

UK Poverty 2019/20

For a decent standard of living, we all need security and stability in our lives – secure housing, a reliable income, and support when things get difficult. For too many of us, there is no such security. Millions of people in the UK are struggling to get by, leading insecure and precarious lives, held back from improving their living standards. It's time to take action on poverty and put this right. In this summary we set out what we need to do to turn the tide on poverty.

By the **Evidence and Impact team** at the **Joseph Rowntree Foundation** (JRF).

The research

This is a summary of the 2019/20 edition of JRF's annual report on the nature and scale of poverty across the UK and how it affects people who are caught in its grip. It highlights how poverty has changed in our society recently, as well as over the longer term. It examines overall changes to poverty, with chapters looking at the impact of work, the social security system and housing, and shows how carers and people with disabilities are affected by poverty.

Key findings

As concern about poverty in our society rises, there's an opportunity to right this wrong and take action to reduce our high poverty levels.

At times during the last 20 years, the UK has dramatically reduced poverty among people who had traditionally been most at risk – pensioners and children – showing that real progress is possible. But this progress has begun to unravel.

In particular, you are much more likely to be in poverty if you live in certain regions, live in a family where there's a disabled person or a carer, if you work in certain sectors such as accommodation and catering or retail, or if you live in privately rented housing.

As part of this project, we have spoken to lone parents on low incomes, whose experiences chime with our research findings. They spoke of insecurity across many aspects of their lives: 'dehumanising' work, feeling trapped 'in a never-ending circle' by the benefits system, and feeling 'stuck' in unaffordable or insecure housing with 'no alternative'.

Solutions

Much of the world of work, social security and the housing market was designed based on decisions about our society's priorities and resources. We can choose to redesign them so they loosen poverty's grip and work better for everyone.

These policy solutions would help:

- **We need as many people as possible to be in good jobs.** While the proportion of people in employment has risen consistently for six years, weak local economies in some parts of the country have led to higher unemployment, underemployment and more low pay than in the UK as a whole. This needs to change, with prospects for people in struggling places needing to be prioritised, or progress will stall. In addition, employment among disabled people and carers is still low, and they should be supported to work when they can.
- **We need to improve earnings for low-income working families,** helping people in the lowest-paid jobs or working part-time. Too many people are stuck in low-paid, insecure jobs, with little chance of progression and too few hours of work to reach a decent living standard. Workers need more security, better training and opportunities to progress, particularly in part-time jobs. In-work poverty must be seen as a critical issue for our economy and given high priority by economic policy-makers.
- **We need to strengthen the benefits system** so that it provides the anchor that people need in tough times. The current system needs to be improved to ensure it gives adequate support. We also need the system to offer a better service for people using it, and to shift public thinking so that a poverty-fighting social security system is seen as an essential public service and receives sustainable investment.
- **We need to increase the amount of low-cost housing** available for families on low incomes, and increase support for people with high housing costs. We also need to address the sense of insecurity felt by many people living in the private rented sector.

Background

Progress on solving poverty

In our strategy *We can solve poverty in the UK* (JRF, 2016), we used three measures to indicate progress towards ending poverty by 2030:

- A poverty rate of less than 10% – it's currently stuck at 22%, with little change in recent years.
- No one should experience destitution – more than 1.5 million people were destitute at some point during 2017, including more than a third of a million children.
- No one should be in poverty for more than two years – currently 7% of individuals have been in poverty for more than two years.

There has been little change in overall poverty levels for more than 15 years, rising between 2013/14 and 2016/17, before reducing slightly in the latest year's data, but remaining higher than in 2014/15. Around 14 million people are in poverty in the UK (more than one in five of the population) made up of 8 million working-age adults, 4 million children and 2 million pensioners.

We describe how:

- Over the last five years, poverty rates have risen for children and pensioners. Poverty rates are highest in London, the North of England, Midlands and Wales, and lowest in the South (excluding London), Scotland and Northern Ireland.
- Although growing employment and earnings have protected many working-age adults from rising poverty, in-work poverty has risen, because often people's pay, hours, or both, are not enough. More than three in five people in poverty are in a working family, compared with less than half 20 years ago.
- Reductions in interest rates have led to cheaper mortgages, reducing poverty rates for people buying with a mortgage. This contrasts with rising housing costs for renters.
- Once extra-cost disability benefits are discounted, nearly half of all individuals in poverty live in a household where someone is disabled.
- Poverty (measured after housing costs) fell slightly in 2017/18 compared with 2016/17 because of three housing-related factors: social sector rents in England were reduced by 1%; the proportion of homes being bought with a mortgage (which often have lower housing costs than renting) increased slightly, while the proportion being privately rented fell; and actual private rents fell in some areas.

Trends in poverty levels are driven by changes in four main factors: the employment rate; earnings; benefits and other income like pensions; and housing costs. Since 2004/05, there has not been a sustained period where all four of these drivers have gone in the right direction.

A successful strategy on poverty would therefore be rooted in high employment, rising earnings, benefits rising by at least inflation for those who need them, and falling rents compared with earnings and benefits.

The importance of work

Although paid employment reduces the risk of poverty, in-work poverty has risen, from 9.9% of workers in 1997/98 to 12.7% now – an unacceptable situation. Around 56% of people in poverty are in a working family, compared with 39% 20 years ago. This change has been particularly dramatic for children: seven in ten children in poverty are now in a working family.

Falling benefit incomes and rising housing costs have pulled working families into poverty despite a growth in earnings. This growth has only just brought earnings back to their level pre-recession for low-income working families, who faced the biggest hit to their earnings during the recession.

The risk of poverty is higher for workers with disabilities, Black and minority ethnic workers, part-time workers, those in families with children and those in single-adult families, especially lone parents.

However, rising in-work poverty has not affected all types of worker equally over the last five years:

- The risk of poverty has risen for workers in families with children, but there has been little change for workers in families without children.
- Working single parents have seen the fastest rise; now three in ten are in poverty. It was two in ten in 2010/11.
- The risk of poverty has increased for both full-time and part-time workers, and for workers with and without disabilities. Differences in employment rates, how much work is full- or part-time and the prevalence of low pay all contribute to differences between regions.

Barriers to working enough to avoid poverty

Experiencing poverty in the here and now means you are much more likely to be locked in poverty in the future. Your chance of moving out of poverty also depends on your work status. Full-time workers and workers who can increase their working hours or earn a promotion are more likely to progress out of poverty; people working part-time are least likely to move out of poverty.

In-work poverty differs by sector – the highest levels are in accommodation (for example, working in hotels) and catering, followed by retail and residential care.

Low-income workers are limited to working fewer hours on average than they used to, as they cannot find more hours to work. Around 18% of workers in the bottom fifth of hourly pay rates say they would like to work more hours but those are not available, compared with 8% for all other workers. Lack of affordable, flexible childcare and the cost and availability of transport often restrict the hours they can work. The inflexibility and cost of childcare means they rely on informal care to bridge the gap between their hours and formal childcare options.

Low-paid workers are more likely to work non-standard hours, such as evenings, weekends or irregular shift patterns than other workers. Finding formal childcare to fit in with these work patterns is much more difficult. For example, more than four in five women working in service sectors such as retail, social care and hospitality work at least some weekends, with more than half working most weekends.

Low-income workers commute much smaller distances to work than higher-income workers, and often have to drive to work so they can pick up their child on time from childcare.

This means that solutions to in-work poverty may not only be found within the workplace. Looking at local availability of childcare and transport would help with both accessing jobs and increasing hours of work.

The importance of social security

Sometimes our income might be too low to cover our core living costs because of, for instance, unemployment, low pay or insecure work, or reduced because of unexpected life events (like relationship breakdown or sudden illness) or higher costs. If this happens, it is only right that we should be able to depend on social security to prevent us from getting locked in poverty. Caring for someone, or barriers to work for disabled people, can also reduce the amount of income that people can earn through paid work.

Some people have higher core living costs than others. Living with a disability, for example, costs more, whether that's due to spending extra on transport, needing adaptations to your home, or requiring paid-for care. Having children is more expensive than not because there are extra people in the house who need supporting but don't contribute to the household's collective income.

Spending on non-pensioner benefits has been falling since 2012/13, adding to the factors that tighten poverty's grip and restrict people's options and opportunities. The largest single driver of this is the benefits freeze: since 2016, benefits have not been increased, while prices have risen in the shops. Other changes to benefits and tax credits have further reduced the support available.

Higher rates of poverty for disabled people

In a society that believes in compassion and justice, it's simply wrong that being disabled puts you at a higher risk of poverty. In 2017/18, 31% of the 13 million people with disabilities in the UK lived in poverty – around 4 million people. By contrast, the poverty rate among the non-disabled population was 20% in 2017/18. This gap in poverty rates has persisted over time.

An additional 3 million non-disabled people in poverty live in a household where someone is disabled, meaning that, overall, nearly half of the 14 million people in poverty are affected by disability.

Poverty is especially high among families where there is an adult who is disabled, at nearly 33%. If there is also a disabled child, the poverty rate is 40% – more than twice the rate where there is no disability.

Disabled people are more likely than non-disabled people to face barriers to paid work. In 2017/18, 50% of working-age disabled people were not working compared with 18% of non-disabled people. They also work fewer hours on average and are more likely to be low paid. However, the poverty rate is still higher for disabled people with a given level of qualifications – they tend to be paid less than non-disabled people with the same qualification level, including a degree. We need a continuing commitment to improve the numbers of disabled people in work, but much more action is needed by governments and employers if the disability employment gap is to be closed.

Carers are more likely to be in poverty too

There were nearly 4.5 million informal adult carers in the UK in 2017/18 – around 7% of the population – and nearly a quarter (more than a million people) were living in poverty. More than half of carers are women and three-quarters are of working age.

Working-age carers have a higher rate of poverty than those with no caring responsibilities, with over a quarter of the group being in poverty compared with around one in five non-carers. Women of working age who are carers have the greatest risk of all. Younger carers (aged under 35) have higher rates of poverty than older carers. There is also a marked gap between men and women, with nearly four in ten younger female carers living in poverty, but only just over one in four young male carers. That gap closes for older carers.

In 2017/18, 36% of working-age carers were not in work, compared with 23% of non-carers. This gap persists for men and women, and all ages from 25 to 64. It has grown over the last six years.

Those who care for more hours have a higher poverty rate; particularly people of working age. If you care for 20 hours or more a week, you have a notably higher risk of being in poverty than if you care for fewer than 20 hours. This might be because your caring responsibilities compromise your ability to work or the hours you can work. Despite this, only people who care for 35+ hours a week can claim Carer's Allowance; people caring for between 20 and 34 hours are not eligible.

The importance of housing

Housing costs have risen since 2000/01 for households on low incomes who rent in the private and social rented sectors, while average housing costs have remained at similar levels for people paying a mortgage and outright owners.

Home-ownership across the UK peaked around the year 2000, but steadily decreased to 2016/17, partly because lower-income households had worse access to mortgage finance following the recession. The UK private rented sector doubled in size between 2001/02 and 2017/18. Meanwhile, the social housing sector has continued to shrink.

Different regions have been affected by these changes to different extents:

- Housing is least affordable for households in poverty in London, the South East and the East of England, and is most affordable in Northern Ireland.
- Private renters have the highest poverty rates in Wales and the North East while social renters have the highest poverty rates in Wales, East Midlands, West Midlands and London. These high rates of poverty are caused by a mix of high rents, low income, and how many families receive Housing Benefit and how much of the rent it covers, which will vary region by region.

The growing number of households in the expensive private rented sector is part of the picture of rising poverty levels. The number of families with children in poverty living in the private rented sector grew rapidly from 2005/06 to 2015/16.

A raft of changes to social security policy have been under way since around 2010, which have made housing (especially privately rented housing) less affordable.

There has been a sustained rise in housing costs for all family types in the social rented sector over the last two decades after accounting for inflation. Following the 2015 Budget, the government changed tack, requiring local authorities in England to reduce rents by 1% a year from 2016 to 2019. But social sector rents have still become less affordable over the longer term – rising faster than inflation, taking up an increasingly high proportion of income.

The rise of young people living in ‘concealed households’

One facet of an increasingly unaffordable housing market in the UK is the barrier it creates to young people leaving home. Concealed households are those where one or more grown-up children live with one or more parents or grandparents. Here we look specifically at people who are aged from 20 to 34 years, living in concealed households.

The proportion of concealed households is increasing – 20 years ago, a quarter (2.4 million) of those aged 20 to 34 years of age lived with a parent or guardian, compared to more than a third (3.8 million people) in 2017/18.

For the last 20 years, the worst-off fifth of young adults have been more likely to live in a concealed household than independently renting or buying a home, rising in that time from 39% to 53%.

The need for action

It is simply not right that we live in a society where so many people are locked in poverty. The whole of society, including central, devolved and local government, employers and civil society must all work together for a prosperous UK where all areas are free from poverty.

This report shows the importance of place – from being able to access a job with a reliable and sufficient number of hours; knowing you can rely on the social security system to help you when circumstances threaten to pull you into poverty; and being able to afford to pay your housing costs.

But knowing this is not enough; we also need to build the public will for action. Building on our strategy to solve UK poverty, we are working with our partners in all areas of the country to tackle the three drivers of poverty, so that more people find a route out of poverty through work, more people find a route out of poverty through a better social security system and more people live in a decent affordable home.

For further information

The full report, **UK Poverty 2019/20**, is published by the Joseph Rowntree Foundation. It is available as a free PDF at www.jrf.org.uk

Read more summaries at www.jrf.org.uk
Other formats available
ISBN 978-1-911581-75-8

Joseph Rowntree Foundation
The Homestead
40 Water End
York YO30 6WP
Tel: 01904 615905

email: info@jrf.org.uk
www.jrf.org.uk
Ref: 3331