

# UK Poverty 2018

The UK approaches Brexit with half a million more children trapped in poverty, following a relentless rise in the number of working families struggling to make ends meet over the last five years. This report shows the need to act urgently to halt the rise in poverty among workers and their families, as well as among children in workless families. It also points towards the range of ways that we can choose to do this.

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## The research

This is a summary of Joseph Rowntree Foundation's annual report examining the nature and scale of poverty across the UK and its effect on people gripped by it. The report examines how UK poverty has changed in our society over the last few years, as well as over the longer term. It focuses particularly on changes to poverty among children and workers, as well as giving an overview of trends among pensioners and other groups.

## Key findings

In our society, child poverty has been rising since 2011/12. 4.1 million children now live in poverty, a rise of 500,000 in the last five years. The vast majority of this rise has taken place in working families.

We now live in a country where four million workers are in poverty – a rise of more than half a million over five years. Strikingly, in-work poverty has been rising even faster than employment, driven almost entirely by increasing poverty among working parents.

## What you need to know about poverty in the UK

- Nearly half of children in lone-parent families in the UK live in poverty, compared with one in four children in couple families. Over the last five years, poverty rates for children in lone-parent families have risen by around twice as much as those for children in couple families.
- The UK has shown that we can use policy to achieve significant falls in poverty among the groups of people most at risk – pensioners and children – through a combination of rising employment, tax credits and help with housing costs. But these trends are now in reverse. Our strong employment record has been unable to counterbalance cuts in recent years to families' financial support and the impacts of high housing costs and poor quality jobs with little scope for progression.

## Solutions

As a society we can choose to reduce the amount of people who are swept into poverty by reducing housing costs for renters, strengthening the support offered by our social security system and opening opportunities for better-paid employment.

# Background

More than one in five of our UK population (22%) are in poverty; 14.3 million people whose options are restricted by their circumstances. Of these, 8.2 million are working-age adults, 4.1 million are children and 1.9 million are pensioners. Eight million people live in poverty in families where at least one person is in work.

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This research examines trends in poverty for these groups of people over the last 20 years in the UK, presenting analysis of the main factors driving these trends. It describes the way in which poverty has changed among children, working-age adults and pensioners in our society, and provides an overview of how poverty is linked to disability and ethnicity before looking briefly at persistent poverty and destitution. The report focuses particularly on the recent rise in child poverty in working families. It also examines the ways that housing market changes have affected low-income families and pensioners. Finally, it looks at how poverty restricts people's day-to-day lives and prospects: physical and mental health, healthy life expectancy, and the links between destitution and debt, health and well being.

## Key points

- One-and-a-half million people were living in destitution in the UK at some point during 2017, including 365,000 children.
- Overall, 7% of people in the UK are in persistent poverty – 4.6 million people. The highest rate of persistent poverty is among lone-parent families (24%), followed by single men without children (12%).
- Child poverty has been rising since 2011/12. 4.1 million children now live in poverty, a rise of 500,000 in the last five years. This is much faster than we would expect based on population growth: the total number of children has risen by 3%, while the number of children in poverty has risen by 15%.
- Nearly half of children in lone-parent families live in poverty (49%) compared with one in four of those in couple families (25%).
- Lone parents are much more likely to be low paid than parents in couples; just over half of working lone parents are low paid, compared with only 37% of second earners in couples and 21% of main earners in couples.
- The rise in in-work poverty over the last five years has been driven almost entirely by the increase in the poverty rate of working parents. A working parent is over one-and-a-half times more likely to be in poverty than a working non-parent.
- The poverty rate among working-age adults without children (who were not a focus of concerted action to reduce poverty) did not change between 1994/5 and 2004/5, and then rose until 2011/12 before falling to 2014/15.
- The recent rise in pensioner poverty has been primarily driven by increases in poverty among pensioners who rent. Poverty among pensioners in the private rented sector is now 36% (up from 27% in 2007/08). For social renters, poverty has risen from 20% to 31% since 2012/13.

## Child poverty

In our society, child poverty has been rising since 2011/12. 4.1 million children now live in poverty in the UK – an increase of 500,000 in the last five years. This is much faster than we would expect based on population growth: the total number of children has risen by 3% while the number of children in poverty has risen by 15%. Virtually all of this increase in child poverty has occurred across working families.

In the last five years, poverty rates have risen for every type of working family; lone-parent or couple families, families with full and part-time workers and families with different numbers of adults in work. This is the first period in the last two decades when this has happened.

While the proportion of children living in families where no-one works has fallen steadily, the risk of poverty for these families has increased significantly. In 1996/7, 83% of children in workless families lived in poverty. By 2012/13, the risk of poverty for those children had fallen to 63%. Since 2012/13, the risk has grown again. Now, 73% of children in workless families are living in poverty.

Changes in the UK's housing market have disproportionately affected low-income families with children. Before the Great Recession, housing costs grew at similar rates across all income groups. Between 2007/08 and 2009/10, housing costs fell for families in all income groups, but by far more for those who were better off. Since 2009/10, housing costs continued to fall for families in the richest three fifths of the population but started rising again for those in the poorest two fifths. Rising costs have been largely driven by increasing numbers of low-income families with children living in the private rented sector, due to reduced access to social housing and falls in home ownership. The proportion of children in the poorest fifth living in the private rented sector rose from 17% in 2005/6 to 37% in 2016/17. At the same time, the protection provided by Housing Benefit has been weakened. Since the mid-nineties, the proportion of single-parent households in poverty and claiming full Housing Benefit who have to use other income to help pay their rent, has more than doubled – from 17% to 43%. Over the same period, the number of couples with children in poverty receiving full Housing Benefit who have to do this has more than doubled – from 15% to 37%.

## The lone-parent penalty

Nearly half of children in lone-parent families live in poverty (49%) compared with one in four of those in couple families (25%). This disparity has increased over the last five years; poverty rates for children in lone-parent families have risen by around twice as much as those for children in couple families. Lone parents are also twice as likely to be locked in persistent poverty as any other group. This is particularly worrying because living in poverty for long periods of time is more damaging than experiencing short periods of low income.

Higher poverty among lone parents is driven by their disproportionate concentration in low-paid work, high housing costs (due to needing the same size home as couple families) and cuts to benefits and tax credits.

Just over half of working lone parents are low paid, compared with only 37% of second earners in couples and 21% of main earners in couples. Lone parents are more concentrated in many sectors with high levels of low pay, and they are more likely to be low paid in those industries than either mothers or fathers in couples. This has led to average pay for lone parents falling increasingly behind pay for main and second earners in couples. The pay gap between lone parents and the second earner in couples is now £2.14 an hour, up from £0.31 in 2001/02. The pay gap between lone parents and the main earner in couples has increased from £3.59 to £5.86 an hour over the same period.

## Workers in poverty

In our society there are now almost four million workers in poverty, a rise of over half a million compared with five years ago and the highest number on record. The employment rate is also at a record high, but this has not delivered lower poverty. Since 2004/05, the number of workers in poverty has increased at a faster rate than the total number of people in employment, resulting in workers being increasingly likely to find themselves in poverty.

Latterly the rise in in-work poverty has been driven almost entirely by the increase in the poverty rate of working parents, which has grown over the past five years. A working parent is now over one-and-a-half times more likely to be in poverty than a working non-parent.

Workers in four types of industry have particularly high rates of poverty: accommodation and food services (25%), agriculture, forestry and fishing (23%) administrative and support services (22%) and wholesale and retail (18%). This compares with a poverty rate for workers overall of 12%.

## Pensioners in poverty

One in six pensioners currently live in poverty in our country. This is a considerable improvement compared with the situation two decades ago, when nearly one in three lived in poverty. That rate more than halved, falling to 13% in 2012/13, before rising again to 16% in 2015/16 and staying at that level in 2016/17. However, there are underlying trends in housing and pension savings that suggest it may rise again in the future unless action is taken.

The recent rise in pensioner poverty has been primarily driven by increases in poverty among pensioners who rent. Poverty among pensioners in the private rented sector is now 36% (up from 27% in 2007/08). For social renters, poverty has risen from 20% to 31% since 2012/13. Since 2010/11, eligible rent – the amount that Housing Benefit covers – has been falling behind actual rents paid by low-income pensioners. Poverty rates among pensioners who own their own home are low and have changed very little over the last decade.

Of the 330,000 additional pensioners in poverty since 2012/13, 60,000 are private renters and 130,000 are social renters. Over half of the increase in the number of pensioners in poverty came from the rental sector, despite only one in five pensioners renting their own home. This trend looks set to continue as more working-age people are locked out from buying their own home than in previous generations, and housing costs are higher for renters. For the poorest pensioners in the UK, the weekly cost for those paying off a mortgage was £50 in 2016/17, £81 for those privately renting and £90 for those in social rented homes.

Over the last two decades, there has been a big increase in the proportion of people retiring with a private pension and in the amount of income that successive cohorts of pensioners receive from occupational pensions. However, this has not been the case to the same degree among those on low incomes. Most of the benefits of the widening coverage of private pensions has gone to better-off pensioner families who already had another adult receiving income from a private pension. This also means that pensioners in the poorest fifth are still receiving far less from their private pension than the average.

## The impact of poverty on financial resilience, health and wellbeing

In addition to having lower incomes week-to-week, people in poverty are also much less likely to be able to build up savings to help cover unexpected expenses, invest in improvements to their homes or access opportunities. Their options are often restrained by their circumstances. One in three of those in the poorest fifth have no savings at all. People on low incomes are also more likely to get into problem debt through falling behind with bills and credit payments. Six in ten people in the poorest fifth of the population report that they are in problem debt, most commonly falling behind with Council Tax payments, rent or utility bills.

Living in poverty affects every aspect of people's lives and contributes to those on lower incomes experiencing poorer physical health and being more likely to experience mental health conditions. Over a quarter of people in the poorest fifth of the population experience depression or anxiety. The pressures of living in poverty cause considerable stress, which is often linked to poorer mental health as well as strained relationships within families. The long-term effects of poverty culminate in people in deprived areas having significantly lower life expectancy than those in better-off places.

## Conclusion

As a country, we have shown decisively that we can choose to help people escape poverty. Under successive governments, the social security system was redesigned to provide more support for low-income pensioners and families with children, as well as to boost employment. At the same time, labour market reforms such as the Minimum Wage have significantly reduced extreme low pay. Changes to the housing market enabled more people to buy homes and the combination of low-cost socially rented housing and Housing Benefit contained the impacts of rising housing costs for those on low incomes.

However, we are currently seeing much of the progress on reducing poverty unravel. Rising employment alone is not delivering lower poverty. Rather, in-work poverty is increasing faster than employment. Many workers are caught in the middle of a series of moving currents; stuck in low-paid work, with little chance of progression, subject to high housing costs and using a weakening social security. It is these factors combined, that are driving an unprecedented rising tide in poverty among working parents. And little attention has been focused on reducing poverty for working-age adults without children, with rates rising from 2004/5 until 2011/12.

Our report shows the urgency of taking action to halt the rise in poverty among workers and their families as well as among children in workless families. It also points towards the range of ways that we can choose to do this, building on past successes in reducing poverty. Unlocking access to better-paid work, enabling more families to live in low-cost rented homes and strengthening support through the social security system are all strategies which have been shown to reduce poverty. Our analysis demonstrates the importance of acting now to halt the rise of child poverty.

## Appendix – key statistics

### Overview of the number of people in poverty and the poverty rates for different groups 2016/17

Group	Number in poverty	Poverty rate
People in poverty	14,300,000	22%
People in persistent poverty	4,600,000	7%
Children in poverty	4,100,000	30%
Working-age adults in poverty	8,200,000	21%
Pensioners in poverty	1,900,000	16%
Disabled people in poverty (using the after-disability benefits measure)	4,300,000	31%
Working-age adults in poverty lone parents	900,000	46%
Working-age parents in poverty in couple families	2,700,000	22%
Working-age adults without children in poverty	4,700,000	19%
Working-age adults in poverty in workless households	2,700,000	60%
Children in poverty in workless households	1,300,000	75%
Working-age adults in poverty in working households	5,500,000	16%
Children in poverty in working households	2,900,000	24%
Workers in poverty	4,000,000	13%
Full-time workers in poverty	2,600,000	11%
Part-time workers in poverty	1,500,000	20%

Source: Households Below Average Income (HBAI) and Family Resources Survey (FRS) 2016/17 (JRF Analysis)

Note: Subtotals may not sum to totals due to rounding except figures for persistent poverty which are taken from Persistent Poverty in the UK and EU: 2015 (2017) Office of National Statistics Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2015>

## For further information

The full report, **UK Poverty 2018**, is published by the Joseph Rowntree Foundation. It is available as a free PDF at [www.jrf.org.uk](http://www.jrf.org.uk)

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