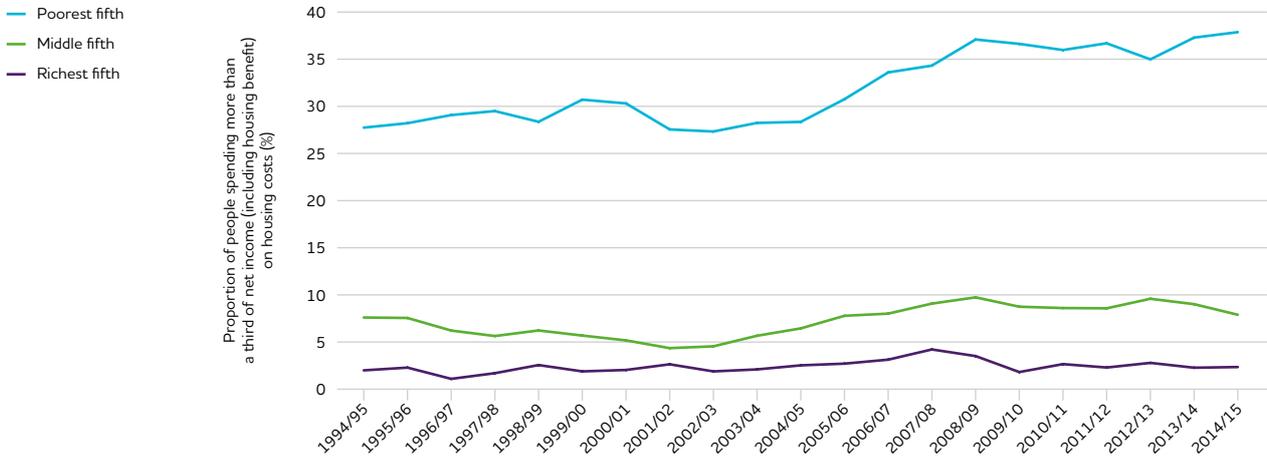
In the private sector 73% of those in the poorest fifth spend more than a third of their income on housing costs. In the social sector it is just under half at 48% and for owner-occupiers the proportion drops to 27%.

Of those in the middle fifth living in the private rented sector, 30% spend more than a third of their income on housing. For those in the middle fifth in social rented housing or owner occupiers, the proportions are much lower at 5% and 3% respectively.

## Housing costs

### Indicator: 11A

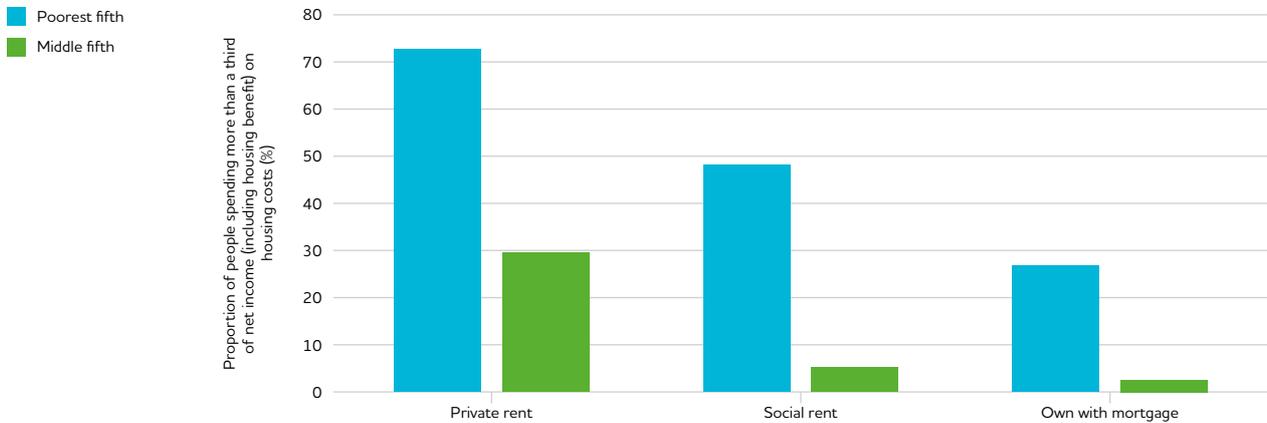
Almost 40% of the poorest fifth spend more than a third of their income on housing costs – up from 30% a decade ago and four times as many as in the middle fifth.



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

### Indicator: 11B

Private renters are much more likely to spend at least a third of their income on housing than households in another tenure with the same amount of income.



Source: Households Below Average Income, DWP; the data is for 2014/15 for the UK

The first graph shows the proportion of people spending more than a third of their net income, which includes housing benefit, on housing costs for the lowest, middle and highest income quintiles from 1994/5 to 2014/15.

The second graph shows the proportion of people spending more than a third of their net income including housing benefit on housing costs in the lowest and middle income quintile by tenure group: owner-occupied, social rented and private rented. This data is for 2014/15.

**Reliability rating: high.** The data is from a government published survey with a large sample size.

## 12 Overcrowding

**Over the last ten years overcrowding in the private rented sector and the social rented sector has been increasing and the majority of overcrowded households are in the poorest fifth of the income distribution.**

The tenure with the highest proportion of overcrowded households in the three years to 2014/15 was the social rented sector at 6.4%. This was slightly above the private rented sector at 5.1%, which in turn is nearly four times the number of the owner-occupiers at 1.5%.

'Overcrowding' in the official statistics is determined according to a measure known as the bedroom standard. The number of bedrooms required by a household depends on the number of people living in it, their age, gender and relationship to each another. A household is deemed overcrowded if it has fewer bedrooms than the number required.

The proportion of overcrowded households in the owner-occupied sector has seen a slight decrease since a high point in 1995/96 when it was 1.8%.

Over the same period, overcrowding in the private rented sector and the social rented sector has increased, by 1.9 percentage points and 1.3 percentage points respectively. This means the gap between these two groups and the owner-occupied sector has been steadily increasing.

In terms of the number of overcrowded households, the three sectors are now almost equal: 210,00 in the owner-occupied sector (31% of all overcrowded households), 220,000 in the private rented sector (32%) and 250,000 in the social rented sector (37%).

Overcrowded households are predominantly at the lower end of the income distribution. 360,000 overcrowded households were in the poorest fifth and 230,000 were in the second poorest fifth. This means 71% of those living in overcrowded houses are in the lowest two-fifths of the income distribution.

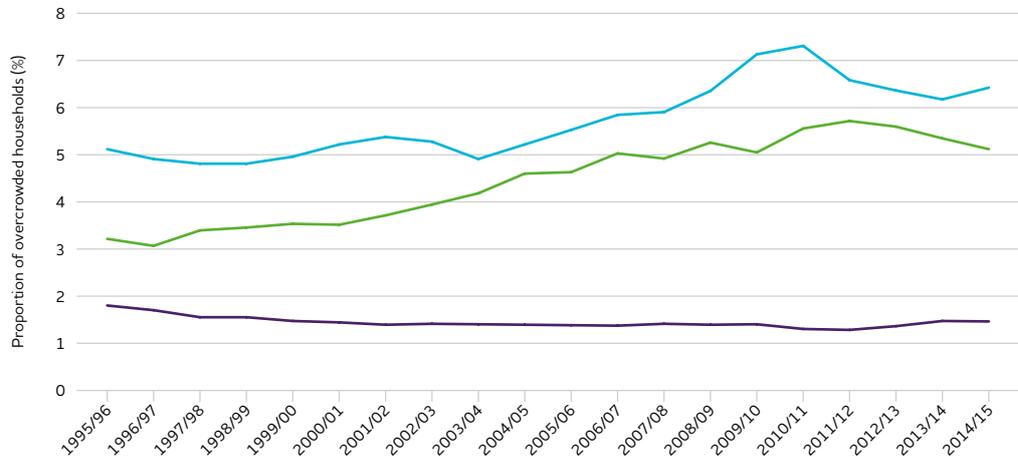
In the private and social rented sectors more than half of the overcrowded households are in the poorest fifth. In the owner-occupied sector there are more households in the middle fifth. This is because there is a smaller number of owner-occupied households at the bottom of the income distribution.

# Overcrowding

## Indicator: 12A

The rate of overcrowding among households who rent is more than three times higher than the rate for owner households.

- Social renters
- Private renters
- Owner-occupiers

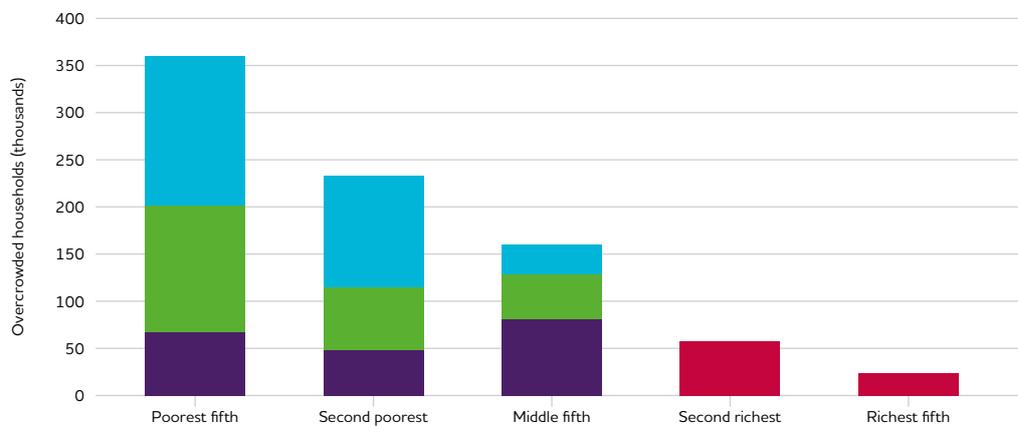


Source: English Housing Survey, DCLG; the data is for England

## Indicator: 12B

350,000 overcrowded households are in the poorest fifth of the income distribution, 40% of the total.

- Social renters
- Private renters
- Owner-occupiers
- Any tenure



Source: English Housing Survey, DCLG; the data is for 2014/15 for England

The first graph shows the proportion of households that were overcrowded by tenure in each year between 1995/96 and 2014/15. The data is a three-year rolling average ending with the year shown.

The second graph shows the number of households that were overcrowded by income quintile (income is measured after housing costs and adjusted to account for household size) and by tenure group. The data is a three-year average for 2012/13 to 2014/15.

Overcrowding is measured using the bedroom standard which is an indicator of occupation density. The required number of bedrooms is calculated for each household according to its composition – the age, gender and relationship of its members. For example, a couple with two children under the age of 10 will be allocated two bedrooms, a couple with a 12-year-old boy and a 15-year-old girl would require three bedrooms as children of the opposite gender over the age of 10 are not required to share a bedroom. Households are overcrowded if they have fewer bedrooms available than the number required by the bedroom standard.

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

## 13 Housing standards

**In recent years the fall in the number of homes that are non-decent has slowed and the fall in homes with damp problems has stopped completely. In every tenure group those living in poor-quality housing were more likely to be in poverty.**

In 2014 there were 4.6 million non-decent homes in England, down from a peak in 2007 of 7.7 million. A 'non-decent' home is defined as one that fails to meet one or more of a range of statutory minimum standards in thermal comfort, the state of repair and the quality of the facilities.

Since 2006 the number of non-decent homes that social renters and owner-occupiers are living in has halved, from 1.1 million in 2006 to 580,000 in 2014 in the social rented sector and 5.3 million to 2.7 million in the owner-occupier sector. The number of non-decent houses decreased in the social rented sector due to a target to achieve the Decent Homes Standard by 2010. A large proportion in the decrease of non-decent homes in both sectors was in the years up to and including 2012. Since then the number of non-decent homes in these two sectors has been decreasing at a slower rate.

In the private rented sector there are 1.3 million non-decent homes, a slight increase on the 1.2 million non-decent homes in 2006. The number increased in the years leading up to 2011; since then the number of non-decent homes has started to decrease but at a slower rate.

The number of damp homes has more than halved, from 2.1 million in 2006 to 1 million in 2014. Most of the fall was during or before 2012. Since then there has been minimal change in the number of houses with damp problems.

The sector with the highest proportions of non-decent and damp housing is the private rented sector. In this sector 31% of those in poverty were living in non-decent housing. Owner-occupied homes had higher rates of non-decency than social rented homes, while for damp problems it was the other way around.

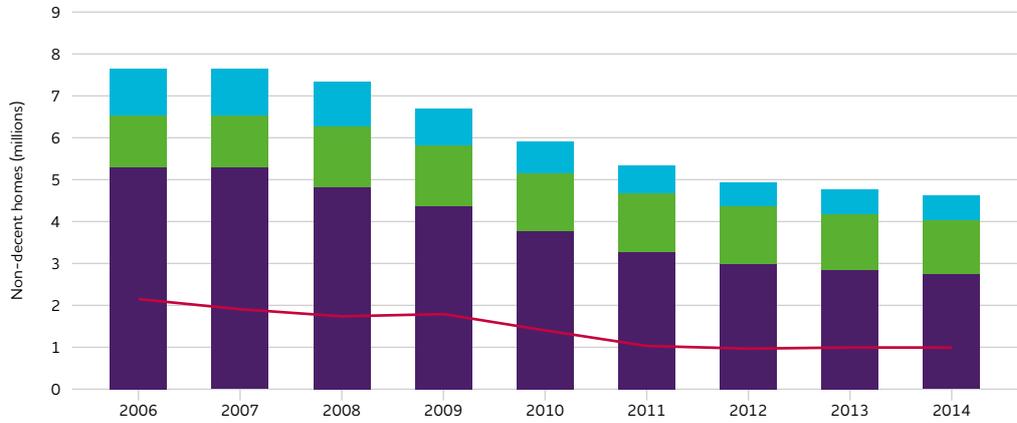
In every tenure group there were higher proportions of houses in poverty living in damp or non-decent homes. The gap between those in poverty and those not in poverty is largest for those living in non-decent private rented accommodation where the rate is 31% for those in poverty and 26% for those not in poverty. The gap is the smallest in social housing.

## Housing standards

### Indicator: 13A

Falls in the number of non-decent homes have been limited in recent years, but before 2012 the number fell considerably among owners and social renters.

- Social rented
- Private rented
- Owner-occupied
- Damp problems

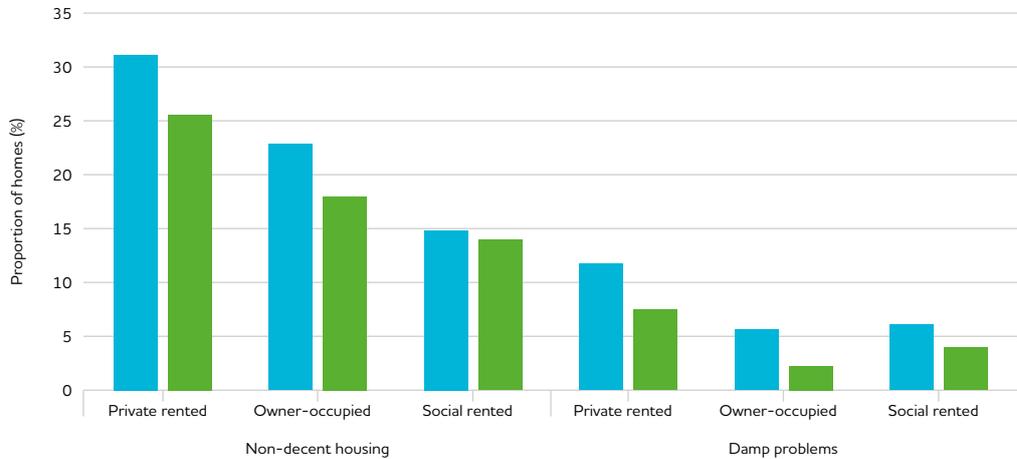


Source: English Housing Survey, DCLG; the data is for England

### Indicator: 13B

Private rented housing has the highest rates of non-decency and social rented the lowest, but within each tenure households in poverty are more likely to be in low-quality housing.

- In poverty
- Not in poverty



Source: English Housing Survey, DCLG; the data is for 2014 for England

In the first graph the bars show the number of social rented, private rented and owner-occupied homes in England that were non-decent between 2006 and 2014. The line shows the number of homes that were damp between 2006 and 2014.

The second graph shows the risk of households in poverty and not in poverty of living in non-decent or damp homes by tenure in 2014.

A non-decent home is one that does not meet all of the following criteria: achieves the current statutory minimum standard for housing, is in a reasonable state of repair, has reasonably modern facilities and services and has efficient heating and effective insulation.

Damp problems include condensation and mould, penetrating damp and rising damp.

**Reliability rating: high.** The stock data of the English Housing Survey contains a large sample of properties with trained surveyors assessing housing standards based on recognised criteria.

## 14 Fuel poverty

**Although rates of fuel poverty have been falling in England for the past ten years, one in five households who are renting privately remain in fuel poverty.**

In 2014, 20% of households in the private rented sector in England were in fuel poverty. In the social rented and the owner-occupied sectors, 12% and 7% of households respectively were in fuel poverty. There were 2.3 million households in England that were fuel poor in 2014.

'Fuel poverty' depends on both household condition and low household income. A household is considered to be in fuel poverty if it has fuel costs that are above average and if spending the required amount on fuel would leave income below the poverty line.

Rates of fuel poverty are falling for all types of tenure and have been doing so for the last ten years. In 2014, 39% of households were in fuel poverty, down from 49% ten years earlier. The rate at which fuel poverty has been falling is not the same across each type of tenure. In 2004 the private rented sector had the highest rates of fuel poverty and this sector has seen the smallest decrease in the last 10 years. The proportion of households in this sector in fuel poverty remains high at 20%.

The second graph uses a different, subjective measure of fuel poverty, based on asking people if they were able to heat their homes adequately. This shows a different pattern from the first graph. Here, 21% of social rented households were unable to heat their living room comfortably in the winter. This compares with 17% of private renters and 6% of owner-occupiers.

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

In Scotland in 2014, 35% of households were in fuel poverty (Mueller, G. *Scottish house condition survey*. Edinburgh: The Scottish Government, 2015). Fuel poverty in Scotland is measured differently. A household is officially in fuel poverty in Scotland if it has to spend more than 10% of its income on fuel to keep the home warm for a specific period of time which differs by type of household. In 2014, those living in income poverty had a very high risk of also living in fuel poverty (83%). More than half (55%) of fuel-poor households were not income poor.

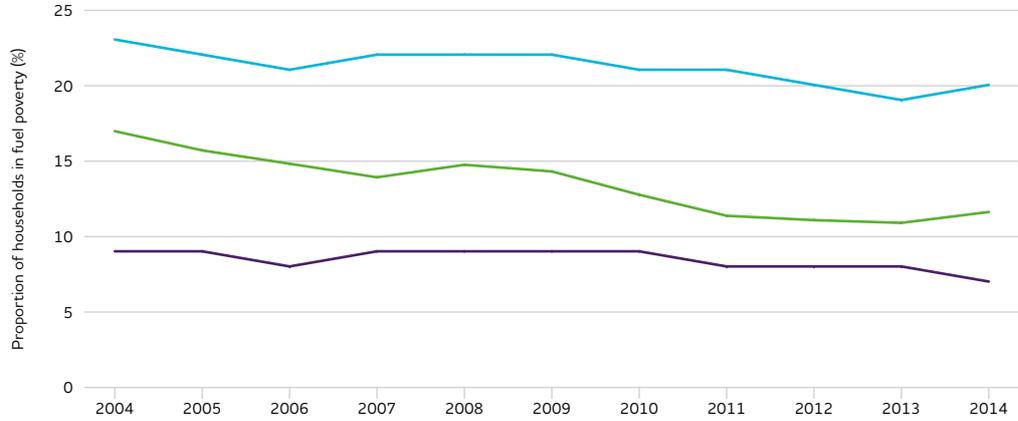
In 2014, 51% of pensioner households (defined as those containing anyone aged 60 or over) were in fuel poverty in Scotland. This fuel poverty measure assumes that pensioner households need to heat their home to a higher temperature and for 16 hours a day. For pensioner households the proportion of fuel-poor households not in income poverty was even higher than that for the total population, at 59%. Households which were both fuel poor and income poor made up 21% of pensioner households. This compares with 6% of those aged 60 or over (couples with no dependent children and singles) who were fuel poor in England in 2014 (*Fuel Poverty Statistics Detailed Tables 2014*. London: DECC, 2016).

## Fuel poverty

### Indicator: 14A

Rates of fuel poverty have fallen in the past decade, but a fifth of private rented households remain 'fuel poor'.

- Private renter
- Social renter
- Owner-occupier

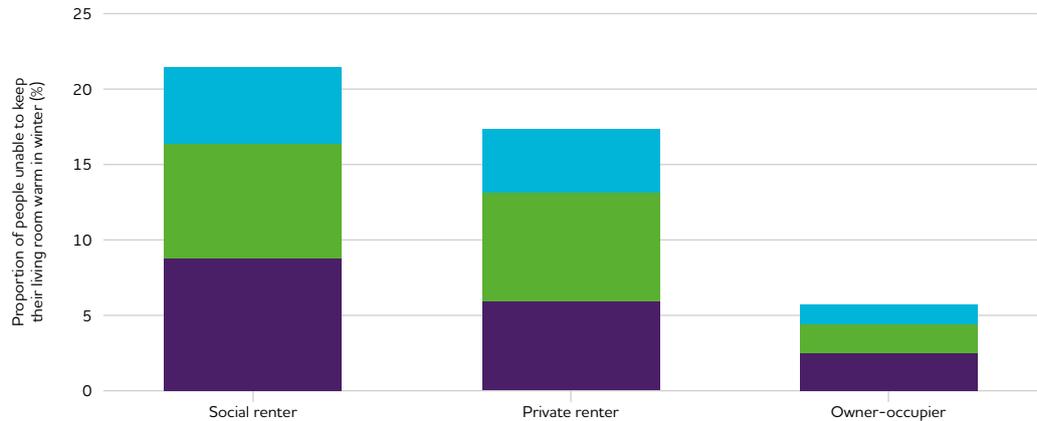


Source: Trends in Fuel Poverty, DECC; the data is for England

### Indicator: 14B

Among social renters, cost was the main reason for not heating their home adequately; for private renters it was the condition of the dwelling.

- Both
- Not possible to heat the room to a comfortable standard
- Costs too much to keep heating on



Source: English Housing Survey, DCLG; the data is for 2013/14 for England

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

The second graph shows the proportion of households in each tenure that reported being unable to heat their living room comfortably in the winter of 2013/14. The data is shown separately by the reason for this; households that claimed it cost too much to keep the heating on, households that claimed it was not possible to heat the room to a comfortable standard because of the condition of the property, and households who claimed both reasons.

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

## 15 Landlord evictions and repossessions

**In England and Wales the number of landlord evictions is still high. This is mainly due to an increase in evictions by accelerated orders in London, the South East and the East of England, and an increase in evictions by social landlords in the rest of England and Wales.**

In 2015/16 there were more than 37,000 landlord evictions. Evictions by social and private landlords have both decreased slightly since last year but evictions by accelerated order in parts of London and the South East of England have increased.

An accelerated order for possession can be used by a landlord once a shorthold tenancy has gone beyond its initial fixed period (usually 6 or 12 months). After giving the tenant at least two months' notice, an accelerated order allows the landlord to apply to the court for possession solely on the basis of written evidence and without a hearing. The process cannot be used if the landlord is claiming rent arrears.

The rate of evictions from rented accommodation has been increasing since 2009/10 and 2015/16 was the first year since then when the rate decreased marginally. However this was still one of the highest rates of evictions in the last ten years. The rate of evictions is now ten times higher than the number of mortgage repossessions.

There were 3,300 mortgage repossessions in 2015/16, which is the lowest number of repossessions in the last ten years. Since the peak in 2008/09 when more than 35,000 homes were repossessed, the trend has been for fewer homes to be repossessed each year.

The second graph shows that all regions have seen a sharp increase in evictions compared with five years earlier but there is a difference in what is driving this. In Outer London, the South East, the East and to a lesser extent Inner London, the rise in evictions has been dominated by an increase in accelerated evictions. These increased from 3,600 in 2010/11 to 13,000 in 2015/16. In the Midlands, Wales, and the South West and the North of England it has been dominated by an increase in evictions by social landlords. These have increased from 9,000 in 2010/11 to 12,000 in 2015/16.

The number of evictions in London in 2015/16 reached 16,000. This is an increase of 79% in the last five years. Outside London the largest percentage increase has been in the South East and East of England where the number of evictions has reached 6,100, an increase of 89%. The smallest percentage increase has been in the North of England, where the number of evictions has reached 7,600, an increase of 38%.

## Landlord evictions and repossessions

### Indicator: 15A

37,000 renting households were evicted in 2015/16, ten times higher than the number of repossessions at 3,300.



Source: Mortgage and landlord possession statistics, MOJ; the data is for England and Wales  
\*Can be carried out by social or private landlord, see notes below for definition

### Indicator: 15B

All regions have seen a sharp rise in evictions. In London the rise has been dominated by accelerated evictions; in the North of England the rise has been among social landlords.



Source: Mortgage and landlord possession statistics, MOJ  
\*Can be carried out by social or private landlord, see notes below for definition

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

The second graph shows the number of landlord evictions for each region in 2010/11 and 2015/16. The bars show the number of landlord repossessions by type: whether they were by private landlords, social landlords or evicted by an accelerated order.

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

**Reliability rating: high.** These graphs are based on government published administrative data.

## 16 Homelessness

**The number of households accepted as statutory homeless by English local authorities has risen by almost half since 2009/10. A large majority of the households accepted as homeless live in London, the South East or the East.**

In 2015/16, 270,000 households were either accepted as homeless or prevented or relieved from becoming homeless by English local authorities. The total number of households prevented from becoming homeless or that the council has accepted as homeless (and therefore has a statutory duty to rehouse) has begun to decrease from a high point of 280,000 in 2013/14, but it remains high in comparison with 2009/10 when the number was 210,000.

This overall decrease was caused by a reduction in the numbers of households who were prevented from becoming homeless by moving home or remaining at home, and households whose non-statutory homelessness was relieved.

The number of households who were accepted as homeless under statutory duty in 2015/16 was 58,000. This is a record high since 2009/10 when 40,000 households were accepted as homeless under statutory duty. This number has increased every year but one since 2009/10 and is now 44% higher than in that year.

The second graph shows that although overall there has been an increase in the number of households accepted as homeless, the increase has been in London, the South East and the East, with no rise in the rest of the country.

In London, the South East and the East there were 33,000 households accepted by their local council as statutory homeless in 2015/16, up from 19,000 five years earlier. All reasons for becoming homeless have seen an increase but by far the largest rise in homelessness has been due to problems with rented housing. The number of households for whom the end of a shorthold tenancy or the household being in rent arrears was the cause of homelessness has more than tripled since 2010/11. This was the cause of 13,000 households being accepted as homeless in 2015/16.

Unlike in London and the wider South East, the number of households accepted as homeless in the North, the Midlands and the South West has decreased from 25,000 in 2010/11 to 24,000 in 2015/16. This means that the increase in households accepted under statutory duty as homeless that is shown in the first graph is being driven by an increase in London and its two adjacent regions.

In the North, the Midlands and the South West overall there has been a small decrease in homelessness; however there has been an increase in homelessness caused by problems with rented housing. This has risen from 4,300 in 2010/11 to 6,300 in 2015/2016 but has been offset by decreases in the number of households being accepted as homeless for other reasons.

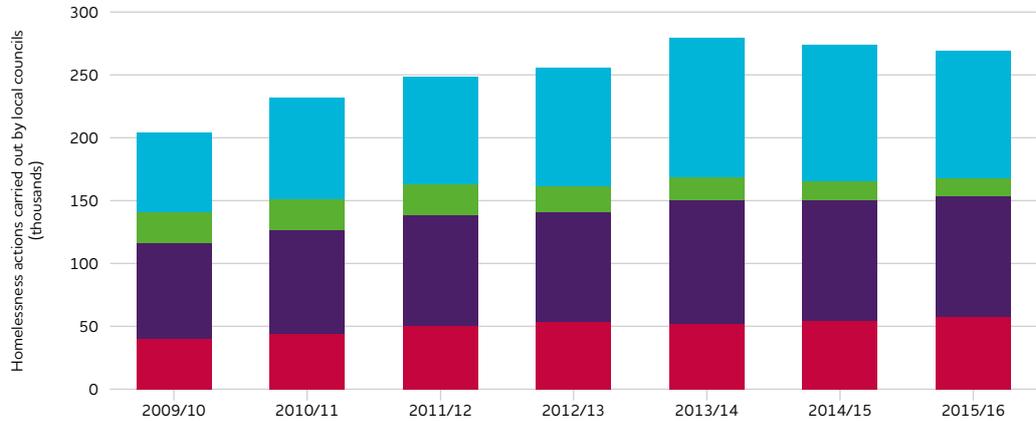
In Scotland in 2015/16, 28,000 people were assessed as statutory homeless (*Housing and homelessness statistics*. Edinburgh: Shelter Scotland, 2016). This is a much higher rate than England (Kenway, P. et al, *Monitoring poverty and social exclusion in Scotland 2015*. York: JRF, 2015). This is partly due to the fact that a household does not need to be 'in priority need' to be eligible for help as is the case in England. As the criteria one needs to meet to be recognised as statutory homeless in England are more stringent than in Scotland, the figures for homelessness are not comparable.

# Homelessness

## Indicator: 16A

At 58,000 in 2015/16, the number of households accepted as statutory homeless has risen by almost half since 2009/10; there were a further 210,000 instances of prevention or relief.

- Homelessness was prevented by remaining at home
- Non-statutory homelessness was relieved
- Homelessness was prevented by moving home
- Household was accepted as homeless under statutory duty

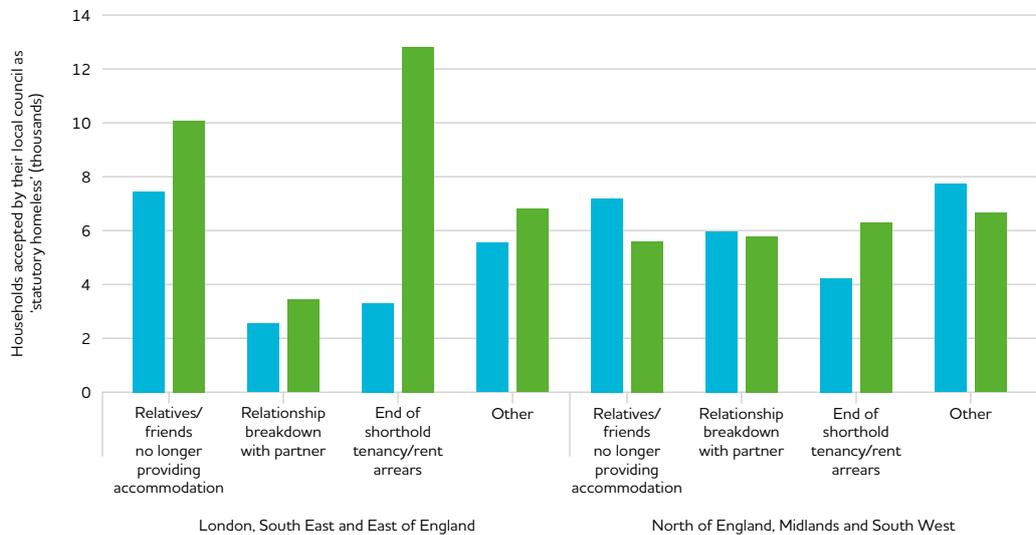


Source: PIE Homelessness returns, DCLG; the data is for England

## Indicator: 16B

There has been a rise in homelessness due to problems with rented housing across the country; in the South and East it is the dominant cause of homelessness.

- 2010/11
- 2015/16



Source: PIE homelessness returns; DCLG

The first graph shows the number of homelessness actions carried out by local councils between 2009/10 and 2015/16. The bars show the number of homelessness actions carried out by type: whether non-statutory homelessness was relieved, a household was accepted as homeless under statutory duty, homelessness was prevented by remaining in their current home, or by securing alternative accommodation.

The second graph shows, for each region in 2010/11 and in 2015/16, the number of people accepted as statutory homeless by reason for homelessness.

To be accepted as statutory homeless giving the local authority a duty to house them under the 1996 Housing Act, a household must be assessed as unintentionally homeless and in priority need.

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

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

## 17 Temporary accommodation

**In England the number of households placed in temporary accommodation continues to rise and the number placed outside their local authority has never been higher. A large majority of those being placed outside their local authority come from London.**

In 2015/16, 72,000 people were placed in temporary accommodation. This is accommodation provided by the council to homeless households while suitable settled accommodation is found. Since 2011 the number of households placed in temporary accommodation has risen every year. In 2015/16 there were 25,000 fewer households placed in temporary accommodation than in 2006 when the number of people was at its highest level in the last ten years, but 23,000 more than at its lowest level in 2011.

Not all types of temporary accommodation have been increasing at the same rate. In the last five years the number of people housed in B&B or hostel accommodation has increased by 4,500 to 12,000. The number of people housed in temporary accommodation rented from a social landlord has increased by 1,500 to 36,000 and those housed in privately rented temporary accommodation has increased by 17,000 to 24,000.

In 2016 the number of people being housed outside their local authority was 19,000. This has more than tripled in the last five years and amounts to more than a quarter of all households who are being placed in temporary accommodation being placed outside of their local authority area. There has not been a higher number of temporary accommodation out-of-area placements since the current duty to house homeless households began with the 1996 Housing Act.

Of the 72,000 people in temporary accommodation at the end of March 2016, 52,000 (72%) were in London while 20,000 (28%) were in the rest of England. Of those living in London just over a third were placed outside of their home borough, while in the rest of England only 9% of people in temporary accommodation were placed outside their home council area.

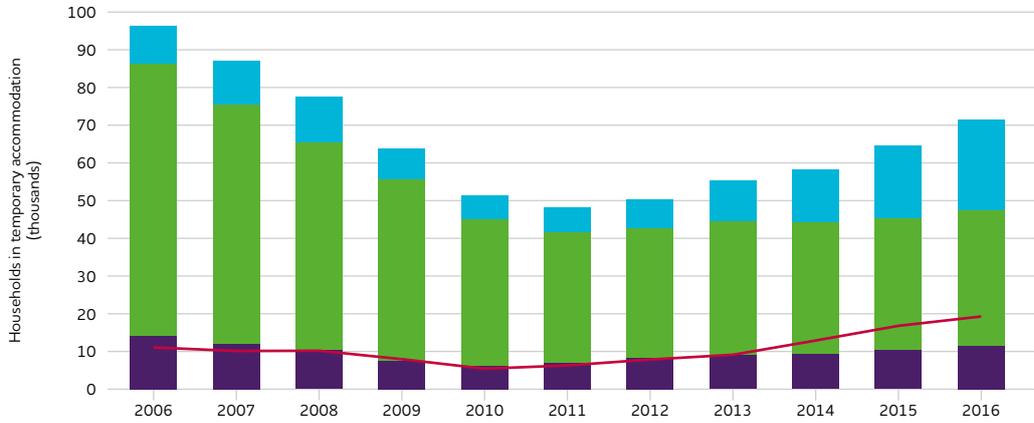
It is not possible to tell from this data how far people who moved outside their home borough or council area have moved. While there is clearly a difference between moving a few streets away and moving from one city to another, research confirms that being moved out of the area in which support was originally sought can be disruptive, both in terms of schooling, access to support services and access to friends and family (Smith, M. et al, *A roof over my head: the final report of the Sustain project, a longitudinal study of housing outcomes and wellbeing in private rented accommodation*. London: Shelter and Crisis, 2014, p7).

## Temporary accommodation

### Indicator: 17A

The number of households in temporary accommodation has risen for the fifth consecutive year, and the number placed outside their local authority area is at a record high of 19,000.

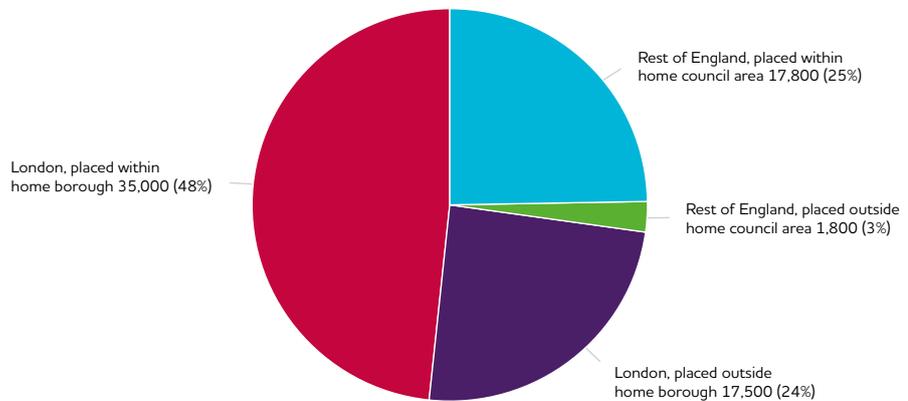
- Privately rented
- Rented via social landlord
- B&B or hostel
- Outside local authority



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

### Indicator: 17B

A quarter of people in temporary accommodation are placed in homes outside their council area; three-quarters of people in temporary accommodation are from London.



The data is for all those living in temporary accommodation at the end of March 2016  
Source: P1E homelessness returns, DCLG

The first graph shows the number of households living in temporary accommodation at the end of March of each year by the type of accommodation they were staying in. The line shows the number living in accommodation outside their local authority area.

The second graph shows the number of people living in temporary accommodation in London and the rest of England at the end of March 2016. It shows the number of people living in temporary accommodation within their home council area and those placed outside their home council area.

**Reliability rating: medium.** While this is administrative data and the quality is high, the way that each local authority interprets and implements the guidance on who is entitled to be housed under the homelessness duty varies.

## 18 Housing benefit claims

**The total number of families receiving housing benefit is falling but the number of working claimants is not. There are 1.3 million housing benefit claimants with children and almost half of these are living in the private rented sector.**

In 2016 there were 4.7 million families claiming housing benefit in Great Britain. Following years of increases, the number of housing benefit claimants reached a peak in 2013 at 5.1 million. Since then the number has been falling.

Between 2015 and 2016 the number of claimants fell by 150,000, which is the largest fall since 2009. Since 2013 the number of workless families receiving housing benefit has fallen as unemployment has fallen. But the number of working families receiving housing benefit has either increased or remained static.

The total number of recipients in 2016 was 350,000 lower than the 2013 peak. However while the number of workless families was 460,000 lower, the number of working families was 110,000 higher.

In 2016, 1.9 million people aged 55 years and over are claiming housing benefit. This is 41% of all those claiming housing benefit. The vast majority of these (80%) are living in the social rented sector.

In 2016 there are 2.8 million housing benefit claimants under the age of 55 and 1.7 million of these are living in the social rented sector – 60% of the total. This is a much lower proportion than those in the older age groups.

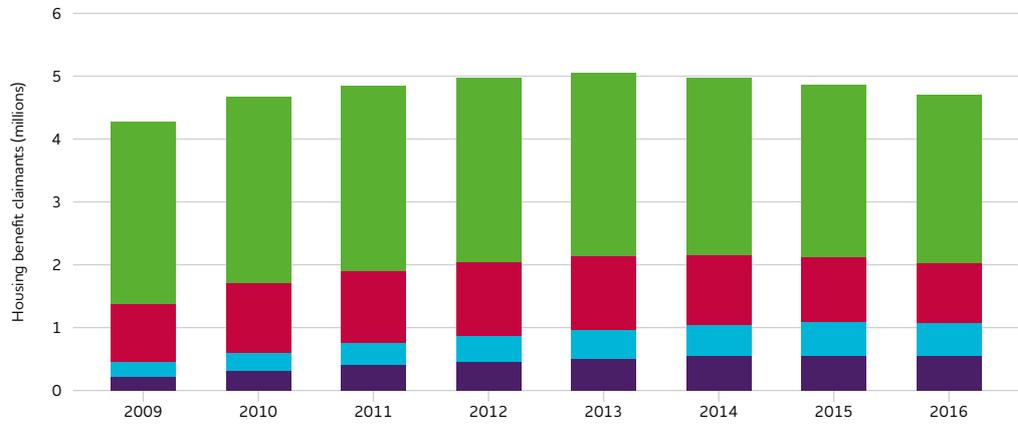
Of those under the age of 45 claiming housing benefit 1.3 million have children, which is more than two-thirds (68%). Almost half (44%) of these claimants with children are living in the private rented sector.

## Housing benefit claims

### Indicator: 18A

The total number of housing benefit claimants has been falling since 2013, but the number of working claimants has not.

- Social rent, not working
- Private rent, not working
- Social rent, working
- Private rent, working

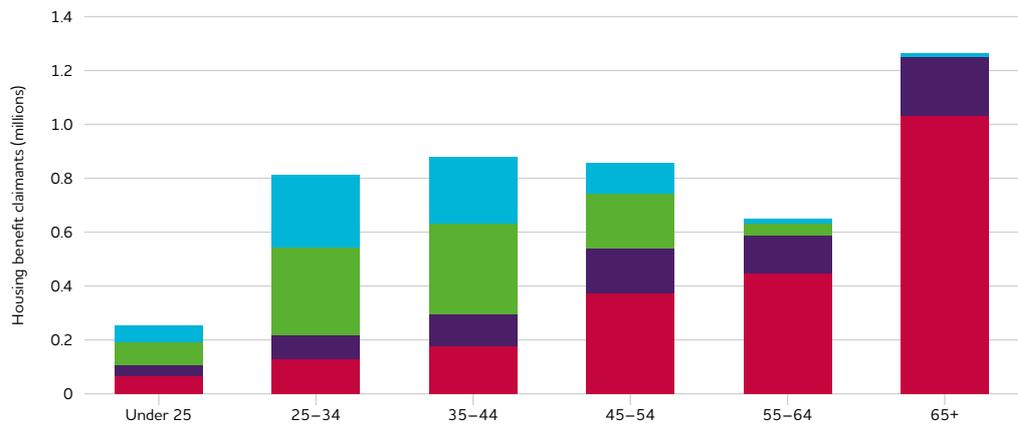


Source: Stat-Xplore, DWP; the data is for Great Britain

### Indicator: 18B

The vast majority of housing benefits claimants under the age of 45 have children and almost half of those families are living in private rented housing.

- Private rent, with children
- Social rent, with children
- Private rent, no children
- Social rent, no children



Source: Stat-Xplore, DWP; the data is for February 2016 for Great Britain

The first graph shows the number of housing benefit claimants in February of each year. The data is broken down by tenure (social and private renters) and work status.

The second graph shows the number of housing benefits claimants by age in February 2016. They are split by tenure of the claimant and by whether or not they have dependent children.

**Reliability rating: high.** The data is administrative data collected and published by the DWP.

## 19 Housing benefit flows

**In the year to February 2016 the number of new in-work housing benefit claims fell for the first time since 2010. This was due to a fall in the number of new claimants who were previously claiming out-of-work housing benefit.**

An in-work housing benefit claim is defined here as one where the claimant or partner has some recorded income from employment or self-employment and the claimant is not in receipt of a passported benefit. Passported benefits are benefits that people are entitled to because of their entitlement to certain other benefits or tax credits. People can be entitled to housing benefit as a result of receiving another means-tested benefit, such as Income Support.

A new in-work housing benefit claim refers to a case where a claimant is on in-work housing benefit one month but not the preceding month.

In the 12 months to February 2016 there were 690,000 new in-work housing benefit claims. Of those, 280,000 were previously out-of-work claims but the majority (410,000) were started by people who had not previously claimed any housing benefit. There are a number of reasons why someone in work who had not previously claimed housing benefit would start a new claim, such as an increase in housing costs, a fall in income, a newly formed household or starting to claim what they were previously entitled to but had not claimed.

From 2015 to 2016 there was a decrease in the number of new in-work housing benefit claimants for the first time since 2010, with the number of new claimants falling by 35,000. The fall was due to a decrease in the number of claims transferring from an out-of-work to an in-work claim, while the number of new claimants who did not have a previous claim was unchanged.

In 2016, 58% of those who had begun to claim in-work housing benefit two years ago were still claiming that in-work housing benefit. Just under a quarter (24%) of those who were still claiming had an unbroken claim. This means that although for the past two years they had been working, their income had not risen enough or their rent decreased sufficiently for them to stop claiming in-work housing benefit.

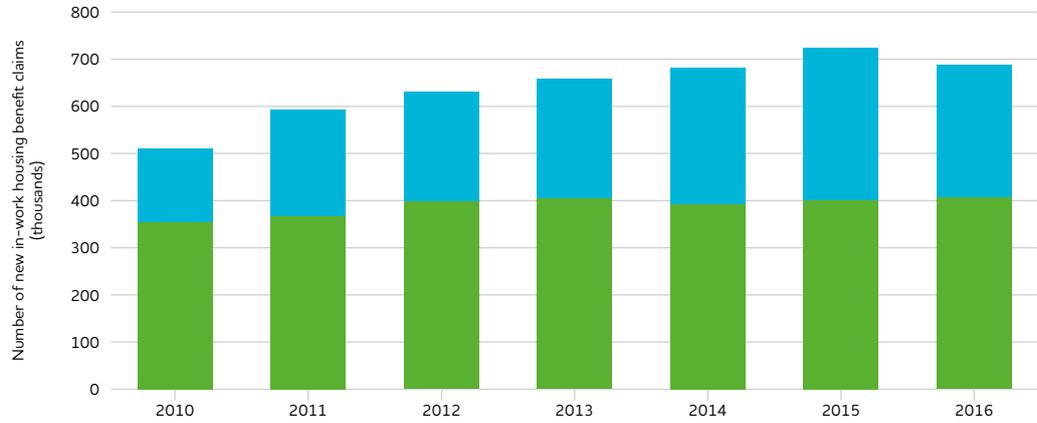
A further 18% of claimants were still claiming but at some point in the two years had not been. They had either stopped claiming completely, transferred to an out-of-work claim or at some point done both before restarting their in-work claim. The remaining 16% were still claiming housing benefit but had now lost their employment and were claiming out-of-work housing benefit.

## Housing benefit flows

### Indicator: 19A

In the year to February 2016 the number of people moving from a workless to a working housing benefit claim fell; the number of people already in work and starting a claim was unchanged.

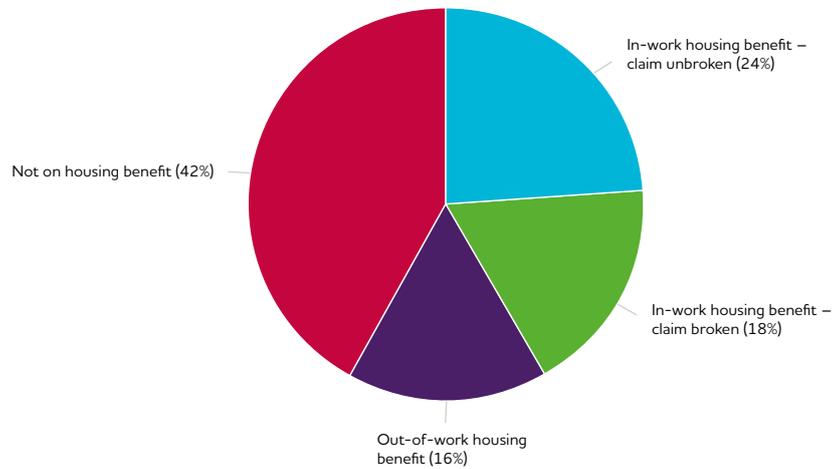
- From out-of-work housing benefit
- No previous housing benefit claim



Source: Single housing benefit extract via an FOI request, DWP; the data is for the 12 months to February of the year shown for Great Britain

### Indicator: 19B

Almost 60% of in-work housing benefit claimants were still claiming housing benefit two years after their claim started.



The data is the status in February 2016 of people who had begun claiming in-work housing benefit in February 2014 in Great Britain  
Source: Single housing benefit extract via an FOI request, DWP

The first graph shows the number of new in-work benefit claims made in the 12 months to February of the year shown. The data is split to show if the new in-work claim was previously an out-of-work claim (ie the claimant was previously out of work) or if the claim was started by someone who was not previously claiming housing benefit.

The second graph shows the status in February 2016 of people who had begun an in-work housing benefit claim in February 2014. By February 2016 they could be in one of four categories: (1) not claiming housing benefit; (2) claiming out-of-work housing benefit; (3) continuously claiming in-work housing benefit throughout the two-year period; (4) claiming in-work housing benefit in February 2016 having had a break in their claim at some point in the previous two years (ie at some point they were not claiming housing benefit and/or claiming out-of-work housing benefit).

**Reliability rating: high.** Though the data was made available through a Freedom of Information request and is not a designated national statistic, it is based on the Single Housing Benefit Extract, a monthly electronic record of claimant-level data which is used to produce other national statistics.

## 20 Regional variations in housing benefit

**London and the three other southern regions have both the highest proportion of housing benefit claimants who are in working families and the highest average amount of housing benefit paid.**

There are 4.7 million recipients of housing benefit in Britain, representing 49% of all households who rent. 37% of recipients are private sector tenants and 31% are working families. The average amount of housing benefit paid a week is £96. The map shows how the number of recipients, the private sector and working family shares, and the average amount paid, vary across the nine English regions, Wales, Scotland and Northern Ireland.

Of the 4 million housing benefit recipients in England, half are in London and the rest in southern England (the East, the South East and the South West).

The North East and Wales have the highest proportions of renting households claiming housing benefit, at 57% and 56% respectively. The North West and the West Midlands also have proportions well above the average. London at 46% and the South East and the East at 45% have the lowest proportions.

The highest average housing benefit paid is in London and the South East at £144 and £105 a week respectively. These are the only parts of the country where the amounts paid are above the national average. Housing benefit is lowest in Scotland with a weekly average of £73.

The South West has the highest share of housing benefit recipients living in the private rented sector at 44%. The lowest share in England or Wales are London's 35% and the West Midlands' 34%. But by far the lowest overall is Scotland's 24%.

London has the highest share of recipients in a working family at 44%, 13 percentage points above the national average. The South East, the East and the South West also all have above-average shares of in-work recipients. Wales at 22% and Scotland at 19% have the lowest share of recipients who are in a working family.

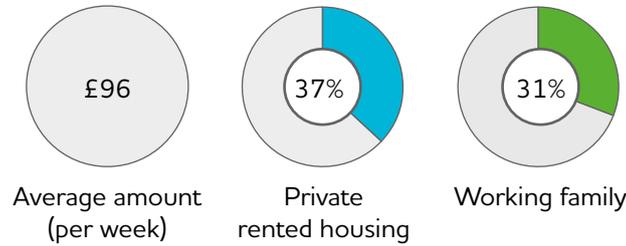
The map shows the proportion of private rented and social rented tenants receiving housing benefit, plus the overall figure and the average value of housing benefit for each region.

# Regional variations in housing benefit

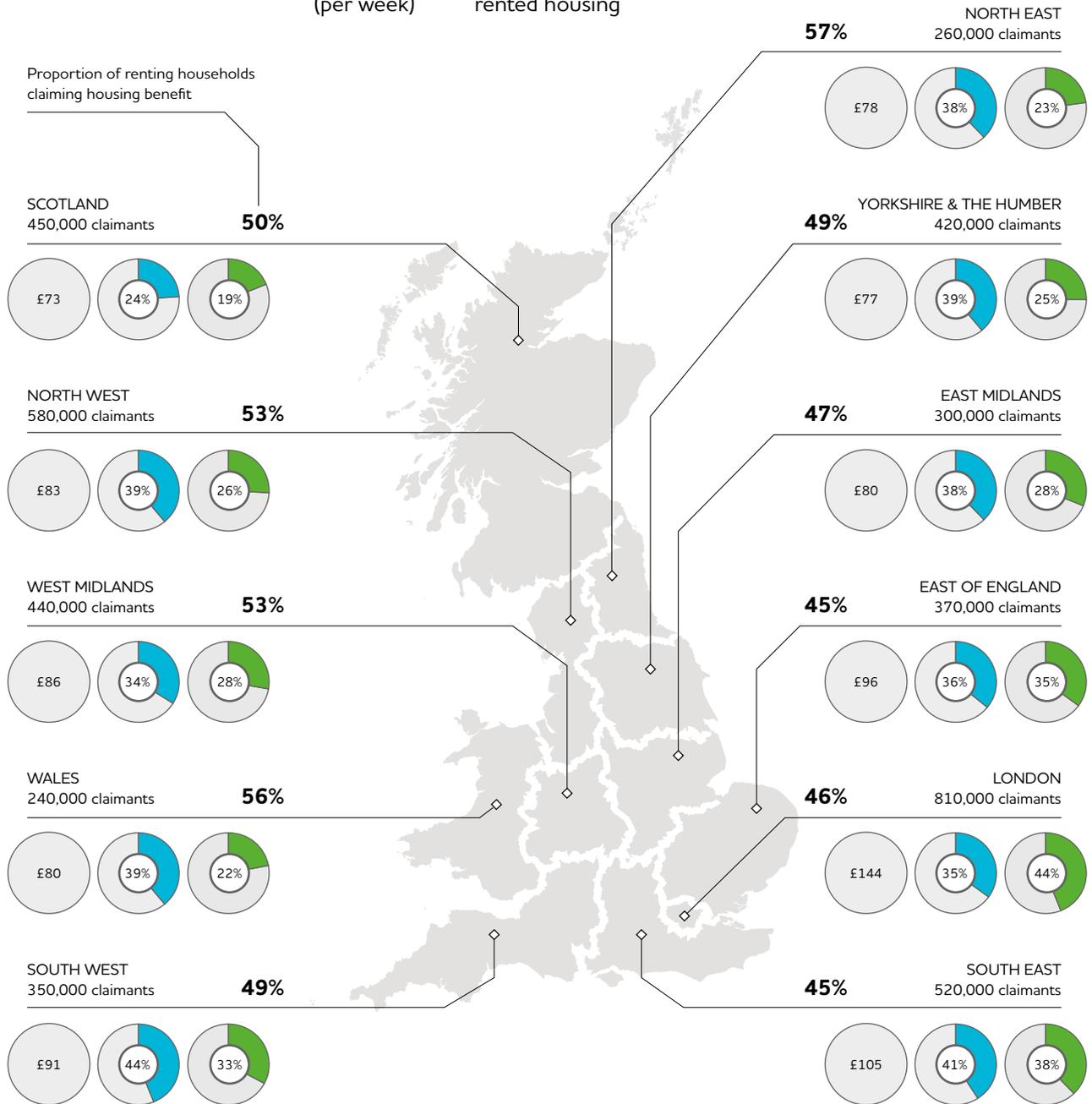
Indicator: 20

4.7 million housing benefit recipients in Britain, 49% of renting households

Characteristics of housing benefit recipients:



Proportion of renting households claiming housing benefit



Source: Stat-Xplore, DWP and GLA datastore, analysis of APS household dataset; the Housing Benefit data is for February 2016 for Great Britain and the total households renting is for 2014 for Great Britain

## Commentary

This chapter has brought together an analysis of poverty, housing and housing tenure to show how these interact and who is most affected by poor quality, costly and insecure housing.

Housing costs are often the largest single cost a household will face, particularly for those on low incomes. The proportion of low-income households whose housing costs are high relative to their income is therefore a key indicator. The fact that this indicator is now rising again after several years of stability is therefore a cause for concern.

High housing cost is not just a concern for low-income households themselves. Government and taxpayers are affected through higher expenditure on housing benefit. Employers may be affected too, both through the upward pressure on wages exerted by rising costs and from a weakening of work incentives when some low-income workers face reductions in housing benefit which negates much of the benefit of increased hours or earnings.

Although high housing costs for low-income households are a concern across all tenures, the private rented sector (PRS) stands out, with more than 70% of those in the poorest fifth in that tenure spending at least a third of their income on housing costs.

The continuing shift towards the PRS is problematic for other reasons too. Although the costliest sector to live in, the PRS guarantees neither quality nor security. 40% of households in the PRS have lived at their current address for less than 12 months (Barnes, B. et al. *People living in bad housing*. London: Shelter, 2013). As this chapter has shown, the end of a tenancy is now the main cause of homelessness. Poor quality housing can impact on people's physical and mental health, both currently and in the long term; it can lead to poor health outcomes for children and increase their cost of living through higher fuel bills.

As the tenure whose share is (and long has been) rising, the PRS is one of the largest factors shaping poverty today. At 19%, the PRS's tenure share across Britain as a whole is back to where it was in the early 1970s. By historical standards, that is still nowhere near its peak, which was 50% in 1951 (Aldridge, H. et al. *Monitoring poverty and social exclusion*. York: JRF, 2012). Whether it returns to these heights or not, the private rented sector is now a major driver of poverty and action is needed to make it both more stable and more affordable.

## Chapter 3

### Life chances

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## Introduction

This chapter responds to a growing agenda around ‘life chances’. This is not a new concept, originating in the work of Max Weber, nor is it a new idea in its application to inequalities in the socio-economic landscape of contemporary Britain, with Frank Field MP heading an independent review of life chances and poverty in 2010 (*The foundation years: preventing poor children becoming poor adults*. London: The Cabinet Office, 2010). The review drew attention to factors that affect cognitive and behavioural development during the first few years of life, such as a healthy pregnancy and birth, parental mental health, and services such as high-quality childcare.

These are undoubtedly significant factors and an important predictor of outcomes throughout childhood and life chances later in life, but they are not the whole story. First, life chances are not wholly determined by the first years of life. Second, social, environmental and institutional factors as well as personal and individual characteristics matter in shaping life chances.

The beginnings of a policy framework around life chances were outlined by the then Prime Minister David Cameron at the start of 2016 (see *Prime Minister’s speech on life chances* at [www.gov.uk/government/speeches/prime-ministers-speech-on-life-chances](http://www.gov.uk/government/speeches/prime-ministers-speech-on-life-chances)). This could be seen in part as a legacy of the Field report, focusing on ‘early years’ development and ‘troubled families’. The Commons Work and Pensions Committee and the Education Committee have since been collecting evidence for an inquiry into the life chances strategy. Organisations with a history of anti-poverty work, research, campaigning and lobbying have welcomed the life chances agenda, while insisting that it is not a substitute for addressing child poverty and its interactions with other forms of disadvantage and outcomes throughout childhood and later in life.

This chapter is informed by a broad understanding of what shapes life chances, including individual, household-level, institutional, and structural factors. The chapter touches on themes in other chapters, including income, housing, work and disability. The focus is predominantly on childhood and educational outcomes, although the forces that shape life chances are not confined to childhood and adolescence.

## Choice of indicators

### Child poverty and life chances

Indicators 21, 22 and 23 focus on household-level factors. Indicator 21 addresses the government's headline statistic on children in workless households and looks more closely at the composition of these households. Indicator 22 reinforces the importance of child poverty to any life chances agenda, drawing particular attention to the impact of low income on families with children being able to afford basic goods and opportunities. Indicator 23 looks at the relationship between housing tenure and child poverty, drawing particular attention to the role of high housing costs in the private rented sector.

The map that concludes the chapter (indicator 30) returns to the theme of housing, looking at variation across local areas in terms of the proportion of children living in private rented accommodation in families that are receiving housing benefit.

### Vulnerable children

Indicators 24 and 25 focus on particular groups of children. Indicator 24 focuses on children who are either being monitored by social services or have been placed in foster or residential care, while indicator 25 addresses the relationship between low income and special educational needs (SEN). The relationship between poverty and children in each of these groups is not always straightforward, but poor educational outcomes relative to other children tend to heighten the relationship between the two in later life.

### Educational and work outcomes

Indicators 26, 27 and 28 continue with the theme of educational outcomes. Indicators 26 and 27 look at under-attainment at age 11 and 16 respectively, noting differences by whether a pupil receives free school meals, as well as by gender and by ethnicity. Indicator 28 looks at the interaction between SEN and permanent exclusions from school.

Indicator 29 looks beyond childhood and towards life chances in young adulthood, and considers how the labour market, caring responsibilities and disability constrain life chances after childhood. Here we look at young adults aged 16 to 24 who are not in education, employment or training (NEET), how this interacts with gender, and differences in reasons for being NEET.

## 21 Children in workless households

**The number of children in long-term workless households has been falling since 2010. The majority of children in these households are either in lone parent families or in households where at least one adult is disabled.**

In 2014, there were 1.6 million children in households where all working-age adults were unemployed or inactive. Among these, 240,000 were in households where an adult had been employed in the past 12 months and 1.4 million (85%) were in long-term workless households where no adult had been employed in the past 12 months.

Having risen by 110,000 between 2009 and 2010, the number of children in long-term workless households has fallen every year since, by 280,000 in four years. This also amounts to a fall in the rate of children in long-term workless households, from 14% in 2010 to 11% in 2014. The overall number of children in workless households fell by 340,000 in this period, from 1.9 million, from 17% to 13% of children.

Among children in long-term workless households in 2014, 960,000 (70%) were in lone parent families. Of these, 350,000 were in a household where at least one adult was disabled; 370,000 were under the age of five.

In total, there were 630,000 children in a long-term workless household where at least one adult was disabled. This was significant for couples as well as for lone parents, with 70% (290,000) of the 410,000 children in couple families in long-term workless households living in a household where at least one adult was disabled.

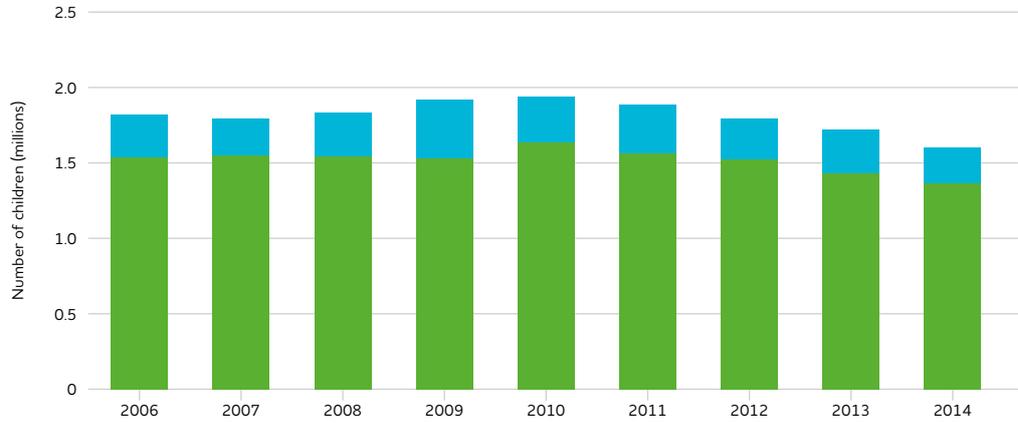
Of the total number of children in long-term workless households in 2014, 120,000 (9%) were in couple families with no disabled adults.

## Children in workless households

### Indicator: 21A

The number of children in long-term workless households has fallen every year since its peak in 2010, while the number in short-term workless households has also fallen considerably since its peak in 2009.

- Children in households that have been workless less than 12 months
- Children in households that have been workless more than 12 months

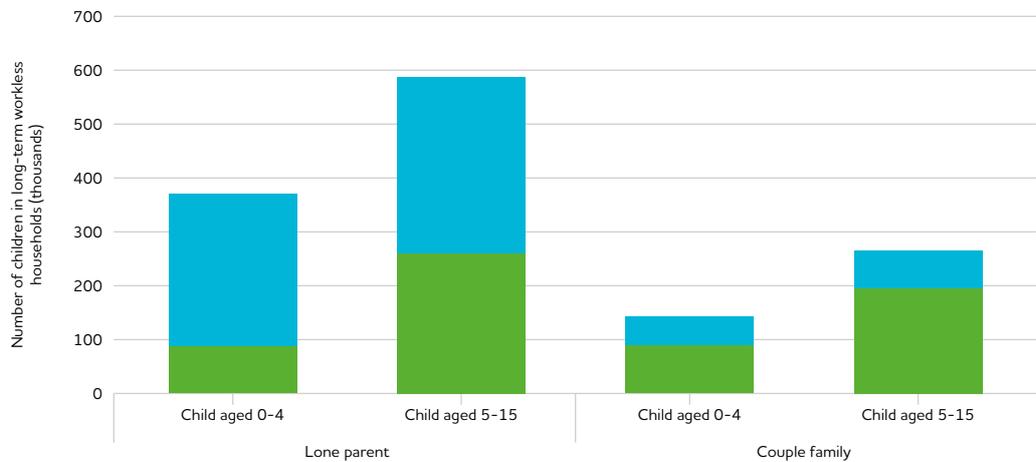


Source: Children Living in Workless Households, ONS; the data is for the UK

### Indicator: 21B

960,000 children in long-term workless households are in lone parent families while 630,000 are in households with at least one disabled adult.

- No disabled adults
- At least one disabled adult



Source: Children Living in Workless Households, ONS; the data is for 2014 for the UK

The first graph shows the number of children living in workless households over time. Workless households are where all working-age adults are either unemployed or economically inactive. Children in this case are aged 0 to 15. Long-term workless households are households where all working-age adults have been either unemployed or economically inactive for more than 12 months, including those who have never been in work.

The second graph shows how the number of children in long-term workless households in 2014 breaks down by whether the child was in a lone parent or couple family, whether there was a disabled adult in the household, and the age of the child.

**Reliability rating: high.** These estimates were produced by the Office for National Statistics using the Annual Population Survey household dataset.

## 22 Child poverty and material deprivation

**In 2014/15 there were 3.9 children in poverty and 1.7 million children both in poverty and materially deprived. Children in low-income households are more than twice as likely as children in middle-income households to lack basic items and opportunities.**

There were 3.9 million children in poverty in 2014/15, after housing costs have been taken into account. Of these, 2.6 million were in deep poverty (where household income is half or less of median income); 1.7 million children were materially deprived. A family is counted as 'materially deprived' if it has both a low income and lacks, because it cannot afford, five or more items that most families have.

The 3.9 million children in poverty equates to a poverty rate of 29%. This is the same number of children as were in poverty in 2008/09. The severe child poverty rate is 19% and the material deprivation rate 13%.

Some groups of children face much higher poverty rates than the average. 66% of children in families receiving an out-of-work means-tested benefit (Income Support, Jobseeker's Allowance or Employment and Support Allowance) are in poverty. So too are 45% of those in families receiving tax credits – 2.9 million children.

52% of children living in social rented accommodation and 46% of those in private rented accommodation are in poverty. 52% of Pakistani or Bangladeshi children and 45% of Black children are in poverty. 45% of children (1 million) who have two foreign-born parents are estimated to be in poverty. 70% of these 1 million children in poverty were themselves born in the UK.

Being from a low-income household makes it more likely that a child will be materially deprived compared with their peers. This means a number of items and opportunities, such as eating fresh fruit and vegetables every day or attending school trips, may not be available to them because of their household income.

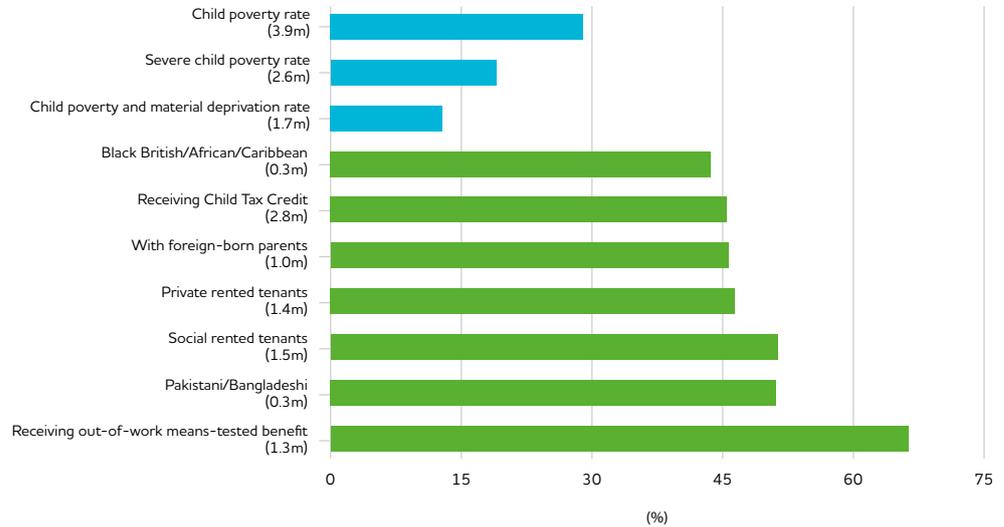
58% of families with children in the bottom quintile of the income distribution want, but can't afford, to have at least one week's holiday away from home with their family, compared with a quarter of those in the middle quintile. 28% of children in the bottom quintile live in households where there are not enough bedrooms for every child ten years or older and of a different gender to have their own room, compared with 6% in the middle quintile.

Factors associated with low-household income, such as living in a deprived neighbourhood, can also affect the opportunities open to children. 13% of children from the households in the bottom quintile don't have access to outdoor spaces or facilities to play safely, compared with 5% of children in the middle quintile.

## Child poverty and material deprivation

Indicator: 22A

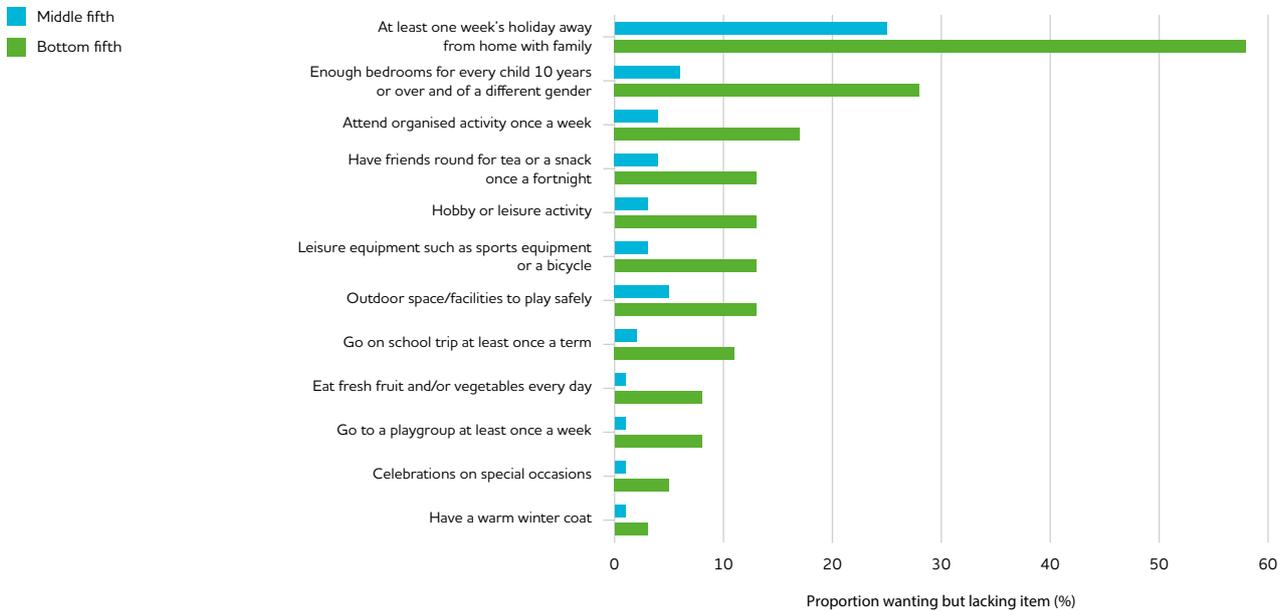
The child poverty rate of 29% equates to 3.9 million UK children in poverty. But some groups of children face a much higher poverty rate.



Source: Family Resources Survey, 2014/15; the data is for the UK

Indicator: 22B

Children in the bottom income quintile are at least twice as likely to lack basic items and opportunities because of cost than children in the middle quintile.



Source: Households Below Average Income, DWP; the data is for 2014/15 for the UK

The first graph shows the poverty rate for certain groups of children that have a poverty rate at least 1.5 times that of the average for the population. These groups may overlap so children may appear in more than one category.

The second graph shows the proportion of children lacking certain basic items for reasons of cost (with the exception of having a safe outdoor space to play in, which may not be cost-related). It shows this for children in the bottom quintile of the household income distribution, comparing them with children in the middle quintile.

**Reliability rating: high.** These statistics are produced using data from a large survey.

## 23 Housing costs and child poverty

**The number of children in poverty in private rented households has more than doubled to 1.4 million in the last decade. 750,000 of these children are in private rented households that spend at least 40% of their income on housing costs.**

In 2014/15 the number of children in poverty in social rented households, at 1.5 million, was slightly higher than the number in private rented households, at 1.4 million. Overall, 74% of children in poverty were in rented households. There were 1 million in owner-occupied households.

The number of children in poverty in social rented households fell fairly steadily from 2.3 million in 1996/97 to 1.3 million in 2011/12, but has risen slightly since. The number in poverty in private rented households has risen steadily in the last decade, from 600,000 in 2004/05, an increase of 132%. Since 2012/13 there have been more children in poverty in private rented than in owner-occupied households.

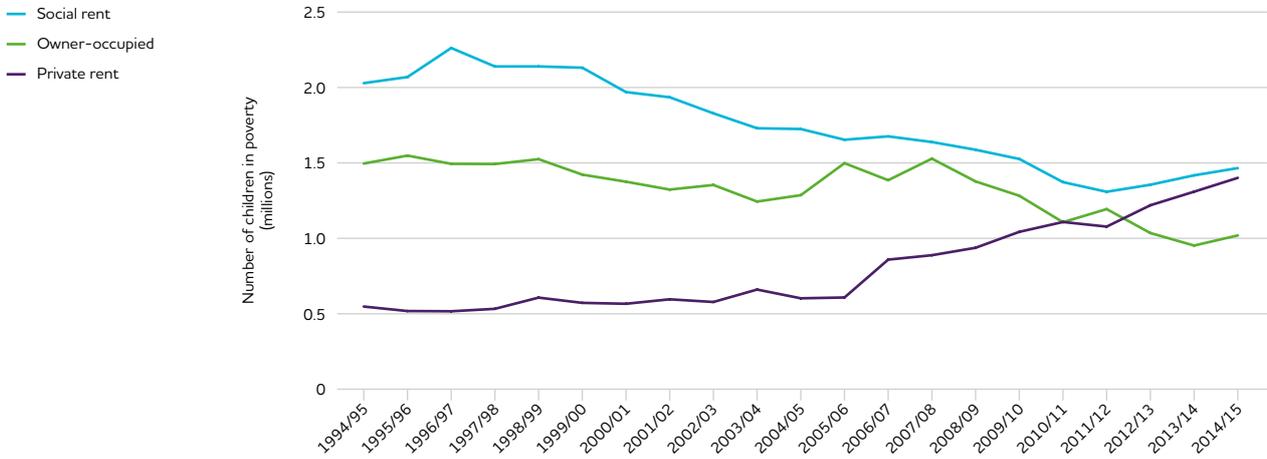
Of the children in poverty in private rented households in 2014/15, 750,000 were in households that spend at least 40% of their income on housing costs, up from 280,000 a decade before. The number in poverty in private rented households that spend between 20% and 40% of their income on housing costs also rose considerably, from 280,000 to 610,000.

The fall in the number of children in poverty in social rented households has been predominantly in households that spend less than 20% of their income on housing costs, falling from 340,000 to 80,000. A greater proportion of children in poverty in social rented households are therefore in households that spend 20% or more of their income on housing costs, up from 81% to 95%.

## Housing costs and child poverty

### Indicator: 23A

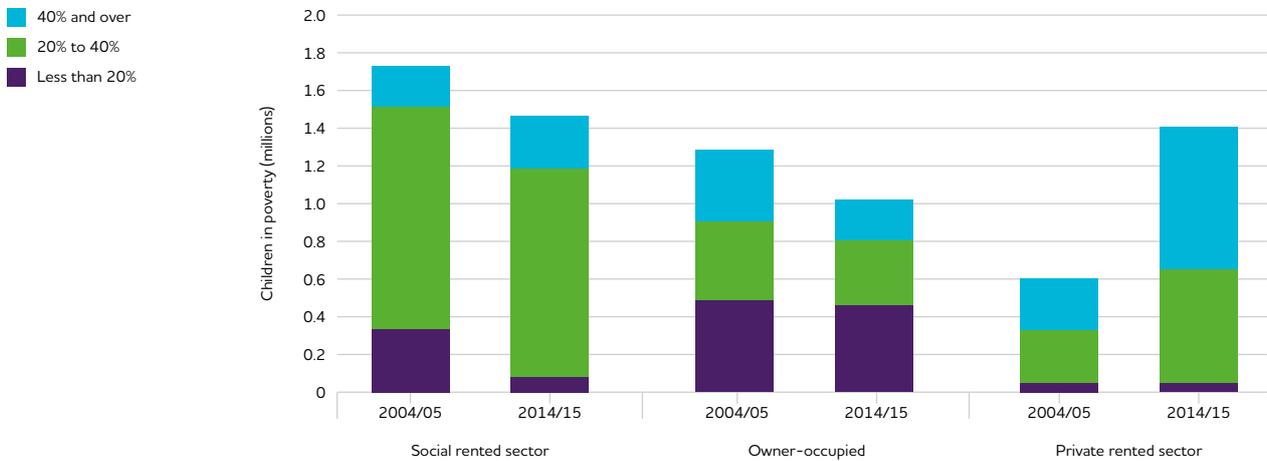
There are now 1.4 million children in poverty in the private rented sector, almost as many as in the social rented sector and more than in owner-occupied households.



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

### Indicator: 23B

There are 750,000 children in private rented households that spend at least 40% of their income on housing costs.



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

The first graph shows the number of children in poverty after housing costs in each year by their tenure group: owner-occupied, social rented and private rented.

The second graph shows the number of children in poverty broken down by tenure and the proportion of their household's net income spent on housing costs.

Housing costs comprise items such as rent service charges, ground rents, mortgage interest (but not capital) and buildings insurance. For people in receipt of housing benefit, the benefit itself is treated as income while the rent it covers is treated as housing costs.

**Reliability rating: high.** The data is based on a government published survey with a large sample size.

## 24 Children in need and looked-after children

**The number of children starting an ‘episode of need’ fell in the last year, having risen the previous year. Educational outcomes for children in need and looked-after children are considerably worse than for other children.**

In 2014/15, 400,000 children started an ‘episode of need’, as assessed by social services. Some children in need are deemed to be suffering or at significant risk of harm. In such cases a Section 47 enquiry is started, which may eventually lead to the child being subject to a child protection plan. There were 160,000 Section 47 enquiries started in 2014/15 and 70,000 looked-after children in foster care or residential care.

The number of children starting an episode of need rose in 2010/11, and stayed relatively level before rising again in 2013/14. However, the number fell in 2014/15. Meanwhile, the number of Section 47 enquiries has risen each year since 2009/10, by 79% over the five-year period. The number of looked-after children has been rising at a slower rate, from 64,000 in 2009/10 to 70,000.

Children in need and looked-after children have higher rates of under-attainment at both Key Stage 2 (age 11) and Key Stage 4 (age 16) than other children. The second graph shows that at age 11 in 2014/15, 51% of children in need and 48% of looked-after children did not achieve Level 4 in reading, writing and maths, compared with 20% of all pupils.

By age 16 the gap in attainment has increased. Whereas 46% of all pupils did not achieve five A\*–C GCSE grades or equivalent including English and maths in 2014/15, 85% of children in need and 86% of looked-after children did not achieve this.

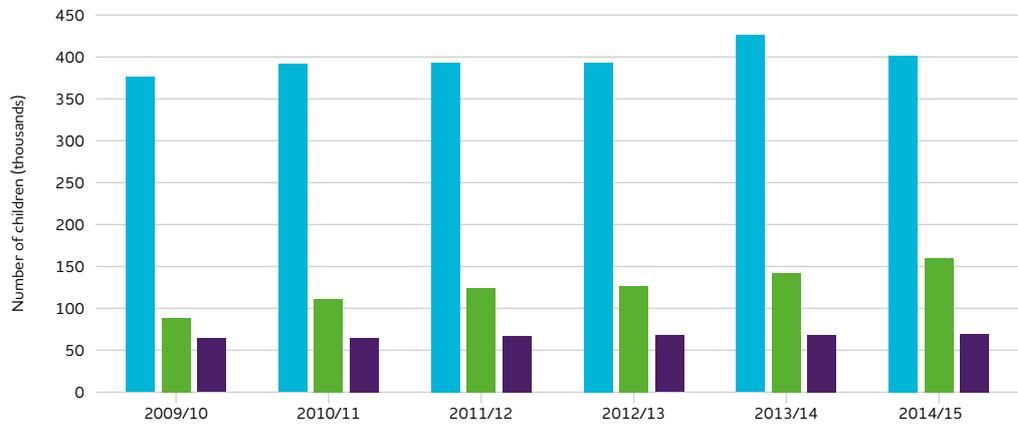
Persistent absenteeism is also more significant among children in need than other children; 4% of all children and 16% of children in need have an absence rate of 15% or more. Persistent absenteeism among looked-after children was less common than for children in need, and similar to the rate for all children, at 5%.

## Children in need and looked-after children

### Indicator: 24A

The number of children starting an episode of need fell in 2014/15 having risen the year before, while the number of children subject to Section 47 enquiries continued to rise.

- Children starting an episode of need
- Children subject to Section 47 enquiries
- Looked-after children

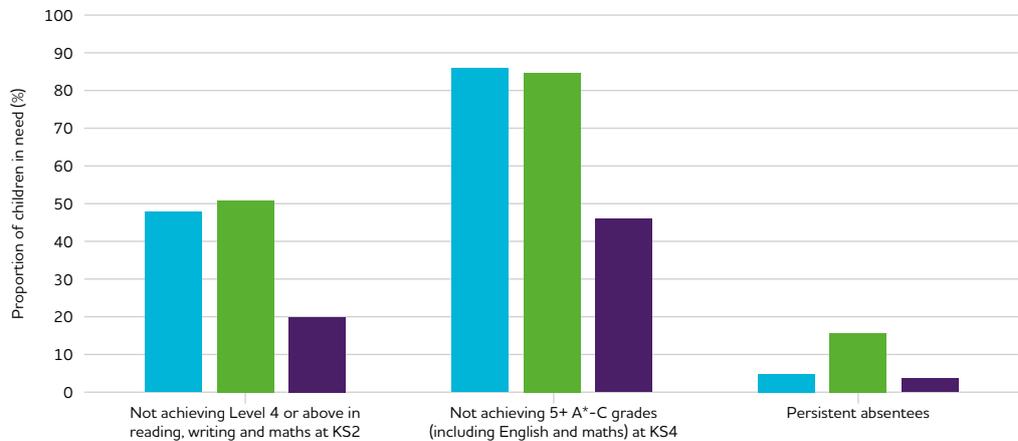


Source: Characteristics of children in need, looked after in England including adoption, Department for Education; the data is for England

### Indicator: 24B

The gap between children either in need or looked-after and other children is already substantial by the end of primary school, and even greater by the end of secondary school.

- Looked-after children
- Children in need
- All children



Source: Outcomes for children in need, Department for Education; the data is for 2015 for England

The first graph shows the number of children in need, the number of Section 47 enquiries in each year and the number of looked-after children.

The second graph compares the proportion of looked-after children and other children who are not achieving Level 4 or above in reading, writing and maths at the end of Key Stage 2; not achieving five A\*-C GCSE grades including English and maths at the end of Key Stage 4 (age 16); and persistent absentees, in the most recent year.

A child is in need if they have been referred to children's social care services and assessed through an initial assessment or continuous assessment to be in need of social care services. A child can have more than one episode of need throughout the year if they don't overlap, and these are counted separately. Section 47 enquiries are initiated when there is significant reason to believe that a child is suffering or is likely to suffer significant harm. If a child is subject to more than one Section 47 enquiry in one year, each enquiry is recorded separately. Under the Children Act 1989, a child is legally defined as looked after by a local authority if they are provided with accommodation for a continuous period for more than 24 hours, are subject to a care order or are subject to a placement order.

A pupil is considered persistently absent by the Department of Education if they are absent for 15% of lessons a year.

**Reliability rating: medium.** The first graph cannot identify cases where a child has been counted twice on separate occasions as being in need or subject to a Section 47 enquiry.

## 25 Special educational needs

**Pupils who have been identified as having special educational needs have a significantly higher rate of under-attainment at age 16 than other pupils. Pupils with all types of special educational needs are also disproportionately likely to be claiming free school meals.**

Four out of every five pupils (80%) identified as having special educational needs (SEN) were not achieving five A\*–C GCSE grades or equivalent including English and maths at age 16 in 2014/15. This compares with 36% of other pupils. The gap in attainment between pupils with and without SEN stands at 44 percentage points.

The proportion of SEN pupils not meeting expected standards at age 16 fell between 2009/10 and 2012/13, from 80% to 77%. The return to the 2009/10 level in 2013/14 can partly be explained by methodological changes in which qualifications and examinations count towards official attainment measures. This can also be seen through its effect on the group without SEN. In this group attainment fell from 34% in 2009/10 to 30% in 2012/13, only to rise to 35% in 2013/14. The attainment gap has decreased, from 47 percentage points in 2012/13 to 44 percentage points in 2014/15.

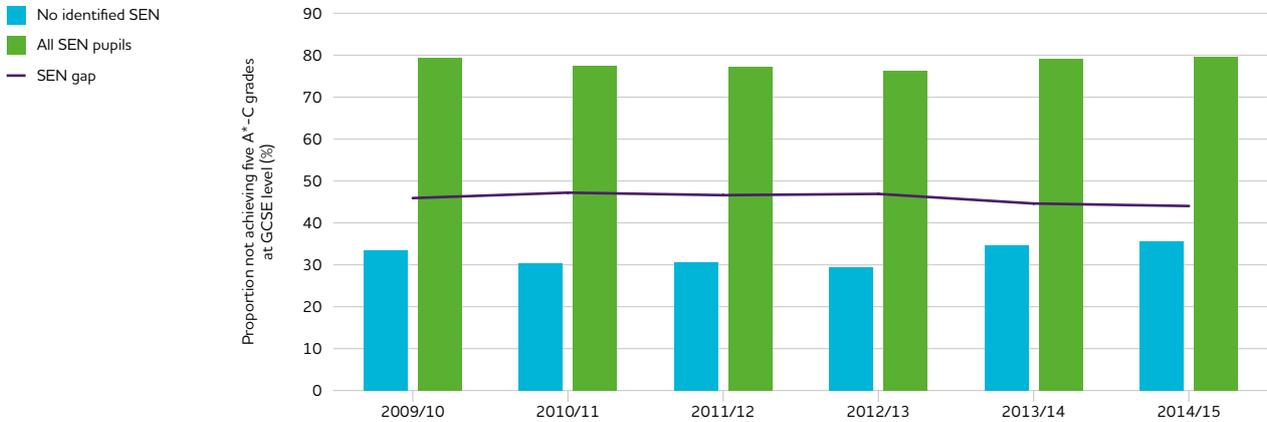
Research shows that SEN is associated with low income in a number of ways, for instance through the effect of poverty on early years development, increased costs, impact on parents' working, and potential family stress associated with SEN, and through the effect of poor educational outcomes on earning potential later in life (Shaw, B. et al. *Special educational needs and their links to poverty*. York: JRF, 2016). In addition, low income may be more closely associated with certain types of SEN.

In 2014/15, 14% of all pupils were claiming free school meals (FSM) in 2014/15. By contrast, 34% of pupils identified as having both severe learning difficulties and social, emotional and mental health difficulties claim FSM. For all types of SEN, the proportion of pupils claiming FSM was higher than the proportion of all pupils claiming FSM.

## Special educational needs

### Indicator: 25A

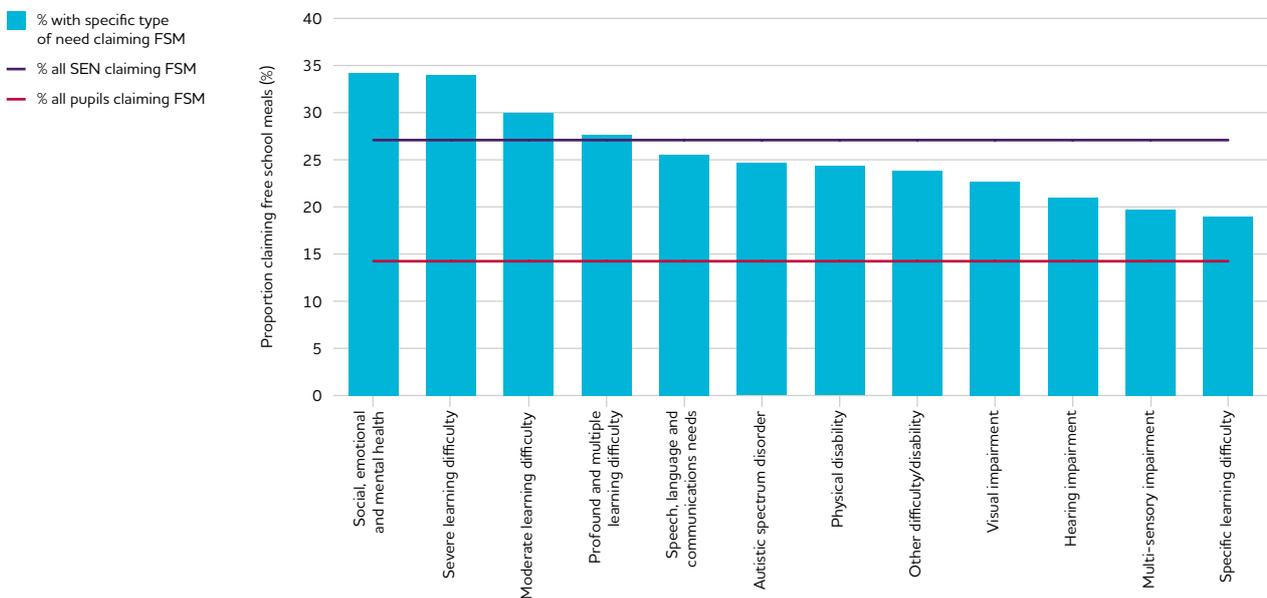
The overall gap in attainment at age 16 between pupils with special educational needs and other pupils has fallen since 2012/13.



Source: Special Educational Needs in England, Department for Education; the data is for England

### Indicator: 25B

Over a third of pupils with social emotional and mental health difficulties and severe learning difficulties are claiming free school meals, compared with less than one in six of all pupils.



Source: Special Educational Needs in England, Department for Education; the data is for England (January 2016)

The first graph compares the proportion of 16-year-old pupils with identified SEN lacking five A\*–C GCSEs or equivalent including English and maths with other pupils.

The second graph shows the proportion of pupils with a specific need claiming FSM. It also shows the proportion of all pupils receiving free school meals and the proportion of all pupils with SEN receiving free school meals.

In 2013/14 there was a methodological change to the dataset used in the first graph. The new methodology removed certain qualifications from counting, does not count any qualification as worth more than one GCSE, caps the number of non-GCSEs to two per pupil, and counts only a pupil's first attempt at a qualification.

The data is for all maintained schools (including academies and city technology colleges) in England and is based on the number of pupils at the end of Key Stage 4 in each academic year.

**Reliability rating: medium.** The first graph has been affected by measures introduced in response to perceived grade inflation that have meant that exams have recently been made harder. There has also been a methodological change in the dataset. This has affected the comparability of results over time.

## 26 Educational attainment at age 11

**Under-attainment in reading and maths at age 11 has been on a downward trend since the late 1990s. However, there remain significant attainment gaps by gender and whether the child is claiming free school meals.**

In 2015, 11% of pupils sitting Key Stage 2 exams did not achieve Level 4 in reading. This is the same as the previous year, meaning that there are more 11-year-olds meeting expected standards in reading than in any other year on record. In maths, 13% did not achieve Level 4, a 1 percentage point decrease on the previous year. This is the lowest recorded proportion not meeting expected standards in maths.

Under-attainment in reading fell rapidly in the late 1990s, by 16 percentage points, from one in three in 1997 to less than one in five by 2000. Between 2000 and 2013 it fluctuated, increasing in some years – between 2000 and 2002, in 2006, between 2008 and 2010, and in 2013 – but otherwise falling at a slightly faster rate than the rises in these years. In maths, the trend has been more straightforwardly downwards. Under-attainment fell from 41% in 1998 to 28% in 2000, and has not risen in any year since 2001.

The second graph shows how under-attainment in reading, writing and maths interacts with gender and being from a low-income family. The attainment gap between pupils receiving free school meals (FSM) and those not receiving FSM was 17 percentage points, with double the amount of FSM pupils under-attaining (34% compared with 17%). This ratio applies to both boys and girls.

Boys have higher rates of under-attainment than girls whether or not they are receiving FSM. Among pupils who do receive FSM, 38% of boys don't meet expected standards compared with 30% of girls. For those not receiving FSM, 20% of boys under-attain compared with 15% of girls.

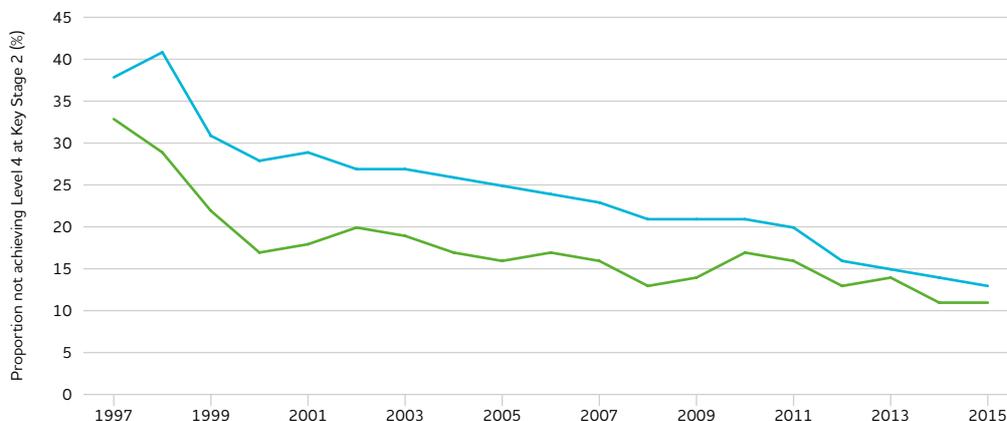
A further important factor not shown in the graph is how this interacts with special educational needs (SEN). Male and female pupils without SEN have similar attainment rates, as do male and female pupils with SEN. The attainment rates for those with SEN are much lower, and there are more male pupils with SEN. Because of this, male attainment overall is lower.

## Educational attainment at age 11

### Indicator: 26A

Under-attainment in maths at Key Stage 2 is the lowest it has ever been, having fallen almost every year since 1998.

— Maths  
— Reading

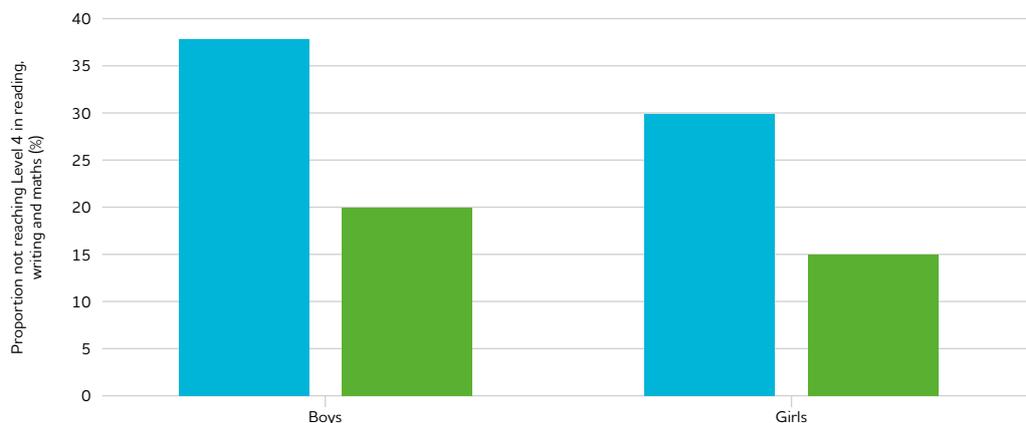


Source: National curriculum assessments at Key Stage 2 in England, Department for Education; the data is for England

### Indicator: 26B

Pupils claiming free school meals are twice as likely as other pupils to not achieve expected standards at Key Stage 2 in reading, writing and maths.

■ FSM  
■ Non-FSM



Source: National curriculum assessments at Key Stage 2 in England, Department for Education; the data is for 2015 for England

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

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

**Reliability rating: high.** This indicator uses administrative data collected over a long period.

## 27 Educational attainment at age 16

**The gap in attainment at age 16 between disadvantaged and other pupils has remained similar over the past five years. But the attainment gap is more significant among some ethnic groups than others.**

Disadvantage can take different forms, including being from a low-income household and from the instability associated with being in care. Disadvantaged here refers to pupils known to be eligible for free school meals or looked-after children. In 2014/15, 63% of disadvantaged pupils did not achieve five A\*–C GCSE grades or equivalent including English and maths at age 16. This compares with 35% of all other pupils. The attainment gap between disadvantaged and non-disadvantaged pupils is 28 percentage points.

The rise of 5 percentage points among the disadvantaged group and of 4 percentage points among other pupils in 2013/14 relative to 2012/13 is partly due to methodological changes in how attainment is measured. Between 2012/13 and 2013/14 the attainment gap between the two groups only changed by 1 percentage point. For all pupils at age 16, disadvantaged or otherwise, under-attainment reduced between 2010/11 and 2012/13. For both disadvantaged and other pupils, under-attainment fell 1 percentage point in 2014/15.

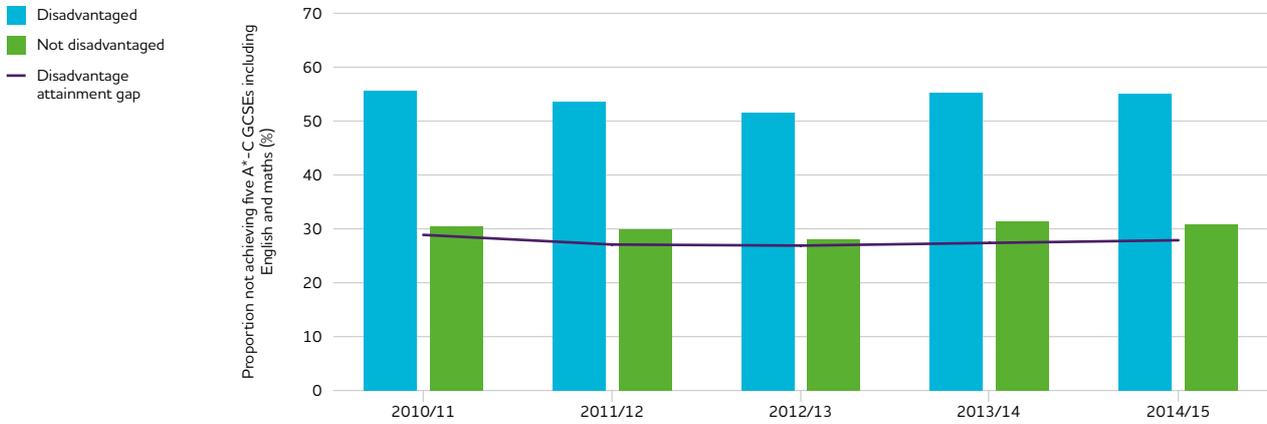
The attainment gap between pupils known to be eligible for free school meals (FSM) and other pupils varies significantly between different ethnic groups. Free school meals are used as a proxy as data on disadvantage is not available by ethnicity. Among White British pupils, the FSM attainment gap was 32 percentage points in 2014/15. Of the groups shown, White British pupils eligible for FSM have the highest rates of under-attainment of any ethnic group, with 72% not achieving expected five A\*–C GCSE grades or equivalent including English and maths. (Although not shown on the graph, Gypsy or Roma pupils have the highest under-attainment, with 5% eligible for FSM and 11% not known to be eligible for FSM achieving expected standards.)

Chinese pupils had the lowest rates of under-attainment and the smallest FSM attainment gap, at 3 percentage points. Pakistani pupils and Black Caribbean pupils have a lower FSM attainment gap than White British, but relatively high levels of overall under-attainment regardless of FSM status.

## Educational attainment at age 16

### Indicator: 27A

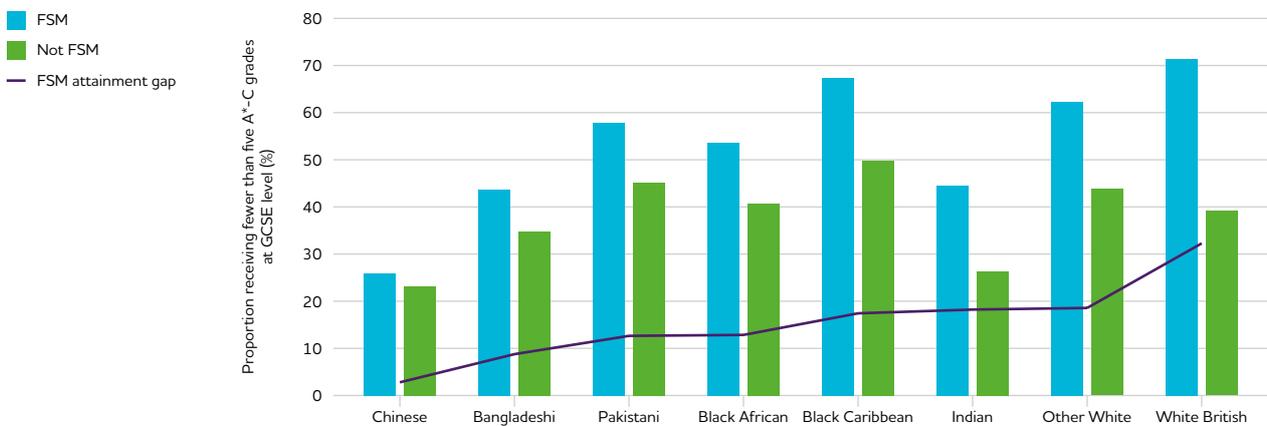
The gap in attainment between disadvantaged pupils and all other pupils has not changed significantly over the past five years.



Source: GCSE and equivalent results in England, Department for Education; the data is for England

### Indicator: 27B

White British pupils eligible for free school meals have the highest rate of under-attainment and the FSM attainment gap is also biggest for White British pupils.



Source: GCSE and equivalent results in England, Department for Education; the data is for 2014/15 for England

The first graph compares the proportion of disadvantaged 16-year-old pupils lacking five A\*-C GCSEs including English and maths with pupils who are not disadvantaged. Disadvantaged in this indicator refers to pupils known to be eligible for free school meals, and looked-after children.

The second graph shows, for the latest year, the proportion of pupils lacking five A\*-C GCSEs including English and maths by ethnicity and by free school meal status.

Both graphs show the gap in attainment between disadvantaged pupils or pupils eligible for free school meals and other pupils – the ‘attainment gap’. As with indicator 25, changes to the methodology for attainment make measuring change over time harder.

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

## 28 School exclusions

**The number of permanent exclusions has been rising in England since 2012/13. Pupils with certain kinds of special educational needs (SEN) are more likely to be permanently excluded than pupils without SEN.**

In 2014/15, 5,800 pupils were expelled from schools of all types in England. Of these, 3,220 (56%) had been identified as having some form of SEN, of whom 350 had an SEN statement (for children whose needs are more complex and cannot be met by the school alone) and 2,870 did not.

The overall number receiving permanent exclusions rose by a quarter over the two years to 2014/15, from a low point of 4,640 in 2012/13. Before 2010/11 the number of permanent exclusions had fallen every year since 2003/04 (a year earlier than shown on the graph), with falling numbers among pupils both with and without SEN.

Over the last decade, more than half of all pupils receiving permanent exclusions have had SEN. However, increases in the number of permanent exclusions in the past few years have been concentrated among pupils with no identified SEN. This number has grown every year since 2010/11, but especially since 2012/13, by 74%. This coincides with falling numbers of pupils identified as SEN, particularly among those without a statement.

Pupils with some types of SEN are significantly more likely to be permanently excluded than others, as the second graph shows, compared with pupils without any identified SEN. For every 10,000 pupils identified as having behavioural, emotional or social difficulties, 109 (1%) were permanently excluded in 2014/15, compared with 3 in every 10,000 pupils with no identified SEN. Permanent exclusions of pupils with this type of SEN made up 26% of all permanent exclusions in 2014/15.

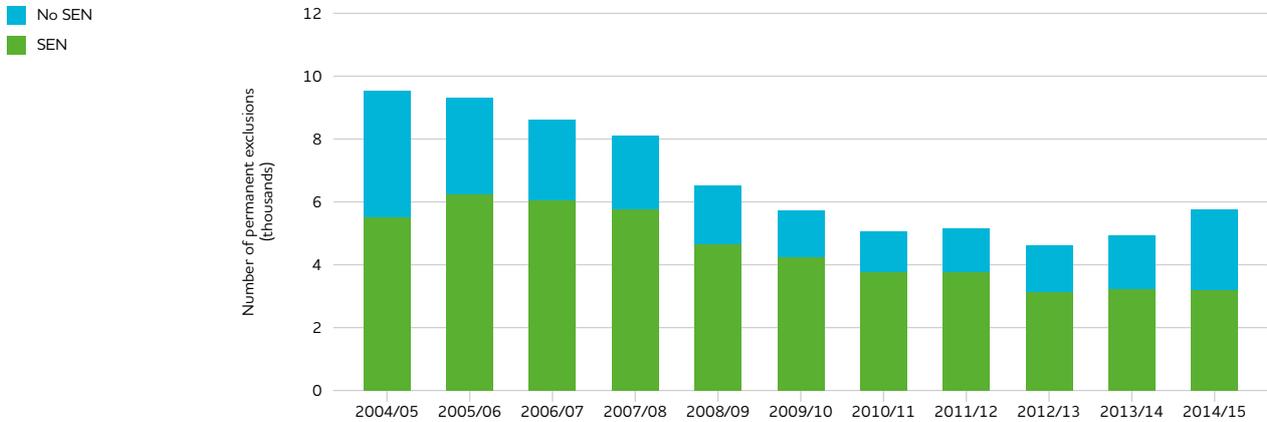
For pupils with learning difficulties, autism, or speech and communication problems, the rate of permanent exclusion was higher than for pupils with no SEN. Only pupils with a physical impairment or disability had a lower rate of permanent exclusion than pupils with no SEN.

Pupils receiving free school meals make up 40% of all exclusions, despite making up 15% of pupils in total.

## School exclusions

### Indicator: 28A

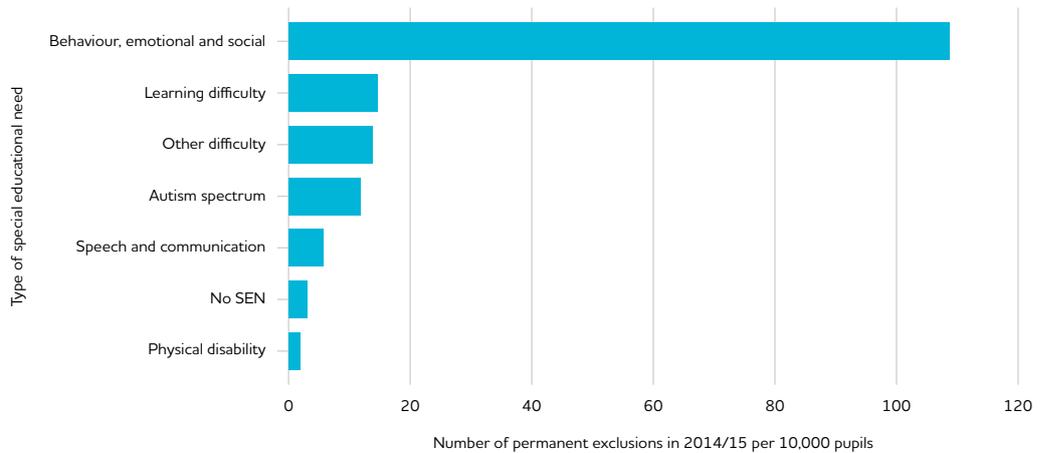
The number of permanent exclusions more than halved between 2004/05 and 2012/13 but has since been rising again.



Source: Permanent and fixed period exclusions in England, Department for Education; the data is for England

### Indicator: 28B

Apart from SEN pupils with a physical disability, pupils with all other types of SEN are considerably more likely to be permanently excluded than non-SEN pupils.



Source: Absence and exclusions additional analysis for pupils with special educational needs (SEN), Department for Education; the data is for 2013/14 for England

The first graph shows the number of permanent exclusions made in England each year from 2004/05 onwards, broken down by whether the excluded pupil had SEN or not.

The second graph shows the number of permanent exclusions per 10,000 pupils in England in 2014/15 of pupils with different types of SEN.

The Department for Education defines a pupil as permanently excluded when they have been expelled from a school. The Education Act of 1996 defines that children have SEN if they have a learning difficulty that calls for special educational provision to be made. The data is for all maintained schools (including academies and city technology colleges) in England.

**Reliability: high.** This indicator uses administrative data collected over a long period.

## 29 Not in education, employment or training (NEET)

**The proportion of men and women aged 16 to 24 who are not in education, employment or training has fallen since 2011. Numerically, the greatest falls have been among short-term and long-term unemployment and inactivity due to caring.**

The proportion of 16 to 24-year-olds who are not in education, employment or training (NEET) in 2015 was 13%. For women it was 15%, while for men of the same age it was 11%.

For young adult women this is the lowest proportion of NEETs since 2000, with the rate fluctuating between 16% and 18%. For young adult men, there was a lower proportion of NEETs in 2000 and 2001 than now, at 10%. It has also varied more over the past 15 years, ranging between 10% and 15%. The gender NEET gap is narrower than it was in 2000, when it stood at 7 percentage points. However, it has opened up again to 4 percentage points in 2015, having narrowed to just 2 percentage points in 2012.

The second graph looks at the number of NEET young adults by their labour market status, showing numbers for before the financial crisis and ensuing recession (2007), during the economic downturn (2011), and since the economy has started recovering (2015).

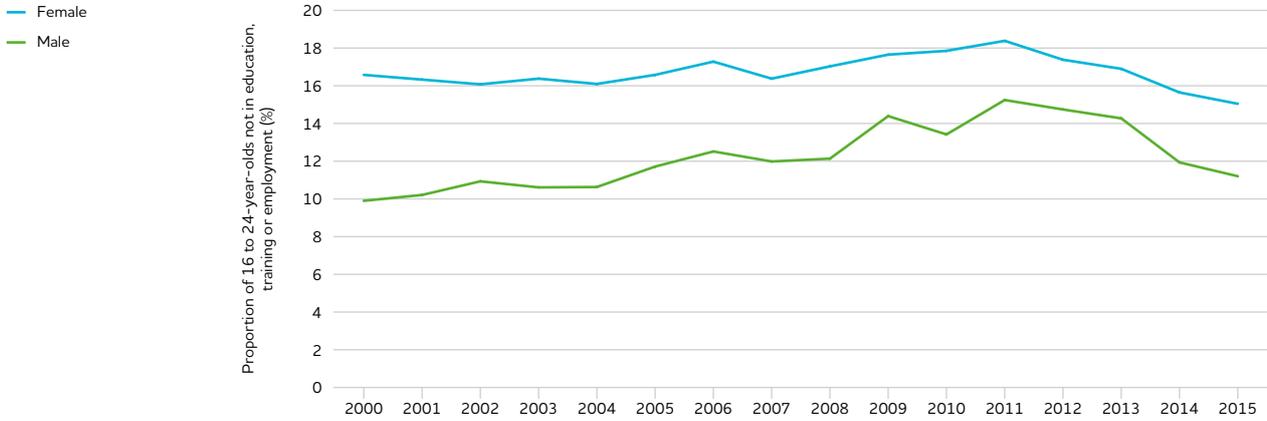
Total young adult unemployment rose from 322,000 in 2007 to 534,000 in 2011, then fell to 331,000 in 2015. The biggest rise in young adult unemployment between 2007 and 2011 was among those who had been unemployed for more than 12 months. This more than doubled in this period from 106,000 to 249,000. It had fallen to 140,000 in 2015.

Economic inactivity among young adults also rose between 2007 and 2011, though by significantly less than unemployment. It fell between 2011 and 2015, from 481,000 to 431,000. This fall is mainly accounted for by falling inactivity relating to looking after one's family and/or home, from 256,000 in 2011 to 176,000 in 2015.

# Not in education, employment or training (NEET)

## Indicator: 29A

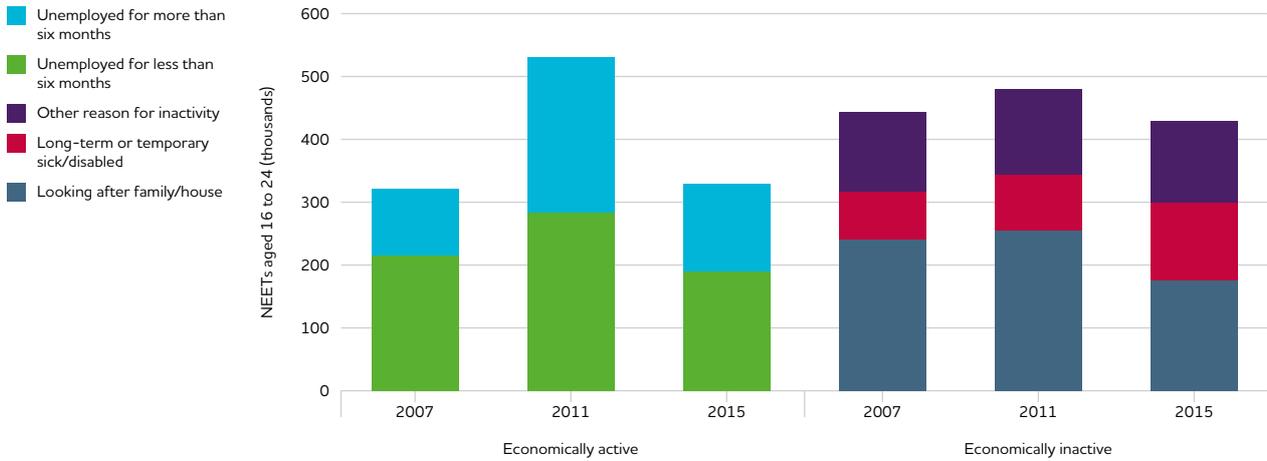
The proportion of young people not in education, training or employment has fallen for both men and women since peaking in 2011.



Source: NEET statistics quarterly brief, Department for Education; the data is for England

## Indicator: 29B

Young adult unemployment both, short- and long-term, has come down since the recession.



Source: NEET Statistics Quarterly Brief, Department for Education; the data is for England

The first graph shows the proportion of 16 to 24-year-olds in England not in education, training or employment (NEET), broken down by gender over time.

The second graph shows the number of NEET 16 to 24-year-olds in England in 2007, 2011 and 2015, broken down by whether they are economically active or economically inactive. Those that are economically active are further broken by whether they have been unemployed for less than six months or more than six months. Those that are economically inactive are broken down by whether they are inactive due to looking after family/house, long-term or temporary disabled/sick or other reasons.

The Department for Education defines NEET as anybody who is not in any of the forms of education or training listed below and who is not in employment: enrolled on an education course and still attending or waiting for term to (re)start; doing an apprenticeship; on a government supported employment or training programme; working or studying towards a qualification, or had job-related training or education in the last four weeks.

**Reliability: high.** Data is collected from a large public survey.

## 30 Children, housing benefit and private renting

**There tend to be higher concentrations of children in families living in private rented accommodation and in receipt of housing benefit in areas with high levels of deprivation but not necessarily a large social housing stock.**

There were 1.3 million children in Great Britain in May 2016 in families living in private rented accommodation and receiving housing benefit. That is 9% of all children in the country aged 19 or under. The map shows how this percentage varies across English, Welsh and Scottish local authority areas. Data is not available for Northern Ireland on the same basis.

Twelve areas had rates higher than 18%. The highest percentages were 29% in Blackpool and 25% in both Tendring (whose main town is Clacton) and the outer London borough of Enfield. Like the top three, the other nine were either outer London boroughs (Newham, Harrow, Brent, Ealing) or coastal towns mainly in the south (Southend, Thanet, Hastings, Eastbourne, Torbay).

This pattern is not just confined to the very top of the list, with 27 of the top 32 areas with rates of more than 14% being either outer London boroughs or local areas with a coastline. (The five exceptions are Telford and the Wrekin, Slough, Leicester, Luton and Hackney.)

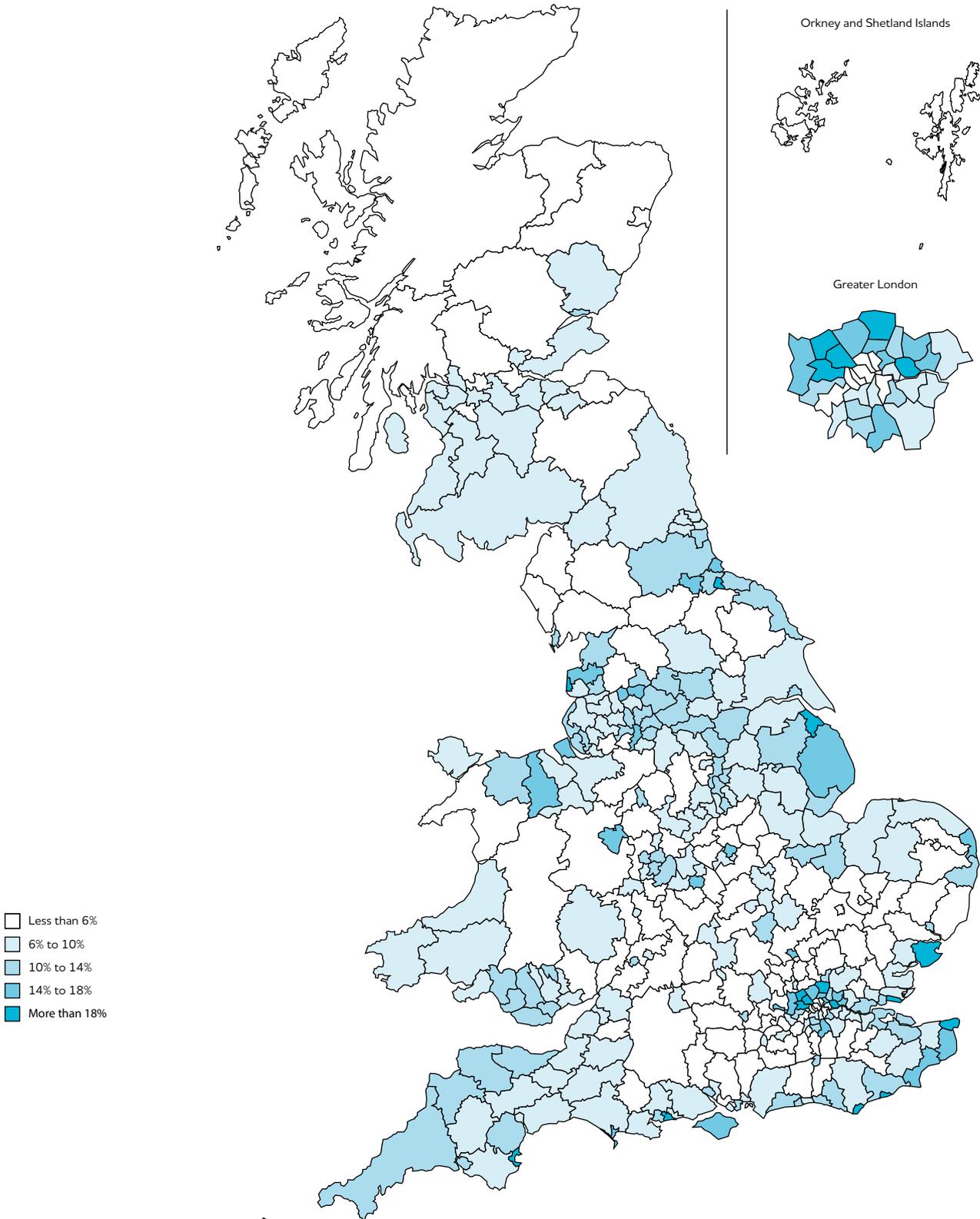
The 12 areas with the lowest rates – all below 3% – were in Scotland (the Northern and Western Isles, Aberdeen and Stirling), the English South East (around Cambridge, Winchester, Chiltern) and inner London (Kensington, Islington).

The map shows the proportion of children living in families in the private rented sector claiming housing benefit for each local authority in Great Britain.

**Reliability rating: high.** The data is collected from a large public survey.

# Children, housing benefit and private renting

Indicator: 30



Source: Stat-Xplore, DWP; the data is for May 2016 for Great Britain

## Commentary

Improving life chances has been a recurring theme under recent governments and received a boost in the last few months of the Cameron-led government. It covers many of the issues that have traditionally been discussed in relation to child poverty and improving the prospects of children growing up in low-income households.

The chapter on income shows how children have been faring in recent years. This chapter also demonstrates the link between disability and life chances. Excluding under-fives living with a lone parent, more than half of children in long-term workless families have at least one disabled adult in their household. To do something about the disadvantage these children face, helping more of their parents into work is part of, but not the complete, answer.

The high and rising number of children in the PRS makes housing – and especially the PRS – central to life chances. Beside high rents that drive poverty (the child poverty rate for the PRS is 46%), the insecurity of the PRS can disrupt and disturb a child's development. The 112,000 children in temporary accommodation (in England) are at the sharp end of this (*Statutory homelessness and homelessness prevention and relief, January-March*. London: DCLG, 2016).

Poverty itself impacts on children's development and education. Children from low-income families are more likely to be materially deprived and to lack five good GCSEs. Research shows that the two are linked. Income has a direct impact on educational attainment, and poverty can result in children missing meals, finding it harder to concentrate and being disruptive at school (Cooper, K. and Stewart, K. *Does money affect children's outcomes?* York: JRF, 2013). Poverty impacts life chances even before birth, for example through the long-term effects of low birthweight (Mayhew, E. and Bradshaw, J. Mothers, babies and the risks of poverty. *Poverty*, 2005, 121, 13-16).

Children identified as having SEN have a range of adverse outcomes. There is a clear link between SEN and low income. A special focus on improving outcomes for children with SEN must be part of a drive to close the overall attainment gap.

A renewed focus on children's life chances is welcome but the life chances of those who are no longer children must not be forgotten. This is especially so for today's young adults who were the object of the earlier focus on children's life chances nearly 20 years ago.

## Chapter 4

### **Social security**

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## Introduction

Changes to social security were a major part of the programme for the 2010 Coalition Government, and also featured in the 2015 summer budget, with a further range of cuts to tax credits and disability benefits. However, the unpopularity of these additional changes meant further disability benefit cuts were ultimately dropped. The situation is more complicated with tax credits. Some changes are still happening, such as restricting Child Tax Credit to the first two children. Other cuts, to what are called earnings disregards in the current system, are being deferred into reduced work allowances in Universal Credit. While this makes the cuts less initially severe due to the existence of transitional protection (which means there are no immediate cash losers), it does not mean they have been cancelled.

There are still other planned cuts to social security. The overall benefit cap is being lowered further, meaning potentially very large reductions in income for families with children. Most benefits for working-age adults are being frozen in cash terms until 2019/20, something that will matter greatly if inflation returns. New claimants for Employment and Support Allowance who are placed in the work-related activity group will receive less money from April 2017, despite not being capable of work.

Social security matters for poverty because, on average, for the bottom fifth of the income distribution, benefit payments make up 45% of gross income. For the middle fifth, it is only 10%. Reductions to social security benefits have a direct impact on low-income households' finances. The nature of the interactions with the system also matter, particularly when the interactions are frequent as they are for some low-income households. This chapter looks at how the social security system works more broadly, as well as some of the specific changes that will affect those on low income.

## Choice of indicators

### The value and impact of benefits

In this chapter we first explore in indicator 31 how the value of benefits has changed over nearly 30 years for working-age adults, children and pensioners. To complement this, we also explore how the cost of different basic items of expenditure is changing and how this differs between low-, middle- and high-income households.

Indicator 32 looks at how total spending on benefits is changing and whether the social security system is becoming more or less progressive – that is, the extent to which overall benefit spending is focused on those on lower incomes. Indicator 33 looks at Council Tax paid as a proportion of income and what the effect of the move from Council Tax Benefit to locally administered Council Tax Support has been on households in England.

### Out-of-work benefits

Indicator 34 looks at out-of-work benefits and how the number of people claiming different benefits is changing. Jobseeker's Allowance (JSA) is a key out-of-work benefit for unemployed people and as such an indicator of how well the benefits system is responding to economic need.

People claiming JSA and Employment and Support Allowance (ESA) are subject to conditionality and can be sanctioned if they do not comply. Indicators 35 and 36 look at the number of sanctions and the proportions being applied after review.

The chapter closes with a map (indicator 40) showing the proportion of recipients of long-term unemployment benefit across Great Britain.

### Changes to benefits

Indicators 37, 38 and 39 focus on how changes to the benefits system will reduce the income of particular groups of people. Indicator 37 looks at how changes to ESA will affect those who have been assessed as unable to work. Indicator 38 examines how changes to housing benefit entitlement will affect young adults who are vulnerable to homelessness. Indicator 39 shows the number of families who will be adversely affected by the benefit cap and how much income they will lose a week.

## 31 Value of benefits

**The value of benefits has remained the same for five years, but rose for pensioners and children in the decade up to 2011. Low-income families spend a greater share of their income on items that have risen the most in price over the last five years.**

The figures below are the weekly value of Income Support expressed in 2016 prices for comparison over time. In the case of children, this would be the amount paid to parents who have two children aged 2 and 12.

In 2016, a pensioner couple is entitled to means-tested benefits of up to £238 a week, compared with £115 for a working-age couple. An additional £151 can be claimed for two children.

While the value of benefits has been fairly flat for all three groups for the past five years, the longer-term trend shows that the value of benefits for children and pensioners rose significantly in the decade between 1998 and 2008.

In 1998, the amount paid weekly for two children was £79. By 2008 it had almost doubled, to £145. For a pensioner couple, the value of benefits rose from £154 in 1998 to £226 in 2008.

The value of benefits for a working-age couple has not increased significantly since the late 1980s.

While the value of benefits has remained flat for the past five years, the cost of basic items has risen. The cost of energy (electricity, gas and other fuels) rose the most – 21% between 2010 and 2015. The poorest fifth of households spent 8% of their total household expenditure on energy in 2014, while the richest fifth spent only 4% of their total on energy.

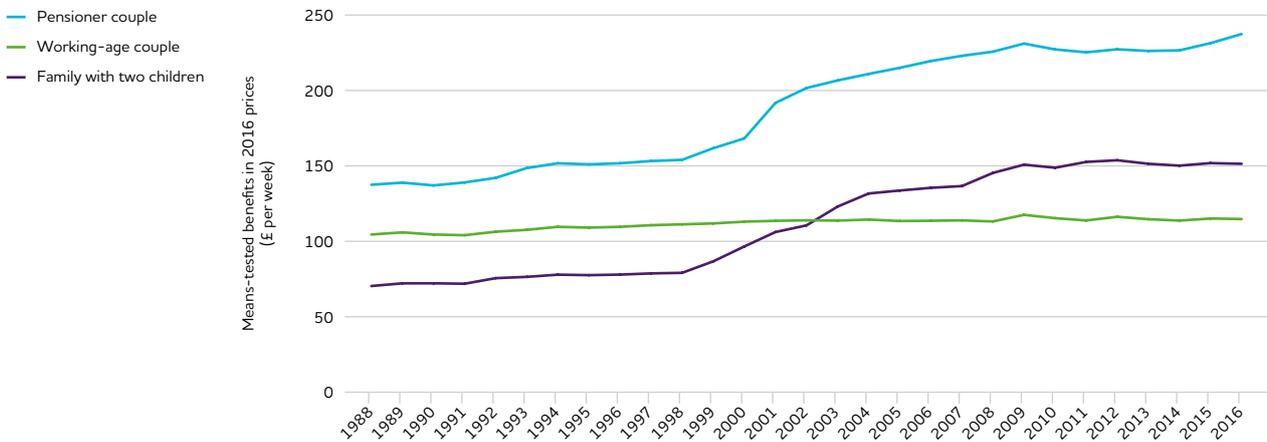
Clothing and footwear had the smallest price increase of 5%, but these were also the items that the poorest fifth spent the smallest proportion on. The poorest fifth of households spent the same proportion of their expenditure as the middle and richest fifth on these items.

The poorest households spent the largest proportion of their total expenditure on food and (non-alcoholic) drinks – 16% in 2014. The cost of food and drinks rose 9% between 2010 and 2015.

## Value of benefits

### Indicator: 31A

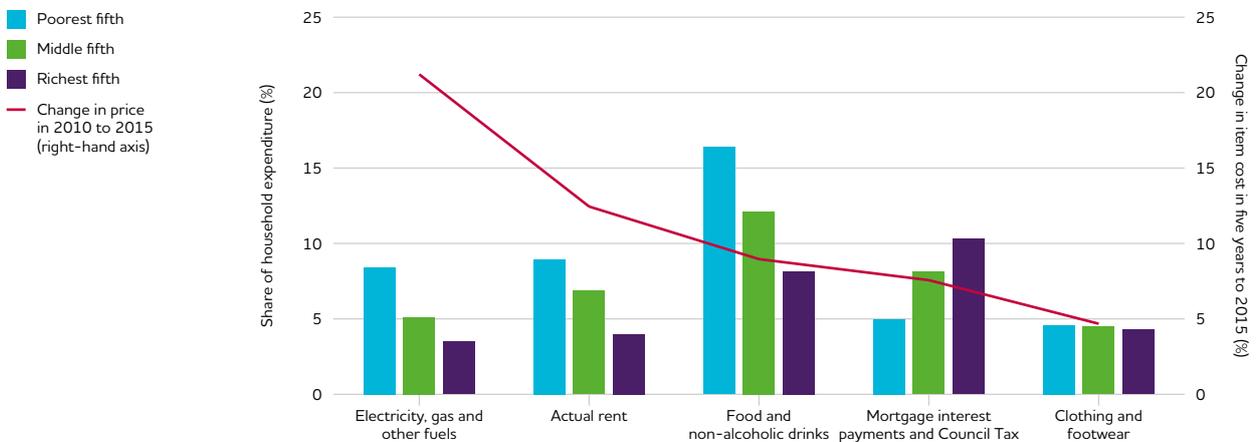
The value of benefits for children and pensioners rose between the late 1990s and the late 2000s; for working-age adults they have remained the same for three decades.



Source: Abstract of statistics, DWP and CPI Index, ONS; the data is for Great Britain

### Indicator: 31B

Low-income families spend a greater share of their income on the items that have risen most in price.



Source: CPI Index and family spending tables, ONS; the data is for the UK, expenditure data is for 2014

The first graph shows the weekly amount of the means-tested, income replacement benefit (Income Support) payable from April of each year from 1988 to 2016 to: a pensioner couple; a working-age couple; a family with two children aged 2 and 12. The amounts have been adjusted to allow for inflation and reflect prices in April 2016. Inflation is measured by the consumer price index.

The second graph shows the proportion of household expenditure spent on different items for those in the poorest, middle and richest income quintile. The line shows the change in cost for the different items between 2010 and 2015.

Income Support for pensioners was renamed Minimum Income Guarantee in April 1999. It was then replaced by Pension Credit in October 2003. The amounts shown here are for the guaranteed element of Pension Credit.

Since 2003, the value of Income Support for children has been the same as the Child Tax Credit and Child Benefit.

The value of income support for working-age people has been the same as the value of Jobseeker's Allowance since 1997 and the same as the value of Employment and Support Allowance since 2009.

**Reliability rating: high for the first graph.** The data is official, administrative data; **medium for the second graph**, as it contrasts inflation with data from the Family Spending Survey. Both are individually reliable but use slightly different definitions of the items compared in the graph (rent, clothes and footwear, etc).

## 32 Impact of benefits on inequality

**The value of benefits as a percentage of original income has decreased in the last three years, and benefits are becoming less targeted at those at the bottom of the income distribution.**

Original income is income before government intervention, for example from employment and investment. This means it excludes all benefits and is income before any taxes are deducted.

In 2014/15 the value of benefits as a percentage of original income was 21% higher than in 2000/01. After rising steadily since the turn of the century the value of benefits was 30% higher in 2011/12 than in 2000/01.

The value of benefits has decreased since 2011/12 when the value of benefits was at a 15-year high. Since then there has been a 9% decrease in the value of benefits as a percentage of original income.

The progressivity of a benefit is dependent on how closely it is targeted at the bottom of the income distribution. Benefits are more progressive if they account for a larger share of low-income groups' income.

The progressivity of benefits has been decreasing since 2000/01. In 2013/14 it reached a 15-year low and it has stayed the same in 2014/15. In 2014/15 state benefits were less targeted at the bottom of the income distribution than they have been at any time since the early 1980s (*The effect of taxes and benefits on income inequality: 1997 to financial year ending 2015*. London: ONS, 2016).

Progressivity is not the only aim of the benefit system and reducing income inequality is not the primary aim of certain benefits. For example, earned benefits such as the state pension are available to all those who have earned the benefit. Needs-based benefits such as maternity pay and allowance are not targeted at those on the lowest incomes but are available to everyone who meets the criteria.

The second graph shows that in 2014/15 the five most progressive benefits – Pension Credit, Housing Benefit/Local Housing Allowance, Income Support, ESA and JSA – only accounted for 25% of total benefit expenditure in 2015/16. State pension, which is the third least progressive benefit, made up 45% of expenditure.

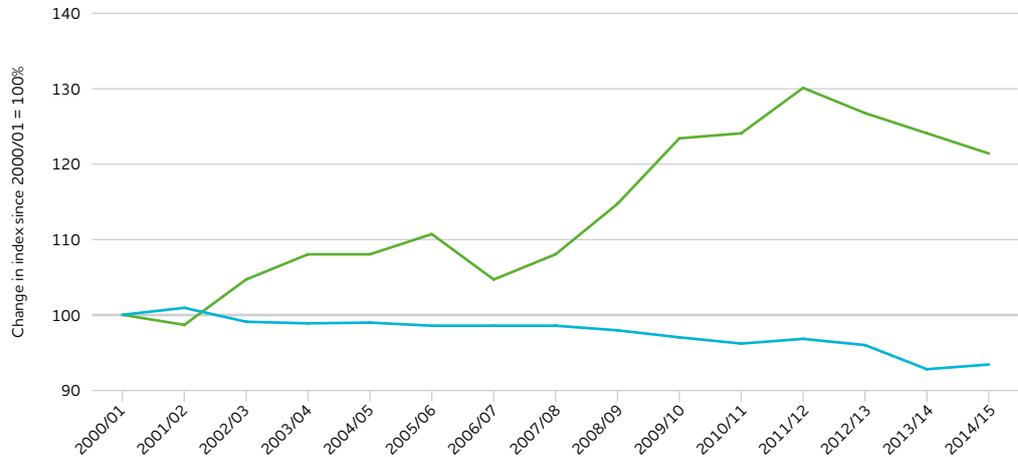
The largest amount of spending on benefits is not concentrated on the benefits that have the largest impact on reducing income inequality.

# Impact of benefits on inequality

## Indicator: 32A

Since 2011/12 spending on benefits has been steadily reduced at the same time as it has become less targeted on those with low incomes.

- Progressivity (how targeted benefits are to the bottom of the income distribution)
- Value of benefits (as % of original income)

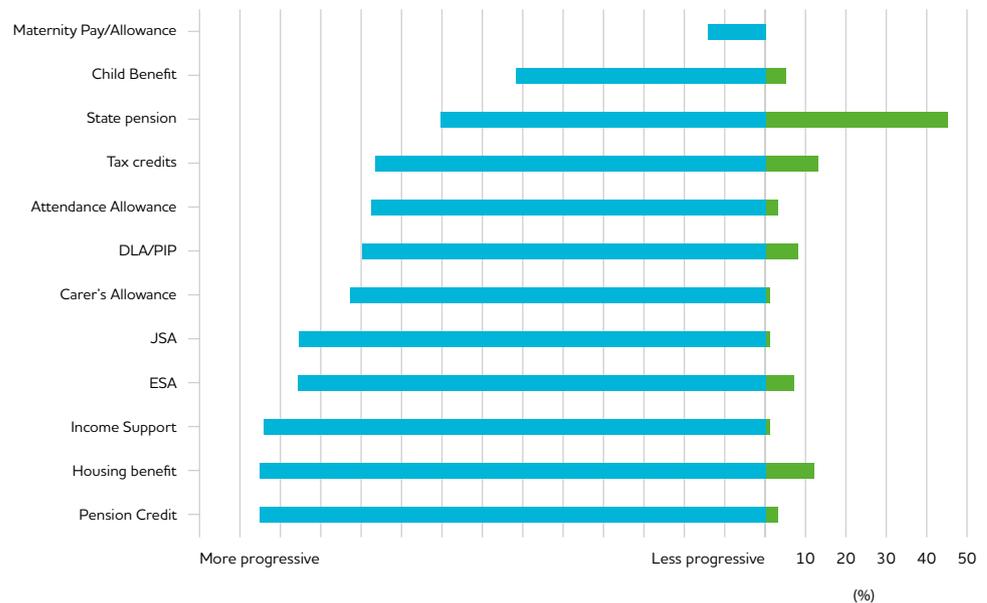


Source: The effects of taxes and benefits on income inequality, ONS; the data is for the UK

## Indicator: 32B

All benefits reduce income inequality; the five most progressive benefits account for just a quarter of benefit expenditure.

- How targeted the benefit is to the poorest
- Share of benefit spending



Source: The effects of taxes and benefits on income inequality, ONS and expenditure and caseload forecasts, DWP; progressivity is for 2014/15 and expenditure is for 2015/16; the data is for the UK

The first graph shows the value of benefits as a proportion of original income in each year shown compared with a 2000/01 baseline. It also shows progressivity of benefits using 2000/01 as a comparison point for every subsequent year. Progressivity is measured using the Kakwani index. Cash benefits are considered to be progressive where they account for a larger share of low-income groups' income than of higher income groups.

The second graph shows the progressivity of different benefits on the left-hand side, measured using the Kakwani index. On the right-hand side is the amount spent on each benefit as a proportion of the total spent on the benefits shown in the graph. This is a forecast for expenditure in 2015/16 in 2016/17 prices.

**Reliability rating: high for the first graph.** The data is published by ONS and derived from the Living Costs and Food Survey; **medium for the second graph** as it contrasts ONS survey-based data with DWP data of forecast spending. Both are individually reliable but are likely to use slightly different definitions.

## 33 Council Tax

**In 2015 in the UK those in the poorest fifth of income distribution were spending a larger proportion of their income on Council Tax than everyone else. In England in 2016/17 there will be 690,000 families on a low income who will pay at least £200 more in council tax than in 2013.**

Direct taxes, which includes income tax, employees' national insurance contributions and Council Tax or Northern Ireland rates, usually act to reduce income inequality, with richer households paying both a higher amount of direct tax and a higher proportion of their income in direct taxes. While this is true when all direct taxes are taken into account (*The effects of taxes and benefits on household income: financial year ending 2015*. London: ONS, 2016), it is the opposite for the proportion of income spent on Council Tax.

In 2015 those in the poorest fifth spent 5.5% of their gross income on Council Tax. Those in the middle fifth spent 3.2% of their income on Council Tax and the richest fifth spent 1.7% on their Council Tax. This means Council Tax is taking three times as big a share of the incomes from the poorest fifth than from the richest fifth.

In April 2013 Council Tax Support was introduced across England. This replaced the national system of Council Tax Benefit, under which the poorest households were largely exempt from paying Council Tax. Within the new system of Council Tax Support local authorities could devise their own scheme for supporting working-age households in their area, including charging some Council Tax regardless of income. This means this additional Council Tax varies by local authority.

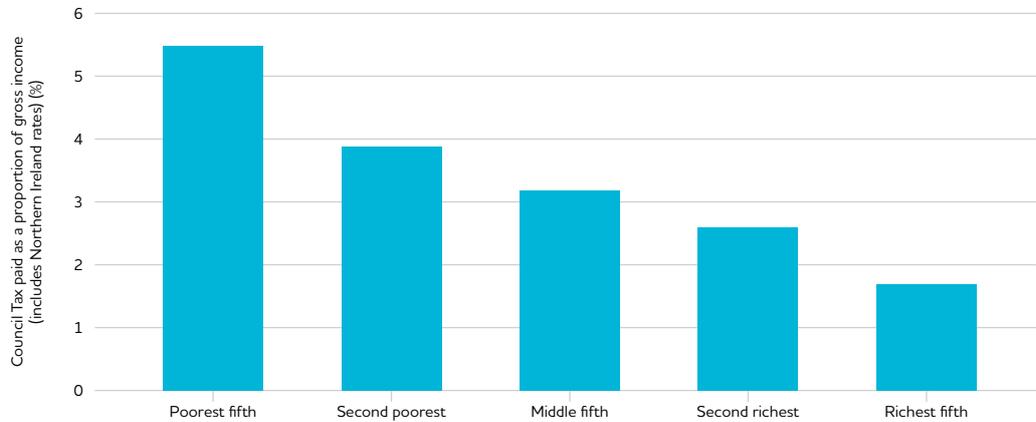
In 2016/17 2.2 million families will be affected by the replacement of Council Tax Benefit with Council Tax Support. This is a similar number to those who were affected in 2013/14. What has changed is the amount that families will have to pay. There has been a decrease in families who have to pay less than £100 extra and an increase in families who will have to pay £100 or more extra in Council Tax this year.

In 2016/17 690,000 families on a low income will have to pay more than £200 extra; this is a large increase from 450,000 in 2013/14.

# Council Tax

Indicator: 33A

Council Tax takes three times as big a share of the incomes of the poorest fifth as it does of the richest fifth.

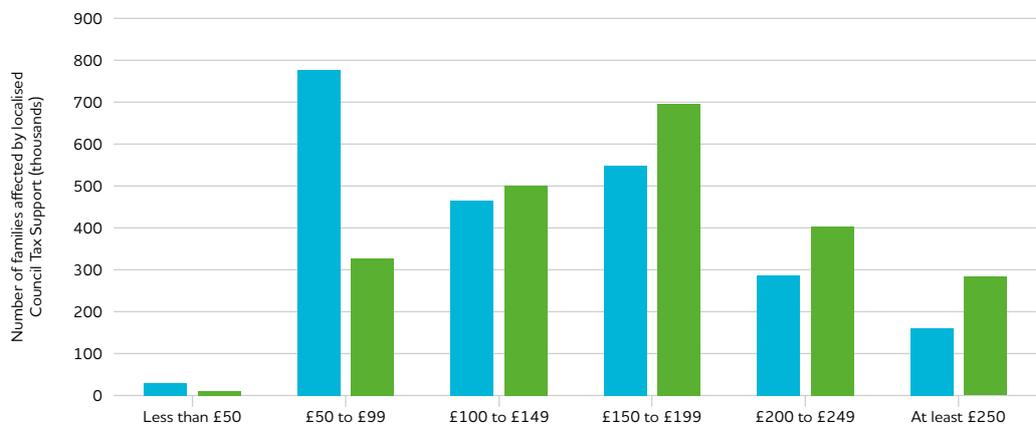


Source: The effects of taxes and benefits on household income, ONS; the data is for 2015 for the UK

Indicator: 33B

In 2016/17, 690,000 families in England will pay at least £200 more in Council Tax as a result of the abolition of Council Tax Benefit; this is an increase from 450,000 in 2013/14.

■ 2013/14  
■ 2016/17



Source: Modelled estimates, NPI; the data is for England

The first graph shows the amount of Council Tax or Northern Ireland rates paid as a proportion of gross income for each income quintile in 2014/15.

The second graph shows the number of working-age families in England required to pay more Council Tax as a result of the abolition of Council Tax Benefit, by the additional amount of Council Tax they have to pay over the year 2013/14 to 2016/17.

Gross income includes cash benefits such as, for example, state pension or Jobseeker's Allowance.

**Reliability rating: high for the first graph.** The data is published by ONS and derived from the Living Costs and Food Survey. **Medium for the second graph.** It draws on NPI's analysis of the changes to Council Tax Support (CTS). While the design of each council's CTS scheme is known, the number of claimants affected is an estimate based on former benefit caseloads and further assumptions are made to estimate how much claimants' benefits are cut by.

## 34 Out-of-work benefits

**Rising employment levels and changes to benefit entitlement have contributed to the fall in people claiming over the last decade. The proportion of people claiming has fallen in every region in Britain, but some regions still have much higher rates of claims than others.**

In February 2016, 2.5 million people in Great Britain received Employment and Support Allowance (ESA) or incapacity benefits. 600,000 people received Jobseeker's Allowance (JSA) and 420,000 lone parents received Income Support.

The number of people claiming JSA fell by 58% in the five years to 2016 from 1.4 million in 2011. During that time, unemployment fell from 2.3 million in 2010/11 to 1.6 million in 2015/16 (ONS unemployment estimates, March 2016). However, these figures also indicate that many people who were eligible to claim JSA did not. Similarly, the DWP estimated in 2013/14 that 21% of people eligible for either Income Support or ESA did not take up these benefits.

The number of lone parents receiving Income Support has fallen by 46% in the decade to 2016, from 780,000 in 2006. Some of this fall was driven by changes in entitlement to Income Support for lone parents. In 2006, lone parents were entitled to Income Support until their youngest child reached age 16. By 2011, the age had been lowered to seven and since 2012 it has been five. Some lone parents may move onto JSA when they are no longer eligible for Income Support but they will no longer be captured by the 'lone parent' category, which applies only to people receiving Income Support.

Out-of-work benefit claims fell in every region in Great Britain between 2011 and 2016. The largest fall occurred in the North West of England, where the proportion of the working-age population claiming an out-of-work benefit fell by 4.1%. Despite this fall, the North West had one of the highest rates of claimants at 11% of all working-age adults in 2016.

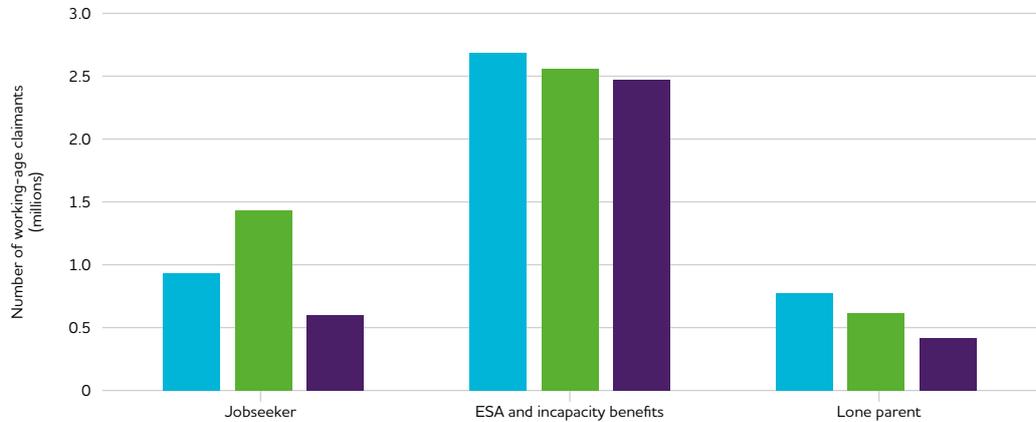
The North East of England had the highest rate of 13%, more than double the rate of 6% in the South East. London and the South and East of England had the lowest rates, while the North of England, Wales and Scotland had the highest.

## Out-of-work benefits

Indicator: 34A

The number of jobseekers has fallen sharply in the last five years; there has been a longer and slower fall in lone parent and sickness benefit claims.

2006  
2011  
2016

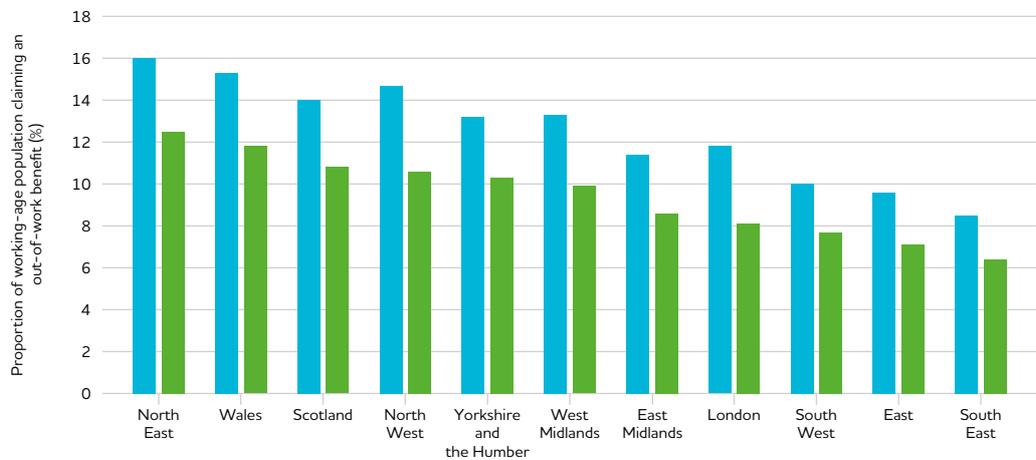


Source: Working-age benefit claims, DWP, via nomis; the data is for Great Britain

Indicator: 34B

There has been a notable fall in out-of-work benefit claims in every region and country in Britain, but the level in the North East is double that in the South East.

2011  
2016



Source: Working-age benefit claimants, DWP, via Nomis

The first graph shows the number of working-age adult claimants in Great Britain claiming Jobseeker's Allowance, Employment and Support Allowance or Incapacity Benefit and Income Support for lone parents in February of 2006, 2011 and 2016. People are assigned to benefit groups according to the type of benefit they are claiming. The classification is hierarchical; people are only counted in one of the categories. The lone parent category comprises people with a child under 16 and who have no partner, who are claiming Income Support.

The second graph shows the proportion of people in each region of Great Britain who were claiming an out-of-work benefit in February 2011 and February 2016.

**Reliability rating: high.** The data used in both graphs is an administrative count of benefit claims. It is important to note that this only reflects those with an active out-of-work benefit claim, not unemployed people who do not claim or those whose claim has been ended due to sanctions.

## 35 Jobseeker's Allowance sanctions

**In 2015/16 the number of Jobseeker's Allowance sanction decisions plunged for the second consecutive year. When sanction decisions were reviewed, a sanction was applied in less than 10% of cases.**

A benefit sanction is imposed for failing to comply with the conditions of a benefit without good cause. The sanction is a reduction in that benefit for a fixed period of time. In the case of Jobseeker's Allowance (JSA), the reduction is 100%. The most common reasons for sanctions were claimants either being assessed as not actively seeking work, failing to participate in training and employment schemes, or failing to attend interviews at the jobcentre (Tinson, A. *The rise of sanctioning in Great Britain*. London: New Policy Institute, 2015). Since October 2012 the shortest amount of time that the benefit can be stopped for is four weeks and the longest is 156 weeks.

When a JSA claimant is referred for a sanction to a decision-maker, the decision-maker decides whether to apply that sanction or not. Once this decision has been made, the claimant, or someone acting on their behalf, has an opportunity for a review to explain the circumstances which led to the sanction, although not all claimants take this opportunity. The person hearing the review can choose not to apply the sanction if they think there were mitigating circumstances.

In 2015/16 the number of original sanction decisions for JSA claimants fell to 390,000. This is a large decrease of 1.2 million (76%) since 2012/13 when the number of people being sanctioned or threatened by a sanction was at a 15-year high.

The sanction referrals that resulted in a decision to apply a sanction fell to 200,000 in 2015/16 which is the lowest it has been for the last 15 years and 530,000 lower than at its peak in 2013/14. There remained 180,000 sanction referrals that did not result in a sanction being applied.

Sanction referrals may not result in a sanction for a number of reasons: a decision-maker may decide that the referral was not appropriate or a claimant may stop claiming before the sanction can be applied.

While the number of referrals for sanctions that are upheld has decreased, it should also be noted that the number of benefit claimants has fallen sharply in the last five years.

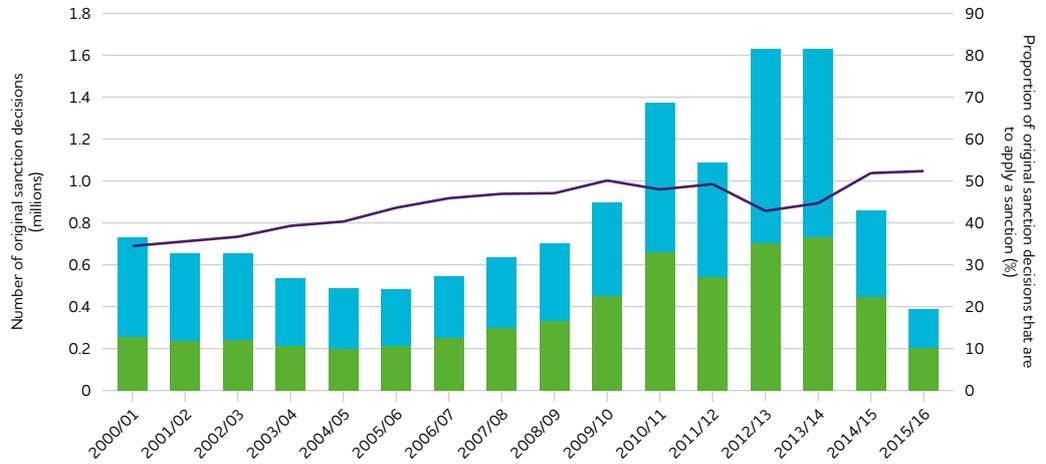
The second graph shows that in 2015/16 one in ten (44,000) sanction referrals were reviewed. Only 3,000 of these resulted in a sanction being applied, 7% of the total.

## Jobseeker's Allowance sanctions

Indicator: 35A

The number of sanctions applied to jobseekers has fallen by three quarters since 2013/14 and is now below the low point of ten years ago.

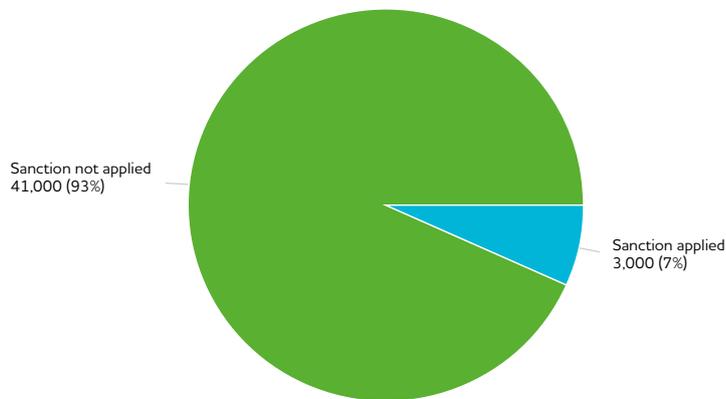
- Decision not to apply a sanction
- Decision to apply a sanction
- Share of decisions that are to apply sanction (right-hand axis)



Source: JSA sanction decisions (decisions made), DWP, via Stat-Xplore; the data is for Great Britain

Indicator: 35B

Of the 44,000 sanction decisions reviewed in 2015/16, 41,000 were overturned.



Source: JSA sanction decisions (decision made), DWP, via Stat-Xplore; the data is for Great Britain

The first graph shows the number of Jobseeker's Allowance sanction referrals for each year between 2000/01 and 2015/16. The figures are broken down to show the number of sanctions that were applied (adverse sanctions) and the number of referrals that did not result in a sanction, whether because the referral was cancelled, reversed or could not be applied. The figures are for sanction referrals rather than the number of people sanctioned. The line shows the share of original sanctions decisions that resulted in an adverse sanction.

The second graph shows the number of sanction decision reviews that resulted in the sanction not being applied and the number of times the sanction was applied, in 2015/16.

**Reliability rating: high.** These graphs are based on administrative data.

## 36 Employment and Support Allowance sanctions

**In 2015/16 the number of Employment and Support Allowance sanction decisions fell since a peak in the number in 2013/14. The number of original sanction decisions to not apply a sanction is larger than the number of decisions to apply a sanction.**

Employment and Support Allowance (ESA) was introduced in 2008 as a replacement for Incapacity Benefit, and introduced two groups within ESA. The support group is for those whose illness or disability limits what they can do. They are not expected to go to interviews and are not liable to be sanctioned. The work-related activity group must participate in work-related activity and attend interviews with job advisers. This group can be sanctioned through a reduction in that benefit for a fixed period of time for failing to comply with the conditions of their benefit without good cause. Unlike JSA sanctions, where there is a 100% reduction in this benefit, for ESA the proportional reduction is lower and only covers one component of the benefit. The period of time for which the benefit can be stopped is also lower with the minimum being one week and the maximum being four weeks.

In 2015/16 the number of sanction decisions both to apply and not apply a sanction fell for the second consecutive year to 23,000. The number of original sanction decisions that are applied is now 8,400. This means that close to two-thirds (63%) of original sanction decisions are not applied. The number of decisions to not apply a sanction has exceeded the number of decisions to apply a sanction for the last three years.

It should be noted that even in cases where eventually there is no decision to apply a sanction and there is no reduction in a claimant's benefit, the process of waiting for the outcome of a sanction referral and not knowing if the benefit will be reduced in the next few weeks can be stressful for claimants.

Since 2008, 97,000 ESA claimants have been sanctioned. Nearly a quarter (23%) of these have been sanctioned more than once. This will usually result in them losing their benefit for at least two weeks.

## Employment and Support Allowance sanctions

Indicator: 36A

The number of sanction decisions made has been falling and now only a minority of decisions are to apply a sanction.

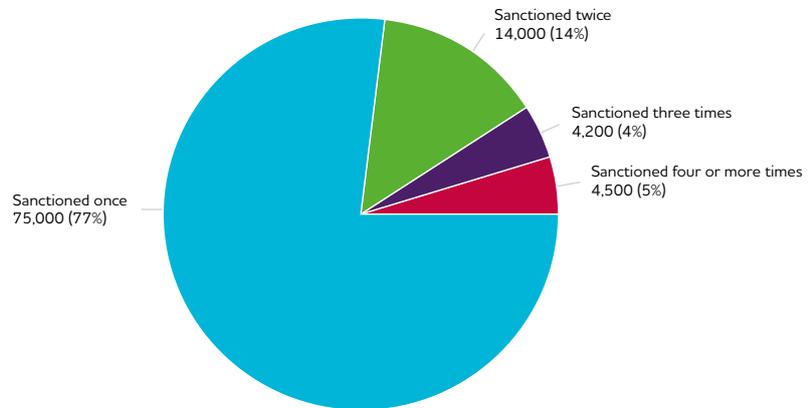
Sanction not applied  
Sanction applied



Source: ESA sanction decisions – all decisions made, DWP, via Stat-Xplore; the data is for Great Britain

Indicator: 36B

Since 2008, 97,000 Employment and Support Allowance claimants have been sanctioned; almost a quarter of them have been sanctioned more than once.



Source: ESA sanction decisions (individuals), DWP, via Stat-Xplore; the data is for Great Britain

The first graph shows the number of Employment and Support Allowance sanction referrals for each year between 2009/10 and 2015/16. The figures are broken down to show the number of sanctions that were subsequently applied (adverse sanctions) and the number of referrals where the sanction was not applied. The figures are for sanction referrals rather than the number of individual people sanctioned.

The second graph shows the number of times that Employment Support Allowance claimants have been sanctioned between 2008 and 2016.

**Reliability rating: high.** These graphs are based on administrative data.

## 37 Changes to Employment and Support Allowance

**People assessed as being unable to work but able to participate in work-related activities from 2017 will receive a benefit worth 28% less than the current benefit. In 2016, 80% of people in this group had been unable to work for at least two years.**

From 1 April 2017, new claimants assessed as being unable to work but able to participate in work-related activities (the work-related activities group) will have their Employment and Support Allowance (ESA) payments reduced by 28% from the current amount of £102.15 a week to £73.10. This is the same amount received via Jobseeker's Allowance or Universal Credit by people assessed as able to seek work.

People assessed to be seeking work and people unable to work or participate in work-related activities will continue to receive the same amount in 2017 as they do now. However, inflation will mean that these amounts are worth less in real terms in 2017 than they are now.

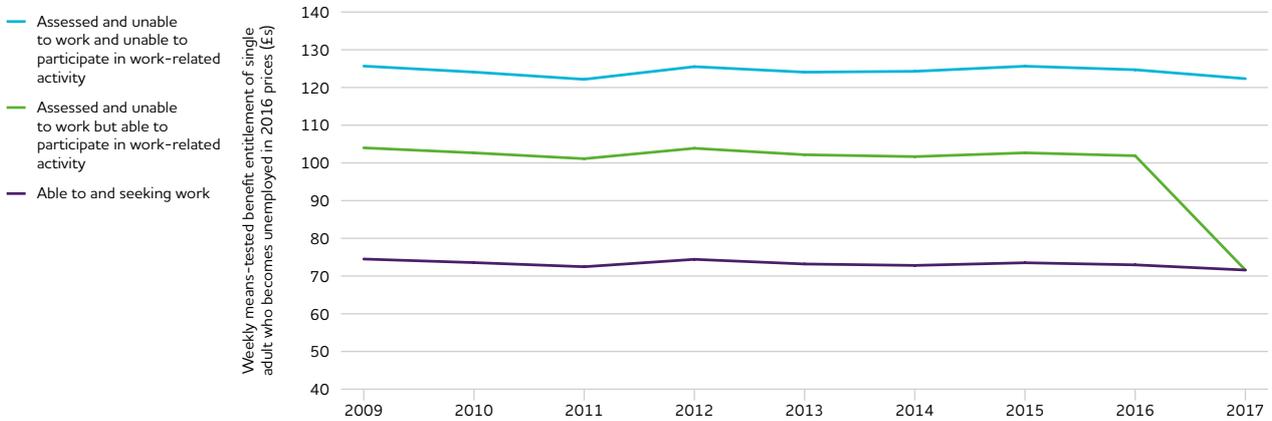
Between 2010 and 2014, the number of people in the work-related activity group grew as more people were placed in this group through the newly created Work Capability Assessment system. The number of people in this group has fallen by 100,000 since 2014. However, the number of people in this group who have been unable to work for two years or more has increased every year since 2010.

In 2016, of the 450,000 people receiving ESA in the work-related activity group, 80% or 360,000 people have been unable to work for two or more years. This indicates that for most people, the work-related activity group is not a short-term step as they move into work, but rather a long-term placement. A significant change to the value of this benefit will therefore significantly decrease this group's income in the long term.

## Changes to ESA

### Indicator: 37A

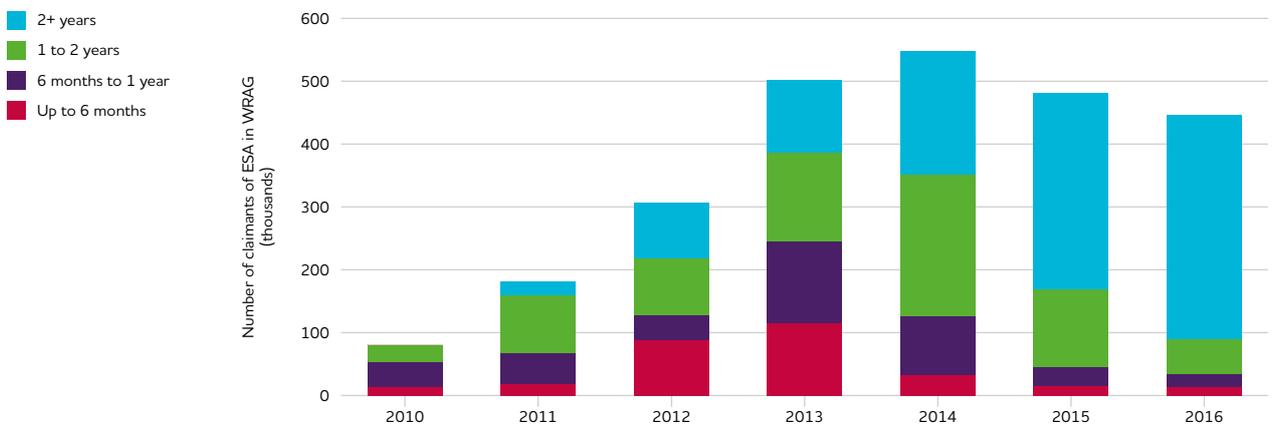
The value of the benefit for those assessed as unable to work but able to participate in work-related activity is about to fall by £30 a week; it has been steady since 2009.



Source: CPI index, ONS, CPI forecast, Bank of England and benefit values, DWP; the data is for Great Britain

### Indicator: 37B

360,000 people assessed as able to participate in work-related activity have been unable to work for at least two years.



Source: Employment Support Allowance benefit claimants, DWP, via nomis; the data is for Great Britain

The first graph shows the weekly means-tested benefit entitlement of a single adult who becomes unemployed depending on whether they are assessed as able to and seeking work, unable to work but able to participate in work-related activity, or unable to work and unable to participate in work-related activity, from April of the year shown until the following April. The amounts have been adjusted to allow for inflation and reflect prices in April 2016. Inflation is measured by the Consumer Price Index.

The second graph shows the number of Employment and Support Allowance claimants who were in the work-related activity group between 2010 and 2016, and the length of time that they had been claiming ESA.

**Reliability rating: medium for the first graph.** The data is based on the exact value of ESA published by the DWP and by the government in the 2015 Summer Budget. The Bank of England inflation forecast was used to adjust the 2017 figure into 2016 values. As a forecast this lowers the reliability of the graph. **High for the second graph.** It is based on administrative data.

## 38 Housing benefit for younger adults

**40% of those mostly likely to be affected by the forthcoming benefit cap on social renters were homeless before the start of their current tenancy and more than half of them have an income of less than £90 a week.**

From April 2018 housing benefit caps that currently only apply to tenants in the private rented sector will be applied to those in the social rented sector who have signed new or re-let tenancies since April 2016. Initial plans to apply this to tenants in supported housing have been deferred with a pledge to retain current funding levels (at the time of writing the details are still under consultation).

Those affected will receive less housing benefit and will have to make up the difference from other sources to pay their rent. Single adults aged 35 and under in particular are likely to be affected as their housing benefit entitlement will be based on the cost of a room in shared accommodation even if they occupy a self-contained home.

The DWP announced in autumn 2016 that there will be exceptions for certain circumstances, such as those in supported housing who will continue to be entitled to housing benefit for the cost of a one-bedroom flat (rather than a room in shared accommodation). These tenants account for 39% of those shown in the first graph and they are divided almost equally between those who were previously homeless and those who were not. Whether homeless or not, all of them will have had to score highly on a number of vulnerability criteria to obtain a tenancy.

This indicator considers the impact of the housing benefit change by showing the circumstances of single adults aged 35 or under who started a new social or affordable tenancy in 2014/15. The first graph shows that 40% of them were homeless before starting their current tenancy. Of the total, 15% were statutory homeless and owed a duty by their local authority. A further 7% were statutory homeless and not owed a duty and 18% were considered homeless but not 'statutory homeless'.

To be found statutory homeless and owed a 'main homeless duty' under which the local authority has a duty to house them under the 1996 Housing Act, a household must be assessed as unintentionally homeless and in priority need. Homeless but not 'statutory homeless' refers to those who are considered to be homeless but do not meet all of the criteria to be 'statutory homeless'.

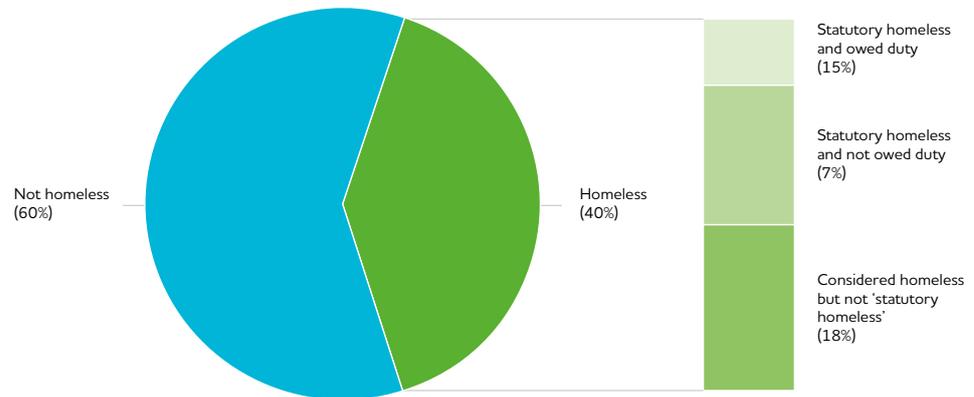
The second graph shows the weekly incomes of single adults aged 35 or under who started a social or affordable tenancy in 2014/15. This income represents the pot of money that tenants would have to draw from to cover a shortfall in their housing benefit. 30% had a weekly income of £70 or less and 24% had a weekly income of between £71 and £90. Therefore more than half have incomes below or just above the value of Jobseeker's Allowance, so are likely to find it difficult to make up the loss in housing benefit if the cap were applied.

The government has yet to publish an impact assessment of this policy so there are no official estimates of who will be affected and by how much. The homeless charity Shelter found that 82% of existing housing benefit claimants aged under 35 and single in England receive housing benefit in excess of the forthcoming caps. If the caps were applied to them 45% would lose more than £20 a week in housing benefit (<http://blog.shelter.org.uk/2016/02/details-still-needed-on-social-housing-benefit-limits/>).

## Housing benefit for younger adults

Indicator: 38A

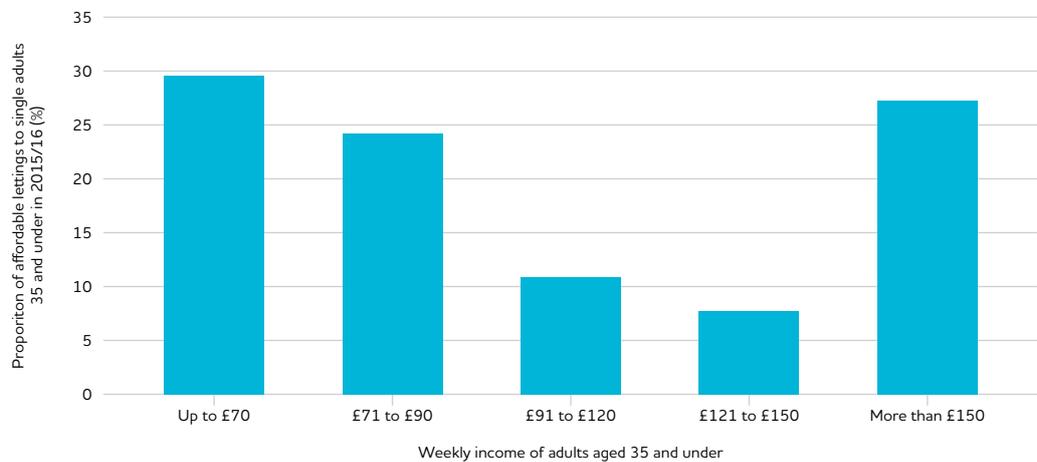
40% of the single adults aged 35 or under starting an affordable or social tenancy in 2014/15 were previously homeless.



Source: Continuous recording of social housing lettings and sales, DCLG; the data is for 2014/15 for England

Indicator: 38B

30% of younger adults starting an affordable/social tenancy have an income of no more than £70 a week; a further quarter have an income of no more than £90 a week.



Source: Continuous recording of social housing lettings and sales, DCLG; the data is for 2014/15 for England

The first graph shows single adults aged 35 or under who started an affordable or social tenancy in 2014/15 and whether they were homeless or not before the tenancy started. The proportion of those that were homeless is broken down to show those who were statutory homeless and owed a duty, statutory homeless and not owed a duty and homeless but not 'statutory homeless'.

The second graph shows the proportion of single adults aged 35 or under who started an affordable or social tenancy in 2014/15 in each income band.

**Reliability rating: high.** The data is based on administrative data published by DCLG which records all lets made to tenants by local authorities or registered housing providers.

## 39 Overall benefit cap

**The reduction in the level of the overall benefit cap will include tens of thousands more families, with larger financial penalties for many already affected by the benefit cap.**

In autumn 2016, the overall benefit cap will be reduced, meaning people can receive less in social security benefits before having their housing benefit reduced. It is currently £18,200 a year for a single adult and £26,000 for a couple or anyone with children. For single adults it is being cut to £13,400 outside London and £15,410 in London; for couples or those with children it will be cut to £20,000 and £23,000 for outside and inside London.

The overall benefit cap currently affects 20,000 families. The reduction in the benefit cap is expected to extend it to a further 92,000 families, increasing the total to 112,000 families; 4.6 times as many.

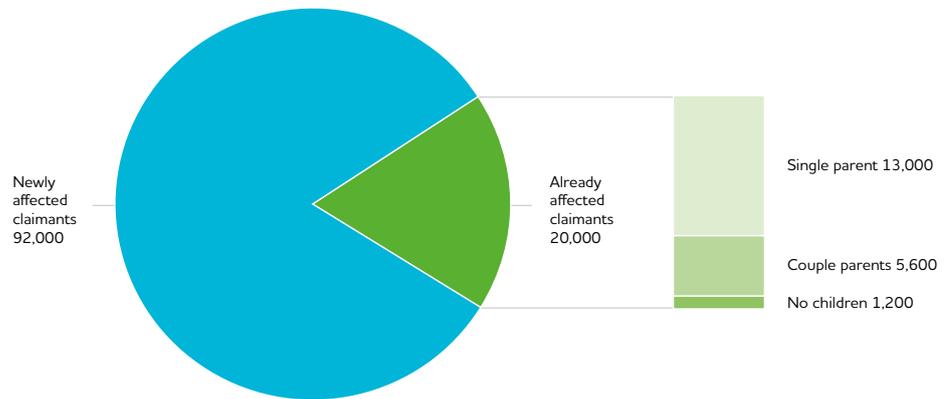
The families currently affected by the overall benefit cap are overwhelmingly those with children. 13,000, or 65%, are single parent families; a further 5,600 or 28% are couples with children.

The second graph looks at the impact of the lowered cap on the families whose income is already capped. 12,000 would have faced reductions of under £50 a week, and 17,000 would have lost under £100 a week. However, under the lowered cap, all families affected will lose at least £50 a week; 2,300 will lose at least £200 income a week. In other words, the pattern of financial losses from the benefit cap will become much more severe after it is lowered for those already affected.

## Overall benefit cap

Indicator: 39A

The government estimates that the number of families affected by the reduction in the overall benefit cap will rise from 20,000 to 112,000.



Source: Stat-Xplore and impact assessment for the benefit cap, DWP; the data is for 2016 for Great Britain

Indicator: 39B

Under the original benefit cap, 12,000 families lost no more than £50 a week; under the revised cap all 20,000 families already affected will each lose at least a further £50.



Source: Stat-Xplore, DWP and modelled estimates, NPI; the data is for Great Britain

The first graph shows the number of families who will be newly affected by the reduced level of the overall benefit cap from £26,000 to £23,000 in Greater London and £20,000 in the rest of the UK in autumn 2016. It also shows the number of families who were previously affected by the introduction of the overall benefit cap in May 2016, broken down by type of household.

The second graph shows the number of families affected by the original overall benefit cap. It shows how much they lost each week and how much these families will lose when the new reduced cap comes into effect.

**Reliability rating: medium.** The first graph combines administrative data from the DWP on those already affected by the overall benefit cap and a government estimate of the number that will be affected by the reduced cap. The second graph uses administrative data on those already affected by the benefit cap to model the impact of the future change, based on their family size and where they live.

## 40 Geographical variations in long-term reciprocity of out-of-work benefits

**Most areas with the highest percentages claiming out-of-work benefits over several years are in South Wales, West Central Scotland and the North East of England. Areas with the lowest percentages are exclusively in England, mainly either to the south and west of London or in the rural north.**

There were 982,000 people in Great Britain in March 2015 who had been claiming either Income Support, Jobseeker's Allowance or Employment and Support Allowance (excluding those in the support group) for at least three out of the preceding four years. As a proportion of the population aged 22 to 59, that is 3.1%. The map shows how this percentage varies across English, Welsh and Scottish local authority areas. 29 areas are above 5%; 141 are below 2%. Data is not available for Northern Ireland.

Two areas – Blaenau Gwent in the South Wales Valleys and Middlesbrough on Teeside – have more than 7% of 22 to 59-year-olds receiving these benefits for more than three years. Six of the areas with rates in excess of 5% are in South Wales, five are in West Central Scotland, four are in the West Midlands and three are on Teeside. Of the other 11, all but one (Nottingham) is on the coast, whether ports (e.g. Dundee and Hull) or holiday resorts (e.g. Blackpool and Hastings).

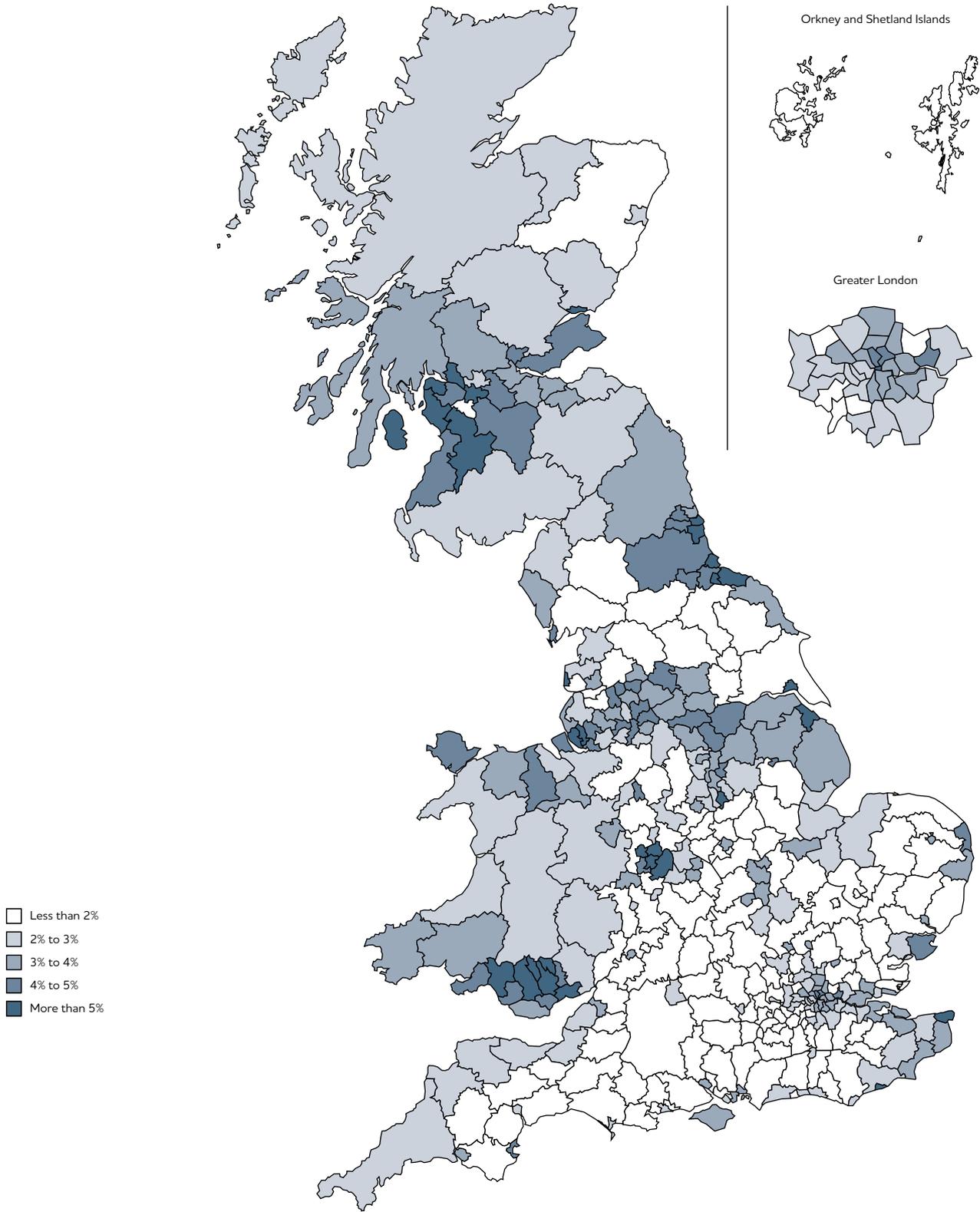
20 areas have less than 1% of 22 to 59-year-olds receiving these benefits for more than three years. Seven of them are in the counties south or south-west of London (Surrey, Hampshire and Sussex), three are in Oxfordshire or Gloucestershire, three are in North Yorkshire, and two are in the Lake District. None is in Scotland and Wales where the lowest rates are in Aberdeenshire and Monmouthshire respectively.

The map shows the proportion of 22 to 59-year-olds recorded as claiming Jobseeker's Allowance; Employment and Support Allowance in either the assessment phase or the work-related activity group or Income Support (lone parents) on 31 March 2015, who had been receiving these benefits for at least three out of the preceding four years for each local authority shown on the map. The population figures are estimated for quarter 1 of 2015.

**Reliability rating: high.** This is administrative data published by the DWP.

# Geographical variations in long-term reciprocity of out-of-work benefits

Indicator: 40



- Less than 2%
- 2% to 3%
- 3% to 4%
- 4% to 5%
- More than 5%

Source: Duration on working-age benefits, DWP; the data is from April 2011 to March 2015 for Great Britain

## Commentary

The first graph in this chapter shows the revolution in the value of means-tested benefits that took place between 1999 and 2009. While the support provided for working-age adults remained unchanged in value, support for children doubled and that for pensioners went up by a half.

With low inflation, the headline value of support for working-age adults and children has remained largely unchanged since 2009. What has changed since then is the extent to which working-age families, both with and without dependent children, have had to pay for things out of this benefit income.

Most working-age families in England who are not working now have to pay some Council Tax. Before 2013 (and still in Scotland and Wales) they did not.

A range of restrictions on housing benefit, applicable to working and non-working families, means that money received from other sources, whether earnings or state support, now has to go on rent.

Some single adults under the age of 35 who have been deemed in sufficient need to qualify for a social housing tenancy will shortly no longer receive sufficient housing benefit to cover the rent. Some new recipients of Employment and Support Allowance (ESA) assessed as being unable to work at the moment will receive 30% less benefit than before.

Besides taxes and benefit caps, recipients of both JSA and ESA face losing some or all of their benefit if they are deemed to have broken the rules. After almost doubling in number between 2009/10 and 2012/13, the number of sanctions for JSA has collapsed by three-quarters. While a fall is better than a rise, a fall on the scale witnessed confirms that what is driving this are changes in administrative norms and practices rather than the behaviour of the clients themselves.

But while the graph showing the value of means-tested benefits looks flat in recent years, it may not remain so. The face value of working-age benefits is now frozen until 2020. Even with low inflation, that will put a further squeeze on the incomes of the poorest. If inflation picks up, especially for energy and food, they will bear the cost.

## Chapter 5

### **Work and worklessness**

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## Introduction

The UK now has, by historical standards, a very high employment rate. 74.5% of people aged 16 to 64 were in work in the second quarter of 2016. This was the highest quarterly employment rate going back at least as far as 1971 for this age group, although the retirement age has changed in this period meaning the comparison is not perfect.

Overall, there were 2.37 million more people in work in 2015 than in 2010. Of these, 1.4 million were full-time employees, 62% of the total increase in people in employment. This far outstrips the increases in both self-employment (31% of the total) and employees working part-time (7%). An alternative way of putting this is that 79% of the increase in the employment total is for full-time work, and 69% of it is people working as employees rather than as self-employed.

This chapter covers the interaction between work, worklessness and poverty. The amount of work a household does is a key factor in determining whether it is in poverty. But strong growth in the number of people in employment does not mean an end to employment-related disadvantage, as this chapter shows.

The indicators that follow focus thematically on labour market outcomes, insecure employment and in-work poverty. This chapter also identifies certain inequalities between different groups in the labour market.

## Choice of indicators

### Labour market outcomes

Indicator 41 looks at labour market outcomes. Changes in the availability of work can have large consequences for household income, and so this indicator looks at underemployment, which is a broader measure of insufficient work than unemployment alone.

Indicators 42 and 43 look more closely at particular groups. As younger adults tend to have worse outcomes in and out of work in some regards, indicator 42 looks at both employment and poverty outcomes by age. Indicator 43 looks more closely at family work status, as different family types have different average outcomes based on how much work is done by the family as a whole.

The level of earnings is another determinant of poverty. Indicator 44 focuses on weekly rather than just hourly earnings, this being the appropriate measure for household income and therefore poverty.

The chapter concludes with indicator 50 and a map that shows how the change in the employment rate in recent years has varied across English and Welsh local authority groupings (comparable data for Northern Ireland and Scotland is not available).

### Insecurity at work

Indicators 45 to 47 are concerned with factors that make work more or less secure. Indicator 45 looks at the connections between formal qualifications on the one hand and the risk of low pay or of lacking but wanting work on the other.

Indicators 46 and 47 look more closely at particular types of working contracts and arrangements. Indicator 46 considers those that do not guarantee a reliable income, whether over a period of months or even week to week, such as temporary and zero-hours contracts. Indicator 47 considers self-employment, which has become more prevalent but without corresponding increases in security of income.

### In-work poverty

Indicators 48 and 49 both examine in-work poverty. Indicator 48 looks at trends in in-work poverty and the risk of it by family type and work status. It also looks at the individuals in families in in-work poverty. Indicator 49 looks at the relationship between gender and in-work poverty.

## 41 Underemployment

**Underemployment has fallen for the fourth consecutive year, though it is still above its pre-recession level. Underemployment is much more prevalent among younger adults.**

Underemployment stood at five million people in the first half of 2016, a decrease of 300,000 compared with 2015. In 2016, underemployment was made up of 1.6 million unemployed people (32% of the total), 2.2 million inactive people who would like to work (44%), and 1.2 million part-time workers who could not find full-time work (24%). Compared with 2015, the numbers in all three categories fell, although unemployment accounted for nearly half the total decrease.

Looking at 2008, before the large increase in underemployment related to the recession, underemployment stood at 4.7 million. So unemployment in 2016 is lower than that, by 140,000 people; inactive but wanting to work is 20,000 higher; and there are 510,000 more part-time workers unable to get full-time work. This shows something of a shift in the nature of underemployment over the last eight years: it is less about unemployment and more about part-time workers unable to find full-time work.

The inactive group who would like to work generally make up a larger share of underemployment during relatively good economic periods: for example, around half of underemployment during the early 2000s. It has also stayed relatively constant in numeric terms, varying only from 2.1 million to 2.4 million.

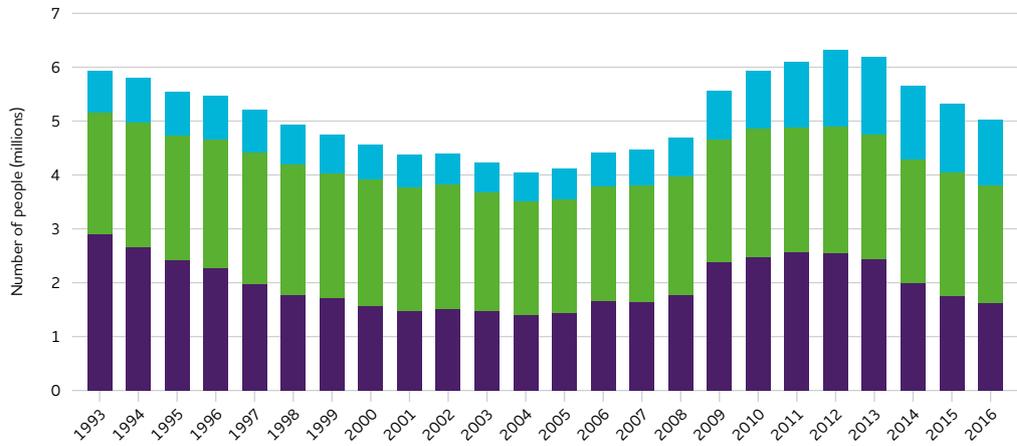
The second graph looks at underemployment by age group. Both the level and nature of underemployment varies by age. There are 1.6 million underemployed young adults, 560,000 more than the next highest age group. Expressed as a rate, 23% of 16 to 24-year-olds are underemployed, with the next highest being 12% of 25 to 34-year-olds. Underemployment is generally lower for older age groups, and tends to be made up more of part-time workers who cannot find full-time work and those who are inactive but want work, than younger age groups. For example, there are 750,000 underemployed 55 to 64-year-olds, only 22% of whom are unemployed, whereas 42% of underemployed 16 to 24-year-olds are unemployed.

# Underemployment

Indicator: 41A

Underemployment has fallen for the fourth consecutive year as a result of falling unemployment.

- Part-time because could not find full-time work
- Inactive but would like work
- Unemployed

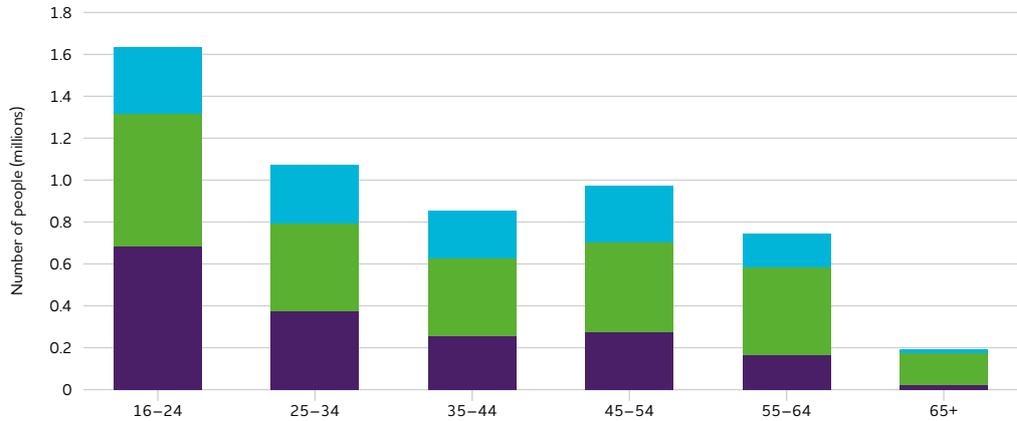


Source: Labour Market Statistics, ONS; the data for 2016 is an average of Q1 and Q2; the data is for the UK

Indicator: 41B

There are half a million more underemployed young adults than the next highest age group.

- Part-time wanting full-time work
- Inactive: lacking but wanting work
- Unemployed



Source: Labour Force Survey, ONS; the data is a four quarter average for 2015 for the UK

The first graph shows the number of people unemployed, economically inactive but wanting work, and working part-time because they could not find full-time work. The figures for each year are the average of the four quarters, with the exception of 2016, which is the average of the first two quarters.

The second graph shows underemployment using the same three categories for 2015, broken down by age groups.

**Reliability rating: high.** Both measures use official statistics that are drawn from the Labour Force Survey.

## 42 Unemployment and in-work poverty by age

**There have been large falls in unemployment for young adults, but they are still at a disadvantage compared with older adults. Young adults are also more likely to be in poverty when they are working than older age groups.**

In the first half of 2016, 8.5% of 18 to 24-year-olds were unemployed, almost three times as high as the figure for 25 to 64-year-olds. Unemployment has fallen more for 18 to 24-year-olds than for 25 to 64-year-olds since 2015, when the proportion of 18 to 24-year-olds was 9.4%. The proportion of 25 to 64-year-olds who were unemployed fell from 3.2% to 3%. Since 1996, unemployment for 18 to 24-year-olds peaked at 13.7% in 2012; for 25 to 64-year-olds the peak was 6.8% in 1997.

Though unemployment rose during the recession for 25 to 64-year-olds, it was not as steep an increase as for the younger age group. Between 2007 and 2012, the proportion of 25 to 64-year-olds who were unemployed rose by 1.8 percentage points, whereas for 18 to 24-year-olds the increase was 4.7 percentage points.

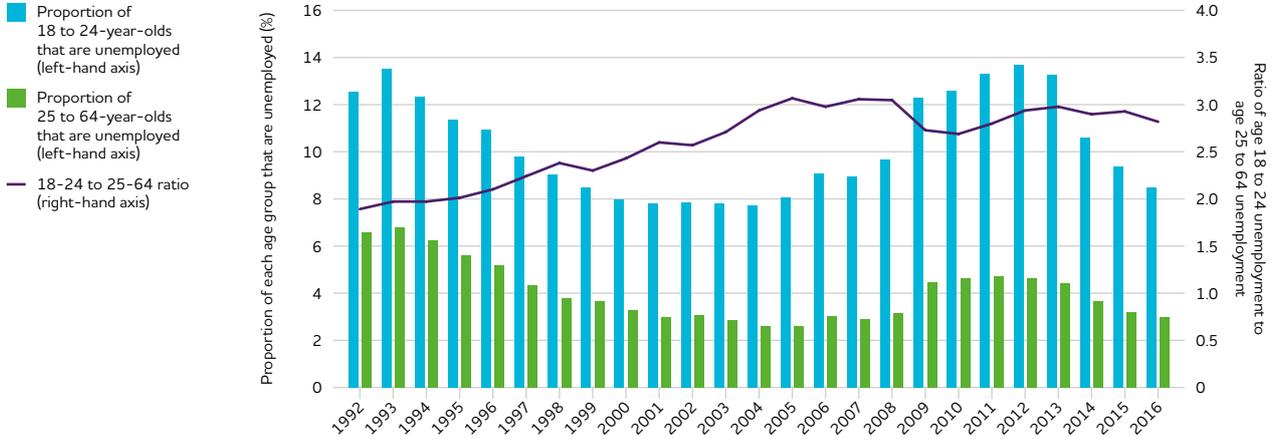
Another way of looking at the difference in unemployment by age is the ratio between the proportions of the two age groups that are unemployed. In the first half of 2016, this figure was 2.8, meaning that the unemployment ratio for 18 to 24-year-olds was 2.8 times as high as for the older age group. This figure rose steadily from the early 1990s to before the recession. In 1996, unemployment for 18 to 24-year-olds was 2.1 times higher than the older age group, before reaching 3.1 times higher in 2007. Much of this was to do with unemployment for the older age group falling faster than for the younger age group.

The second graph looks at in-work poverty – the proportion of people in a working family that are in poverty – by age group. The age group with the highest poverty rate in working families in 2014/15 was children, with 22% of them in poverty. This has risen by 4 percentage points since 2004/05. 16 to 24-year-olds have the joint second highest in-work poverty rate, with 18% in poverty, up from 15% in 2004/05. The older age groups tend to have lower in-work poverty rates: for example, 13% for 45 to 54-year-olds and 12% for 55 to 64-year-olds. The largest increase was for 35 to 44-year-olds, whose in-work poverty rate increased from 13% to 18% over the decade to 2014/15.

# Unemployment and in-work poverty by age

Indicator: 42A

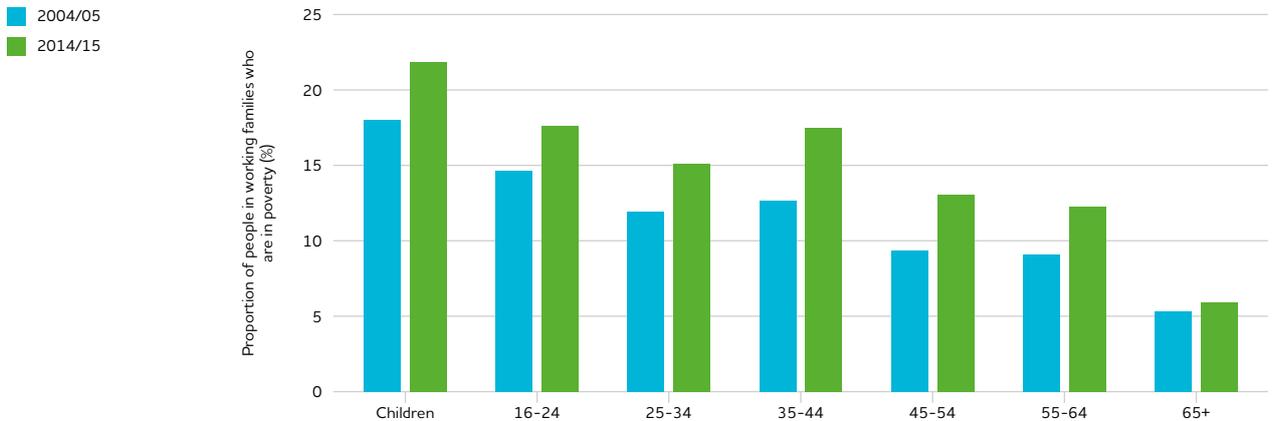
Young adult unemployment has fallen considerably in the years to 2016, but is still nearly three times as high as for 25 to 64-year-olds.



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

Indicator: 42B

Younger people in working families are more likely to be in poverty and to have seen bigger increases in in-work poverty.



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

The first graph shows the proportion of all adults who are unemployed over time, divided into those aged 16 to 24 and those aged 25 to 64. The figures for each year are the average of the four quarters, with the exception of 2016, which is the average of the first two quarters. This differs from the unemployment rate, which uses only economically active adults as a denominator.

The second graph shows the proportion of each age group who are in a working family in poverty, in 2014/15 and 2004/05.

**Reliability rating: high.** Both graphs are derived from official statistics, from the Labour Force Survey household dataset and the Family Resources Survey respectively.

## 43 Family work status

**Lone parent families have experienced strong increases in employment whereas those without children have only just reached pre-recession levels. The amount of work done in a family is strongly associated with its position in the income distribution.**

In 2015, married or cohabiting parents had the highest family employment rate (83% of adults in these families in employment) followed by adults without dependent children (71%) and then lone parent families (65%).

The three family types have had different employment rate trajectories over recent years. The employment rate for adults in married or cohabiting families has been stable since 2004, at 82% in 2007 before the recession, falling to 80% in 2009 and since recovering to 83%. There was a steeper fall for adults without dependent children, falling from 71% in 2007 down to 67% in 2010. This family type has only reached the pre-recession peak of 71% again in 2015.

Lone parent families have had a much stronger increase in employment: 9 percentage points higher in 2015 than in 2005. There was a dip in the employment rate for lone parents around the time of the recession, but since 2010 there has been a very strong increase from 56% to 65%. This is equivalent to 130,000 more lone parents in work in five years.

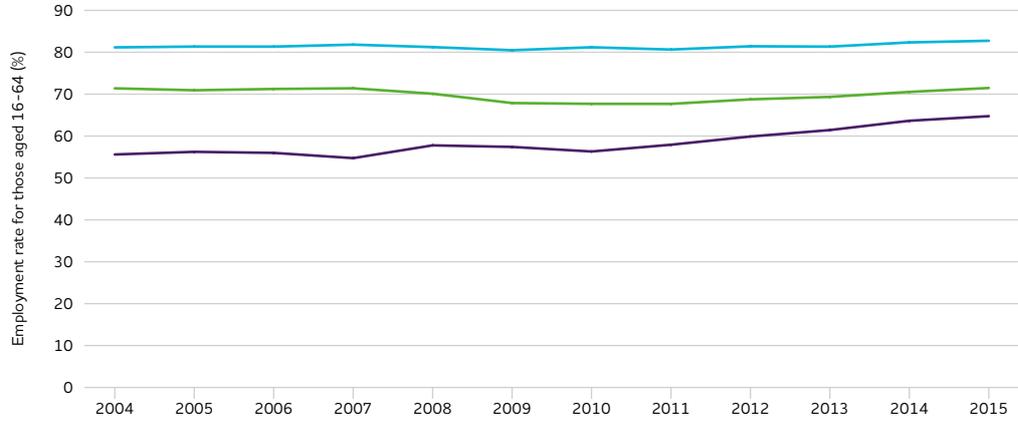
The second graph looks at where families with differing levels of work are in the income distribution. Fully-working families, where every adult works and at least one works full-time, make up large shares of the upper end of the distribution. For example, 60% of families in the top fifth for income have this working arrangement, compared with only 13% of the bottom fifth. Workless families, with no working adults, make up 34% of the bottom fifth of the income distribution, and 2% of the top fifth. Part-working families, which include the self-employed and those without a full-time employee in the family, are more evenly distributed. They make up 39% of the bottom of the distribution, and 27% of the top of the distribution. For an individual family then, working more hours is usually associated with a higher relative income.

## Family work status

Indicator: 43A

The lone parent employment rate is lower than other family types, but has risen sharply.

- Married/cohabiting parents
- People without dependent children
- Lone parents

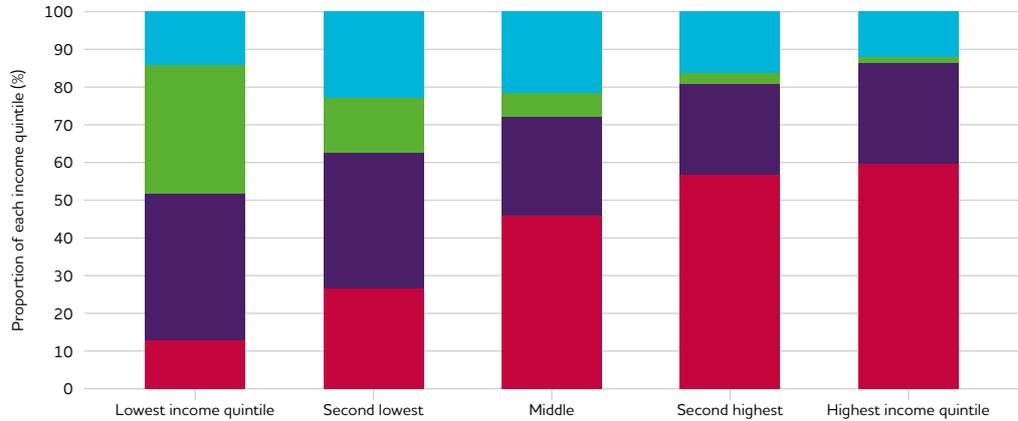


Source: Working and workless families, ONS; the data is for the UK

Indicator: 43B

Families at the bottom of the income distribution tend to be workless or have some adults not working.

- Pensioner families
- Workless families
- Part-working families
- Full-working families



Source: Households Below Average Income, DWP; the data is for 2013/14 for the UK

The first graph shows the proportion of lone parent, couple families without dependent children, and married or cohabiting parents with at least one working-age adult in work, over time.

The second graph shows what proportion full-working, part-working, workless and pensioner families make up of each fifth of the income distribution. Full-working families are those where every adult is in work, with at least one working as a full-time employee. Part-working families include all working families where no one is working full-time. It also includes families where one adult is full-time and the other is not working. Workless families have no working adults, and pensioner families are those containing at least one pensioner.

**Reliability rating: high.** Both graphs are derived from official statistics, from the Labour Force Survey household dataset and the Family Resources Survey respectively.

## 44 Weekly and hourly earnings

**Male weekly earnings are higher than women's, although they have fallen more after inflation. The number of low-paid men has grown but there are still more low-paid women.**

In 2015, male weekly earnings were higher than female earnings at the bottom tenth, bottom quarter, and halfway point of the earnings distribution. Male earnings at these points were respectively £204, £346 and £517, compared with £94, £167 and £179 for women. This means the gap between the two increases in absolute terms, the higher up the income distribution level you go: men earn £179 more a week than women at the median, compared with £110 more a week at the 10th percentile. However, in relative terms in 2015, a man at the 10th percentile earns almost 2.2 times as much as a woman at the 10th percentile; this falls to 1.5 times as much for men and women at the median.

Male weekly earnings fell between 2005, 2010 and 2015. The fall in male earnings was larger between 2010 and 2015, though fell in both periods. At the 10th percentile, male gross weekly earnings fell by £27 after inflation, a fall of 12%. Female weekly earnings rose between 2005 and 2010, by £6 a week at the 10th percentile and by £13 at the 25th percentile. They fell between 2010 and 2015, but at the 10th and 25th percentiles they were still higher than in 2005.

Part of the large differences between male and female weekly earnings can be explained by differences in levels of part-time working. 43% of female employees work part-time, compared with 14% of male employees. The weekly median earnings for a female employee in 2015 was still only 83% of the male median.

Weekly earnings are shown here because it is directly relevant to household income and therefore poverty. But being a combination of hourly pay rates and weekly hours worked, the weekly earnings gap shown here is not the same as the usual measure of the gender pay gap, which focuses on hourly earnings and rates of pay.

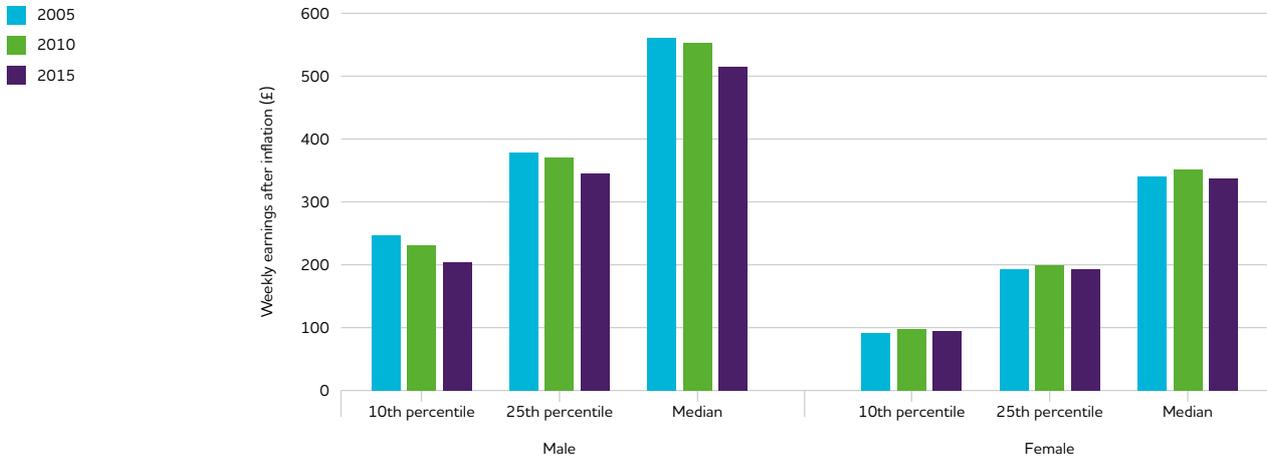
The second graph shows the number and proportion of male and female employees who are paid below two-thirds of the UK median hourly wage. In 2015, there were 3.1 million low-paid women and 2 million low-paid men. The number has fallen slightly for women, from 3.2 million in 2013, though it has tended to fluctuate around 3 million since the early 2000s. The number of low-paid male employees has risen steadily since 2002, when there were 1.5 million.

25% of female employees were low paid in 2015, down from 29% in 2005. 16% of male employees were low paid, up slightly from 15% in 2005.

# Weekly and hourly earnings

Indicator: 44A

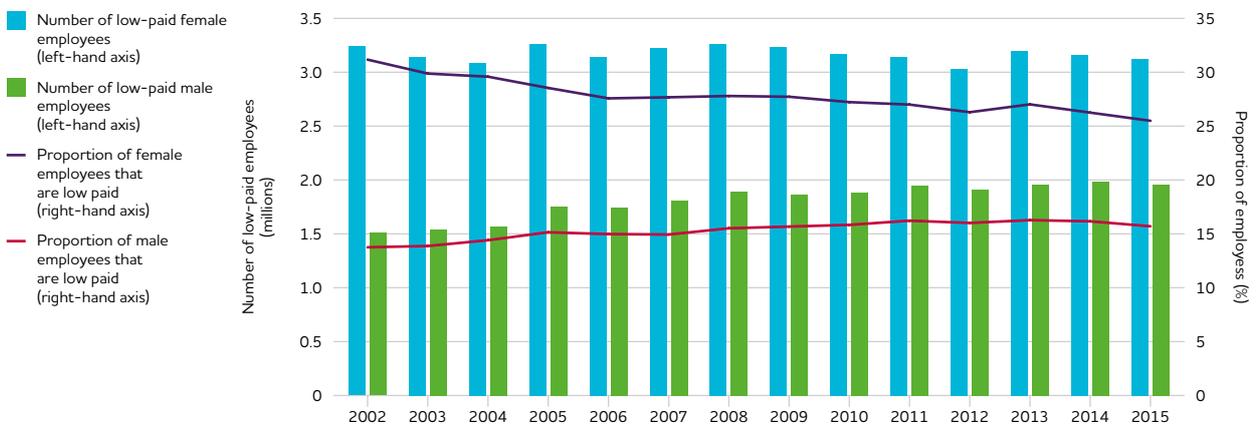
Although male weekly earnings remain higher, they have been falling more steadily than female earnings.



Source: Annual survey of hours and earnings via NOMIS; Consumer Price Inflation, ONS; the data is for the UK

Indicator: 44B

Women are more likely to be low paid and there are more low-paid women than men though this is changing.



Source: Annual survey of hours and earnings, ONS, via NOMIS; the data is for the UK

The first graph shows weekly earnings for male and female employees at the bottom tenth, quarter and the middle of the two distributions. The figures for earlier years are adjusted for inflation by the Consumer Price Index.

The second graph shows the number of employee jobs held by men and women that are paid below two-thirds of the UK hourly median pay rate. It also shows the proportion of male employee jobs and female employee jobs that are low paid.

**Reliability rating: high.** Both graphs are drawn from the Annual Survey of Hours and Earnings, the most reliable source of data on employee earnings.

## 45 Work and skills

**Those with lower levels of qualifications or skills face higher rates of worklessness and low pay than others. They are also more likely to have time pressures and health risks at work, and less control over their working lives.**

In 2015/16, 50% of employees without qualifications were low paid, while 16% of those without qualifications were either unemployed or inactive but would like to work. These figures are largely unchanged compared with a decade earlier.

The risk of low pay for employees is lower for those with higher levels of qualifications. 39% of those with GCSEs A\*–C were low paid, falling to 34% for those with A Levels, 19% for those with a higher education qualification, and 11% for those with a degree or above. Worklessness levels also decline, though not as dramatically, with higher levels of qualification. The lowest rate of unemployment and inactive but wanting work is for those with a degree, at 5%. For those with no or unknown qualifications, it is more than three times higher at 16%.

However, compared with ten years earlier, the risk of low pay for a given level of qualification has risen at every level of qualification, with the biggest increase for those with A Levels and higher education qualifications, with 7 percentage point increases over the decade. There was an increase of 4 percentage points for those with a degree.

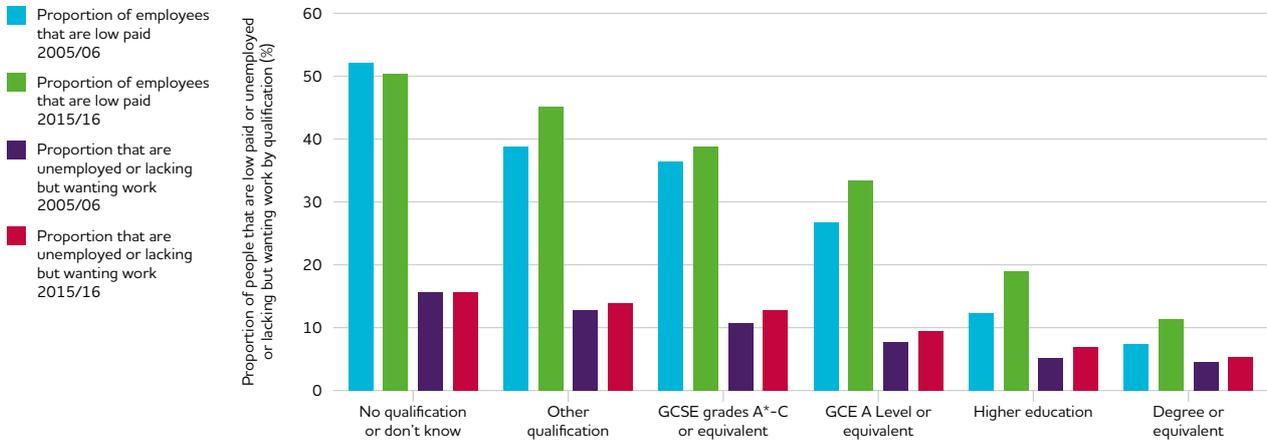
The second graph looks at workers in the UK, broken into three groups by levels of skills. 62% of low-skilled workers report having time pressures, compared with 43% of high-skilled workers. Time pressure refers to long working hours and the flexibility of these hours. There is also a pronounced difference by skill level in physical health risk factors at work, such as exposure to loud noise or extreme temperatures. 56% of low-skilled workers report these factors, compared with 30% of medium-skilled workers and 17% of high-skilled workers.

As well as these aspects of job strain, low-skilled workers are also less likely to have a say on how they carry out their work or have access to training opportunities. 24% of low-skilled workers report having a say on work autonomy and learning opportunities, rising to 30% for medium-skilled workers and 54% of high-skilled workers.

# Work and skills

## Indicator: 45A

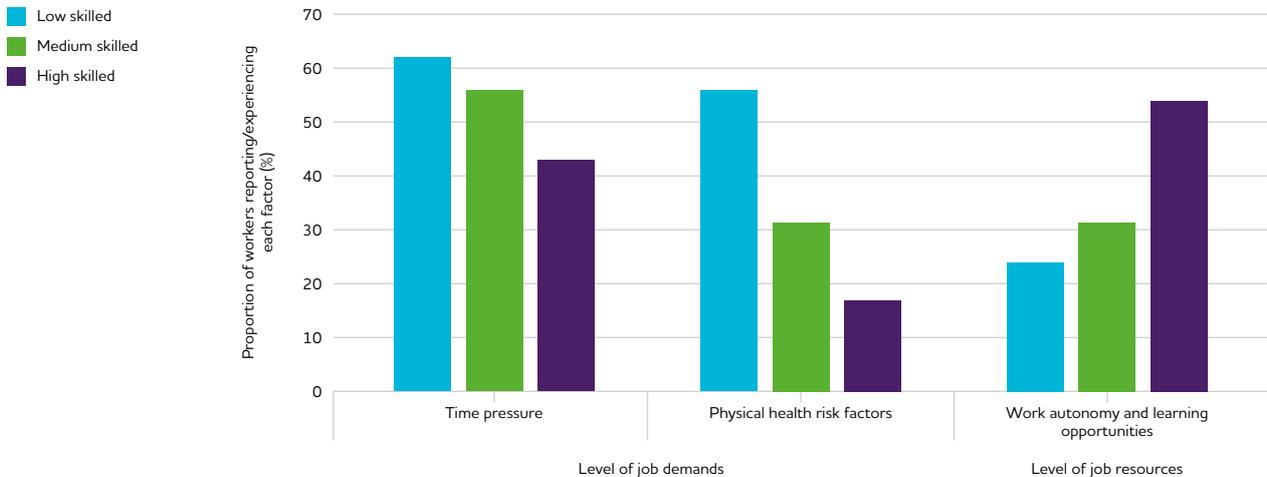
People with lower levels of qualifications have higher rates of worklessness and low pay and generally fared worse in the last decade.



Source: Labour Force Survey, ONS; the data is four quarter average for Q2 to Q1 for 2005/06 and 2015/16, for the UK

## Indicator: 45B

Low-skilled workers are more likely to face time pressures and health risks at work and less likely to have autonomy and learning opportunities.



Source: OECD job quality dataset; the data is for 2015 for the UK

The first graph shows the proportion of working-age adults who are either workless or low paid by their level of qualification. Workless means either unemployed or economically inactive but would like to work. Low pay is defined as employees paid below two-thirds of the UK hourly median pay rate.

The second graph shows the proportion of workers who report time pressures and physical health risk factors at work, and their level of work autonomy and learning opportunities by skill level. Skill level is based on their level of qualifications.

**Reliability rating: medium.** Both indicators are derived from official statistics. In the first graph, the sizes of the groups have changed relative to each other, which is not conveyed in the graph. In the second graph, the statistics are based on self-reporting, which is subjective.

## 46 Insecure and uncertain work

**The number of temporary workers who are unable to find a full-time job is still above pre-recession levels. Younger adults are more likely to be employed on a zero-hours contract.**

In the first half of 2016, there were 1.65 million workers on a temporary contract. 560,000 of these workers were on a temporary contract because they were unable to find permanent work. These figures are unchanged from 2015. Altogether, 6% of workers in the UK in the first half of 2016 were employed on a temporary contract.

Compared with 2007, before the start of the recession, the number of temporary workers overall has not increased, but the number of temporary workers who cannot find a permanent job has increased by 160,000. This means a growing share of temporary workers would prefer to be working in a permanent position: from 26% of temporary workers in 2007 to 34% in 2016.

Over a longer time period, however, temporary contracts are not as prevalent as they were. In 1997, 7.8% of all workers were employed on a temporary contract, equivalent to around 1.8 million people. For much of the 1990s and early 2000s, they made up a greater share of employment than in 2016.

Another type of work that is potentially insecure are zero-hours contracts. While temporary contracts do not guarantee work on a permanent basis, zero-hours contracts can potentially vary from week to week. On average for 2014/15, there were 720,000 workers on zero-hours contracts (other, broader estimates of contracts that do not guarantee a minimum number of hours can be much higher, see *Contracts that do not guarantee a minimum number of hours: March 2016*. London: ONS, 2016).

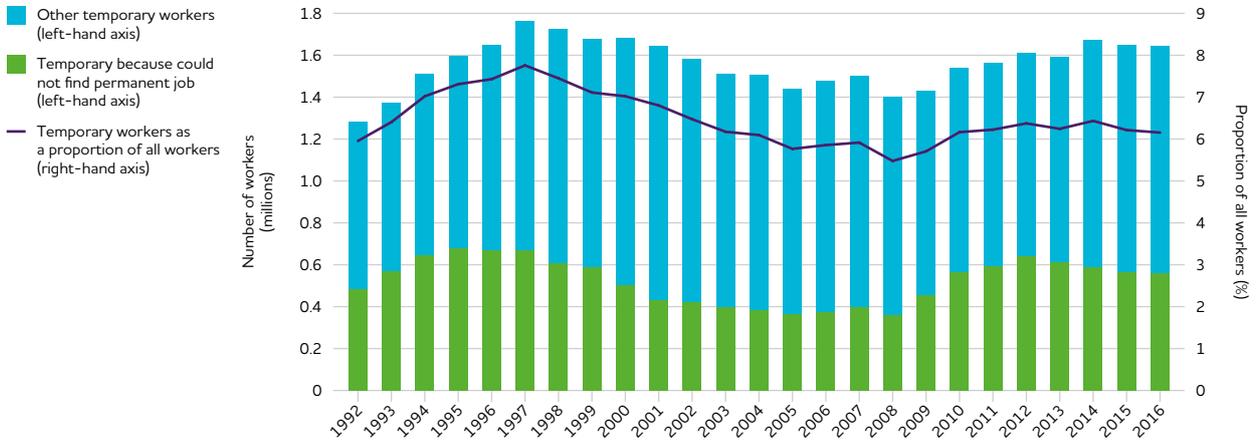
260,000 of these zero-hours contracts workers are aged between 16 and 24, equivalent to 36% of all zero-hours contracts and 7% of all 16 to 24-year-olds in employment. The number of people from other age groups on zero-hours contracts tends to be lower. For example, the age group with the second most zero-hours contract workers are 35 to 49-year-olds with 150,000. This is equivalent to 1.4% of all workers in this age group. While there are not many over 65s on zero-hours contracts – just 40,000 workers – this represents a relatively large share of all 65+ workers, at 3.3% of the total.

Whether a zero-hours contract contributes to insecurity depends both on the terms of the contract itself (e.g. entitlement to sick pay), how the contract came about (imposed or by mutual agreement) and how it is operated (how the hours to be worked are agreed).

## Insecure and uncertain work

Indicator: 46A

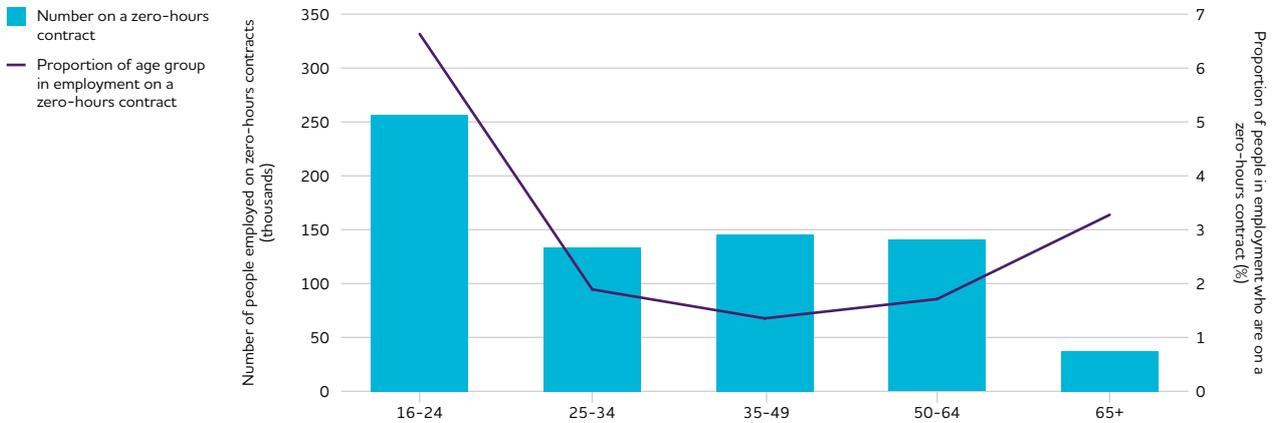
The number of temporary workers who cannot find a permanent job has not returned to pre-recession levels.



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

Indicator: 46B

Younger adults are more likely to be employed on a zero-hours contract and there are more younger adults on zero-hours contracts than any other age group.



Source: Contracts that do not guarantee a minimum number of hours, ONS; the data is an average for quarters two and four in 2014 and 2015, for the UK

The first graph shows the number of employees on temporary contracts, split into whether they have a temporary contract because they were unable to find a permanent contract or not. The figures for each year are the average of the four quarters, with the exception of 2016, which is the average of the first two quarters. It also shows all employees on a temporary contract as a proportion of employees in total.

The second graph shows the number of workers with a zero-hours contract by age band and as a proportion of all workers of that age. It is drawn from the Labour Force Survey and is an average of the fourth quarter of 2014 and 2015.

**Reliability rating: medium.** Both measures are drawn from the Labour Force Survey. However, the data for the second graph covers a period when the number of recorded zero-hours contracts sharply increased and it is thought this might be in part due to increased recognition of the term. This could affect the accuracy of the figures.

## 47 Self-employment

**Poverty rates for self-employed workers tend to be higher than for employees. Self-employed workers have also had large declines in average weekly incomes.**

In 2014/15, 23% of full-time self-employed workers were in a household in poverty, compared with 8% of full-time employees. In 2004/05, 19% of full-time self-employed workers and 7% of full-time employees were in poverty.

Part-time self-employed workers and employees had similar poverty rates: 20% and 19% respectively. This represents a large increase compared with 2004/05 for part-time employees, who previously had a poverty rate of 15%. There was effectively no change in the poverty rate for the part-time self-employed.

One interesting difference is that part-time self-employed workers have a lower poverty rate than full-time self-employed workers. This probably reflects differences in family types: for example, 38% of part-time self-employed workers are living with another adult working full-time.

The second graph looks at the income earned from self-employment and employee earnings at the middle and bottom quarter of each distribution over time. The median income from self-employment was £234 a week in 2014/15, compared with the median employee income of £392. The median income from self-employment has fallen from £299 ten years earlier, a fall of £65 a week. The median employee income fall was £26 a week. The fall in the median income from self-employment means it is at the same level as the bottom quarter income from employee earnings.

Neither employee earnings nor self-employment income at the middle or bottom quarter have yet recovered to their pre-recession levels.

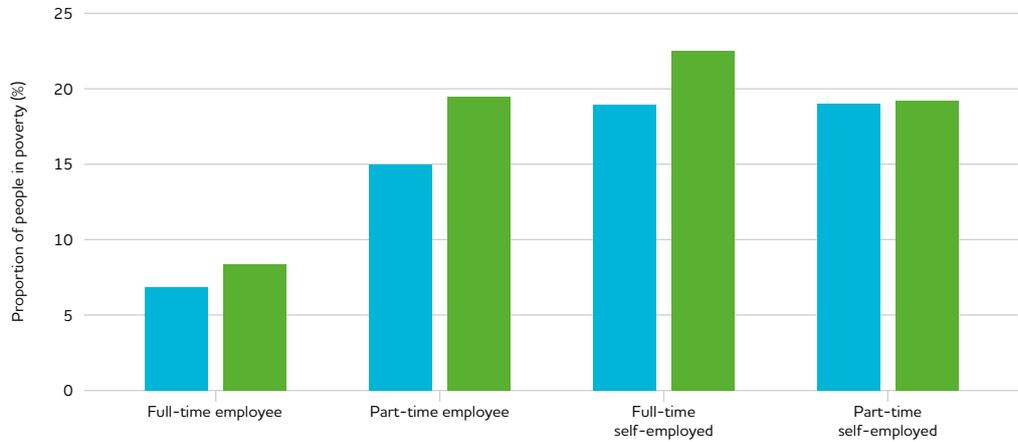
Self-employment income statistics should be treated with caution. Self-employment income is less regular, meaning possible problems with recollection. Self-employed people can also make a loss and have a negative income that reduces the average.

# Self-employment

Indicator: 47A

Poverty rates are higher for the self-employed than for employees though both have increased in the last decade.

2004/05  
2014/15

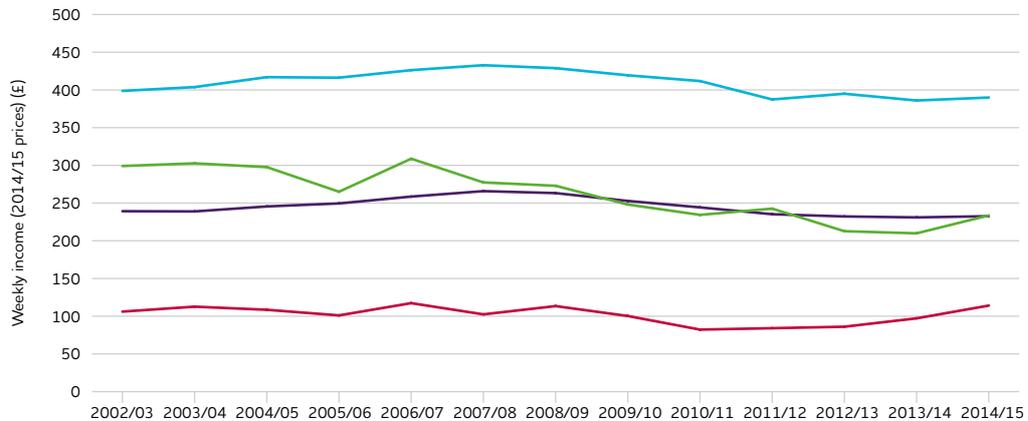


Source: NPI analysis of Family Resources Survey, DWP; the data is for the UK

Indicator: 47B

Self-employment income has increased in the last year but the median remains as low as 75% of employee incomes.

Employees median  
Self-employed median  
Employees 25th percentile  
Self-employed 25th percentile



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

The first graph shows the proportion of employees and self-employed by full-time and part-time status that are in a household in poverty, in 2004/05 and 2014/15.

The second graph shows the median and 25th percentile weekly employment incomes of employees and the self-employed over time. The figures are adjusted for inflation using the Consumer Price Index, and so all the figures are in 2014/15 terms.

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

## 48 Poverty rates by family work status

**A family is less likely to be in in-work poverty, the more adults there are working full-time in the family. In families in in-work poverty with non-working adults, there is a range of reasons for them not working.**

In 2014/15, 32% of people in families with no full-time and only part-time workers were in poverty. This was the highest poverty rate among working family types, followed by those with one adult working full time and one not working, at 31%. The third highest poverty rate is for those families with at least one full-time self-employed worker, with 24% of people in these families in poverty.

The lowest poverty rates are for families with all adults working full time (6% of people in these families in poverty) and those with one full-time employee and one part-time employee (9%). The difference between these families with low poverty rates and those with higher poverty rates are that these have all adults working, and at least one adult working full-time.

The in-work poverty rate increased most between 2004/05 and 2014/15 for families with one adult working full time, and one not working, rising by 10 percentage points. Other increases were much smaller with self-employed families, those with one full-time and one part-time worker, and those with only part-time workers, all with 3 percentage point increase. The lowest increase was for families where all adults work full-time: just 1 percentage point.

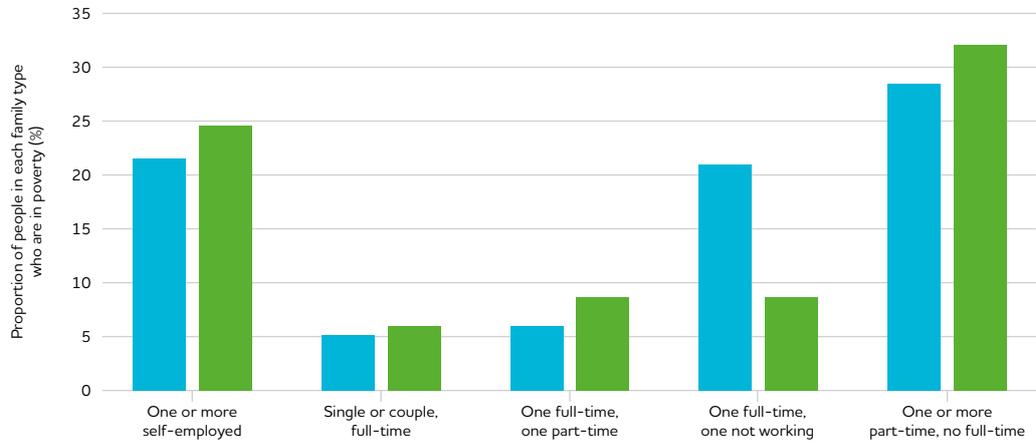
The second graph looks at those adults who do not work but are in a working family in poverty. There are around 1.1 million non-working adults in working families in poverty. One in five are unemployed, that is actively seeking and available for work. The remainder are economically inactive for different reasons, the most common of which is looking after the home or family at 45%. Of this category, 91% were in a family with children, and 67% of these had a youngest child aged under five. One in ten of those non-working adults in in-work poverty were retired or a student, and a further 16% were sick, disabled or injured. This has implications for getting more adults into work in these families: many have children or health problems or are retired.

## Poverty rates by family work status

Indicator: 48A

Families where all adults work, with at least one working full time, tend to have much lower poverty rates.

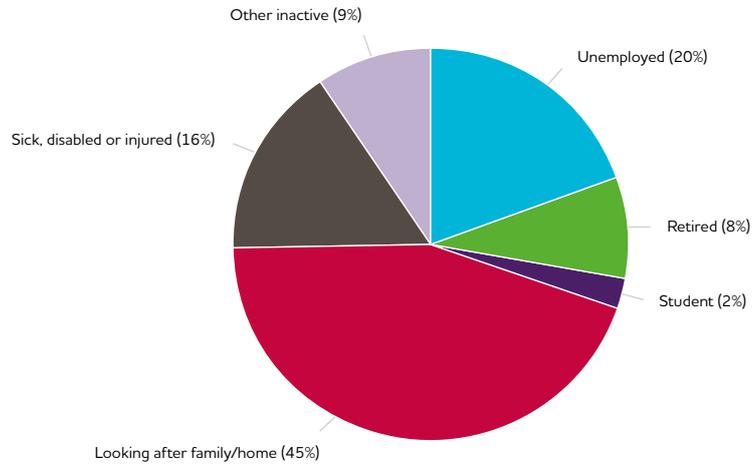
2004/05  
2014/15



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

Indicator: 48B

Among non-working adults in families in working poverty the most common reason for not working is looking after the family or home.



Source: Family Resources Survey, DWP; the data is for 2014/15 for the UK

The first graph shows the proportion of people in poverty for different types of family work status in 2004/05 and 2014/15. The second graph shows non-working adults in working families in poverty by their reason for not working. **Reliability rating: high.** The data is from government surveys with a large sample size.

## 49 Gender and in-work poverty

**The number of workers in in-work poverty has increased steadily, with female employees the single largest group. Most of the adults in a family in in-work poverty are themselves working.**

In 2014/15, there were 3.8 million workers in poverty. This was an increase on 2013/14, when there were 3.6 million workers in poverty. The single largest group in in-work poverty in 2014/15 were female employees at 1.5 million, followed by 1.4 million male employees. There were 250,000 female self-employed workers and 620,000 male self-employed workers, meaning that the majority of workers in in-work poverty are male (53%).

There have been substantial increases compared with a decade earlier. In 2004/05, there were 2.8 million workers in poverty, an increase of one million. What lies behind this increase? There were 380,000 more male employees and 380,000 more female employees in poverty over the decade, with 170,000 more male self-employed people and 80,000 more female self-employed people. This means that people in employee jobs account for 75% of the increase.

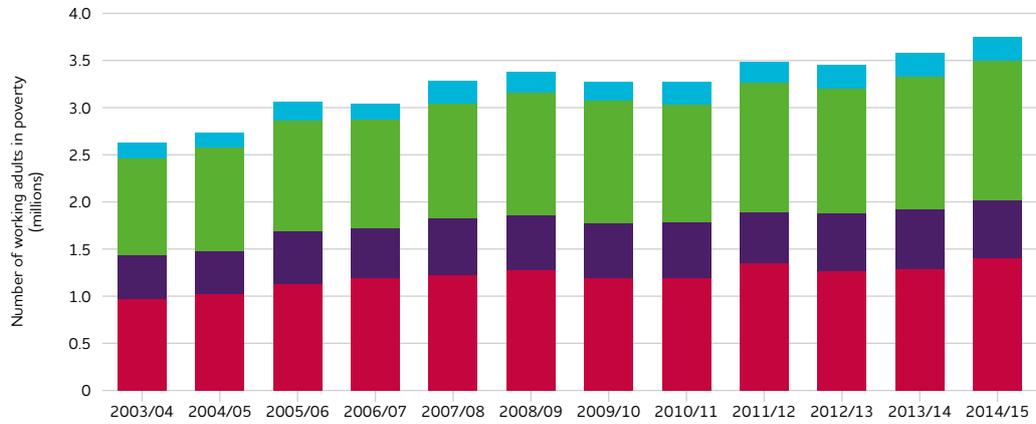
The second graph looks at the composition of all adults in in-work poverty. Once those in working families but not themselves working are included, women make up 52% of the total. 78% of adults in in-work poverty are working, and 60% of adults in in-work poverty are employees. Male self-employed people are a larger share than female self-employed people, 13% compared with 5%, whereas out-of-work women outnumber out-of-work men, 16% to 6%. Many of these will be the people looking after children as shown in indicator 48.

## Gender and in-work poverty

Indicator: 49A

There are 3.8 million workers in poverty; the largest group of workers in poverty are female employees.

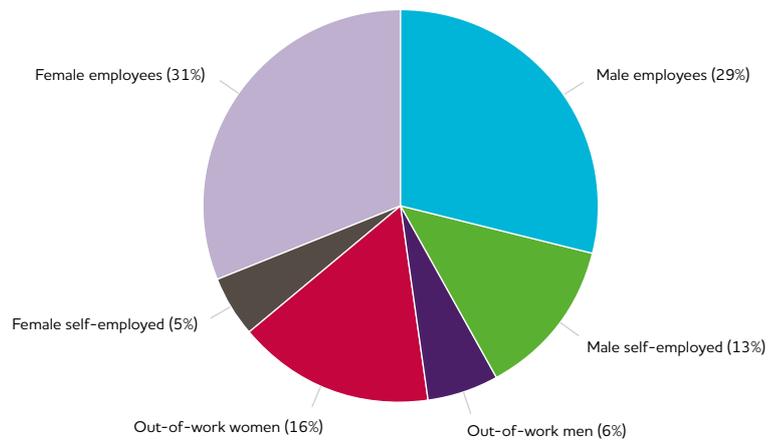
- Female self-employed
- Female employees
- Male self-employed
- Male employees



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

Indicator: 49B

Nearly four-fifths of adults in in-work poverty are themselves working.



Source: Family Resources Survey, DWP; the data is for 2014/15 for the UK

The first graph shows the number of workers in a household in poverty by gender and whether they are an employee or self-employed, over time.

The second graph looks at adults in in-work poverty by gender, and whether they are employees, self-employed or not working.

**Reliability rating: high.** The data is from government surveys with a large sample size.

## 50 Change in employment rate

**Changes in employment rates have not been equally distributed across England and Wales. In Manchester, London and the South East, high-growth and low-growth areas sit side by side.**

Between the two years 2012/13 and 2013/14 and the two years 2014/15 and 2015/16, the overall employment rate for those aged 16 to 64 in England and Wales rose 2 percentage points from 71% to 73%. Comparable data at this level of geography is not readily available for Scotland or Northern Ireland. The map shows how the change in the employment rate varies across 145 sub-regions (typically groups of two or three local authority areas).

22 sub-regions experienced falls in the employment rate, in contrast to the overall national increase. The biggest fall by some way was in West Essex (2.9%); two other sub-regions in the county saw falls too. Falls were also recorded in outer London boroughs to the north, west and south (but not the traditionally deprived east), Merseyside (Liverpool, Wirral, Warrington) and the North East (Sunderland, Northumberland).

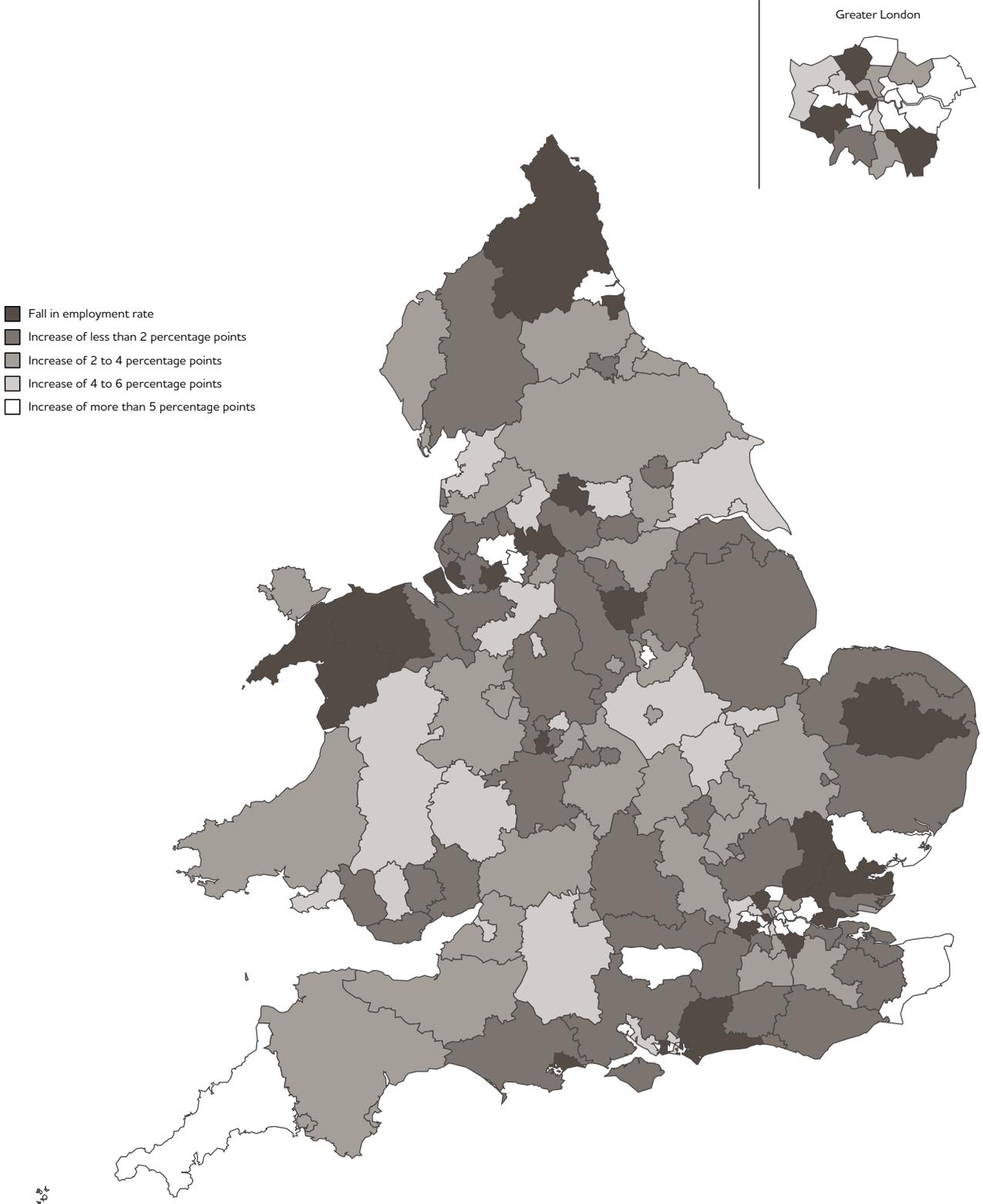
By contrast, 18 areas saw the employment rate among residents rise by more than 4%. The two highest rates of growth were in Tower Hamlets in east London – part of a cluster of five sub-regions with above 4% growth in traditionally deprived areas of the capital – and in another of the Essex sub-regions. Other areas recording increases above 4% included traditionally more deprived areas – Cornwall, East Kent, Tyneside, Southampton and Nottingham – as well as the western half of Greater Manchester. With east Manchester being one of those areas where employment fell, this is the same pattern seen in London and Essex with high-growth and low-growth areas adjacent to one another.

The map shows the percentage point change in the unemployment rate in local authority areas or groups of local authority areas (known as NUTS 3 geography) between 2012–14 and 2014–16.

**Reliability rating: medium.** The sample sizes for some areas are small. While the estimates for the change in unemployment are calculated from three-year averages to boost reliability, they should only be treated as indicative.

# Change in employment rate

Indicator: 50



Source: Annual Population Survey via NOMIS; The data is an average for 2012–14 and 2014–16 and is for England and Wales

## Commentary

On the headline indicators, the UK labour market is now very strong. The employment rate for people of working age is at or near an all-time high, due to both very low unemployment and falling economic inactivity. Most of the increase in employment since 2010 has been in full-time employee jobs. This is welcome, and has played an important role in maintaining a lower poverty rate despite reductions in some benefits (Belfield, C. et al. *Living standards, poverty and inequality in the UK: 2015*. London: IFS, 2015).

Yet the labour market is not completely back to its pre-recession heights in all dimensions. Underemployment, driven by part-time workers who cannot find a full-time job, is still higher than in the mid-2000s. Zero-hours contracts have become more prevalent, though at least some of this is due to greater awareness of them and they still represent only 3% of people in employment (*Contracts that do not guarantee a minimum number of hours: September 2016*. London: ONS, 2016). Real earnings are still below the level of five years ago, and the real income from self-employment is substantially lower. Furthermore, the labour market experience is uneven across the country, with places as diverse as West Essex and Northumberland experiencing falls in their employment rates, compared with strong growth in parts of London.

Neither has the recovery of the labour market ironed out old inequalities. Younger adults are still more likely to be underemployed and female earnings remain lower. Working conditions remain poor for some, with lower-skilled workers more likely to be in inflexible, stressful and potentially unpleasant workplaces.

These are all important indicators in their own right. The main focus of this report, however, is on to what extent success or failure in these indicators affects poverty. The first chapter of this report charts a rise in the number of people in working families in poverty. Some of this would be expected from the rise in the number of working families. But this chapter has shown that a higher proportion of working families are in poverty, particularly those with non-working adults or without full-time employees. The rise in this in-work poverty rate is not just about the labour market: increases in housing costs, a new child in the family or changes to social security entitlements could all place a working family into poverty with no change in their work status. But even if the labour market is not to blame for rising in-work poverty, it is still striking that it has been unable to offset the other factors that are responsible.

Nearly four-fifths of adults in in-work poverty are already working, and most of those not working are not doing so due to reasons such as childcare, ill-health or being a student. Solutions for in-work poverty require more than just more work.

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## Accelerated order (eviction)

An accelerated order for possession can be used by a landlord once a shorthold tenancy has gone beyond its initial fixed period (usually 6 or 12 months). Having given the tenant at least two months' notice, an accelerated order allows the landlord to apply to the court for possession solely on the basis of written evidence and without a hearing. The process cannot be used if the landlord is claiming rent arrears.

## Benefit unit

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

## Children in need

A child in need is one who has been referred to children's social care services, and who has been assessed through an initial assessment or continuous assessment to be in need of social care services. A child can have more than one episode of need in a year.

## Destitution threshold

The destitution threshold was set by researchers from Heriot-Watt University in a 2015 report, published by the Joseph Rowntree Foundation. They defined the destitution threshold as the level of income below which people cannot afford to buy the essentials to eat, stay warm and dry, and keep clean. The weekly destitution income thresholds were set by averaging the actual spend on these essentials of the poorest 10% of the population, 80% of the JRF Minimum Income Standard costs for equivalent items, and the amount that the public thought was needed for a relevant sized household to avoid destitution.

## Economically active and economically inactive

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

## Economic status of the family

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

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

## Earnings

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

## Equivalisation

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

In order to calculate equivalised income, household incomes are divided by household equivalence factors, which vary according to the number of adults and the number and age of dependents in the household. The most commonly used scale is the OECD scale, which takes an adult couple without children as the reference point, with an equivalence value of 1. The OECD values are shown below.

Person	Before Housing Costs (BHC) equivalisation	After Housing Costs (AHC) equivalisation
First adult	0.67	0.58
Spouse	0.33	0.42
Other second adult	0.33	0.42
Third adult	0.33	0.42
Subsequent adults	0.33	0.42
Children under 14	0.20	0.20
Children 14 and over	0.33	0.42

## Fuel poverty

A household is counted as being in fuel poverty if it has required fuel costs that are above average and if spending the required amount on fuel would leave income below the poverty line.

## Homelessness

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

Those who are accepted as 'statutory homeless' by the council, that is they are homeless, eligible, unintentionally homeless and have a local connection, but who are not in priority need, are not owed a 'homeless duty' and the local authority only has a duty to provide them with advice and assistance.

## Household

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

## Housing benefit

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

## Income After Housing Costs (AHC)

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

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

## Income Before Housing Costs (BHC)

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

## Informal carer

Informal carers provide sustained care to a family member, friend, neighbour or community member without being paid to do so.

## Low pay

Low pay in this report is defined as having an hourly pay rate below two-thirds of the UK median hourly wage, excluding overtime. In 2015, this figure was £7.87.

## Material deprivation

In the Households Below Average Income survey, there are different measures of material deprivation for children and pensioners. There is no measure for working-age adults without children. In this report, we use a different, Europe-wide definition that covers the whole population. It is based on the same premise – a set of questions relating to everyday items. Families are asked if they go without such items – a washing machine for instance, or a telephone – and, if so, if that is for reasons of cost. Families who lack more than three (out of nine) such items are said to be materially deprived. Those lacking four or more are said to be severely materially deprived.

## Minimum Income Standard

The Minimum Income Standard (MIS) is an ongoing programme of work carried out by the Centre for Research in Social Policy at Loughborough University, and published by the Joseph Rowntree Foundation.

It is based on findings from facilitated discussion groups on what people think constitutes a minimum standard of living in the UK today. It is not just a survival level income; rather it is the minimum income that would allow an individual to participate in society. So it includes food and heating, and personal and household goods as well as social participation and travel. MIS is updated annually, at least with inflation, with new research every two years ensuring that it reflects changing social norms.

## Non-decent housing

Non-decent homes fail to meet at least one of the following criteria: the statutory minimum standard under the Health and Safety Rating System, be in a reasonable state of repair, have reasonably modern facilities and services, provide a reasonable degree of thermal comfort. A detailed definition of each criterion is available in *A decent home: definition and guidance for implementation*, London: DCLG, 2006.

## Original income

Original income is income before government intervention, for example from employment and investment. This means it excludes all benefits and is income before any taxes are deducted.

## Overcrowding

Household overcrowding is measured using the bedroom standard of occupation density. The required number of bedrooms is calculated for each household according to its composition – the age, gender and relationships of its members. Households are overcrowded if they have fewer bedrooms available than the number required by the bedroom standard. Details of the bedroom standard can be found in the English Housing Survey Report glossary.

## Persistent poverty

Persistent poverty is defined as having been in poverty for the last year and two of the previous three years.

## Poverty

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

## Qualifications

The qualification levels contained in this report refer to the National Qualifications Framework or Qualifications and Credit Framework (for vocational or work-related qualifications) or equivalent Scottish qualifications. Level 1 or below or other qualifications include qualifications such as Key Skills at Level 1, Skills for Life, GCSE grades D to G, Foundation Welsh Bacalaureate, GNVQ/GSVQ foundation level and other entry-level qualifications. Level 2 generally refers to GCSEs grades A\*– C or equivalent and Level 3 refers to A Level or equivalent. Level 4 or above includes Higher National Diplomas, teaching qualifications and higher education and degree-level qualifications.

## Sanctions

A sanction is a reduction in or suspension of benefit. They are typically applied to people on Jobseeker's Allowance (JSA) on account of a breach of the terms of a Jobseeker's Agreement. However, people claiming Income Support, and those claiming the Employment and Support Allowance and who are placed in the work-related activity group may also be sanctioned. Someone on JSA might be sanctioned if they:

- left their job voluntarily or lost their job due to misconduct
- failed to apply for or accept a job that is offered to them
- failed to show that they are available for, and actively seeking, work
- failed to attend a compulsory training or employment scheme
- failed to carry out a direction from a Jobcentre Plus adviser.

Sanctions vary in length depending on the nature of the breach of a Jobseeker's Agreement.

## Section 47 enquiry

Under Section 47 of the Children Act 1989, if a child is taken into police protection, is the subject of an emergency protection order, or there are reasonable grounds to suspect that a child is suffering or is likely to suffer significant harm, a Section 47 enquiry is initiated by child social care services.

## Self-employment

The self-employed are people who run their own business or offer their services as a freelancer or contractor. As such, they are normally paid a fixed amount for pieces of work and can make a loss in a year (unlike employees).

## Severe child poverty

Children are defined as living in severe poverty if they are living in a household with an equivalised income below 50% of median Before Housing Costs which also experiences material deprivation.

## Special Educational Needs (SEN)

The Education Act of 1996 defines that children have special education needs (SEN) if they have a learning difficulty that calls for special educational provision.

## Temporary accommodation

Local authorities have a statutory duty to provide accommodation for homeless households that have met the criteria as being in priority need and unintentionally homeless. When longer-term accommodation is not immediately available, the local authority procures temporary accommodation until longer-term accommodation becomes available. Temporary accommodation could be in the private rented sector, social rented sector, or in a hostel or B&B.

## Temporary contracts

Employment contracts in which the employee is intended to leave after a certain period of time are referred to as temporary contracts. This often includes maternity cover and seasonal work.

## Underemployment

This includes three groups:

1. those officially defined as unemployed (those lacking but actively seeking paid work and available to start work in the next four weeks)
2. those described as economically inactive but who nevertheless want paid work
3. those in part-time work who cannot find the full-time work they want.

## Unemployment

This comprises all those with no paid work in the survey week who were available to start work in the next fortnight and who either looked for work in the last month or were waiting to start a job already obtained. The unemployment rate is the percentage of the economically active population who are unemployed (that is, the number unemployed divided by the total employed and unemployed). People in full-time education are unemployed if they are looking for part-time employment.

## Work-related activity group/support group

There are two groups within Employment and Support Allowance (ESA). The work-related activity group must participate in work-related activity and attend interviews. This group can be sanctioned for failing to comply with the conditions of their benefit. The support group is for those whose illness or disability limits what they can do. They are not expected to go to interviews and are not liable to be sanctioned.

## Zero-hours contracts

A zero-hours contract is a contract of employment that creates an 'on call' arrangement between employer and employee. Under the provisions of this contract the employer is not obliged to provide work for the employee, nor does it oblige the employee to accept the work offered.

***Monitoring poverty and social exclusion*** is a regular, independent assessment of progress in tackling poverty and other types of disadvantage across the United Kingdom.

The report uses official data from a range of sources to look at trends and patterns across different indicators. Different indicators reveal different patterns, allowing us to get a better understanding of the contemporary nature of poverty and exclusion. This year's key themes are income, housing, life chances, social security and work and worklessness.

This report is the nineteenth in the series. It is a valuable resource for researchers and policy-makers alike. By looking at recent trends, it aims to better illuminate the challenges of tackling poverty in the coming years.

This report is also available online at [www.jrf.org.uk/mpse-2016](http://www.jrf.org.uk/mpse-2016)

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