

# **MONITORING POVERTY AND SOCIAL EXCLUSION 2015**



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# MONITORING POVERTY AND SOCIAL EXCLUSION 2015

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The responsibility for the accuracy of the report, any errors, misrepresentation or misunderstandings, lies with the authors alone.

## Commentary

### Key stats

- Unemployment has fallen from 2.5m in 2010 to 1.8m in 2015
- Household worklessness is 16 per cent – the lowest on record

### The record of the last five years

This report looks at the whole five years of the Coalition's term in government, although only some of the indicators bring us right up to date. The data on the labour market and benefit claims covers 2015. The data on incomes and poverty is less recent, taking us only to March 2014.

So what can we say about the Coalition's record on incomes, jobs, pay, homelessness and education? Inevitably, the record contains good and bad, but the divisions between those indicators which have improved and those which have not is instructive. The table below summarises the changes over both the last five years and the last ten.

Much of the 'good' is found in the employment chapter. Unemployment has fallen markedly over the last five years from 2.5 million to 1.8 million even if it is not quite back to the level of the mid-2000s. This is true for young adults as well as older adults, and true for long- and short-term unemployment. Household worklessness is now the lowest on record – only 16 per cent of working-age households have no working adult.

There are a few caveats to this good news story; there are more people on temporary contracts than five years ago, and more people in self-employment, for whom incomes have been falling. There are more people working part-time but wanting full-time work. Pay rates are lower than five years ago across the distribution, after inflation has been taken into account. Still, though, the improvement is real – there are more people in full-time, permanent jobs as well.

This rise in employment has knock-on effects when we look at the number of people claiming benefits, but overall the indicators in the social security chapter are pretty mixed. Jobseeker's Allowance (JSA) claims have fallen much more quickly than unemployment, leaving around 680,000 unemployed people not claiming the support they are entitled to. Out-of-work Housing Benefit claims have fallen, but claims among working families have risen. And while the number of people claiming Employment and Support Allowance (ESA) is lower now than in 2010, it rose in the last year, after falling almost every year in the previous decade.



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

Key Better ● Worse ● Same ● No data -

Topic		Last five years	Previous five years	Total ten-year view
<b>Money</b>	Median income	●	●	●
	Bottom tenth income	●	●	●
	Child poverty (AHC)	●	●	●
	Working-age poverty (AHC)	●	●	●
	Pensioner poverty (AHC)	●	●	●
	Persistent poverty (whole population)	●	-	-
	Housing affordability for poorest fifth	●	●	●
	Housing affordability for middle fifth	●	●	●
	Households in poverty in arrears with bills	●	●	●
	Households in the bottom fifth with no savings	-	-	●
	<b>Work and worklessness</b>	Unemployment	●	●
Young adult unemployment		●	●	●
Underemployment		●	●	●
Involuntary temporary workers		●	●	●
Low-paid jobs		●	●	●
Workless households		●	●	●
Lone parent working rates		●	●	●
<b>Welfare and benefits</b>	Value of working-age benefits	●	●	●
	Other out-of-work benefit claims	●	●	●
	JSA claims	●	●	●
	Values of means-tested pensioner benefits	●	●	●
	JSA sanctions	●	●	●
<b>Services</b>	Attainment age 11	●	●	●
	Attainment gap age 16	●	-	-
	Gap in life expectancy (male)	-	-	●
	Gap in life expectancy (female)	-	-	●
	Mental ill-health (male)	●	-	-
	Mental ill-health (female)	●	-	-
	Digital exclusion	●	-	-
	Care received at home by over 65s	●	-	-
<b>Housing</b>	Private Rented Sector poverty rate	●	●	●
	Social Rented Sector poverty rate	●	●	●
	Owner-occupied poverty rate	●	●	●
	Workless Housing Benefit claims	●	-	-
	In-work Housing Benefit claims	●	-	-
	Living in non-decent housing	●	-	-
	Mortgage repossessions	●	●	●
	Landlord repossessions	●	●	●
	Homelessness acceptance	●	●	●
	Temporary accommodation	●	●	●
	Out-of-area placements	●	●	●

## Key stats

- The proportion of people in the poorest fifth with no savings has risen from 57 per cent to 69 per cent in the last decade
- The attainment gap at GCSE between children receiving free school meals and other children remains at 27 per cent

## Summary of indicators

The table on page 5 shows how indicators in the report have changed over the last five and ten years – better, worse or same. The assessment tends to be conservative; where there is any doubt, the assessment is of no change.

Some of the effects of the 2011 Welfare Reform Act can now be considered in this report. For the first time, we can include the number of people claiming Universal Credit. In May 2015, following delays and the phased nature of its rollout this figure stood at 65,000 – around 1.5 per cent of the out-of-work benefit caseload. This is the government's flagship welfare reform policy, but its impact so far is negligible because of the small numbers.

Another high profile policy is the overall benefit cap, which so far affects relatively few people (around 22,000 households nationwide) but reduces their income by a lot (an average of £65 per week). With the further reduction of this cap from £26,000 to £20,000 (£23,000 in London), the number of people affected will rise sharply, and the average losses to those currently hit will increase by a further £60. Whereas the benefit cap affects a relatively small number of people, the new harsher system of sanctions for benefit claimants affects a large number of people – 20 times as many in the last year. While numbers fell in 2014 in line with falling numbers of JSA claims, from 890,000 to 500,000, it is still around twice the level of a decade ago, when the number of claimants was roughly the same.

It is not just the number of people affected, which remains historically high even after last year's fall, but the size of the financial penalty. Around one-third of people sanctioned last year had been sanctioned more than once. The penalties ranged from four weeks' to three years' suspension of benefits.

Sanctions existed before 2011, and a form of benefit cap existed for private renters, to the extent that Housing Benefit did not cover rent in all cases. But the scale was much smaller. What we have now is a large, potentially growing number of people whose needs would previously have been met by social security but are now contingent on a variety of factors such as family size, geographical location and personal behaviour.

On incomes and income poverty, the overall proportion is similar to a decade ago, but the mix of people has changed. The average household saw their income increase by 2 per cent over the last decade, the result of a rise up to the late 2000s and a fall thereafter. Poverty across the whole population is very similar now to ten years ago – around 21 per cent measured after housing costs. But now just over half of all people in poverty are either in work or living with a working adult, up from around 40 per cent ten years ago. A third of people in poverty live in private rented accommodation, up from a fifth a decade ago. And while in 2003/04, there were more people in poverty aged over 65 than 16–25, the opposite is now true. Due to changing definitions, a longer trend is harder to confirm but in the last couple of years the poverty rate among disabled people has risen, widening the gap in poverty rates between families with and without a disabled member.

## Key stats

- 500,000 people had their JSA payments stopped last year as a result of a sanction
- More people in poverty are aged 16-25 than over 65

Increases in the cost of food, fuel and rent have hit lower-income families harder than average families, as these items make up a greater share of expenditure for people further down the income spectrum. Around a quarter of people in poverty are behind with at least one bill. And, most strikingly, the proportion of families in the poorest fifth with no savings stands at 69 per cent, up from 57 per cent a decade ago.

The services chapter shows some progress in health, but in education the same inequalities that we have been reporting on for years persist. Children receiving free school meals are still less likely to get five good GCSEs than others – the gap remains at 27 percentage points (indicator 42a). The gap between boys and girls persists, and the gap is greatest between poorer boys and poorer girls (indicator 42b). The health indicators, though slow moving, do show closing inequalities in life expectancy between men and women and between men in more deprived areas and average areas (indicator 34b)

As well as outcomes, the chapter also covers provision of services, focusing on the key areas of legal aid and social care. Cuts to legal aid mean that the number of people receiving help for welfare and housing issues has plummeted in the last couple of years. The number of over 65s receiving help to live at home is falling, while resources are focused on more concentrated and intensive packages of care for those in greatest need.

The most obvious examples of indicators moving in the wrong direction are in the housing chapter, particularly those relating to homelessness. Over the last five years, the number of rented households in England and Wales who were evicted has more than trebled, and now stands at 18,000. The number of households placed in temporary accommodation has risen by a quarter, to 64,000. Of these, 17,000 were placed outside their original local authority area, more than double the number five years previously.

Pulling this together, a picture emerges about the changes of the last five years. The average person in the UK saw their incomes fall a little during the recession and the recovery. If they owned a home, the fall will have been cushioned by low interest rates. Most of those in work avoided unemployment, even if their pay barely rose. Over a longer period, ten years rather than five, they are probably slightly better off.

At the lower end of the income spectrum, the number of people living in poverty has not really grown, but their material circumstances may well be worse now, as their incomes have not kept up with rising costs. Moreover, low-income families now have less money to fall back on in the form of savings. The mix of people in poverty has also changed – a shift towards younger, working people in private rented accommodation.

But there is now a growing group, a subset of those in poverty, whose circumstances, both in terms of material wellbeing and security, are far worse than five or ten years ago. This group includes those whose benefits have been sanctioned or capped, people in temporary accommodation and people who have been evicted from their homes. It is a group of people whose entitlement to state support in hard times has been restricted, and whose problems frequently manifest themselves in housing crises.

## Key stats

- In Northern Ireland, the proportion of adults claiming benefits is higher than the UK average in every district
- All of London's boroughs have a GCSE pass rate for poorer pupils that is better than the England and Wales average

## Poverty and place

Each chapter in this report ends with a map, showing the variation between local areas of a particular indicator. Here we focus on three of them, beginning with the map in the first chapter showing the proportion of people claiming certain benefits.

This shows a very striking pattern. In Northern Ireland, every single district has an above-average proportion of people claiming benefits, as well as the district, Derry, with the single highest rate. Other areas such as the west of Scotland, the Welsh Valleys and the ex-industrial parts of the north of England also stand out.

The map has changed little over the last few years with one significant exception. When we produced a similar map three years ago, the Inner East London boroughs of Newham and Tower Hamlets were in the group with the highest levels of benefit receipt. This is no longer the case.

The position of London regarding educational attainment among children receiving free school meals is also one of the striking figures of the map in the services chapter. London stands completely apart – every borough has a GCSE pass rate for FSM pupils above the national average. In contrast, the east coast of England is an almost unbroken line of educational under-attainment among poorer pupils, with three of the five lowest performing areas being in East Anglia.

The other map that stands out is in the housing chapter, showing the proportion of children in each local authority that live in private rented accommodation paid at least in part by Housing Benefit. Here there are two things at play – the incomes of the families and the prominence of private rented accommodation rather than social rented. London figures quite prominently, as it has high levels of poverty, high housing costs and a large private rented sector. But areas with the highest levels tend to be small towns and suburbs, and, again, coastal areas in the east of England.

These are just indicative findings. There is a lot of variation within types of area as well as between types of area. But the 'rise' of London over the last decade is hard to deny, especially in terms of employment rates and educational attainment. The changes in coastal towns also deserves greater attention. The high proportion of poor children in the private rented sector in those areas is telling – these areas lack the infrastructure to cope with rising poverty.

## Replacing the Child Poverty Act

As part of the Welfare Reform and Work Bill, the 2010 Child Poverty Act will be replaced with the Life Chances Act. As a result, the income poverty targets contained within the 2010 act will no longer be law, and will be replaced by reporting duties for measures of household worklessness and educational attainment.

The government is also intending to develop other measures and indicators of what it describes as 'root causes' of poverty, including family breakdown, debt and addiction. The new measures are yet to be announced but it seems low income will not be one of them. The DWP is still committed to publishing the relevant data, however.

To exclude income entirely would be a mistake. Poverty is about the lack of resources relative to needs, and income is generally used as the proxy for those resources. As well as collecting data on causes and symptoms, there needs to be some measure of poverty itself, or the indicators are incoherent. Having a broad set of indicators is also a positive step – this series of reports has always been based on that broader approach to measuring and tackling poverty.

As part of a wider set of indicators, the evidence in this report makes a very good case for housing being central to any understanding of poverty. In terms of life chances, having a warm, secure home is vital. It is also vital to have some idea of disadvantage in working families. This report has shown for several years that income poverty is not solved simply by one or sometimes both parents going out to work. It would be an obvious flaw in any new set of measures to pretend this was not the case.

## The next five years

Predicting exactly what will happen to levels of poverty is never easy – so much depends on the broader state of the economy and labour market, and the policy decisions made in response to that. However, there are big changes we already know about, which will inevitably make a big difference to the poverty picture in the UK.

One change is the continuing rise in the state pension age, and the impact this will have on pensioner couples receiving pension credit. Pensioners are generally seen as generously treated by the benefits system. Over half the ‘welfare’ budget is spent on pensions, and the state pension is protected by the ‘triple lock’ – it rises by whichever is the highest percentage rise – earnings, inflation or 2.5 per cent. But pension credit is not included in this lock, and has been subject to the same freezes and low increases as working-age benefits. As a result, after-inflation pension credit is worth less in 2015 than it was in 2010.

It is possible that we are already seeing the effects of this in the poverty statistics. While the rate of pensioner poverty over the last ten and even five years has fallen, the last two years of data have seen no further falls. The reduction in pensioner poverty was one of the great social policy success stories of the last 15 years, but low pensioner poverty rates should not be taken for granted.

The second big change relates to working-age benefits. A cut in working tax credits was announced in the 2015 summer budget. The changes – a cut in the total amount that any family could receive and a reduction in the number of families eligible – were announced alongside the new National Living Wage (NLW), effectively a much higher minimum wage for those aged over 25. From a poverty perspective, the cuts to tax credits do far more harm than the increases to the minimum wage will do good.

Analysis by JRF and others, showed how many families on low incomes would be worse off with the package of measures announced in the Summer Budget. JRF highlighted that in families with two children, both parents would have to work full time on the NLW to get close to a socially acceptable standard of living in 2020 and lone parents with one child (also working full time on the NLW) would be £80 short of what they need every week, compared to £39 short today.

These changes to tax credits were rejected by the House of Lords and have proven politically very unpopular. From the perspective of poverty reduction, they were problematic in any case. Expressed simply, tax credits acknowledge the cost of children and wages do not. So an approach to tackling poverty that uses tax credits will, everything else being equal, be more effective in reducing poverty among families with children than one that focuses solely on earnings. A better balance would have been to bring in the higher minimum wage and leave tax credits as they are. Higher earnings would lead to lower entitlement to tax credits, meaning the overall tax credit bill would fall, albeit by less than the scenario set out by the Chancellor in June. But families on low incomes would have been protected.

Regardless, cuts to 'welfare' in the order of £12bn were promised in the Conservative manifesto at the 2015 General Election. Tax credits were due to supply £4bn of those cuts. If that money is to be found within the welfare budget, there are only three options.

Firstly, it could come through current in-work benefits, by reworking the tax credit proposals to make them more palatable, possibly delaying their impact. Over the medium term, the effects would be the same, but the pain would be forestalled. The second option is to make changes to Universal Credit (UC), so that as people move onto that new system, only then are the cuts felt. The slow rollout of UC makes estimating the impacts of that approach very difficult, but again, this would simply delay the problem, and undermine the effectiveness of UC at the same time.

The third option is that it is out-of-work benefits that take the hit. If the working tax credit cuts were unpopular due to the effects on working families who are seen as deserving of government support, attention may move to a group seen as less deserving. Given the long term freeze in out-of-work benefits, cuts to Housing Benefit for young people and reductions in amounts of money given to disabled people who have been found unfit for work, further cuts to this group would cause exceptional hardship. At the moment, and probably until next spring, there is a lot of uncertainty over what exactly will happen. Announcements made in budgets and spending reviews can change. But ostensibly, any cuts to the social security bill in the order outlined at election time are almost bound to increase poverty levels.

Although such an increase was predicted when the recession first hit in 2009 and when the first round of austerity cuts were announced in 2010, one of the reasons it didn't happen was due to the good performance of the UK labour market, highlighted in this report.

There is, therefore, a lot riding on the labour market continuing to grow as strongly in the next five years as it did in the last five. But while the last five years was about getting people who were out of work into work, the next five has to be about helping people in work progress both in terms of hours and pay. This is potentially a much harder task.

There also needs to be an increased focus on the role of another market, the housing market, in tackling poverty. Many of the trends that worsened the most are at the acute end of the housing crisis – rising homelessness, rising repossessions, the growing number of families living in temporary accommodation. People cannot be expected to work their way out of poverty in such conditions – a secure, affordable home is the first step on the route out of poverty.

## Chapter 1

### Money

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## Introduction

This chapter looks at different aspects of household finances – income, expenditure, debts and savings. Money matters. In a market economy such as ours, there is no meaningful way of measuring standards of living that does not have money at its core.

Clearly income is key to this, and it is central to our analysis, but it is not the only aspect that matters. Thinking about income alone, rather than in combination with debts, savings and other assets, limits our understanding. This chapter aims to take a broader view.

The measure of poverty used here is not perfect. The criticisms are valid – falling average living standards shouldn't in themselves lead to a fall in poverty. The experience of being in poverty for several years is objectively worse than being in poverty for a short period of time. This chapter looks at different ways of measuring income, and discusses the effects this has on our understanding of contemporary poverty.

We do, though, need a starting point. The table below sets out the poverty threshold for different family types. It shows the contemporary threshold for 2013/14 against which 'relative' poverty is calculated. It shows the threshold for 2010/11, uprated for inflation. This is the threshold against which 'absolute' poverty is measured. It also shows, for reference, the minimum income standard levels for each family type, for 2013/14.

That the contemporary threshold is lower than the fixed 2010/11 threshold tells us that incomes are lower now than in 2011. That both are lower than MIS tells us that on either measure, low-income families do not have an income adequate for a minimum standard of living.

**Table: Poverty thresholds (weekly income, after tax and housing costs)**

	Single adult	Lone parent with one child	Couple with no children	Couple with two children
2013/14 threshold	£134	£181	£232	£375
Uprated 2010/11 threshold	£136	£183	£235	£381
UK MIS threshold for 2013	£180	£259	£289	£439



## Choice of indicators

The chapter starts by looking at how household incomes have changed over time. This sets the context for the rest of the chapter, showing the difference between income groups and family types.

The indicator on poverty measurement compares different types of poverty measure, to illustrate their similarities and differences. We focus in on the material deprivation measure to show how similar levels of income can lead to different experiences of poverty between different groups.

The next indicator looks at poverty in a more dynamic way – the proportion of people who remain in poverty over the medium term as well as the various events that lead to people moving in or out of poverty. This gives us a better understanding both of the severity of poverty and the areas on which policy should focus.

The next three indicators look at how other aspects of material wellbeing intersect with income. The first looks at rising costs of goods, and how expenditure patterns differ across the population. We focus specifically on housing, a significant and, in almost all cases, unavoidable regular cost.

The next indicator looks at savings and debt. Having savings can allow a family to smooth over periods of low income. Conversely, a family having to make debt repayments will need a higher income to meet that cost alongside their basic needs.

We then look at how the proportion of people living in low-income households has changed over the last decade and how these changes vary between different groups. We look at poverty by age group, comparing the outcomes of children, working age adults and pensioners, who have been the focus of very different policy approaches.

We look at in-work poverty, and how the share of people in poverty has shifted from workless to working families in recent years. The amount of work carried out in a family is an important determinant of poverty, as the supporting graph explains.

The final graph in this chapter looks at the links between disability and poverty. Disabled people are at higher risk of low income than other people, and also face much higher costs. The first graph seeks to show how these risks have changed over time, and the second looks at the intersection of housing and disability.

## 1 Incomes over time

**Household incomes across the whole population fell following the recession in 2008, and only started rising again last year. These changes vary according to the position in the overall distribution and family type.**

By 2013/14, allowing for inflation, median income was 2 per cent higher than a decade earlier, following a steep fall since 2009/10. At that peak, median household income was 5 per cent higher than in 2003/04. Incomes at the bottom of the distribution have followed a different pattern, peaking as early as 2004/05 and either falling or rising only slightly since. The net result of this is that the incomes of the poorest 10 per cent are now almost exactly where they were a decade ago.

The incomes of the top 10 per cent rose more than the average and much more than the poorest in the first period shown in the graph. At their peak, in 2009/10, they were 11 per cent higher than in 2003/04, compared with the 5 per cent rise we saw for the average. They fell sharply thereafter, but end this period 5 per cent higher than a decade earlier, a bigger overall rise than the average and a much bigger rise than the poorest 10 per cent.

The figures in both these graphs are adjusted for inflation, and the choice of inflation index is a matter of contention. We use the IFS's adjusted Consumer Price Index (CPI) measure, as it takes account of housing costs and as the Retail Price Index (RPI) measure (used in the official statistics) is known to systematically overstate inflation and hence understate real income growth. Using RPI, median incomes are still below their 2003/04 level.

The second graph shows the changes in income over the last decade by family type. Pensioner couples have seen the largest rise in income, both on average and among those in the bottom tenth of the income distribution among that group. Median income among pensioner couples rose by 23 per cent between 2003/04 and 2013/14. For single pensioners, the rise was 16 per cent. At the lower end of the income spectrum, pensioner couples saw their incomes rise by less – 15 per cent – and the incomes of single pensioners rose by only 2 per cent.

Lone parent families were the only working-age group to see their incomes rise both at the median (13 per cent) and the bottom of the distribution (7 per cent). In contrast, single adults without children saw falls in income both at the median (8 per cent) and the bottom (15 per cent). Working-age couples, with and without children, saw small rises at the median and small falls at the bottom.

So, at the top and bottom of the income spectrum, with the exception of lone parents, incomes rose more for pensioners than for working-age people. For any given family type incomes rose more at the median than at the bottom.

## Incomes over time

### Indicator: 1A

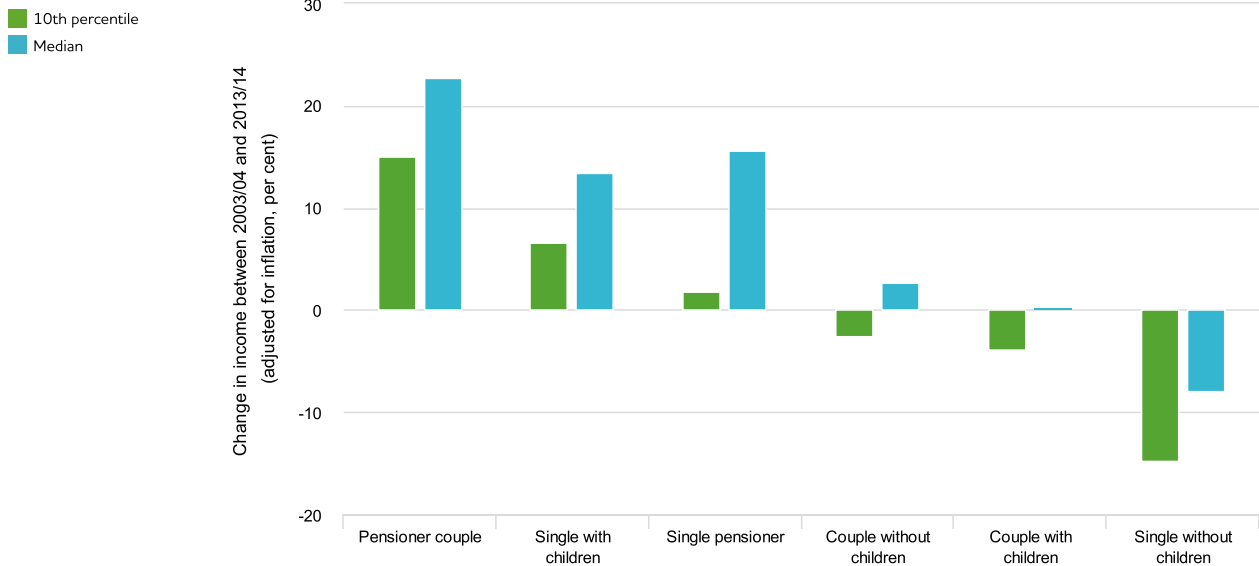
Following a decade of fluctuations the incomes of the poorest are no higher than ten years ago. For middle income households they are 2 per cent higher but for the richest they are 5 per cent higher.



Source: Living standards, inequality and poverty spreadsheet, IFS; the data is for the UK

### Indicator: 1B

For all family types the incomes of the poorest 10 per cent have fallen by more or risen by less than those in the middle.



Source: Households Below Average Income, DWP and income deflator, IFS; the data is for the UK

The first graph shows the change in incomes for households at the 10th percentile, 50th percentile (median) and 90th percentile of the income distribution in the ten years since 2003/04.

The second graph shows how the incomes of different family types at the 10th percentile and 50th percentile of the income distribution have changed in the ten years to 2013/14.

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 looks at the income distribution each year.

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

## 2 Measures of poverty

**The absolute and relative poverty measures tell similar stories but the material deprivation measure suggests a different trend. Moreover, the difference in deprivation by family types with similar incomes is striking.**

In the most recent year for which data is available, 2013/14, 21.6 per cent of people lived in households with incomes below the 2010/11 median (adjusted for inflation), and 21 per cent lived in households below the 2013/14 median. This difference is smaller than the previous year, but neither difference was statistically significant.

When incomes are rising, we would expect a greater divergence between a contemporary measure and a fixed measure. The fact that poverty under the fixed measure was not much higher than the contemporary measure in the years before 2010/11 tells us that incomes grew little up to that point. That poverty is not now lower under the fixed measure tells us incomes have grown little since.

The first graph also shows the level of material deprivation – the proportion of the population who cannot afford three or more of nine everyday items such as a washing machine, car or healthy meal. The break in the series in 2012 makes this slightly difficult to interpret, but it is clear that the proportion of people who are materially deprived (using this threshold) is lower than the proportion in low-income households. In 2013, 17.4 per cent of people were below this threshold.

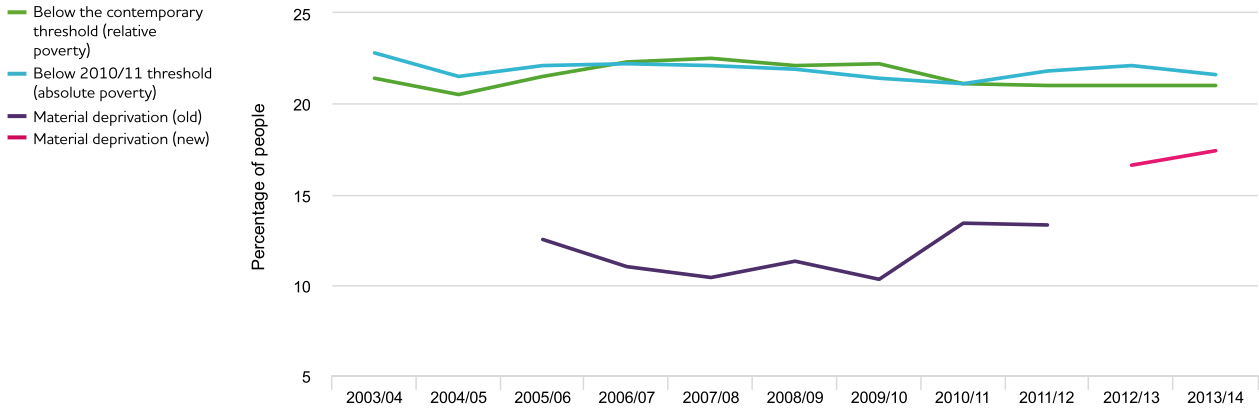
Levels of material deprivation vary between family types, even among those in low-income households. Pensioner families seem to have particularly low levels of material deprivation. The majority of both single and couple pensioners in low-income households do not lack any everyday items for reasons of cost. By way of comparison, among working-age couples without children, the family type with the next lowest level of material deprivation, two-thirds of people cannot afford at least one item.

The low level of pensioner deprivation could be due to two things. First, pensioner households are less likely than working-age households to have a very low income. So among the low-income group we consider here, their incomes will be slightly higher than the average. The other reason is attitudinal. Older people tend to think they need less than working-age families and the Minimum Income Standard research bears this out. So in response to a question about why they lack an item, they may be more likely to say this is because they do not want or need it than because they cannot afford it.

## Measures of poverty

### Indicator: 2A

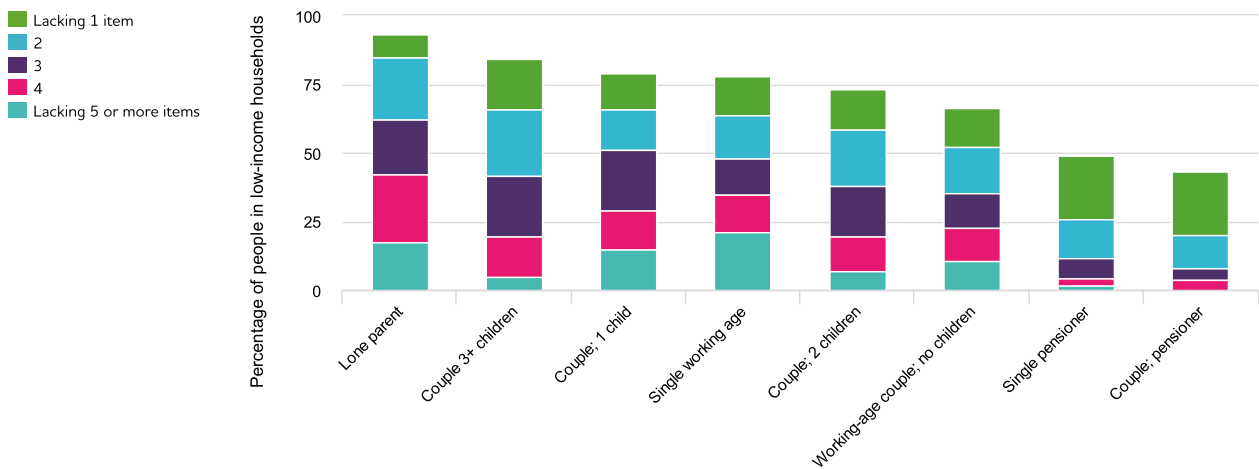
Over the last five years, there has been little difference in the number of people in poverty using the 'absolute' or 'relative' thresholds. The proportion of people materially deprived was generally lower.



Source: Living standards, inequality and poverty spreadsheet, IFS and Eurostat; the data is for the UK

### Indicator: 2B

Among those in low-income households, lone parent families are most likely to lack everyday items because they cannot afford them. Pensioner families are least likely to lack items for that reason.



Source: EU SILC via Eurostat; the data is an average of 2011 to 2013 for the UK

The first graph shows three measures of poverty – the fixed threshold, the relative threshold and a measure of material deprivation. The first two measures are those previously included in the Child Poverty Act of 2010, although used here to measure poverty at the whole population level. The material deprivation measure comes from a different source, the European Union Statistics on Income and Living Conditions (EU-SILC).

The second graph looks more closely at this third measure, and how it varies across family types. It is based on a set of questions regarding items that families might lack because they cannot afford them.

Reliability rating: medium. The datasets are large enough to give answers we can be reasonably comfortable with, but the material deprivation measure has changed in recent years, meaning the series is not continuous.

### 3 Poverty dynamics

**The proportion of people who remain in poverty for several years is lower in the UK than in the rest of Europe. Most moves in or out of poverty are associated with a decrease or increase in paid work.**

The first graph compares the trends in poverty in the UK with those in the EU. Over the last five years, the overall poverty rate in the UK has been very similar to the EU average. Using the Before Housing Costs measure which is more standard across Europe, 19 per cent of people in the UK were in poverty in 2008, compared with 17 per cent in the EU. By 2013, the UK figure had fallen to 16 per cent, whereas the EU figure remained at 17 per cent.

Over the same period, the proportion of people in persistent poverty – that is, in a low-income household for that year and at least two of the previous three – diverged in the UK from the EU average. In 2008, the figures were almost identical, at just over 8 per cent in the UK and EU. By 2013, while the UK figure was largely unchanged, the EU figure had risen to 10 per cent. So poverty in the UK was more 'dynamic' than in the EU. Fewer people are in low-income households for a long time, but it follows that more people must be experiencing short spells in low income.

The second graph shows some of the main reasons why families with children move in and out of poverty. Around 40 per cent of children in families that became workless from one year to the next, whether they were previously fully working or part working, moved into poverty. Around three-quarters of children in families that moved from workless to full working moved out of poverty. The figure was similarly high for children in families that moved from part working to full working.

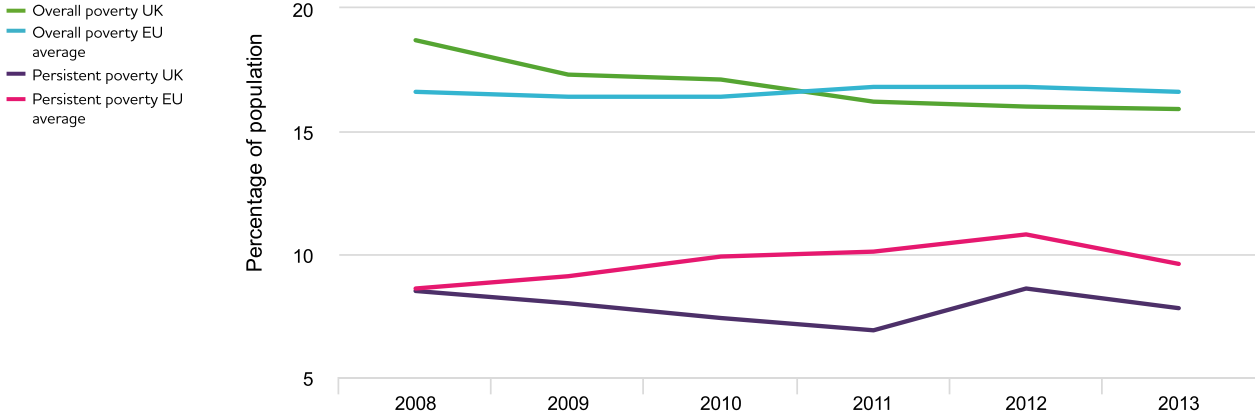
Falls in earned income were also associated with moves into poverty. Of children whose parents were fully working, 6 per cent moved into poverty when the earned income fell. Among children whose parents were part working, this figure was 19 per cent. Rises in earned income were likewise strongly associated with moves out of poverty. Among children in poverty whose parents were fully working, a rise in earned income lifted 73 per cent out of poverty. For those in poverty whose parents were part working, the figure was 51 per cent.

These labour market events – rises or falls in hours or earnings – were associated with well over half of all moves in and out of poverty. In comparison, changes in family structure – changes in the number of children, family break-up – were associated with much smaller numbers. Parental break up resulted in 14 per cent of children affected moving into poverty, but, as a relatively rare event, accounted for only 1 per cent of all moves into poverty.

## Poverty dynamics

Indicator: 3A

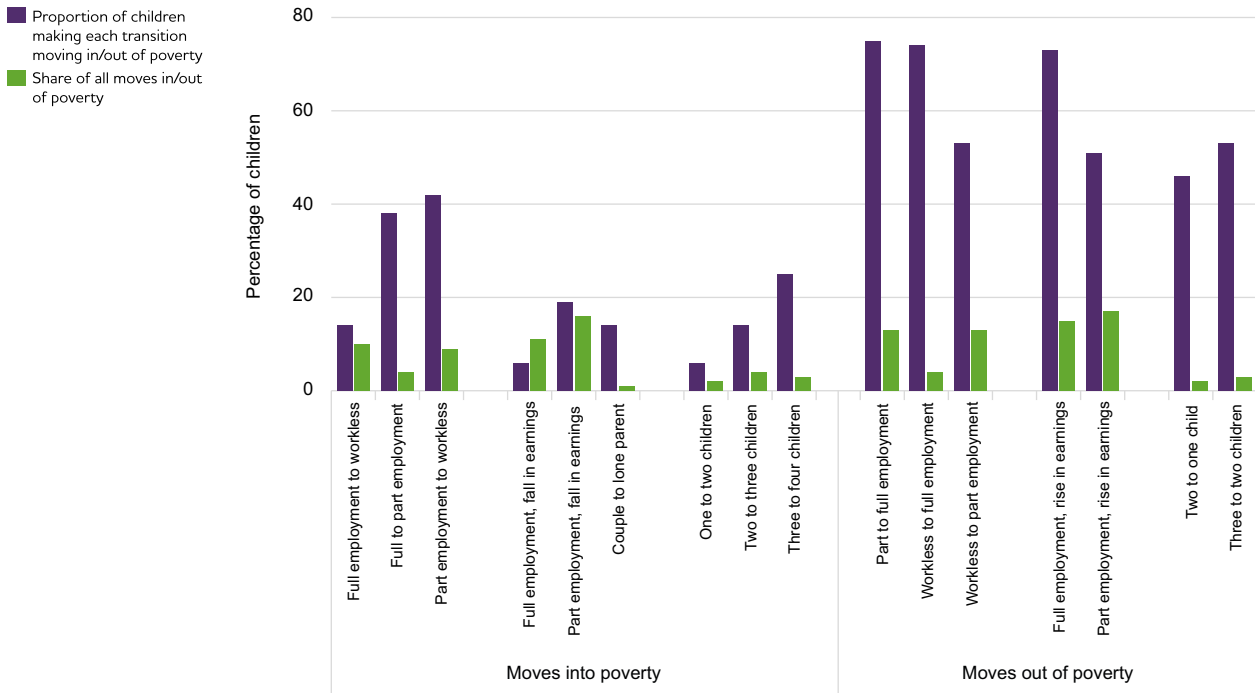
Overall poverty in the UK has been similar to the EU average over the last five years, but persistent poverty has been lower in the UK than the EU.



Source: Persistent poverty in the UK and EU, 2008-2013, ONS 2015

Indicator: 3B

Changes in work status account for far more moves in and out of poverty than changes in family status.



Source: Child poverty transitions: exploring the routes into and out of poverty 2009 to 2012, NatCen for DWP; the data is for UK

The first graph shows two measures of poverty. The first is those households in low income at a given point in time. The second measures households who spent three or more of the last four years in low income – a measure of persistence.

The data in the second graph comes from analysis of the Understanding Society dataset carried out on behalf of the Department for Work and Pensions. It shows two aspects of the movement in and out of poverty – the proportion of people who move in or out of poverty following some event, and the share of all moves into or out of poverty following that event. These events are only associated with moves in or out of poverty – we cannot say that they cause such moves. Indeed, a move in or out of poverty may be associated with several events.

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

## 4 Costs and inflation

**Over the last few years, essential items have risen in price faster than the overall average. As a result, the cost of living has risen more quickly for low-income households than other households.**

Since 2006, prices, measured using the Consumer Price Index adjusted for housing costs (CPI-H) have risen by 23 per cent, the rate of increase slowing somewhat in the most recent year. But different items in the index have increased in price at different rates, and in some cases actually decreased.

The first graph shows a selection of the components of CPI-H, rather than the full set. However, the rise we see in electricity, gas and other fuels, of 74 per cent over these eight years, is not just higher than any other item in the graph but is also higher than almost any other subset in the index (the exception being education, which has risen by more due to the increase in university tuition fees).

Over the same period, food costs have risen faster than the average, a total of 40 per cent since 2006. Rental costs for housing rose at almost exactly the same rate as CPI-H (22 per cent compared with 23 per cent). Owner occupiers' housing costs rose at just over half the rate of renters' – 12 per cent in eight years.

Not everything rose in price. A good example of an item whose price fell in recent years is clothing, which now costs 14 per cent less than in 2006. Other examples, not included in the graph, include some audio visual equipment and second-hand cars.

The second graph shows why these changes impact differently on households with different incomes. Food and fuel, which rose faster than the overall index, make up a much greater share of expenditure among the poorest fifth than the rest of the population. Food makes up 16 per cent of expenditure for the poorest fifth, compared with 13 per cent on average and 8 per cent among the richest fifth. For fuel the figures are 9 per cent, 5 per cent and 4 per cent. Rents rose at the same rate as overall inflation, but again make up a larger part of expenditure for lower-income households (11 per cent) than households with average incomes (7 per cent) or top fifth incomes (4 per cent).

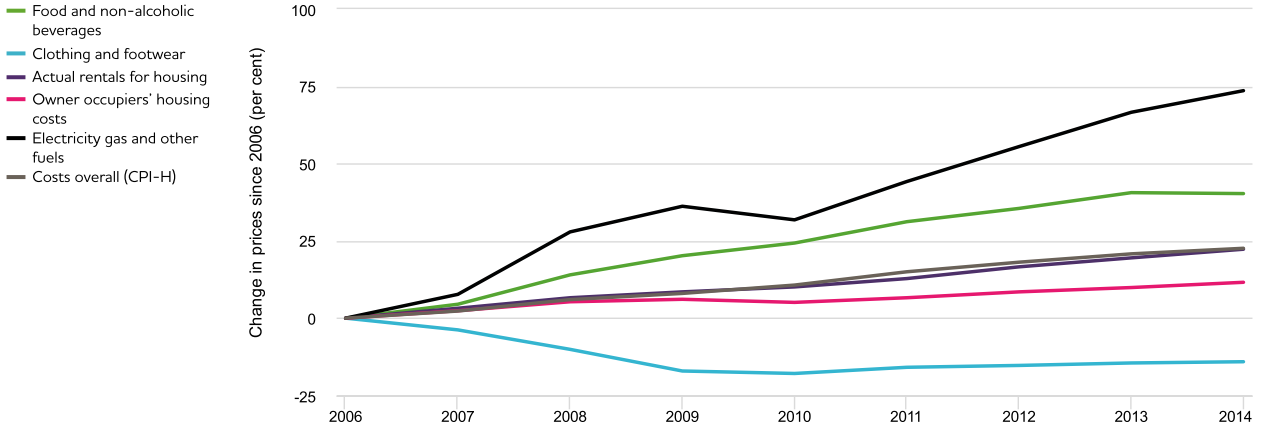
Conversely, the costs of home ownership, which rose more slowly than the overall index, make up a smaller proportion of expenditure among the poorest fifth (5 per cent) than the average (8 per cent) or the top fifth (10 per cent). This is largely due to the fact that lower-income households are less likely to own properties and more likely to rent.



## Costs and inflation

### Indicator: 4A

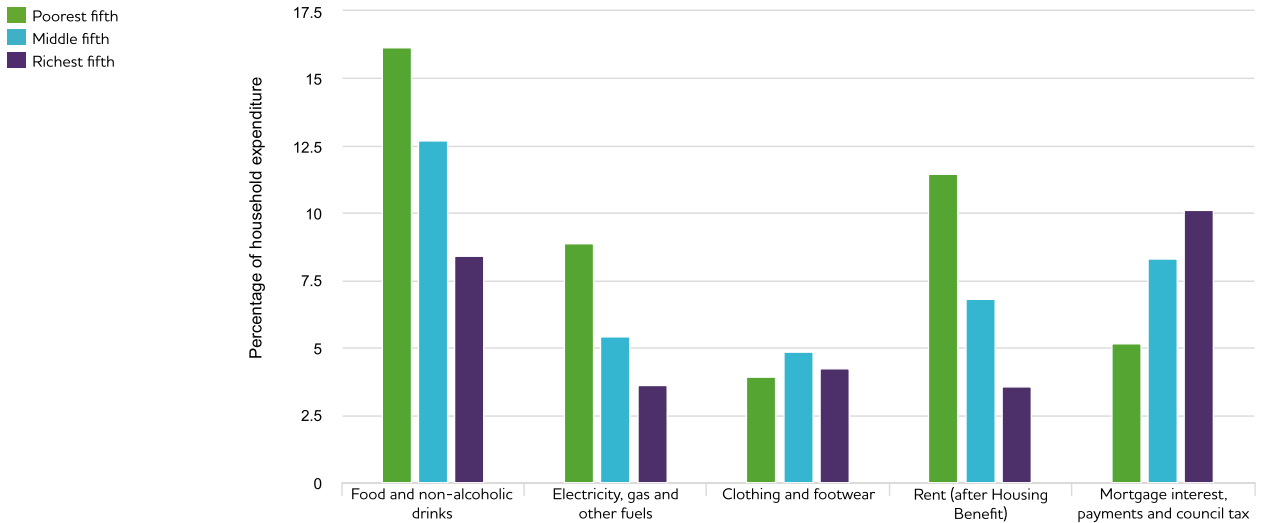
Food costs have risen almost twice as much as costs overall since 2006; the cost of fuel has risen at least three times higher.



Source: Consumer Price Inflation, ONS; the data is for the UK

### Indicator: 4B

The poorest families spend a greater share of their income on items that have risen more in cost.



Source: Family Spending, ONS; the data is for 2013 for the UK

The first graph shows the percentage changes since 2006 in the cost of a range of goods that make up the Consumer Price Index Housing (CPI-H) measure of inflation. For reasons of space, some items that make up the CPI-H are excluded.

The second graph shows the proportion of overall household expenditure spent on certain goods and services. It compares this for households in the bottom, middle and top fifth of the income distribution. Income is measured before housing costs.

Reliability rating: high. CPI-H is a widely recognised measure of inflation. The second graph is from government published statistics based on a large household survey.

## 5 Housing costs

**Housing costs as a share of income rose in the last ten years for average-income and low-income families. Costs are now particularly high in the private rented sector, where the majority of low-income households now spend over a third of their income on rent.**

In 2013/14, 39 per cent of households in the poorest fifth spent over one-third of their income on housing costs. This has risen sharply in the last ten years, from 30 per cent in 2003/04. Over the 15 years for which we have statistics, the proportion has never been higher than it is today.

Lower-income households are not alone in finding housing costs taking up an ever larger share of their income. Among those in the middle fifth, the proportion spending over a third of their income on housing costs has risen from 6 per cent in 2003/04 to 9 per cent in 2013/14. Clearly, though, the scale of the problem is quite different. Poorer households are around four times as likely to spend a third or more of their income on housing as households with average incomes.

Looking by tenure type, the difference between the private rented sector and elsewhere stands out. 78 per cent of private renting households in the poorest fifth spend over a third of their income on housing costs. Even among private renters in the middle of the income spectrum, around one-third spend more than this amount on housing costs. This is almost identical to the proportion of owner-occupiers in the poorest fifth (32 per cent compared with 33 per cent).

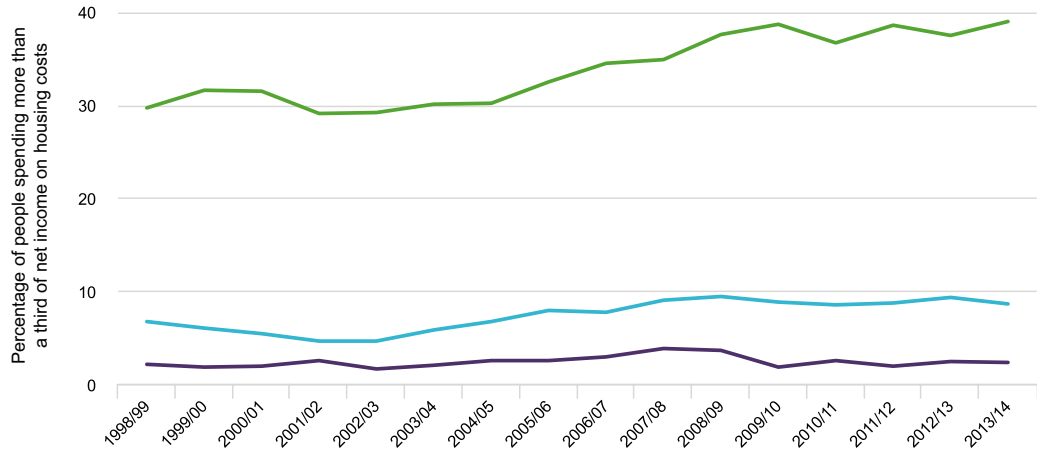
The social rented sector is somewhere between the private rented and owner-occupied sectors in terms of the burden its costs place on families. Among those on the lowest incomes, housing costs make up over a third of the income of 57 per cent of families. Among social renters on average incomes, this drops to 7 per cent, a figure far closer to average income owner-occupiers (3 per cent) than private renters (32 per cent).

# Housing costs

## Indicator: 5A

A growing share of the poorest fifth spend more than a third of their income on housing; at 40 per cent it is four times higher than the middle fifth.

■ Poorest fifth  
■ Middle fifth  
■ Richest fifth

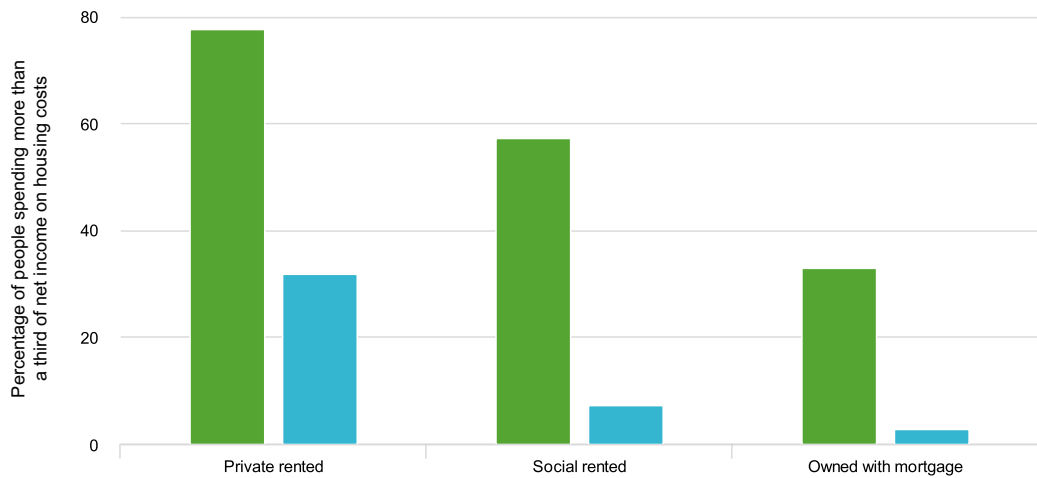


Source: Households Below Average Income, DWP; the data is for the UK

## Indicator: 5B

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 level of income.

■ Poorest fifth  
■ Middle fifth



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

The first graph shows the proportion of households in the bottom, middle and top fifth of the income distribution that spend more than a third of their net income on housing. It shows how this has changed in the 15 years to 2014/15.

The second graph shows the proportion of households in the bottom and middle fifth of the income distribution that spend more than a third of their net income on housing. It compares this for three tenures: social rented, private rented and owners with a mortgage.

Housing costs are calculated as 'total income before deducting housing costs' less 'total income after deducting housing costs' in the Households Below Average Income dataset. They include items such as rent service charges, ground rents, mortgage interest (but not capital) and buildings insurance. For people receiving Housing Benefit, the benefit itself is treated as income while the rent it covers is treated as housing costs.

The income fifths are based on disposable household income before deducting housing costs. This is preferable, in this instance, to the after housing costs measure which may include in the lower quintiles some households who have high incomes but exceptionally high housing costs.

Reliability rating: medium. The data is drawn from an official government survey, but there are many ways that housing costs and income can be measured. The measure used here is considered the most appropriate.

## 6 Savings and debt

**Despite little change in the proportion of people in poverty in arrears with their bills, the proportion of people in low-income families with no savings has increased substantially.**

In 2013/14 a quarter of working-age adults in poverty were behind with at least one bill, including rent, mortgage and other loans, more than four times higher than the rate for those not in poverty at 6 per cent. In the last year it rose by 3 percentage points among adults in poverty but was unchanged for other adults.

Before 2012/13 'being behind with 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 last ten years between 20 per cent and 22 per cent of working-age adults in poverty were behind with a bill and the proportion among other adults was 5 per cent or 6 per cent. So during the recession in 2008/09 and when incomes were falling in the following two years there was little change in the proportion of people behind with bills. Looking at the narrower measure, the proportion behind with a bill increased by two percentage points in the year to 2013/14, the biggest annual shift in a decade, but it remains to be seen if this higher level of debt persists into 2014/15.

While there has been little change in bill arrears in the last decade, there have been notable shifts in the distribution of savings. Between 2003/04 and 2013/14, the proportion of people with no savings increased across the income distribution but so has the proportion with savings of £20,000 or more. Therefore the share of people with some, but not substantial, savings has fallen as the proportion at either extreme has increased.

Almost 70 per cent of people in the poorest fifth of the income distribution had no savings, compared with 40 per cent in the middle of the income distribution and 17 per cent in the top fifth. For each income group this proportion was higher in 2013/14 than in 2003/04. The smallest increase was at the top of the income distribution but the biggest increase was among the second income fifth, rising by 17 percentage points over the decade.

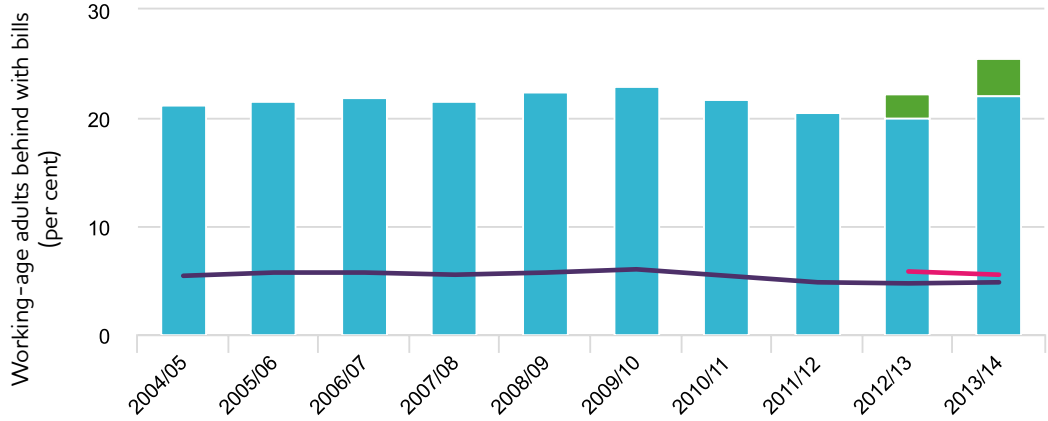
In the poorest fifth, 6 per cent of people had savings of £20,000 or more, compared with 13 per cent in the middle fifth and 39 per cent in the richest fifth. While the proportion of people with £20,000 or more in savings increased at least slightly across the income distribution, the proportion among the richest fifth increased by 11 percentage points, more than double the increase among the other income groups.

# Savings and debt

## Indicator: 6A

A quarter of adults in poverty are behind with a bill. This is an increase on the previous year and almost five times higher than the proportion among other adults not in poverty.

- In poverty - behind with bills including rent; mortgage and other loans
- In poverty - behind with bills excluding rent; mortgage and other loans
- Not in poverty - behind with bills excluding rent; mortgage and other loans
- Not in poverty - behind with bills including rent; mortgage and other loans

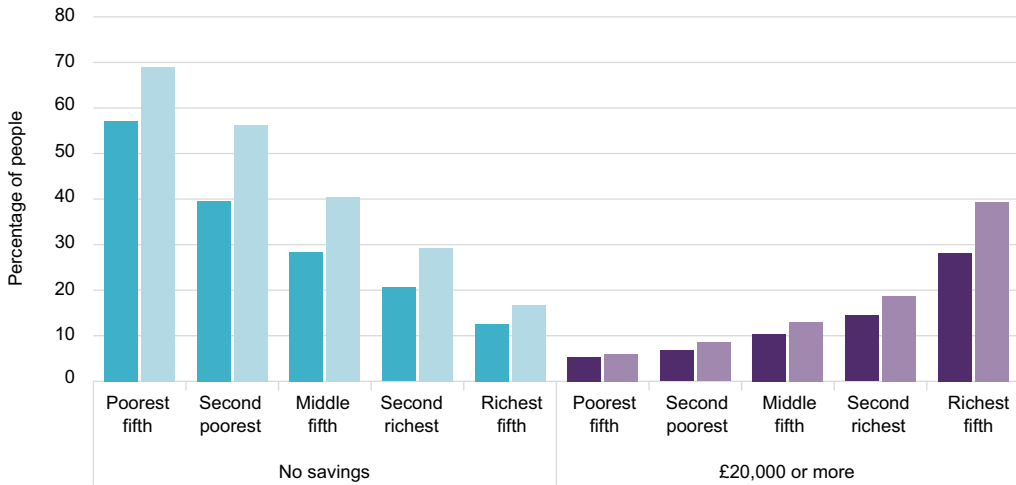


Source: Family Resources Survey and Households Below Average Income, DWP; the data is for the UK.

## Indicator: 6B

Across the income distribution the proportion of people with no savings has increased but the rise was biggest among the bottom half.

- No savings in 2003/04
- No savings in 2013/14
- £20,000 or more in 2003/04
- £20,000 or more in 2013/14



Source: Households Below Average Income, DWP; the data is 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. The bills are Council Tax, water, electricity, gas, telephone, insurance, hire purchase and other fuel bills. In 2012/13 and 2013/14 households were also asked if they were behind with their mortgage, rent or 'other loans'. For these years the graph also shows the proportion of households that were behind with one of these three bills but not others.

The second graph shows the proportion of people in each fifth of the income distribution with no household savings (on the left side of the graph) and with savings of more than £20,000 (on the right side of the graph). It compares the data for 2003/04 and 2013/14.

Both graphs use income measured after housing costs.

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

## 7 Poverty and age

**Over recent years the poverty rate for pensioners, working-age adults and children has remained relatively flat, but over the last decade and within the working-age group young adults have experienced a sharp increase in poverty.**

In 2013/14, 14 per cent of pensioners were living in low-income households, compared with 21 per cent of working-age adults and 28 per cent of children. None of these rates have changed significantly in the last year.

But over a longer time period a substantial shift becomes clear. At the start of the 2000s, pensioners were markedly more likely to be in poverty than working-age adults – 26 per cent compared with 19 per cent. At the start of the 1990s, they were more likely to be in poverty than children were, with a pensioner poverty rate of 38 per cent compared with a child poverty rate of 31 per cent.

Throughout the 1990s and 2000s pensioner poverty fell sharply, while child poverty has fallen slowly and unevenly and working-age poverty in the 2000s has risen. Comparatively there has been little change in these poverty rates in the 2010s.

For adults aged under 55 the poverty rate in the three years to 2013/14 was higher than a decade earlier. But the largest increases were among younger working-age adults aged 16–19 and 20–24, rising by 6 and 4 percentage points respectively. These age groups now have the highest poverty rates of all adults at 34 per cent for 16 to 19-year-olds and 29 per cent for 20 to 24-year-olds.

For all age groups from over 60 the poverty rate in 2013/14 was lower than in 2003/04. The most substantial falls were among the oldest, with a fall of more than ten percentage points among each of the groups aged 70 and up.

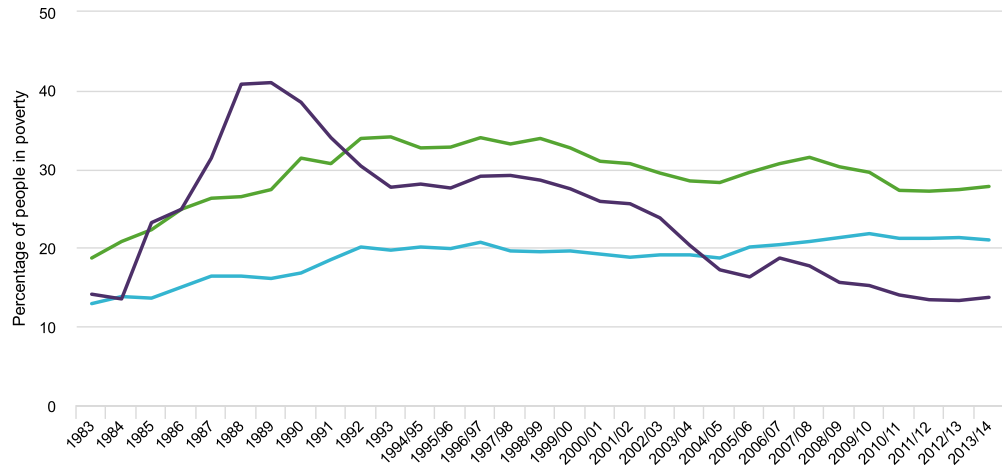
In 2003/04 the poverty rate was highest for the younger and older adults, with those aged in their 40s and 50s with the lowest rates. In 2013/14, this trend is different: the youngest adults still have the highest poverty rates; it was lower for those of middle-age but it was lower still for people in their 60s and 70s.

## Poverty and age

### Indicator: 7A

At almost 30 per cent, the poverty rate among children has been consistently high since the 1990's. For working-age adults it has remained around 20 per cent but for pensioners it is less than 15 per cent following considerable long-term falls.

— Children  
— Working-age  
— Pensioner

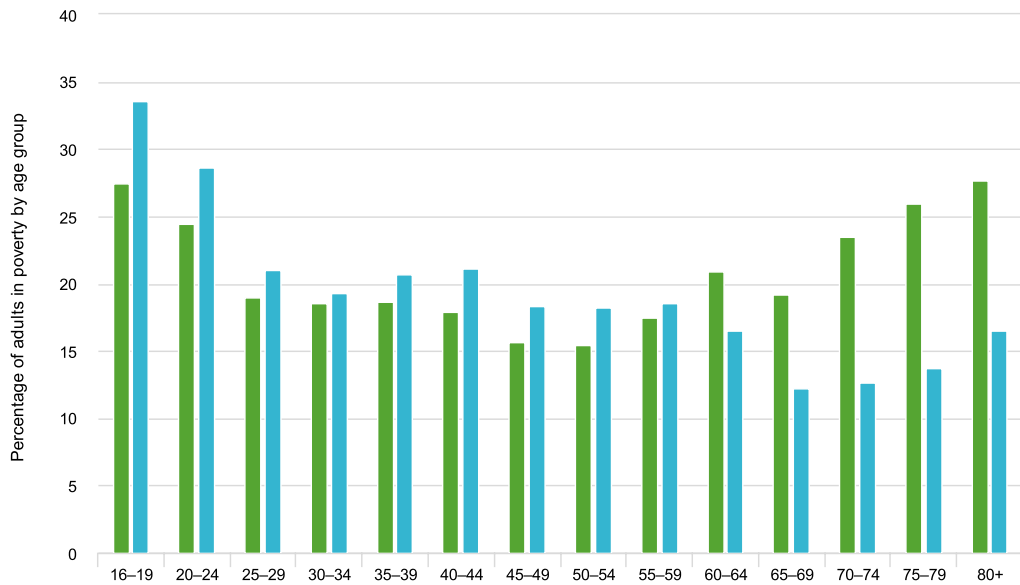


Source: Living standards, inequality and poverty spreadsheet, IFS; the data is for Great Britain to 2001/02 and for the UK thereafter

### Indicator: 7B

The poverty rate for age groups over 60 has fallen but for age groups under 60 has risen.

■ 2001-02 to 2003/04  
■ 2011-12 to 2013/14



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

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 five-year age group. It compares data for the three years to 2003/04 and 2013/14 (three-year averages are used to improve accuracy). Both graphs use income measured after housing costs. Reliability rating: 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.

## 8 In-work poverty

**Among people in poverty, 3.8 million live in families where all adults work and 3.1 million live in families where one adult works and one does not. Less than half of people in poverty live in workless or retired families (6.4 million).**

In 2013/14 6.8 million people in poverty were in families where someone was in work, 400,000 more than the number in poverty in families where no one was in work, including pensioner families at 6.4 million.

Over the last 15 years the number of people in poverty in a working family has been rising and the number in a workless or retired family has fallen. At the start of the 2000s 7.7 million people in poverty were in non-working families and 5.3 million were in working families – the split was 60:40. But these two numbers have converged throughout the 2000s and by 2008/09 the split was 50:50.

Since then the number of people in poverty in working and non-working families has fluctuated as unemployment overall increased and then fell. But the most recent year saw a continuation of the long-term trend with the number of people in poverty in a working family increasing by 200,000, the same as the decrease in the number in a non-working family.

Of those 6.8 million people in poverty in a working family, 3.1 million were in families where one adult worked and one did not. The vast majority of them were in families with children (only 650,000 were adults in couples without children).

More than half of people in in-work poverty were in families where all adults worked: 1.7 million in families where all adults worked full-time, 1.1 million where all adults worked part-time and 1.0 million where one adult worked part-time and one worked full-time.

Two-thirds of people in in-work poverty were in families containing children. But 900,000 people were in poverty despite having no children and being in families where all adults worked full-time.

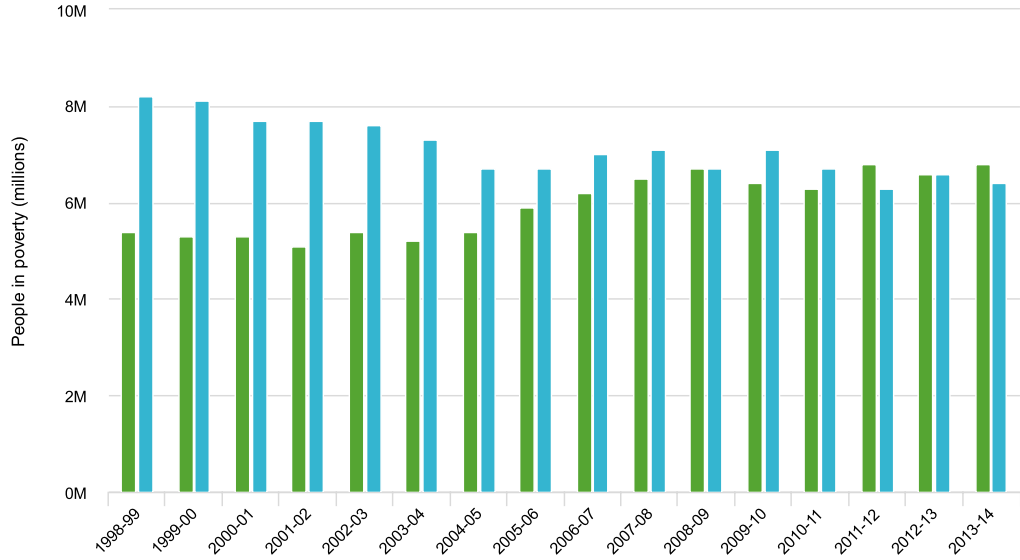


## In-work poverty

### Indicator: 8A

More than half of people live in a family where someone is in work. At 6.8 million it is 1.5 million higher than a decade ago.

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

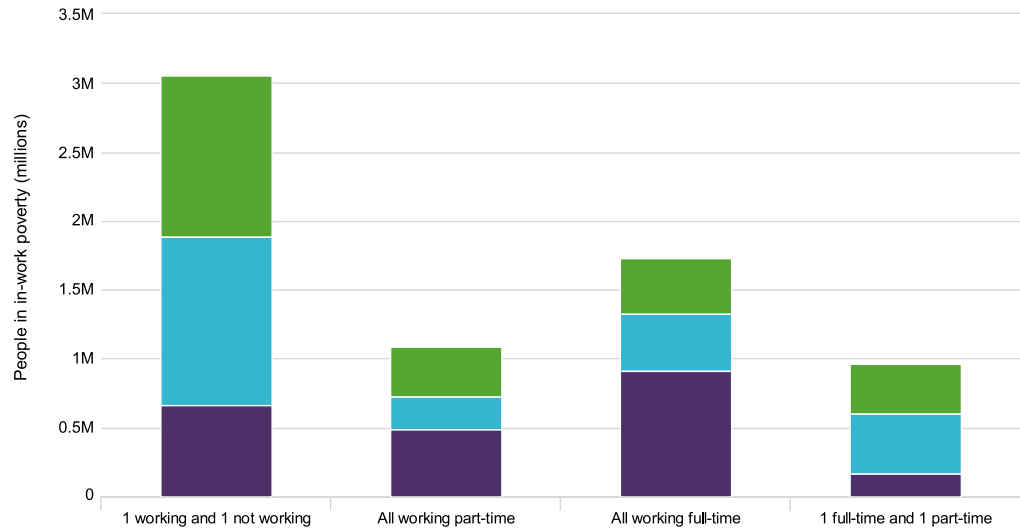


Source: Households Below Average Income, DWP; the data is for GB to 2001/02 and for the UK thereafter

### Indicator: 8B

Around 3 million people in in-work poverty are in families where one adult works and one does not, but 1.7 million families where all adults work.

- Children
- Adults with kids
- Adults without kids



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

The first graph shows the number of people 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 (e.g. a retired pensioner couple).

The second graph shows the composition of families in after housing costs poverty in a working family. It also shows whether the people in poverty are children, adults with children or adults without children.

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

## 9 Disability and poverty

**The poverty rate among people in families where someone has a disability rose by 2 percentage points last year. This appears to be linked to their costs of renting.**

In 2013/14, 27 per cent of people in families where someone is disabled were in poverty, compared with 19 per cent of those in families where no one is disabled, using the standard after housing costs measure. But this figure includes as income disability benefits provided in recognition of the additional cost of living with a disability (Personal Independence Payments, Disability Living Allowance and Attendance Allowance). As recipients of these benefits are assessed to require a higher income to have the same standard of living as someone who is not disabled, it makes sense to disregard the income from these benefits.

This tends to increase the poverty rate among people in families with disabled members. In 2013/14 this increased the poverty rate among people in families with a disabled person by four percentage points, to 31 per cent. It is difficult to assess how the poverty rate among people in families with disabled members has changed over the long term. In 2012/13 there was a change in the way that disability was recorded so caution should be applied when comparing the last two years of data with earlier years.

Within these last two years however, the poverty rate among families with a disabled person did not change which suggests that the rise could be linked to housing costs or tenure. Using the BHC poverty measure there were 3.7 million people in poverty in a family where someone is disabled. Half lived in rented (1.9 million) and half in owner-occupied housing (1.8 million). Both of these were unchanged on the previous year.

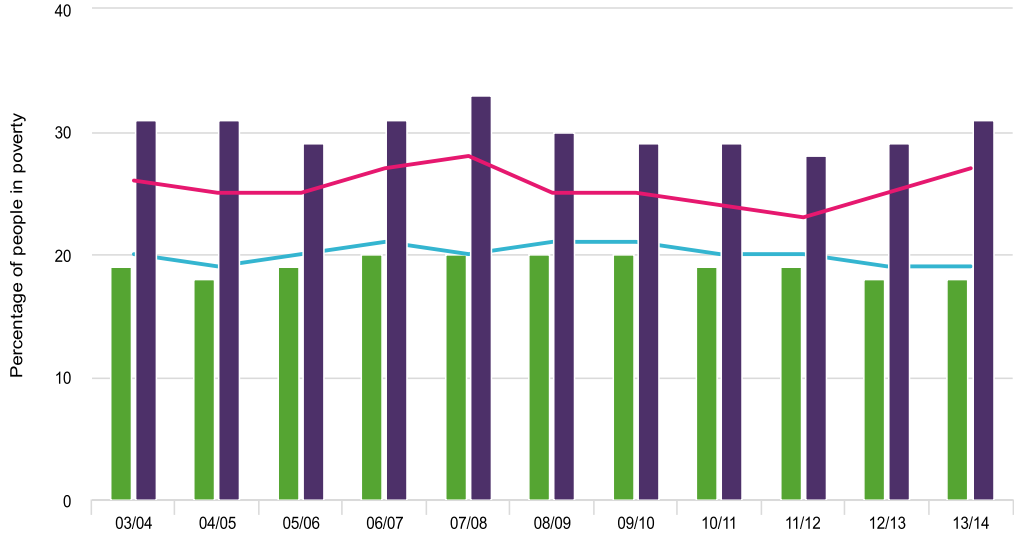
Using the unadjusted after housing costs (AHC) measure the number of people in poverty in a family where someone is disabled was 5.1 million. 1.5 million lived in owner-occupied housing, unchanged on the previous year. But most (3.6 million) lived in rented housing, a rise of 400,000 on the previous year.

## Disability and poverty

### Indicator: 9A

Regardless of disability benefits, 30 per cent of people in families containing a disabled person are in poverty and this has risen in the last year.

- In families where no one is disabled adjusted for disability benefits
- In families where no one is disabled standard measure
- In families where someone is disabled adjusted for disability benefits
- In families where someone is disabled standard measure

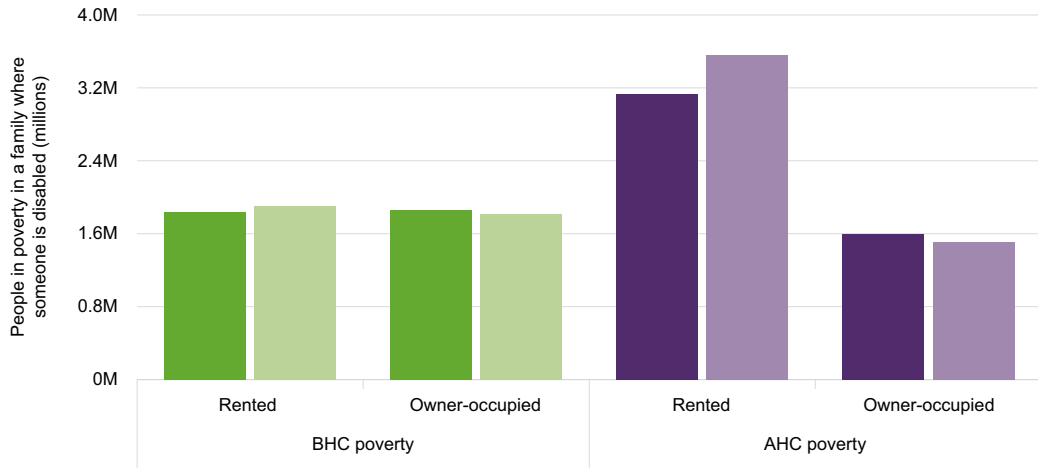


Source: Households Below Average Income, DWP: the data is for the UK

### Indicator: 9B

The recent rise in poverty among people in families where someone is disabled is linked to rising housing costs among renters in this group.

- 2012/13
- 2013/14
- 2012/13
- 2013/14



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

The first graph shows the proportion of people in poverty under two different measures, and for two different family types. The first measure is the standard, after housing costs measure, as used elsewhere in this report. The second measure 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. Both measures are shown for families with a disabled person and families without a disabled person.

The second graph shows the number of people in families where someone is disabled in poverty in 2012/13 and 2013/14 by tenure (whether their home is rented or owner-occupied). The bars on the left of the graph show this using the before housing cost measure of poverty and the bars on the right show it for poverty measured after housing costs.

Reliability rating: medium. The measure of poverty excluding disability benefits from income is not an official measure, although it is published by DWP. Moreover, changes in the definition of disability in recent years make longer-term comparisons difficult. But the rise in poverty in the most recent year among people in families where someone is disabled using the standard after housing costs measure is statistically significant.

## 10 Adults claiming key benefits or pension credits

**Northern Ireland, the Welsh valleys, the west of Scotland and the former industrial parts of north west and north east England have the highest rates of adult benefit receipt.**

The map shows the proportion of adults who receive one of the following benefits – Jobseeker’s Allowance, Incapacity Benefit, Employment Support Allowance, Income Support, Disability Living Allowance and the guarantee part of pension credit. This is a good proxy of income poverty, as it covers both working-age and pensioner incomes. Some of these benefits are means-tested, meaning most people claiming them will be out of work. However some may be in work; people working low numbers of hours can still claim Jobseeker’s Allowance and Disability Living Allowance is based on need rather than means so is paid to people in and out of work.

The local area with the highest rate of receipt of these benefits is Derry in Northern Ireland, where 32.3 per cent of adults claim one of these benefits. In fact, every district in Northern Ireland is above the UK average of 12.5 per cent, and in 11 of the 22 districts, more than one in five adults claims one of these benefits.

There are other parts of the country where levels of claims are high – the Welsh valleys, the east of Scotland and the northern former industrial parts of England. Outside Northern Ireland, the highest levels of receipt of benefits are found in Knowsley, Blackpool, Glasgow, Blaenau Gwent and Middlesbrough.

There are areas with high rates of receipt along the east coast of England, from Durham through Lincolnshire, East Anglia and Kent. Generally the areas on the coast have higher levels of receipt than the rural areas they border inland.

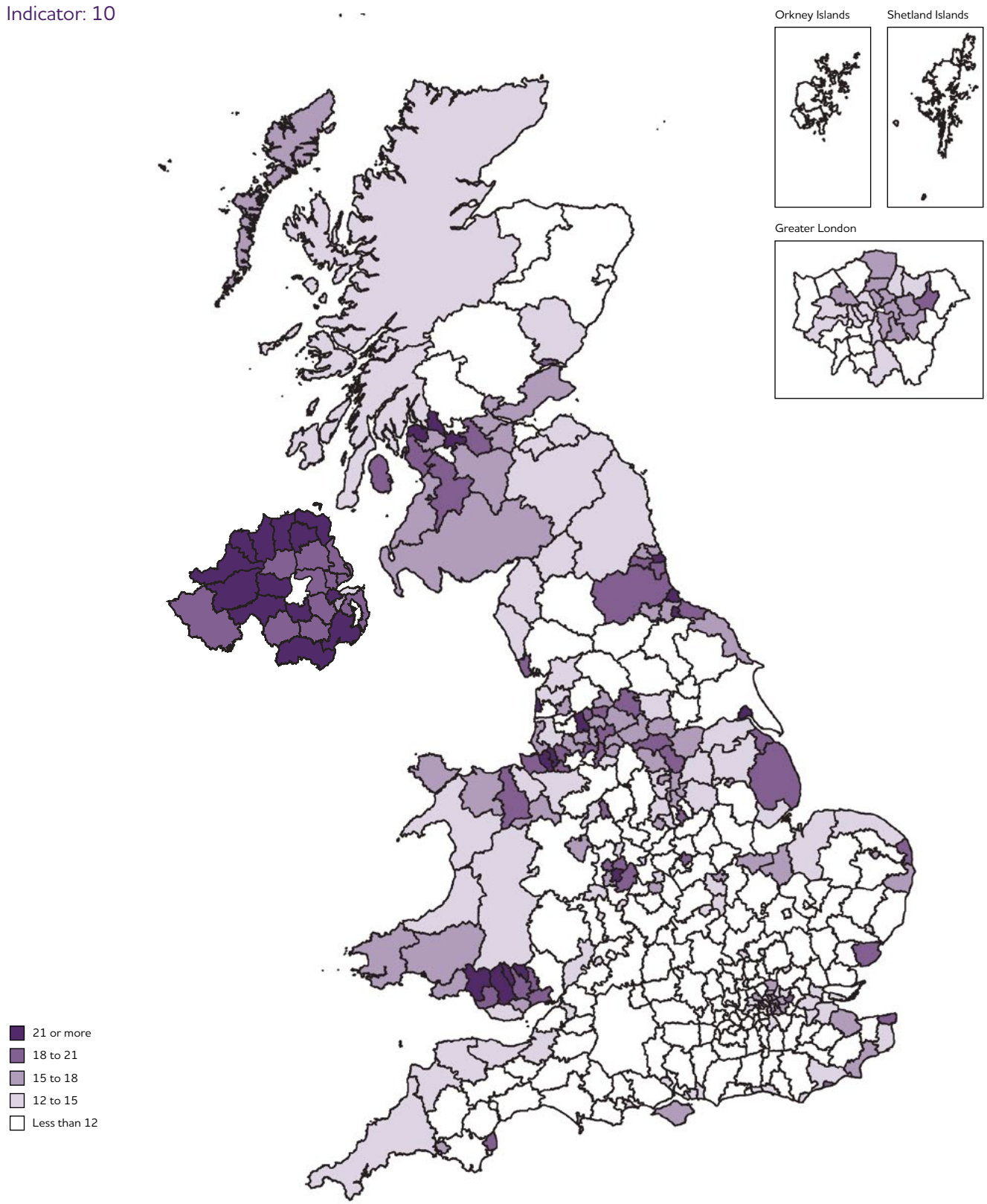
But south of Birmingham there is not one area where the rate of receipt is above 20 per cent. This includes the East End of London which was traditionally seen as a poor area. The highest rate in London is in Barking and Dagenham, in the outer east of the city, where 18 per cent of adults claim one of the benefits listed above.

The data for this map comes from Nomis for Great Britain and DSDNI and Nisra for Northern Ireland. The benefits data is for February 2015, and the population data is the mid-year estimate for 2014.

Reliability rating: medium. The data is robust at the local level, but as a measure of low income, the lack of an in-work poverty benefit measure is a shortcoming.

# Adults claiming key benefits or pension credits

Indicator: 10



Source: Nomis for Great Britain and DSDNI and Nisra for Northern Ireland

## Commentary

At first glance, what is striking about the graphs in this chapter is the lack of change. Incomes are barely higher than a decade ago, in real terms a mere 2 per cent higher. Poverty rates for the whole population rose a little, fell a little and ended up pretty much back where they were in 2004. Changing the measure of poverty makes less of a difference to these findings than changing the measure of inflation.

But this conceals big differences under the surface. First, the composition of those in low-income households has changed a lot. The fall in pensioner poverty, the rise in poverty among the under 25s, the fall in workless poverty and rise in working poverty, and the growth of the private rented sector, all make for a very different picture of poverty compared with a decade ago. The 'average' person in poverty is now younger, more likely to be in work and more likely to be in privately rented accommodation.

Changes in incomes tell us one thing. Changes in costs and expenditure help us flesh out the picture. The big changes, particularly but not exclusively for those on low incomes, relate to housing costs. The proportion of low-income households who spend more than 35 per cent of their income on housing costs rose steadily from the end of the last decade onwards, a rise obviously linked to the increasing prevalence of private rented accommodation among lower-income households.

Housing rents rose more quickly than the average price index over recent years, but so did other essentials such as food and domestic utilities. Since these items make up a proportionately larger share of expenditure, low-income families have in effect experienced a higher rate of inflation than other families. Year by year the difference is small, but over a decade it has effectively cut their incomes by an additional 3 per cent.

These cost of living issues are, on the whole, well covered and understood. Inflation rates are pored over on their release every month, as are statistics on wage levels and, on their annual release, household income levels. But one statistic in this chapter stands out as being something new and, should it continue, something concerning.

In the decade to 2013/14, the proportion of families who had no savings rose right across the income spectrum. Among middle-income families, 40 per cent now have no savings. Among those in the bottom fifth, the figure is 70 per cent. For middle-income families, there may be other assets to sell or mortgage. For low-income families, though, the lack of savings means that a drop in income can quickly turn into a crisis.

This report has always focused on income as its main measure of living standards and will continue to do so. But this trend of falling household savings among low-income families is one that deserves greater attention.

## Chapter 2

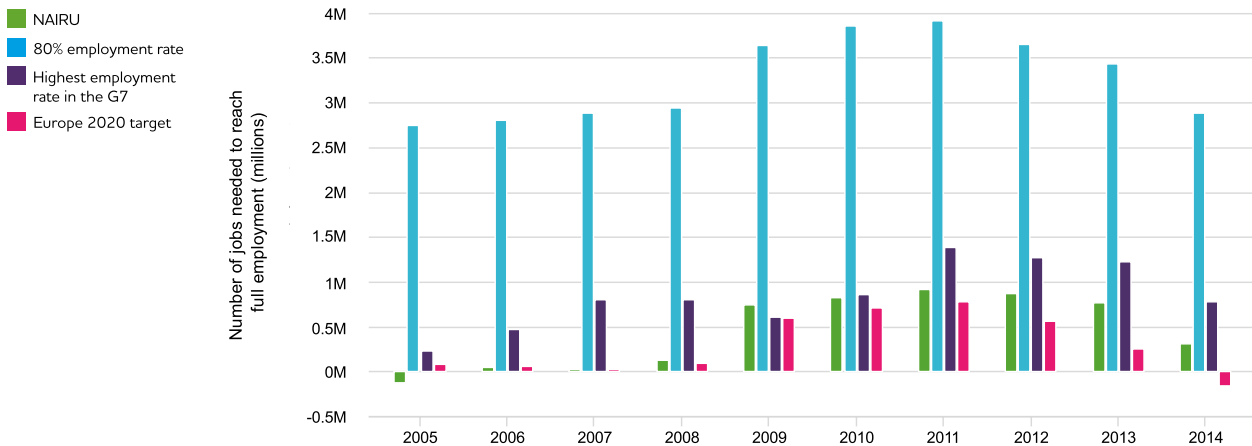
## Work and worklessness

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## Introduction: reaching full employment

The employment rate in the UK reached its highest level on record, 73.5 per cent, for those aged 16–64 by the first quarter of 2015, although it is still below previous peaks when accounting for changing state pension ages. Last year, the government also declared its commitment to full employment, and although it has not committed formally to a definition, it has suggested that the highest employment rate in the G7 might be an appropriate yardstick. In 2014, this was Germany with a 74 per cent employment rate. Full employment is essentially the idea that everyone who wants a job can get one, but there is no one way to measure this.

Employment is now above the Europe 2020 target, but remains below NAIRU and the highest employment rate in the G7.



Source: Labour Market Statistics 2015; OBR estimates of NAIRU and OECD employment rates

The graph above looks at the UK's labour market performance on that basis by looking at the increase in employment that would be necessary to reach the highest rate in the G7 over time, along with several other measures of full employment. For the UK to have had the highest employment rate in the G7 in 2014, it would have needed another 780,000 people to be in employment, compared with the additional 1.4 million necessary in 2011. However, this is an unconventional measure of full employment – it could be achieved in theory by other countries doing badly rather than the UK doing well, and is not generally used by economists.

There are several other measures that could be used. One used by economists is the 'NAIRU', or 'non-accelerating inflation rate of unemployment' – the lowest the unemployment rate can go without generating increasing rates of inflation. On this measure, in 2014 the UK needed only 310,000 more people in employment to reach full employment. The NAIRU is hypothetical and cannot be estimated particularly accurately, however, and it also changes over time. The UK is also signed up to the Europe 2020 targets, which call for 75 per cent of 20–64-year-olds to be employed. The UK had already hit this target in 2014.

The final measure – the 80 per cent target – requires by far the most additional employment at 2.9 million more jobs. This has never been an official target but was considered an 'ambition' under the last Labour government.

It is clear that the UK has been moving back towards full employment in the last few years, regardless of definition. This chapter looks at the nature of employment in the UK and at some of the groups who have had different experiences of the recovery so far.



## Choice of indicators

From a poverty perspective, there are three dimensions to work that are particularly important: the number of hours worked; the pay rate for those hours; and the distribution of work among households. This chapter contains indicators on these dimensions as well as others relating to disadvantage and the characteristics of those in work and out of work.

The first indicator looks at all of those who do not work as much as they would like – underemployment. This includes the unemployed, people who are economically inactive but would like to work, and those who are working part-time because they could not find full-time work.

The second indicator looks at insecure employment, which is work that is not guaranteed over time. This can be week to week, such as zero-hours contracts, or over a longer time such as temporary contracts. Another potentially insecure form of work is self-employment.

One important factor determining experience of the labour market is age, so this chapter looks at unemployment for different age groups. The effects of disadvantage can accumulate, so the chapter also looks at long-term unemployment. One group that faces substantial labour market disadvantage, is disabled people.

As they are both important for determining in-work poverty, there are also indicators on earnings and household work status. It is important to remember that those in and out of work are not two unchanging categories, so there is also an indicator on movement into and out of the labour market.

The map at the end of the chapter looks at how unemployment has changed across local authority areas in Great Britain compared with the period before the recession.

## 11 Underemployment

**Underemployment has fallen for the third consecutive year and is now approaching pre-recession levels. Those who are underemployed and in work are concentrated in less skilled occupations.**

There were 5.4 million underemployed people in the UK in the first half of 2015, down by 220,000 compared with 2014. Underemployment refers to those who are not working as much as they would like, whether that is not working at all for the unemployed and economically inactive, or working part-time because they were unable to get a full-time job.

Between 2014 and the first half of 2015, the number of unemployed people fell by 190,000 and the number of people working part-time because they could not get full-time work fell by 50,000. The number of inactive but wanting work was 20,000 higher. Inactive but wanting work is the largest single category among the underemployed at 2.3 million, with 1.8 million unemployed and 1.3 million working part-time wanting full-time.

The underemployment peak was in 2012, when 6.3 million people or 16 per cent of the working-age population were underemployed. Since then, unemployment has fallen by 730,000, part-time but wanting full-time has fallen 110,000, and inactive but wanting work has fallen by 70,000. The underemployment rate is 13 per cent in 2015, which is still 2 percentage points above the 2007 level.

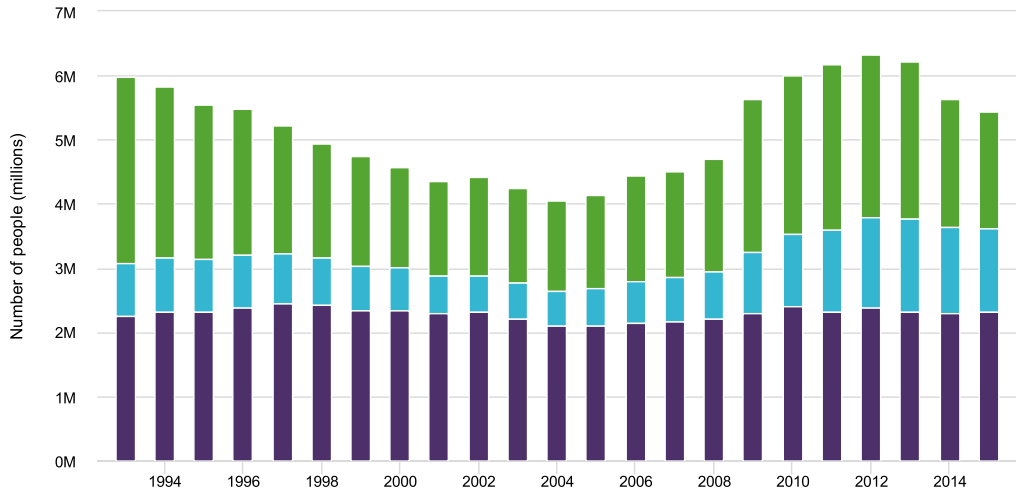
The second graph provides a slightly different view of underemployment: the proportion of workers who would like more hours at the same rate of pay. This is shown by occupation and change over time between 2008 and 2014. The occupations are ranked in terms of the skill level required. In general, the lower skilled (and lower remunerated) the job, the larger the proportion who would like to work more hours and the larger the increase since 2008. Of those in elementary occupations, 21 per cent wanted to work more hours in 2014, up from 14 per cent in 2008. At the other end of the spectrum, only 3 per cent of managers, directors and senior officials wanted to work more hours in 2014, and the number barely increased from 2008. The exception is for process, plant and machine operatives, who are somewhat less likely to want more hours than other jobs with higher skill requirements.

# Underemployment

## Indicator: 11A

The number of underemployed people has fallen for the third consecutive year, mainly due to falling unemployment.

- Unemployment
- Part-time not able to find full time
- Inactive but wanting work

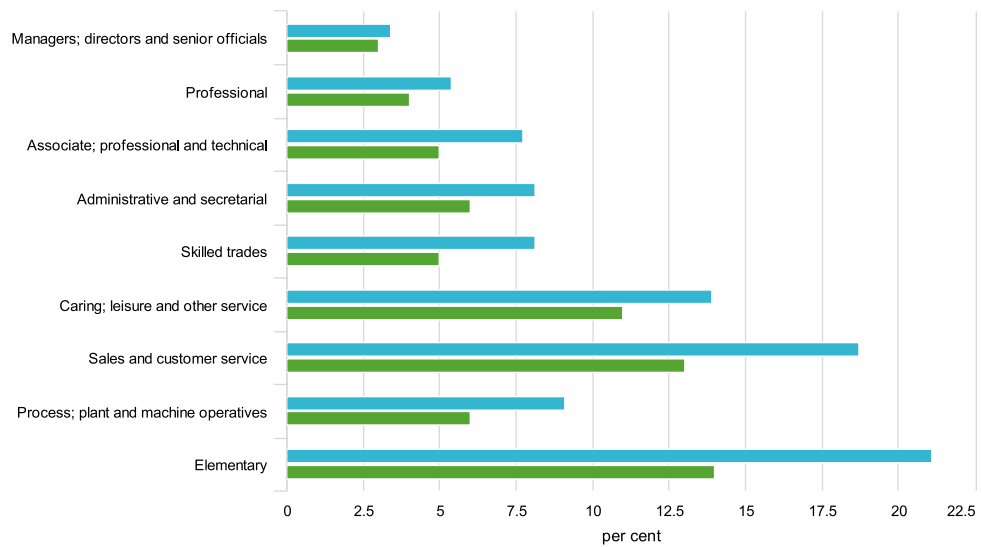


Source: Labour Market Statistics, ONS; the data uses four quarter averages, except for 2015 which is the first quarter of data available; the data is for the UK

## Indicator: 11B

The proportion of workers wanting more hours is higher, and has increased more, for less skilled occupations.

- Proportion of workers wanting more hours in 2008
- Proportion of workers wanting more hours in 2014



Source: Underemployment and overemployment in the UK, ONS.

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 2015, which is the average of the first two quarters.

The second graph shows the proportion of workers wanting to work more hours in the same job at the same pay rate, or wanting an additional or new job with more hours at the same pay rate, by industry in 2008 and 2014. It uses the second quarter for each year.

Reliability: high. Both measures use official published statistics drawn from the Labour Force Survey.

## 12 Insecurity at work

**Temporary contracts in general remain at a higher share of employee jobs than before the recession, as do temporary contracts taken due to unavailability of permanent positions. Zero-hours contracts are particularly prevalent among young adults and to a lesser extent those aged 65 and over.**

In the first half of 2015, nearly 1.7 million workers were on some kind of temporary contract. This figure was down 10,000 on the previous year. Of the 1.7 million in 2015, 600,000 or 35 per cent of the total were temporary jobs taken because a permanent position was not available. This category was down by nearly 20,000 on the previous year.

Compared with the post-recession high point for involuntary temporary contracts in 2012, there are 70,000 fewer in 2015. Temporary contracts as a whole, however, have increased over this period by 50,000. This means that temporary contracts have kept pace with employment increases overall, remaining at 6.4 per cent of all employees. Compared with before the recession in 2007, there were 180,000 more people involuntarily on temporary contracts and 20,000 fewer on other temporary contracts. This is an increase of 45 per cent and a decrease of 2 per cent respectively.

Even at the worst point for the labour market following the 2008/09 recession, temporary contracts were not as prevalent as in the late 1990s.

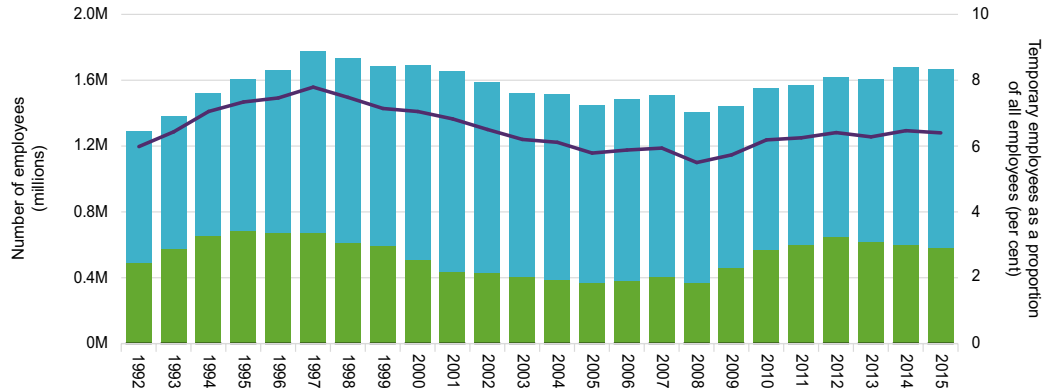
The second graph looks at the number of employees with a zero-hours contract by age group. They are most prevalent among younger adults aged 16–24, with on average 170,000 across the three quarters of data. This also makes up nearly 5 per cent of overall employment for this age group, and 41 per cent of all those on zero-hours contracts. This can be viewed in two ways – for example, it could be that younger people are enjoying the flexibility from zero-hours contracts to fit some work alongside studies. Or it could be another case of younger people being disadvantaged by the labour market. Of 16–24-year-olds on zero-hours contracts, 53 per cent are working or studying towards a qualification, and 44 per cent of contracts are full-time students. This means that one in five of all people on zero-hours contracts on this measure are full-time students. The figures are considerably lower for older age groups, and represent much smaller shares of overall employment. It makes up a slightly higher share of employment for the over-65s at 3 per cent.

# Insecurity at work

## Indicator: 12A

The number of people on temporary contracts because they could not get permanent work is well above pre-recession levels.

- Involuntary temporary contracts
- Other temporary contracts
- Temporary employees as a proportion of all employees

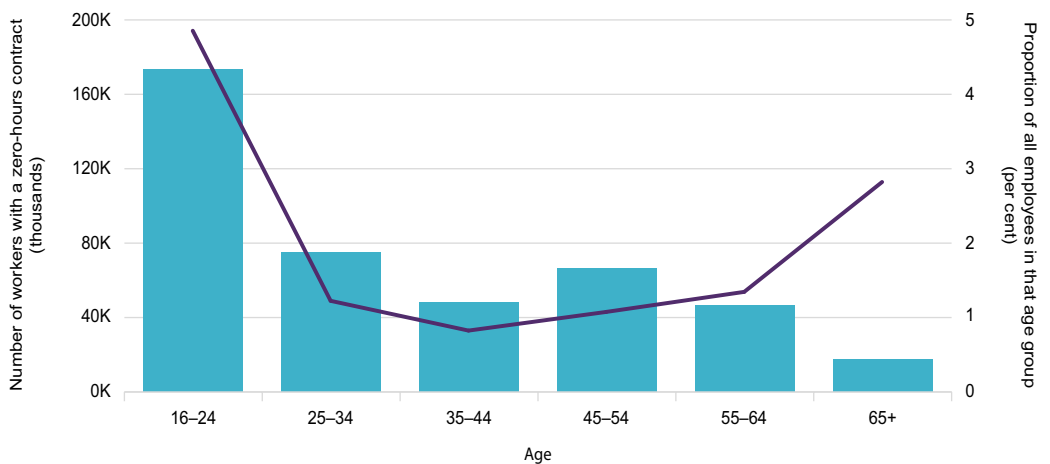


Source: Labour Market Statistics, ONS; the data is for the UK

## Indicator: 12B

Zero-hours contracts are particularly prevalent among the youngest in the labour market.

- Number of employees with a zero-hours contract
- Those with a zero-hours contract as a proportion of all employees



Source: Labour Force Survey, ONS; the data is three quarter average of October–December 2012–2014; the data is 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 2015, 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 numbers of workers with a zero-hours contract by age 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 2012, 2013 and 2014.

Reliability: medium. Both measures are drawn from the Labour Force Survey, and are therefore highly reliable. 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.

## 13 Self-employment

**Income from employment has fallen after inflation for both employees and the self-employed, though the fall at the median for the self-employed has been much more severe. Poverty rates for self-employed families tend to be higher than for employee families working the same number of hours.**

In 2013/14, the median income from employment for employees was £384 a week, compared with £209 a week for the self-employed. In other words, the median income from self-employment is only 54 per cent of that for an employee. Ten years earlier, the median for an employee was £402 in 2013/14 terms, meaning a fall of £18 a week over the decade. The fall was very severe for the self-employed, decreasing by £92 from £301 per week. In 2003/04, then, the median income from self-employment was 75 per cent of that of the employee median. Part of the reason for this sharp fall in self-employment income is to do with the composition of the self-employed, more of whom are women or part-time, and so tend to be paid less.

The falls at the 25th percentile for employees and the self-employed have been less severe. For employees, employment income has fallen from £238 a week to £230 per week since 2003/04, whereas for the self-employed it has fallen from £112 to £97. One consequence of this is that the employee 25th percentile is now higher than the self-employment median, meaning roughly half of all those self-employed are paid less than the bottom quarter of employees.

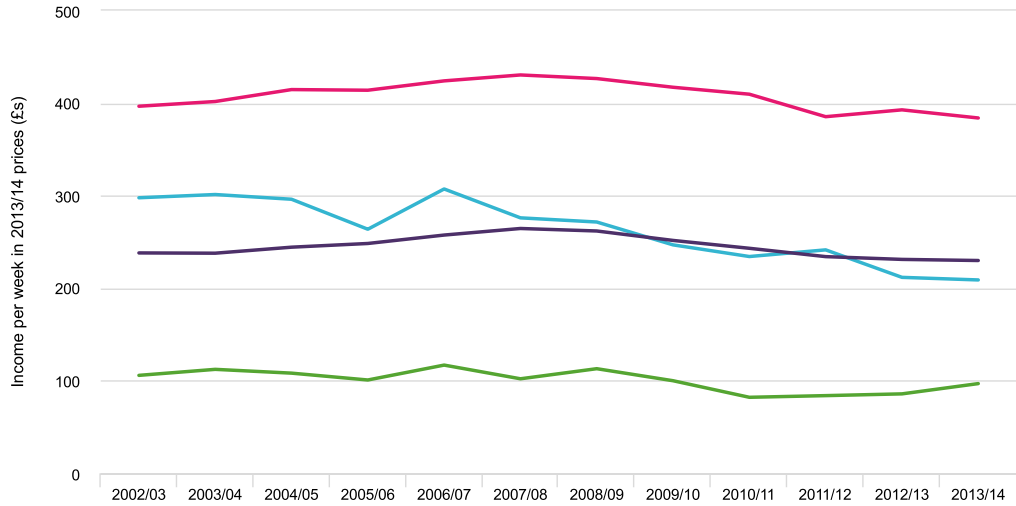
The second graph shows the poverty rates for different family types by employment status. Full-working means all the adults are in work and at least one is employed full-time. Part-working is all other family types with at least one adult in work. Self-employed families generally have higher poverty rates. The lowest poverty rate for families with a self-employed person was for those who also had an employee in the family, at 14 per cent. This is still higher than a fully working employee family, which has a poverty rate of 6 per cent, though the comparison is not quite like for like. The poverty rate for families with a self-employed worker and an employee did not increase over the decade to 2013/14, the only family type not to experience an increase. In 2013/14, the poverty rates for families with two self-employed workers and for full-time self-employed single adults were the same at 26 per cent, because of a large increase in the rate for the latter. The highest rates are for families with one self-employed worker and one workless adult, and for single part-time self-employed workers. These last two family types also saw the largest increase in their poverty rates, of 8 and 9 percentage points respectively.

# Self-employment

## Indicator: 13A

The median income from self-employment is now lower than 75 per cent of employee incomes.

- Self-employed 25th percentile
- Self-employed median
- Employees 25th percentile
- Employees median

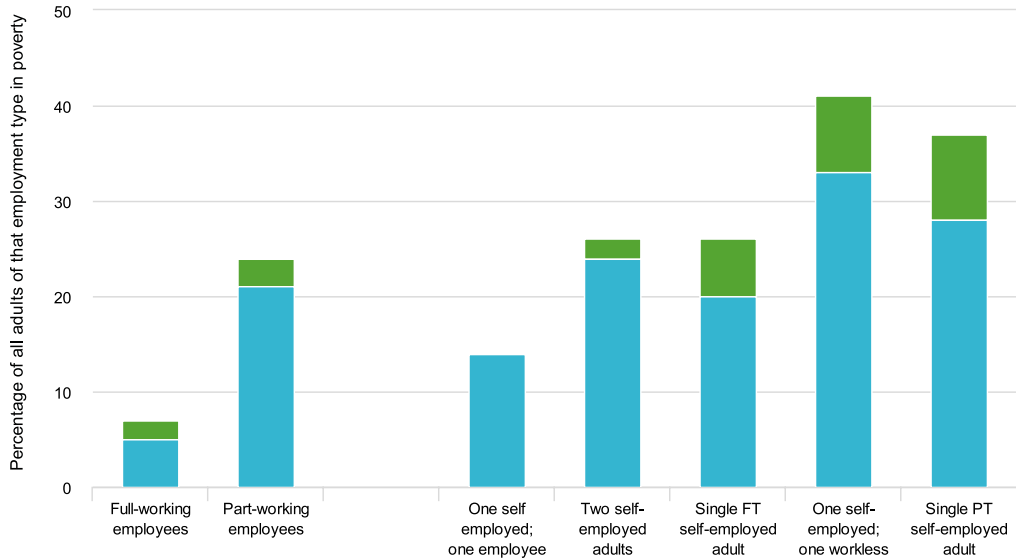


Source: Family Resources Survey, DWP; the data is for the UK

## Indicator: 13B

Even accounting for the number of hours worked, self-employed people are more likely to be in poverty than employees.

- 2003/04
- Increase to 2013/14



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

The first 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 2013/14 terms.

The second graph shows the poverty and deep poverty rates for adults by family work status in 2003/04 and 2013/14.

Reliability: medium. The first indicator is an adult-level analysis of the Family Resources Survey. The problems for reliability stem from the employment income of the self-employed. The figure for the self-employed may be reduced by those who made a loss in their business and so have a negative earnings figure (there is no equivalent for employees). The fact that income from self-employment is less regular and predictable may also increase the chances of inaccurate recall of income from those responding to the survey.

The second graph is reliable, as it is drawn from official statistics.

## 14 Age

**There has been a large drop in youth unemployment over the last year, but the ratio between youth and adult unemployment rates has reached an all-time high. Qualifications tend to improve young people's labour market prospects.**

The unemployment rate for young adults has been falling since 2014 and is now at 16 per cent, still slightly above pre-recession levels. This means that 16 per cent of those young adults who were actively looking for and available for work were unemployed at the beginning of 2015. This compares with an unemployment rate of 4 per cent for older adults.

The young adult unemployment rate fell by 1.1 percentage points compared with 2014, the second consecutive year in which the rate has decreased. The unemployment rate for this group is now 5.4 percentage points below the peak of 21.4 per cent that was registered in 2012.

There has been far less movement in the adult unemployment rate. The increase in the rate for this group was much lower during the recession and it has been falling more steadily for longer. In early 2015 it was down by 0.5 percentage points on the year before.

Turning to the ratio between the unemployment rates of young people and adults, which gives an indication of the gap between the two groups, the rate for young adults was four times that for older people at the beginning of 2015. This is a record high and gives a further indication of the relatively weak position of young people in the labour market.

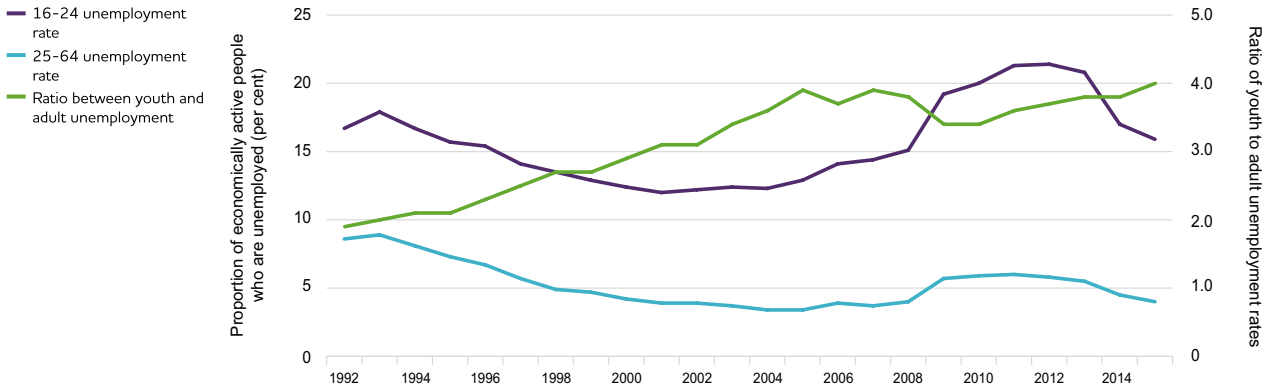
Young people can improve their labour market prospects by gaining qualifications. In 2014/15 8 per cent of young adults with a degree or equivalent were unemployed (excluding those who are still in full-time education). Unsurprisingly the proportion of young people with no qualifications who were unemployed was higher at 12 per cent, but this figure has nearly halved in the last decade (down from 21 per cent).



# Age

## Indicator: 14A

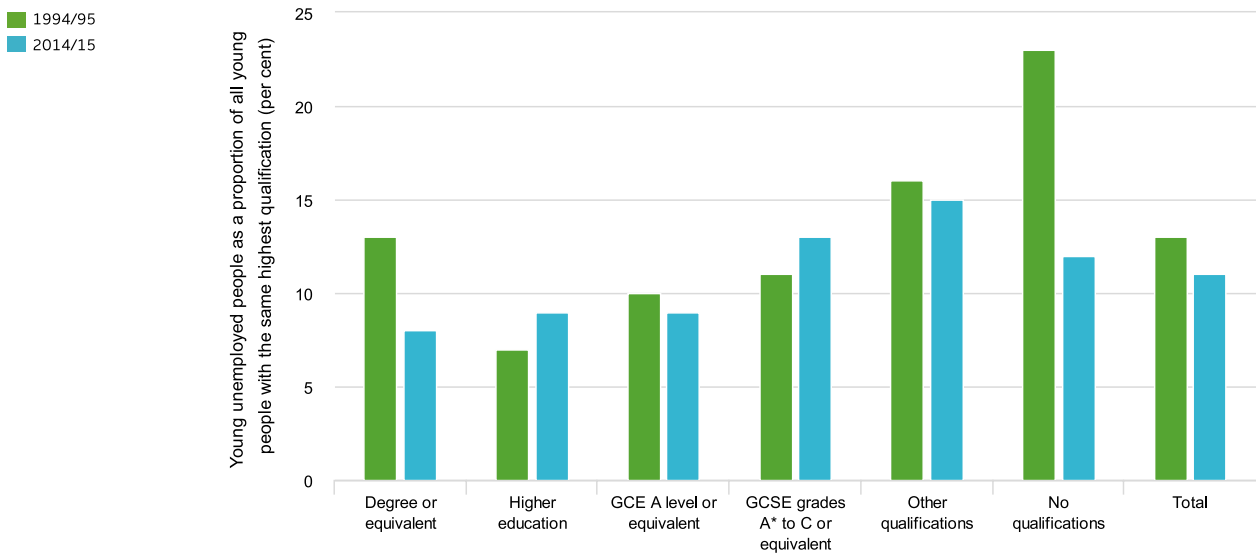
There has been a large drop in youth unemployment over the last year, but the ratio between youth and adult unemployment has reached an all time high.



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

## Indicator: 14B

Compared with the early 1990s there has been a significant drop in the position of young people with degrees who are unemployed. At the same time, the proportion of young people who have no qualifications who are unemployed has nearly halved.



Source: Labour Force Survey, four quarter average, excluding FT students; the data is for the UK

The first graph shows the proportion of economically active adults that are unemployed over time, divided into those aged 16–24 and those aged 25–64. The figures for each year are the average of the four quarters, with the exception of 2015, which is the average of the first two quarters. The unemployment ratio, plotted on the right-hand axis, expresses the ratio between the youth (16–24) and adult (25–64) unemployment rates.

The second graph shows the proportion of economically active young people that were unemployed in 2014/15 and 1994/95 according to their highest level of qualification, excluding those in full-time education. The data is an average of four quarters from the Labour Force Survey.

Reliability rating: high to medium. The first graph uses official published statistics drawn from the Labour Force Survey. The second is based on analysis of survey data but changes in the way that qualifications were classified within the survey in 1994/95 and 2014/5 mean that there will be some differences in the way that particular qualification profiles are classified between the two time points. In particular, further information on foreign qualifications is now collected to enable these to be assigned to the appropriate qualification level.

## 15 Long-term unemployment

**Long-term unemployment has fallen by 300,000 since 2013 but remains above pre-recession levels. People who used to work in low-skilled occupations make up the majority of those who are unemployed over the longer term.**

Long-term unemployment has fallen for two consecutive years. There were 570,000 adults aged 16 and over who had been unemployed for longer than a year in the first half of 2015. Another 320,000 people (57 per cent) had been unemployed for more than two years. The remaining 250,000 had been unemployed for between one and two years.

Following the recession, long-term unemployment peaked at 880,000 in 2013. But the number of adults unemployed for longer than 12 months has since fallen by 300,000. Yet levels of long-term unemployment are still higher than they were in the years before the recession; the average level of long-term unemployment each year between 2000 and 2008 was 350,000. There remain a large number of people who are yet to benefit from the recovery in the labour market.

The second graph shows the occupations previously held by those who are long-term unemployed. The majority of this group were last employed in a low-skilled occupation, defined broadly to include process, plant and machine operatives, administrative and various service occupations.

Nearly three-quarters (73 per cent) of the long-term unemployed previously worked in a low-skilled occupation. Within the low-skilled group, 34 per cent had been employed in an elementary occupation, 13 per cent were in sales and customer services occupations and 11 per cent were employed in process, plant and machine operative positions. Administrative and caring occupations made up the remainder, at 7 and 8 per cent respectively.

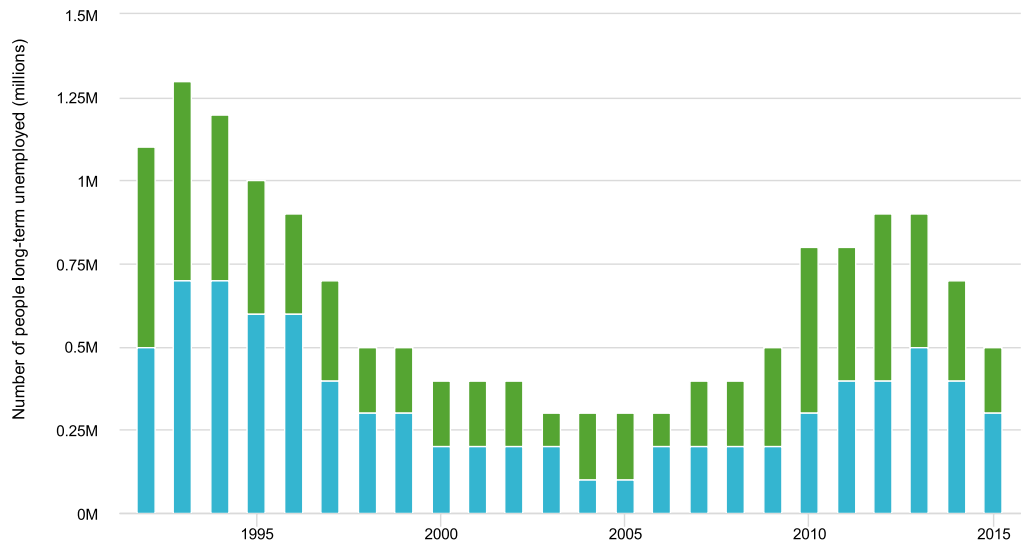
The overall share that last worked in a low-skilled job has increased by 4 percentage points since 2011/12. This suggests that despite previous experience, many of the long-term unemployed are still struggling to get back into lower-skilled entry-level jobs.

## Long-term unemployment

### Indicator: 15A

Long-term unemployment has been falling for the last two years; the number unemployed for more than 12 months now stands at 570,000 compared with 880,000 people in 2013.

- 1-2 years
- 2 years +

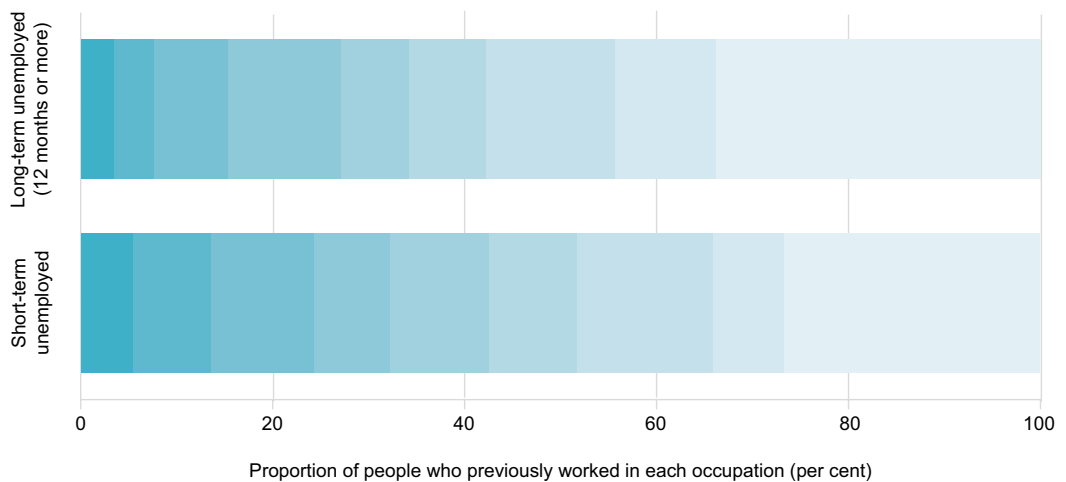


Source: Labour Market Statistics 2015; the data is the four quarter average for the UK 2015

### Indicator: 15B

People previously in low-skilled occupations make up a greater proportion of long-term than short-term unemployed. One third of those in long-term unemployment were previously in elementary occupations.

- Managerial
- Professional
- Associated professional
- Skilled trades
- Administrative and secretarial occupations
- Caring, leisure and other service occupations
- Sales and customer service occupations
- Process, plant machine operatives
- Elementary occupations



Source: NPI analysis of the Labour Force Survey; the data is for the UK

The first graph shows the number of working-age (16–64) adults who have been unemployed for more than 12 months, split by those who have been unemployed for between 12 months and 24 months, and those who have been unemployed for longer than 24 months. The figures for each year are the average of the four quarters, with the exception of 2014, which is the average of the first two quarters.

The second graph shows the occupations previously undertaken by those who were unemployed in 2014/15 split by the length of time that they had been unemployed. The long-term unemployed are defined as those people who had been unemployed for a year or more. Occupations are classified as high- or low-skilled in line with standard procedures for grouping jobs together based on their Standard Occupation Classification (SOC).

Reliability rating: high. The first graph is highly reliable, as it is drawn from official published statistics. The second graph is based on analysis of Labour Force Survey data.

## 16 Disability

**Less than half of the working-age disabled population are in employment, though many want to work. While higher qualifications improve the labour market position of disabled people, a greater proportion of those in work are low paid at every qualification level.**

Disabled men and women are much less likely to be in employment than non-disabled men and women. In 2014/15 48 per cent of disabled men and 44 per cent of disabled women were in employment. The proportion of non-disabled men and women who were in employment was 84 and 74 per cent respectively.

Yet a large proportion of disabled men and women would like to work. Taking the share of people who are unemployed and those who are inactive but wanting work together, 23 per cent of disabled men and 19 per cent of disabled women would like to work, compared with 7 and 9 per cent among non-disabled men and women.

Breaking this down further, 7 per cent of disabled men were unemployed and 16 per cent were economically inactive but wanted work. Among non-disabled men the proportions are lower, 5 per cent were unemployed and 3 per cent inactive but wanting work. At the same time, 5 per cent of disabled women were unemployed and 14 per cent were inactive but wanted work in 2014/15. For non-disabled women the figures were 4 and 5 per cent respectively.

Though many disabled people want to work the labour market often does not provide adequate opportunities, particularly for those with lower qualification levels. The second graph shows that a greater proportion of disabled people are in low-paid jobs than non-disabled people, even with the same level of qualification.

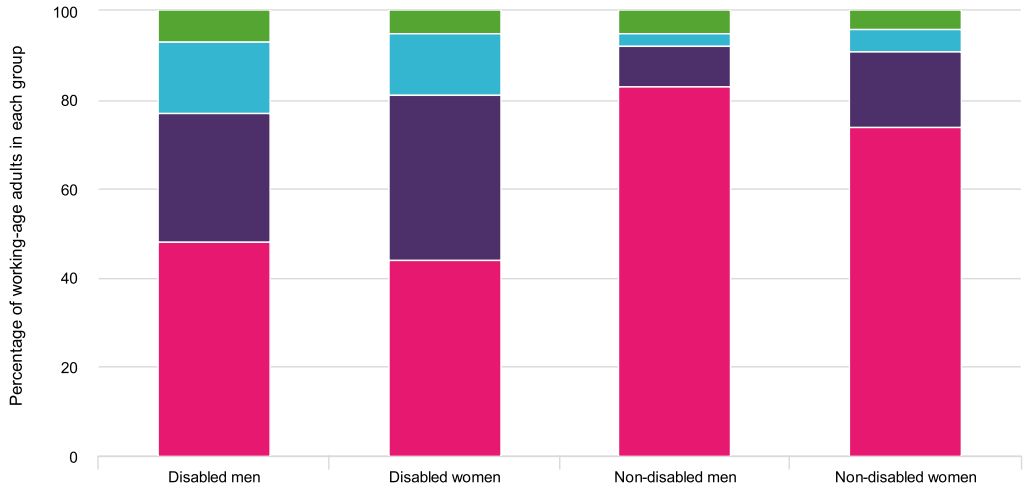
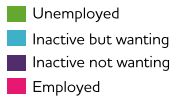
Disabled adults with a Level 4 qualification (e.g. a degree or higher education qualification) are more likely to be low paid than non-disabled adults. 13 per cent of disabled people with this qualification profile who were in work were low paid, 3 percentage points higher than the proportion for non-disabled adults. The pattern holds for those with lower qualifications, though the proportions in low pay are much higher; 30 per cent of disabled adults with a Level 3 qualification and 44 per cent with a lower level (or no) qualification who were in work were low paid, compared with 21 and 35 per cent among non-disabled adults.

People with low qualifications are also more likely to be inactive but wanting work; 19 per cent of disabled adults with low qualifications were lacking but wanting work in 2014/15. This compares with 4 per cent among low-skilled non-disabled adults.

# Disability

## Indicator: 16A

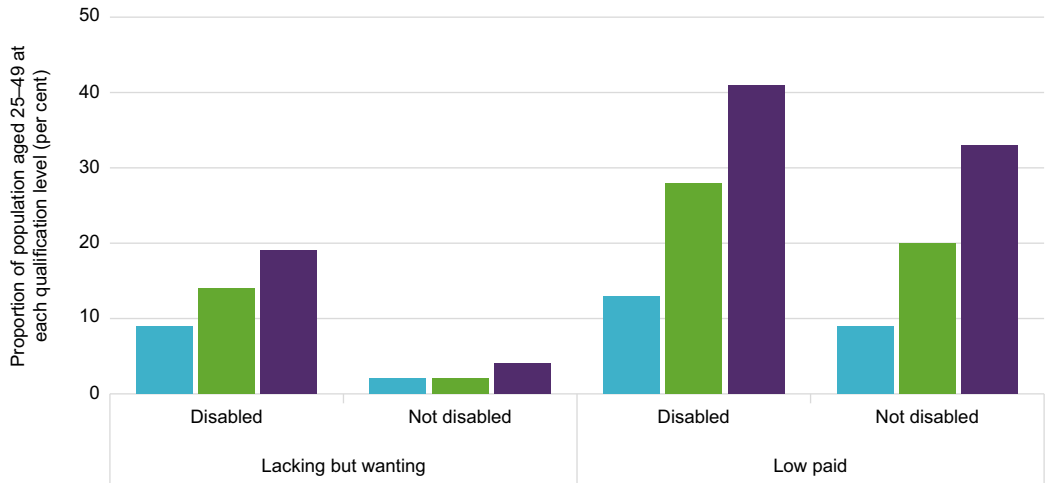
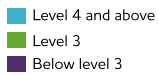
A much greater proportion of disabled men and women are unemployed or economically inactive but wanting work compared with those without disabilities.



Source: Labour Force Survey; the data is the four quarter average to Q2 2015; the data is for the UK

## Indicator: 16B

Higher qualifications improve their labour market outcomes, but disabled people are still more likely to be low paid or lacking work relative to non-disabled people with the same qualifications.



Source: NPI analysis of Labour Force Survey Q3 2014 - Q2 2015; the data is for the UK

The first graph shows the economic status of working-age adults (aged between 16 and 64) by gender and disability. The data is an average of four quarters between 2014 and 2015. People are defined as disabled in accordance with the 2010 Equality Act definition.

The second graph shows the proportion of people who are lacking but wanting work and the proportion of working people who are paid less than two-thirds of the UK median wage. The data is shown separately by disability status and qualification level (split by those with qualifications at Level 4 or higher, at Level 3, or below Level 3). The data is an average of the data from four quarters of the Labour Force Survey. The age limit of 25-49 is used to limit the distortions that the low incidence of disability among young adults and the high incidence in older age groups can cause.

Reliability rating: high. Both graphs are based on analysis of official survey data.

## 17 Earnings

**The proportion of jobs that are low paid is slightly lower than in the late 1990s and early 2000s, with the low paid increasingly made up of part-time employees. Real earnings have fallen across the distribution since 2010.**

In 2014, there were 5.3 million employee jobs paid below two-thirds of median hourly earnings, equivalent to 21 per cent of the total; 3 million of these were part-time jobs and 2.3 million were full-time jobs. The overall figures are almost unchanged from 2013.

The proportion of jobs that are low paid on this measure has not varied much over time: in the late 1990s to early 2000s it was around 22 per cent fairly consistently, and is now fairly consistently around 21 per cent. The composition of low-paid jobs has changed somewhat more however. At the beginning of the time series, just under half of all low-paid jobs were full-time positions, a figure which has declined to 44 per cent in 2014. The number of full-time low-paid jobs has not changed much over the period, at around 50,000 higher than in the late 1990s. However there are more than 640,000 more low-paid jobs in 2014 than there were in the 1990s. This does not reflect an increase in the risk of being low paid if you are in a part-time position, as the proportion of part-time jobs that are low paid fell from just under half in the 1990s to an average of 42 per cent since 2010. Instead it is a result of the growth in the number of part-time jobs, from under 5 million at the end of the 1990s to over 7 million in 2014.

The second graph looks at the change in real earnings relative to 1998 for employees at the bottom 10th, 25th, the median and 75th percentile. Real incomes at these four points in the distribution rose strongly up to the recession, before slowing and then dropping. The minimum wage has a large impact at the 10th percentile, which in part explains why it saw the strongest growth over the period and remains at a higher level than other parts of distribution.

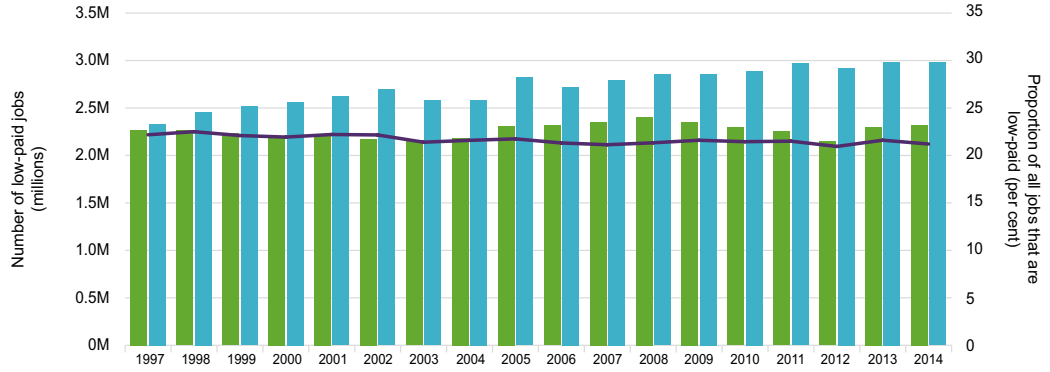
Real median earnings peaked in 2010 at 25 per cent higher than in 1998, but have since dropped to around 17 per cent higher than in 1998. The 10th percentile was 30 per cent higher than at the beginning of this time series in 2009, since falling to 23 per cent higher. The 75th percentile and the 25th percentile have slightly outperformed the median, but have done less well than the 10th percentile.

# Earnings

## Indicator: 17A

The increase in the number of low-paid jobs has been driven by part-time work, but the low-pay rate has fallen since the late 1990s.

- Full time
- Part time
- All jobs

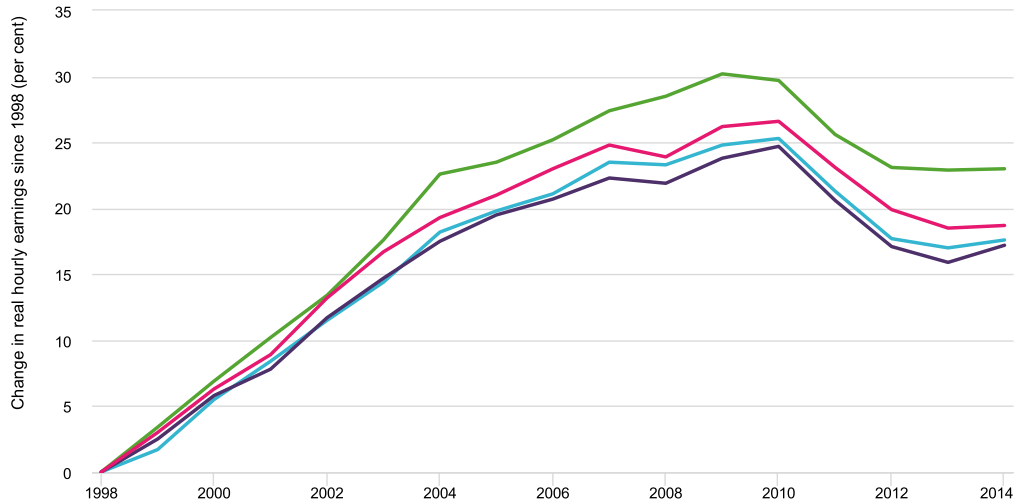


Source: Annual survey of hours and earnings via NOMIS, ONS; the data is for the UK

## Indicator: 17B

Earnings have fallen across the distribution since 2010, and are now at the same level as 2004.

- 10th percentile
- 25th percentile
- Median
- 75th percentile



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

The first graph shows the number of 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 all jobs that are low paid.

The second graph shows the percentage change since 1998 in hourly pay rates after inflation across the earnings distribution. The inflation measure used is the Consumer Price Index (CPI).

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

## 18 Household work status

**Lone parent families have seen large increases in employment whereas single adult families are only just back at pre-recession levels. Workless households are at their lowest in decades.**

The first graph shows the employment rates of different families over time. Employment here means at least one adult in work in the family, so it does not distinguish between couples with one and couples with two adults in work. This might partially explain the higher rates for couple families.

The biggest change has been for lone parent families. In 1998, less than half were in work, at 48 per cent. From the late 1990s to 2007, the year before the recession, there was a strong increase to 60 per cent in work, a 12 percentage point increase. In contrast, the next largest increase by family type over this period was for single adults, at 5 percentage points. The lone parent employment rate then remained constant throughout the recession and subsequent stagnation until 2011, when it began to increase again to reach 67 per cent. As lone parent employment remained constant rather than falling during the recession, it is now almost level with single adult employment rates, which did fall after 2008. Compared with 1996, lone parent family employment rates are 19 percentage points higher in 2014.

All family types have seen an increase in employment since 2010, ranging from one percentage point for couples with dependent children to seven for lone parents. Single adults are still marginally below their pre-recession employment rate, whereas other family types are now all above.

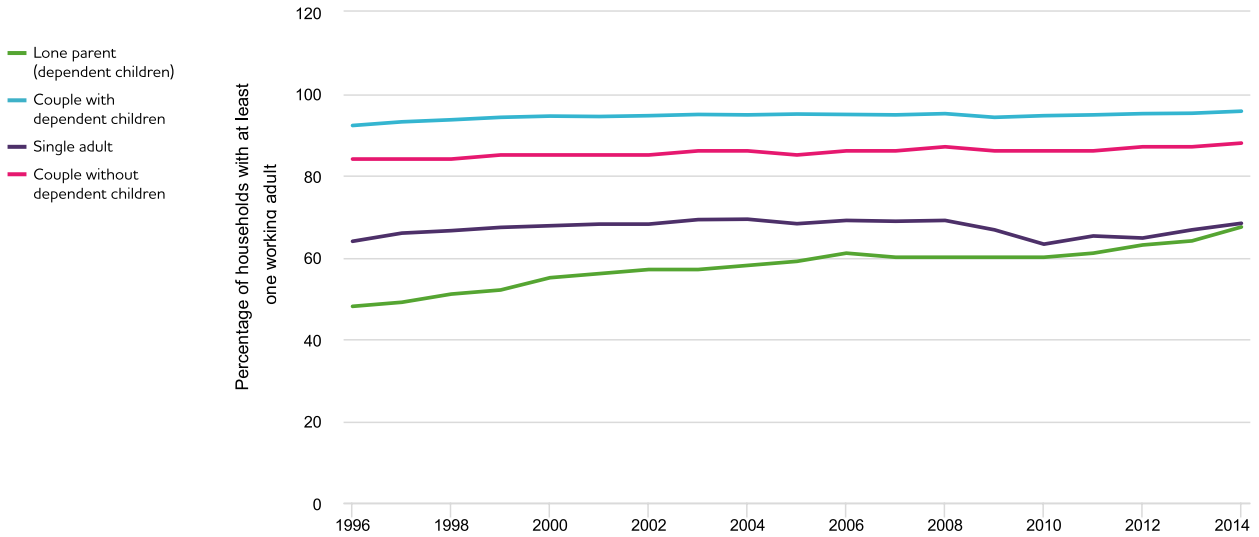
The second graph shows workless households and households that have never worked as a proportion of all households. In 2014, 16 per cent of working-age households did not have any adults in work. This includes the 1.5 per cent of all households who had never worked. The overall figure has fallen for four years in a row after rising between 2008 and 2010. It is now 1.5 percentage points below the pre-recession level. The workless household rate also fell almost every year from 1996, when it was 21 per cent, to 2007. The proportion of households that have never worked is slightly higher than in 1996, at 1 per cent. The age profile of these households tends to be very young, and many are full-time students.



## Household work status

### Indicator: 18A

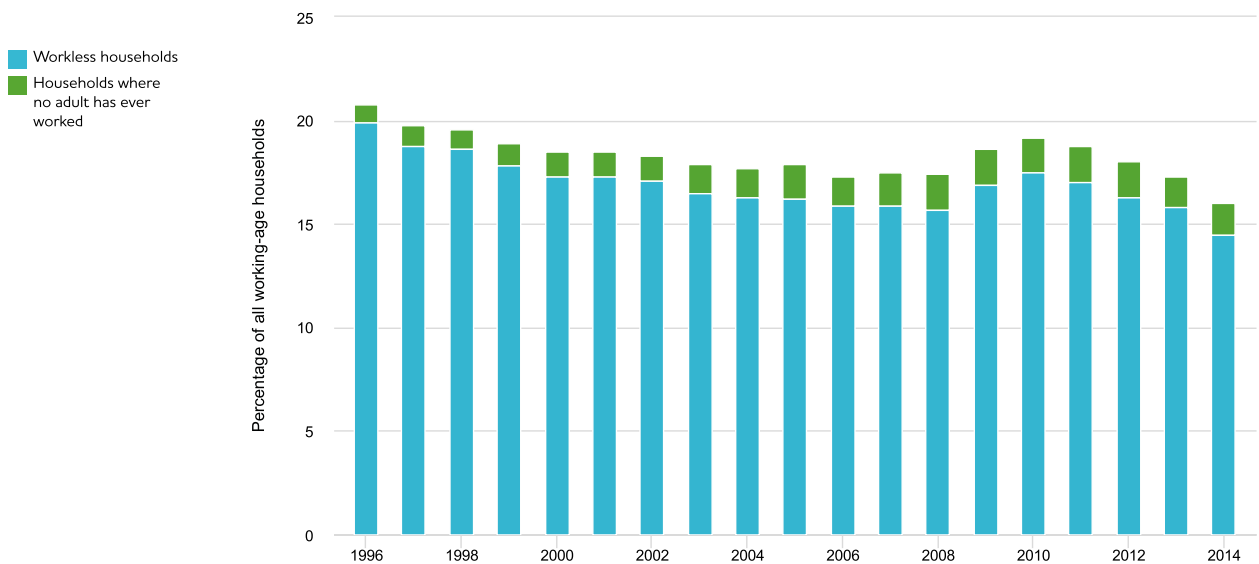
Lone parent employment has increased strongly since the 1990s, while single adult employment has stagnated.



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

### Indicator: 18B

Workless households are at their lowest level on record after four years of consecutive falls.



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

The first graph shows the proportion of households with at least one working adult by family type, measured in the April–June quarter of each year. Households must include at least one adult aged 16–64.

The second graph shows households where all working-age adults are currently workless and all households where no working-age adult has ever worked as a proportion of all working-age households.

Reliability: high. Both graphs are derived from the Labour Force Survey household dataset, and as such as official published statistics.

## 19 Movement into and out of work

**The number of people moving into work after being unemployed has fallen while the number moving into work from being inactive has risen. People who were unemployed a year previously are now more likely to be low paid than a decade earlier.**

The number of people moving from employment to unemployment has been falling since 2009, albeit unevenly. On average in the first two quarters of 2015, 340,000 people became unemployed having been in work the previous quarter. This was the same figure as the 2014 average, and roughly the same as the average quarterly figure before the recession, which was 330,000 in 2007. The number of people in work becoming unemployed from quarter to quarter peaked in 2009 at 480,000. Expressing the 2015 figure as a proportion of those in work, it is equivalent to around 1 per cent of people in employment becoming unemployed each quarter.

On average, 490,000 unemployed people moved into employment each quarter in 2015, down from a peak of 600,000 in 2012. This figure rose during the recession, largely as there were more unemployed people who could move into work. In some sense, then, a fall in this figure is welcome. The number of inactive people becoming employed has increased since 2013, from 450,000 per quarter to 530,000. The 530,000 figure is very similar to those in the years immediately preceding the recession. These flows do not reflect all possible labour market transitions – it does not include, for example, those moving from unemployment to inactivity or vice versa. Taking all flows into and out of work into account, on average in 2015 130,000 more people moved into employment than left it. This is higher than the pre-recession levels, which were generally below 100,000.

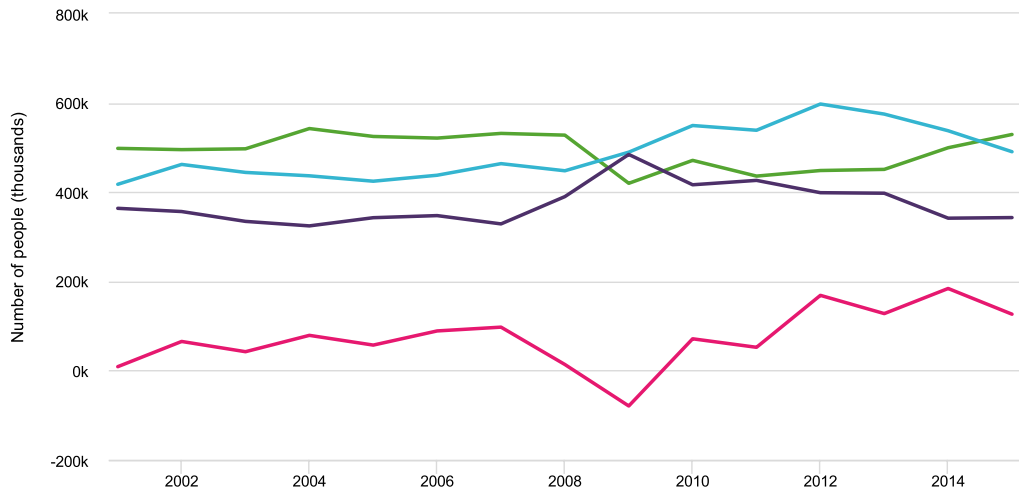
The second graph looks at the pay status of those who were unemployed 12 months earlier but are now in work. On average in the spring quarter of the three years up to 2004, 290,000 people who were unemployed 12 months previous were in work. Of those, 160,000 or 53 per cent were paid below two-thirds of the median hourly pay rate. In the three spring quarters up to 2014, 560,000 people who had been unemployed 12 months earlier were in work. The higher number reflects the labour market recovery in this period. Of these 560,000 people, 340,000 or 60 per cent were in low-paid work.

## Movement into and out of work

### Indicator: 19A

The average number of people moving from inactivity to employment each quarter has increased while the number moving from unemployment has fallen since 2012.

- Inactivity to employment
- Unemployment to employment
- Employment to unemployment
- Net flow into work

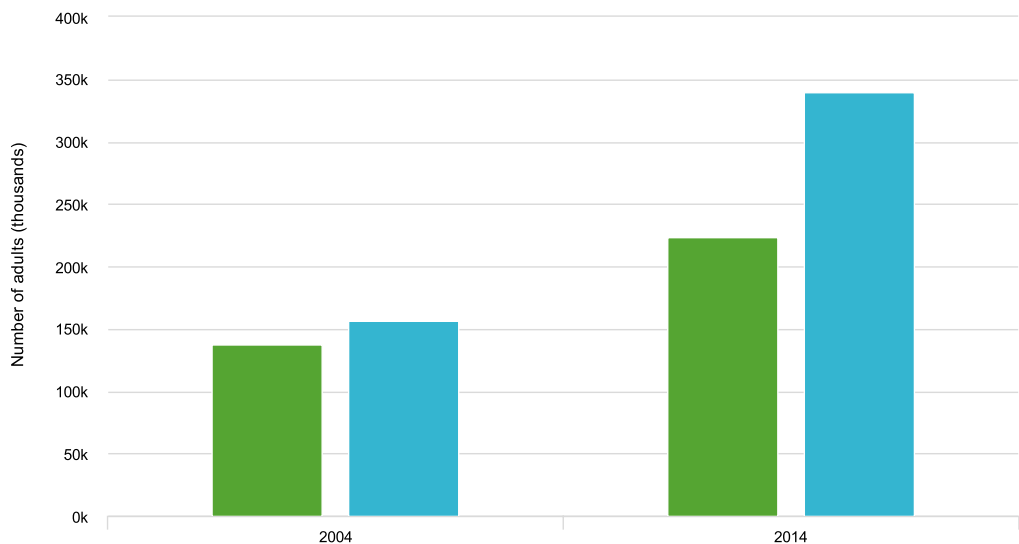


Source: Labour Market Statistics, ONS; the data is for the UK

### Indicator: 19B

Adults who were unemployed 12 months previously but are now working are more likely to be low paid than in the past.

- Unemployed 12 months previously now employed but not low-paid
- Unemployed 12 months previously now in low-paid work



Source: Labour Force Survey; ONS; the data uses three-year averages of second quarter data; the data is for the UK

The first graph shows the average number of working-age adults moving from employment to unemployment, unemployment to employment, and inactivity to employment over time. It also shows the net movement into employment, which includes other flows not shown on the graph. Each year is an average of four quarters of flows.

The second graph shows the number of adults who were unemployed 12 months previously who are now in work by whether or not they are paid above two-thirds of the UK median hourly wage. The data is an average of three years' worth of quarter two data up to 2004 and 2014 respectively.

Reliability: medium. The first graph comes from experimental statistics from the Labour Market Statistics release. These are not designated as national statistics and must be viewed with some caution. The second graph is drawn from official survey data, which is collected for one quarter each year. This means it covers a relatively broad time period during which there may be changes in the labour market.

## 20 Changes in the unemployment rate

**The map presents the percentage point change in the unemployment rate in each local authority between the three years to April 2008 and the three years to April 2015.**

Across Great Britain the unemployment rate for the period up to April 2015 was 1.9 percentage points higher than in the years leading up to the recession. Following a sharp increase over the recession, unemployment rates have been coming down in the last few years. Yet, as the map shows, the speed of the labour market recovery differs between local areas.

Some parts of the country still have rates of unemployment that are substantially higher than in the years before the recession. The areas that have seen the largest changes are quite scattered. They include areas such as Blaenau Gwent, Hull and Middlesbrough where unemployment was already high, as well as places such as Crawley where rates were previously low. At the same time, more than 50 local authorities now have rates of unemployment that are equal to or lower than the level in the years leading up to the recession.

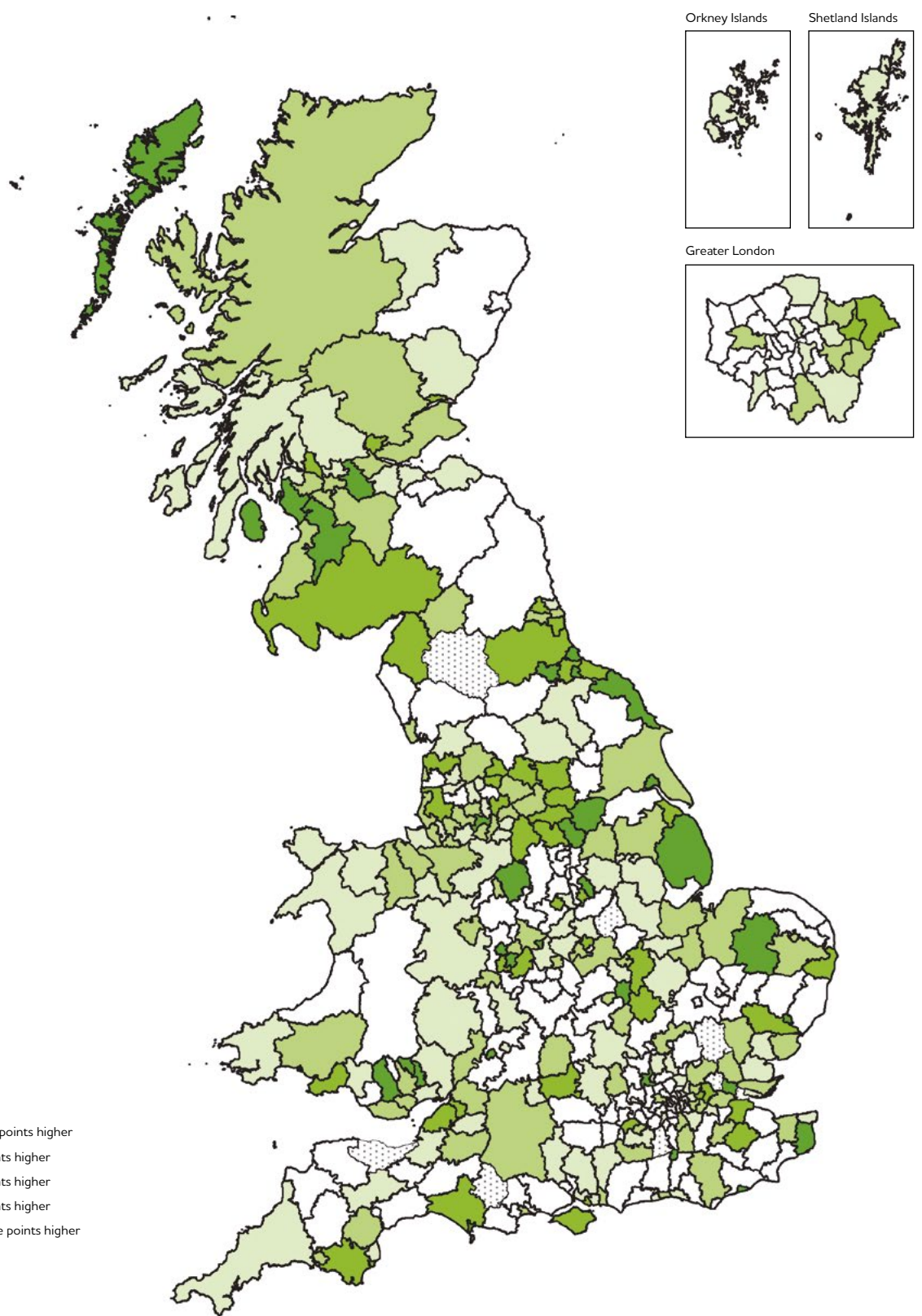
Grouping some of these areas together, we can start to see some kind of pattern. Local authorities in central London now have similar rates of unemployment to the pre-recession period. The gap is also smaller for areas in the south of England. However, many (post-) industrial areas still have rates of unemployment that are more than 2 percentage points higher than they were before the recession.

The map shows the percentage point change in the unemployment rate in each local authority between the three years to April 2008 and the three years to April 2015.

Reliability rating: medium. The sample sizes for some local authorities 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.

# Changes in the unemployment rate

Indicator: 20



Source: Labour Force Statistics via NOMIS

## Commentary

The overarching story sketched out by this chapter is that the labour market, seven years on from the start of the recession, is recovering but is not quite as strong as it was in the mid-2000s. Although the headline employment rate is better, many broader indicators remain worse. The overall underemployment numbers and rate, the number of people taking temporary work because they cannot get permanent jobs, income from self-employment and real earnings, and the proportion of people entering work as low paid are all still worse than before the recession.

The government's commitment to full employment is therefore welcome; full employment means better pay is easier to negotiate and temporary contracts can be refused. But strong labour demand is not enough on its own to combat low pay and precarious work.

Some of these problems reflect structural changes, and so will not disappear just because of a stronger labour market. For example, if there has been a structural shift towards lower-paid sectors or a shift towards self-employment, this will not necessarily change with a stronger labour market. Both require a government policy response: in the former case to ensure there are routes for pay progression (as indeed the government is investigating) and in the latter to ensure the self-employed have access to social security when needed and are providing for their retirement.

Another issue is that some problems are engrained in the labour market. There are groups such as young adults and disabled people who have fared worse than others for a long time. For example, the unemployment ratio for under-25s is three times higher than for older adults, and a large proportion of disabled people would like to work but do not. Increasing the conditionality for benefit receipt has been seen by the government as a solution but has diminishing marginal returns. More supportive active labour market policies should now be considered, and more fundamental changes to the pathways from education and training to work and the adjustments employers make are necessary.

There has so far been a strong recovery in employment numbers, which may be transforming into a recovery in earnings and productivity. But the possibility of another downturn both in the labour market and economy more widely has to be considered. If this happens, what will the government do differently to maintain full employment? This question needs an answer; there is no point committing to full employment only in the good times.

## Chapter 3

### Welfare and benefits

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## Introduction

A further round of welfare reforms have been announced in recent months, many building on other changes that have been introduced in the last few years. The majority of the changes outlined below aim to make cuts to social security expenditure. It has also been argued that they will improve work incentives, make the system fairer and more affordable, and simplify the complexities of the benefit system.

These principles of reform are attractive to many. The problem, as this chapter highlights, is that they are being applied in the context of a complex system, which means that they do not always translate. While few people will experience all the components of this benefit system and so will have little need to understand its intricacies and interactions with other systems of support, the interactions between different elements of support require further attention. Many people will call on the social security system at some point, whether due to a sudden change in circumstances or when moving into retirement. The indicators presented in the following pages outline some of the difficulties people find themselves in when they try to access the welfare system.

The table below provides an overview of recent and proposed key reforms. Basic impact estimates are included where possible.

**Table: Key welfare reforms and estimates of their impact**

Date	Change	Number affected	Impact
Oct 2012	New JSA and ESA sanction schemes	Potentially all JSA claimants and those on ESA in work-related activity group	Full amount of benefit for up to 4 weeks (ESA), 13 weeks, 26 weeks or 3 years (JSA)
Apr 2013	Under-occupancy penalty ('bedroom tax')	460,000	£15 per week
Apr 2013	Council tax benefit replaced with local council tax benefit support schemes	2.26 million	£3 per week
Apr 2013	Overall benefit cap (£350 for single, £500 for others)	22,000	£63 per week
Apr 2016/17	Reduced overall benefit cap to £385 outside London and £442 in Greater London	92,000 households in addition to the 22,000 currently already affected	A further £64 per week for households already capped £39 per week for households not previously capped
Apr 2016	4 year freeze in working-age benefits (at 2015/16 levels)	30 per cent of all households	£6 per week in 2019/20
Apr 2016	Change in conditionality for responsible carers under UC	22,000 carers	Additional conditionality applied to group
Apr 2016	Lowering of tax credit income threshold and increase in rate at which credits are withdrawn	At least 2.4 million families (up to 3 million)	Not published by DWP
Apr 2017	Realigning ESA WRAG payments with JSA levels	up to 500,000 families in the long term	£28 per week
Apr 2017	Restricting benefit entitlement to level for 2 children for new tax credit and UC claims – i.e. changes to child and family element	3.7 million households	Not published by DWP

Source: DWP impact assessments, DWP Stat Xplore and NPI modelling of Council Tax Support schemes



## Choice of indicators

There has been much discussion of the affordability of the benefit system in recent years. This chapter begins by analysing trends in social security spending over the long term, comparing these to the value of benefits for different households.

Next we consider the coverage of the benefits system in terms of numbers of claimants and the take-up of some key out-of-work benefits.

Turning to individual benefits, we review data on the claimant count, which now includes a small number of Universal Credit claimants alongside those claiming Jobseeker's Allowance. People who claim these benefits are subject to conditionality and may be sanctioned if they fail to comply or engage in particular activities. We also discuss the extent to which sanctions are being applied to Jobseeker's Allowance claimants.

The next set of indicators provides an overview of the Employment and Support Allowance (ESA), a key income replacement benefit for working-age adults who are unable to work. While the assessment process does not seem to be working effectively, a growing number of people are claiming ESA. We look at the different categories of ESA claimants, focusing in particular on those in the work-related activity group.

The next indicator covers the localisation of Council Tax Support for low-income households and how the impact varies across England. With calls for further devolution of components of the social security system, the indicator highlights the potential for varying levels of support to be offered to low-income households in different local areas.

The final two indicators focus on recent welfare reforms that have sought to reduce benefit payments, whether for claimants in the social rented sector or among those households making higher value benefit claims. The first indicator looks at the impact of reducing benefit entitlement for social renters who are deemed to have a spare room, and the final indicator considers the kinds of household which are now subject to the benefit cap.

The chapter closes with a map showing the proportion of young people who will be affected by cuts to tax credits in each local authority in Great Britain.

## 21 Expenditure

**Alongside the long-term trend of increasing expenditure on pensioners, spending on incapacity and disability-related benefits has increased in the last five years. This does not mean there has been an increase in generosity within the benefit system, but wider falls in inflation have translated into a slight increase in the value of means-tested benefits for the first time in several years.**

Over the last decade, allowing for inflation, expenditure on benefits has increased from £178 billion to £228 billion in 2014/15. Within this pensions continue to dominate at £108 billion, or 47 per cent of total expenditure, compared with 42 per cent in 2004/05. Expenditure in some other areas has been increasing, though not on the same scale.

Incapacity-related benefits accounted for £41 billion in spending, an increase of £7 billion over the last five years and £10 billion on a decade earlier. The increase takes the overall proportion of spending on these benefits to 18 per cent of total expenditure in 2014/15. Housing Benefit expenditure has also crept up over the long term and now stands at £27 billion, an increase of £7 billion on a decade earlier though spending levels have remained stable for the last four years.

In contrast, spending on family benefits, income support and tax credits has fallen to £44 billion compared with £50 billion five years ago, reflecting changes in eligibility and cuts to benefits such as tax credits. Unemployment-related benefits, meanwhile, accounted for £3 billion of expenditure in 2014/15. This is half of the amount spent in 2009/10 and means that spending on unemployment benefits is near the same level as it was a decade ago.

Wider increases in expenditure are not reflected at the individual level as the value of means-tested benefits has been falling in real terms. In 2015, means-tested benefits would allow a pensioner couple £231 per week, compared with £237 five years earlier. Similarly, the amount allowed for having two children within the Income Support system stood at £151, slightly less in real terms than the £155 that was paid five years before. The figures are the weekly value of Income Support expressed in 2015 prices for comparison over time. In the case of children, this would be the amount paid to parents who have two children of this age.

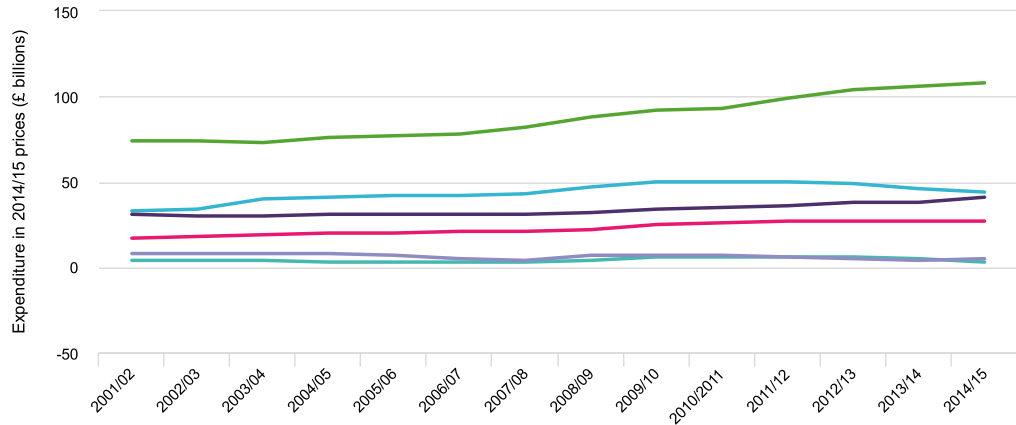
Benefits for working-age adults have also fallen in recent years but the longer-term trend is very different for this group. Despite recent falls, the value of benefits for pensioners and children has increased over the longer-term, whereas the real terms value of benefits for a working-age couple has remained relatively stable. In 2015 a working-age couple would be entitled to £115; adjusting for inflation this means that benefits for this group are at a similar level to those seen in the late 1980s.

# Expenditure

Indicator: 21A

Government spending on incapacity and disability-related benefits has increased by £7 billion in the last five years, but pensions spending continues to dominate at £108 billion 2014/15.

- Pensions
- Family benefits, income support and tax credits
- Incapacity, disability and injury benefits
- Housing
- Unemployment
- Other

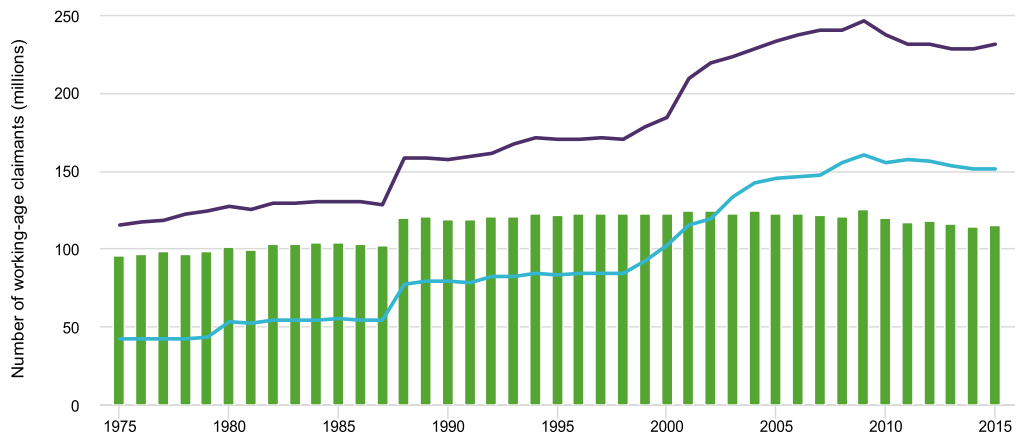


Source: HM Treasury Public Expenditure Statistical Analysis; the data is for the UK

Indicator: 21B

Over the long term the value of means-tested working-age benefits has remained stable, in contrast to the value of benefits for pensioners and children. The value of benefits for a working-age couple is similar now to those of the late 1980s.

- Working-age couple
- Two children aged 2 to 12
- Pensioner couple



Source: DWP Summary Benefit Expenditure, HMRC receipts; the data is for the UK

The first graph compares the level of spending in each of the main social security categories between 2001/02 and 2014/15 using GDP deflators to discount the effects of inflation. 'Pensions' includes the state retirement pension, Pension Credit and other benefits paid to pensioners on the grounds of their age.

The second graph shows the real (inflation-adjusted) value of a key means-tested benefit – Income Support – over time separately for: a working-age couple; two dependent children aged two and twelve; and a pensioner couple.

Reliability rating: high. The data all comes from official administrative sources.

## 22 Out-of-work benefits/income replacement benefits

**Fewer people are claiming out-of-work benefits now than at any point in the last 15 years. A significant proportion of those who are eligible for income replacement benefits such as Jobseeker's Allowance do not claim them.**

The total number of people claiming the main out-of-work benefits has fallen in the last five years and now stands at 4.5 million. Fewer people are claiming these benefits than at any point in the last 15 years. However, the caseloads for some out-of-work benefits have been increasing in the last few years.

For the last decade the number of people claiming incapacity-related benefits such as Employment and Support Allowance and Incapacity Benefit has been in decline. However there was a slight increase (of 74,000) over the last year, with 2.5 million people making a claim for these benefits in 2015. This is still significantly lower than the number receiving these benefits in 2005 when 2.8 million people were claiming. The long-term decline was also interrupted in 2010, when the caseload increased by 11,000 compared with the previous year.

Claims have also increased for carer's allowance, a benefit claimed by people who care full-time for someone claiming a disability-related benefit. The number has increased by an average of 35,000 each year for the last five years and now stands at 600,000.

Meanwhile the number of people claiming the other categories of benefit has been falling. The number of people claiming Jobseeker's Allowance fell by 360,000 over the last year to 790,000 and the number is now back to pre-recession levels. The number of lone parents claiming Income Support has also continued to decline. Around 450,000 people claimed this category of benefit in 2015, compared with 790,000 claimants in 2005.

DWP estimates of the take-up of the main income-related benefits give an indication of the coverage of these benefits. There are a significant number of people who are eligible for means-tested out-of-work benefits but do not claim them.

In 2013/14 42 per cent of people who were eligible to claim income-related Jobseeker's Allowance did not make a claim, amounting to around 740,000 people. Similarly, the DWP estimates that 21 per cent of people eligible for either Income Support or Employment and Support Allowance were not taking up these benefits. In contrast, the take-up of Housing Benefit among workless households is much higher, with only 8 per cent of eligible households not making a claim.

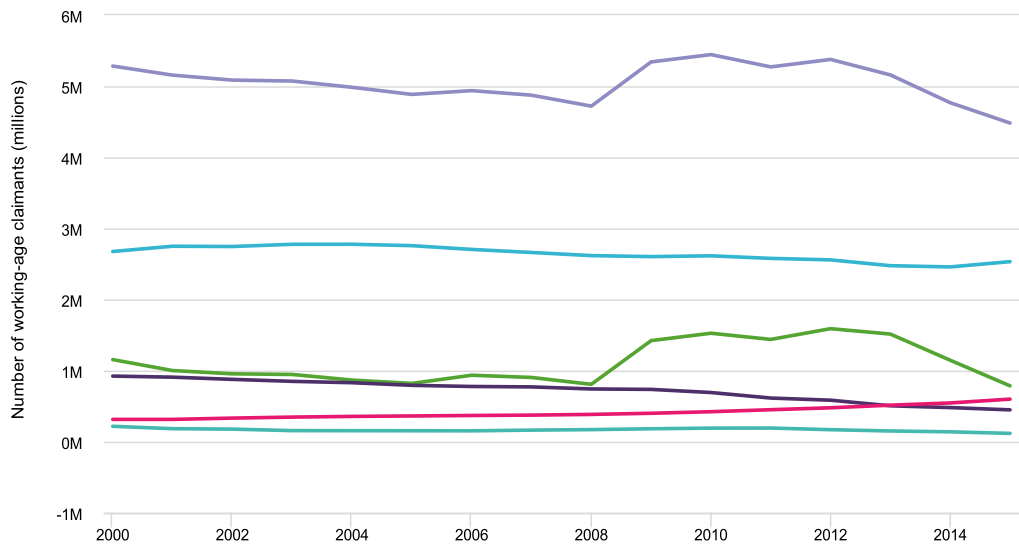
Across these benefits, the total amount unclaimed each year was estimated to be in the region of £6 billion. Within this figure, £2.3 billion went unclaimed by people eligible for income-related Jobseeker's Allowance, while £2.8 billion went unclaimed by people eligible for Income Support and the Employment and Support Allowance.

## Out-of-work benefits/income replacement benefits

Indicator: 22A

Fewer people are claiming out-of-work benefits now than at any point in the last 15 years but the number claiming some benefit types is on the rise. Carer's allowance has been rising over the long term and there was an increase in incapacity benefit claims.

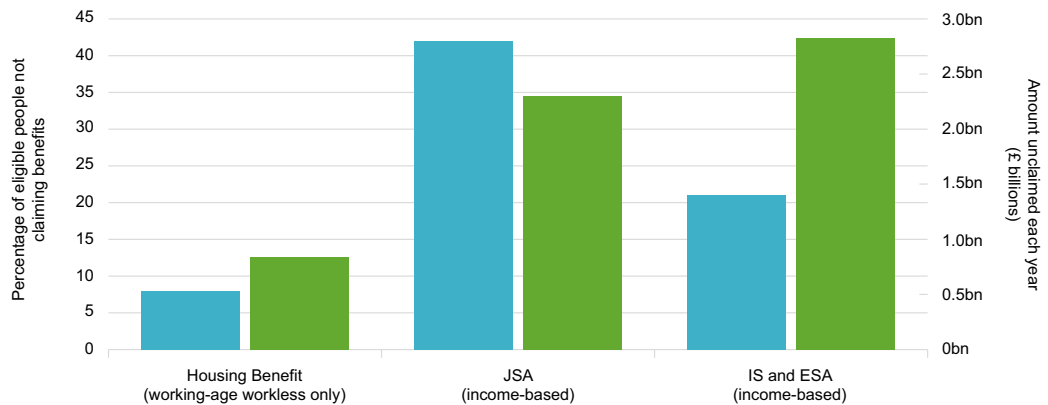
- Jobseeker
- ESA and incapacity benefits
- Lone parent
- Carer
- Others on income-related benefits
- Total



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

Indicator: 22B

Two-fifths of those who were entitled to income-based Jobseeker's Allowance did not make a claim, amounting to £2.3 billion in 2013/14.



Note: Housing benefit estimates are for the number of households

Source: Income-related benefits estimate of take-up (experimental), DWP; estimates are for Great Britain; the data is for 2013/14 except housing benefit which is for 2012/13

The first graph shows the number of working-age adult claimants in Great Britain claiming out-of-work benefits each year from 2000 to 2015. People are assigned to benefit groups according to the type of benefit they are claiming. The classification is hierarchical and so people will only be counted in one of the categories. The lone parent category comprises people who are claiming Income Support with a child under 16 and who have no partner.

The second graph shows the estimated proportion of working-age people or households that are entitled to income-based Jobseeker's Allowance, income-based Income Support or Employment and Support Allowance, or Housing Benefit but who are not claiming. The estimates are for 2013/14, except Housing Benefit estimates which are for 2012/13.

Reliability rating: medium. The first graph is based on administrative data. For the second graph, all the data comes from official administrative sources, but the estimates of benefit take-up which are produced by the Department for Work and Pensions (DWP) are based on the modelling of survey data. The figures shown are the mid-points of quite wide-ranging estimates, so the figures for any particular year are subject to some uncertainty.

## 23 Unemployment benefits claimants

**The number of people claiming unemployment benefits has fallen significantly in recent years but is an increasingly poor proxy for overall unemployment levels. Around 1.2 million people made their first claim for Jobseeker's Allowance (JSA) in the two years to April 2015 out of a total of 3.9 million claims in that period.**

Between 2014 and 2015 the number of adults claiming key unemployment-related benefits in the UK, known as the claimant count, fell by 370,000. Since 2013, in addition to counting the number of people claiming JSA, this measure has begun to include the relatively small number of people who are unemployed and claiming Universal Credit.

The overall number of people claiming stood at 900,000 in 2015, down from 1.3 million in 2014. This marked the largest annual decrease since 1998. In contrast, there were 1.6 million adults unemployed in 2015, down from 1.9 million in 2014 but still considerably higher than the claimant count.

In the mid-1990s the number of people who were unemployed and the overall claimant count were more aligned but the gap between them has been increasing since then. There was a difference of 680,000 between the number of people who were defined as unemployed and the claimant count in 2015, compared with a gap of 330,000 in 2005. This trend means that the claimant count is an increasingly inaccurate measure of unemployment.

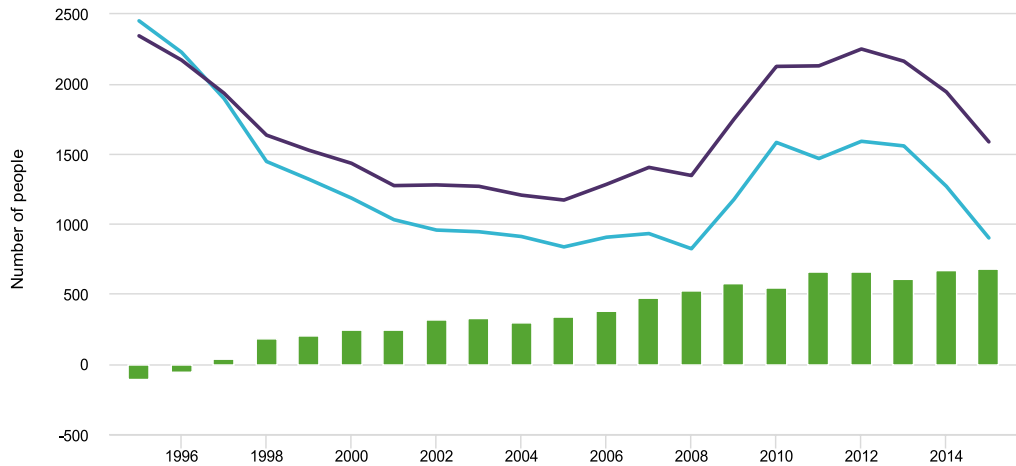
In the two years to April 2015, 3.9 million adults claimed Jobseeker's Allowance at some point, down from 4.8 million in the previous two years. Over the course of the last two years, 1.2 million people made their first ever claim for Jobseeker's Allowance. This is much lower than the number of new claims that were submitted over the recession, for example 1.9 million people made their first claim for JSA between April 2009 and 2011.

## Unemployment benefits claimants

Indicator: 23A

While the number of people claiming unemployment-related benefits has fallen, the gap between that and the number of people experiencing unemployment has increased.

- Difference
- Claimant count
- Unemployed (excluding full-time students aged 18-24)



Source: Labour Market Statistics, ONS; the data is for the UK and an average for the 12 months to May of the year shown

Indicator: 23B

Fewer people made a first claim for JSA in the last two years than in any other period since the recession: 1.2 million made their first claim for JSA in the two years to April 2015 out of a total of 3.9 million people who made claims in that period.

- New claim never claimed before
- New claim claimed before beginning of period
- Claiming at beginning of the period



Source: JUVOS cohort data from Labour Market Statistics, ONA, and claimant count data, NOMIS; the data is for the UK

The first graph shows the average number of 18 to 64-year-olds who were defined as unemployed and the number of people claiming Jobseeker's Allowance and, since 2013, the number of out-of-work Universal Credit claimants, in each year. Estimates for the number of unemployed exclude those aged under 25 in full-time education to enable comparison with Jobseeker's Allowance, which is not available to full-time students. The bars show the difference between the two numbers in each year.

The second graph shows the number of people who claimed Jobseeker's Allowance in three time periods: 2009-2011, 2011-2013 and 2013-2015. The figures for each period are broken down by whether they had claimed before and, if they had, whether they were claiming at the beginning of the period (April).

Reliability rating: high to medium. The first graph uses administrative and headline unemployment estimates from a large-scale survey but the second relies on some assumptions and modelling on length of claims.

## 24 Jobseeker's Allowance sanctions

**Jobseeker's Allowance claimants received a total of 500,000 sanctions over the last year, a marked decline on the previous year. The majority of people who were sanctioned in 2013/14 received one sanction, but three in ten of those sanctioned received multiple sanctions.**

A sanction referral may be made when a claimant is deemed to have failed to comply with the conditions of receipt for a particular benefit without good cause. In the case of Jobseeker's Allowance (JSA), the most common reasons for a sanction being applied were: claimants being assessed as not actively seeking work, failure to participate in training and employment schemes, or failure to attend interviews at the jobcentre (Tinson, A. (2015) *The rise of sanctioning in Great Britain*, New Policy Institute). Where a sanction is applied it will result in a reduction in a person's benefit payments for a fixed period of time.

In the year to March 2015 the number of sanctions that were applied to JSA claimants fell to 510,000. This represents a significant decline (43 per cent) compared with the 890,000 sanctions applied in the previous year.

In addition to the number of sanctions that were applied in 2014/15, there were a further 500,000 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, for example, or a claimant may stop claiming before the sanction can be applied.

The overall reduction in the number of adverse decisions, i.e. referrals for sanctions that are upheld, need not signal the advent of a less punitive sanctioning regime and should be seen in light of the overall decline in the number of JSA claimants, discussed under Indicator 23.

The figures mentioned so far refer to the number of sanctions, rather than the number of people that were sanctioned. As the second graph shows, some people are sanctioned only once, but others will receive several sanctions. In the 12 months to June 2014, 540,000 JSA claimants were sanctioned. The majority (69 per cent) received one sanction. But 170,000 people were sanctioned more than once, 100,000 people received two sanctions, and 35,000 received three sanctions. A further 32,000 received four or more sanctions.

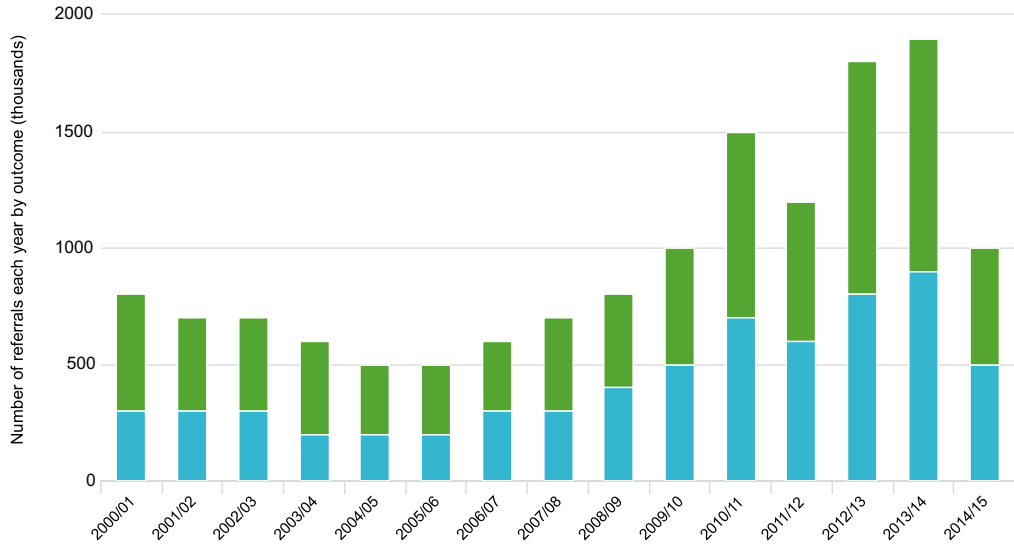


## Jobseeker's Allowance sanctions

Indicator: 24A

Around 500,000 sanctions were applied to JSA claimants in 2014/15, a marked decline on the year before but still high compared with the 2000s.

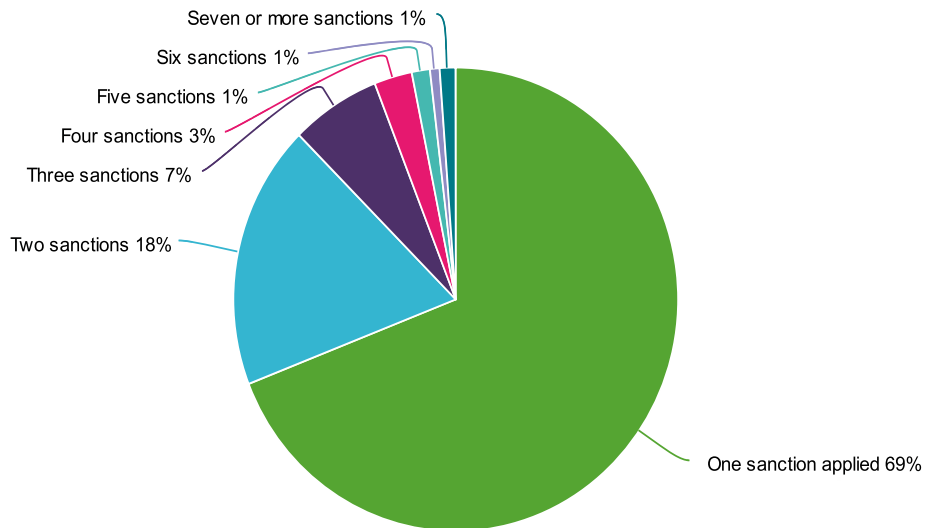
- Sanction applied
- No sanction applied - decision to cancel or reverse a sanction or not to apply



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

Indicator: 24B

The majority of JSA claimants who were sanctioned in 2013/14 received one sanction, but 3 in 10 of those sanctioned received multiple sanctions.



Source: FOI 2014-4972, DWP; the data is for Great Britain in the 12 months to June 2014

The first graph shows the number of Jobseeker's Allowance sanction referrals for each year 2000/01 and 2014/15. 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 second graph shows the proportion of people sanctioned a given number of times in the 12 month period to the end of June 2014.

Reliability rating: high to medium. The first graph is based on administrative data while the second graph draws on data produced by the DWP in response to a Freedom of Information request and has not been quality assured to the same level.

## 25 Assessment for Employment and Support Allowance

**While the number of new claims for the Employment and Support Allowance (ESA) submitted each quarter has remained relatively stable, the number of claims that are deemed to be eligible has been increasing. Many people submitting new claims for ESA are facing long delays as they wait for the initial outcome from the Work Capability Assessment.**

The Work Capability Assessment is meant to assess whether someone is capable for work and therefore not eligible for Employment and Support Allowance. Applicants are assigned points based on an assessment of the severity of their health condition. Those who are deemed to have limited capability for work are eligible to claim Employment and support allowance, and are placed into either the support group or the work-related activity group. Those in the work-related activity group have limited capability to work but are thought to be able to participate in work-related activity.

Between July and September 2014, 210,000 new claims for ESA were submitted. Three to six months later, in December 2014, 66,000 of these claims were still awaiting an initial decision while 48,000 were deemed to be entitled to ESA and 14,000 were judged to be fit for work. A further 81,000 of these claims were closed before assessment. To enable comparison over time, the data outlined here describes the outcomes of new claims in each quarter three to six months after those claims were submitted.

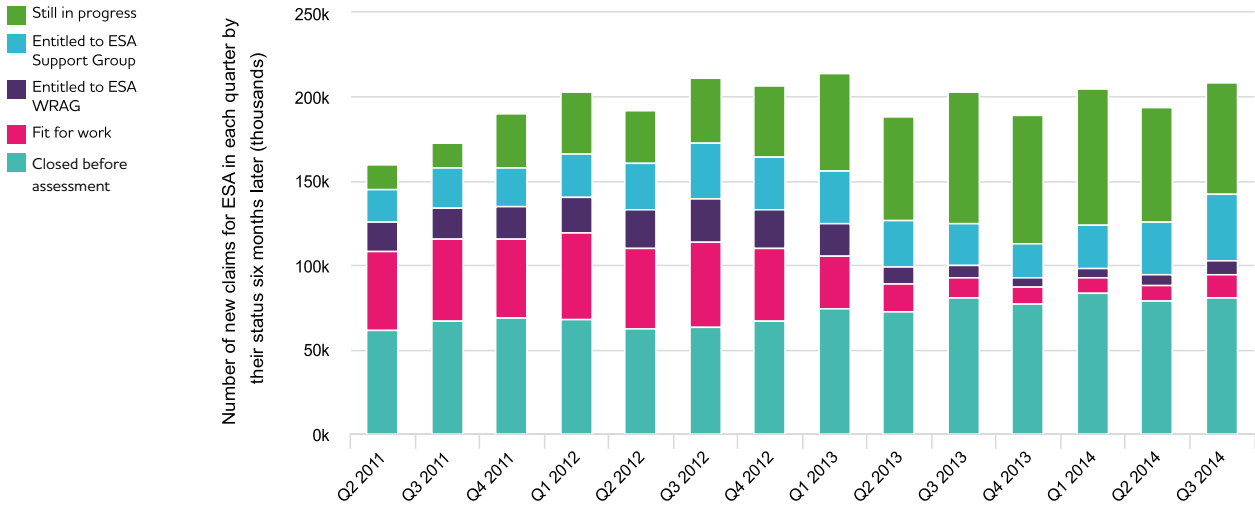
Between 2011 and 2014, the number of people assessed as entitled to ESA in each claim period has fluctuated while the number of new claims each quarter has remained relatively stable. Since the end of 2013 the number of claims assessed as entitled to ESA after six months has increased, rising from 32,000 or 16 per cent of claims submitted between July and September 2013 to 48,000 or 23 per cent of claims submitted in the same period in 2014.

Claimants continue to face significant delays in the Employment and Support Allowance assessment process. Claims awaiting an initial decision are classified as 'still in progress' in the data on outcomes from the Work Capability Assessment. Of the 294,000 ESA claims that were submitted up to September 2014 that were still awaiting an outcome in December, 72 per cent had been submitted more than six months ago, suggesting that there is a serious backlog in the assessment process. It made headway with this. Regardless, closer monitoring of these waiting periods is needed given that this benefit is meant to provide a basic income for people who are experiencing an extended period of ill-health.

# Assessment for Employment and Support Allowance

Indicator: 25A

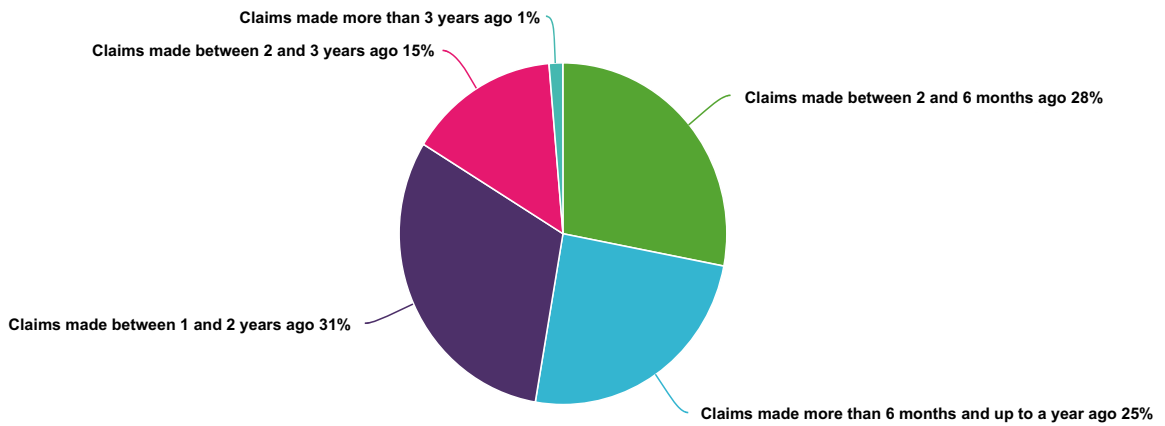
Large numbers of ESA claims started each quarter are still in progress between three and six months later. The number of claims that are assessed as 'fit for work', i.e. not eligible for ESA, has been falling.



Source: Outcomes of work capability assessments for ESA, DWP; the data is for Great Britain

Indicator: 25B

People face significant delays when claiming ESA: of the 300,000 open claims submitted by September 2014, 70 per cent were at least six months old.



Source: Outcomes of work capability assessments for ESA, DWP; the data is for Great Britain

The first graph shows the number of new ESA claims in each quarter by the status of the claims six months after the end of that quarter. In addition to the outcomes for new claims discussed here, people on other incapacity-related benefits are being assessed for ESA. ESA outcome figures will change as these assessments are completed and as a result of appeals.

The second graph shows the length of time claimants are waiting after submitting a new claim for Employment and Support Allowance. It covers all new claims submitted up to September 2014 and those that were still awaiting a medical assessment up to March 2015.

Reliability rating: high for the first graph as it is based on DWP data that complies with national statistics guidelines. The second graph is also based on administrative data tables but the DWP has indicated that it is currently reviewing the methodology for classifying and defining claims that are 'still in progress' so these figures may change.

## 26 Employment and Support Allowance claimants

**The composition of the Employment and Support Allowance (ESA) claimant group is changing. People allocated to the support group make up an increasing proportion of claims. For those in the work-related activity group, who may be subject to conditionality, an increasing number are being sanctioned.**

ESA is an income replacement benefit for working-age adults who are assessed as being incapable of work. It was introduced for new claimants in 2008; people claiming other incapacity-related benefits are being moved on to this benefit.

In 2014, 49 per cent of those claiming – 1.1 million claimants – were in the support group. The rest were split evenly between those in the work-related activity group (24 per cent) and people who were in the assessment phase and still awaiting a decision on their claim (24 per cent) in 2014. A small percentage of claims, 3 per cent, had an unknown status.

In contrast in 2011 48 per cent of claimants were waiting to be assessed and only 13 per cent were in the support group. This is due to the continued rollout of ESA; overall the number of people claiming or in the assessment phase for ESA has tripled since 2011.

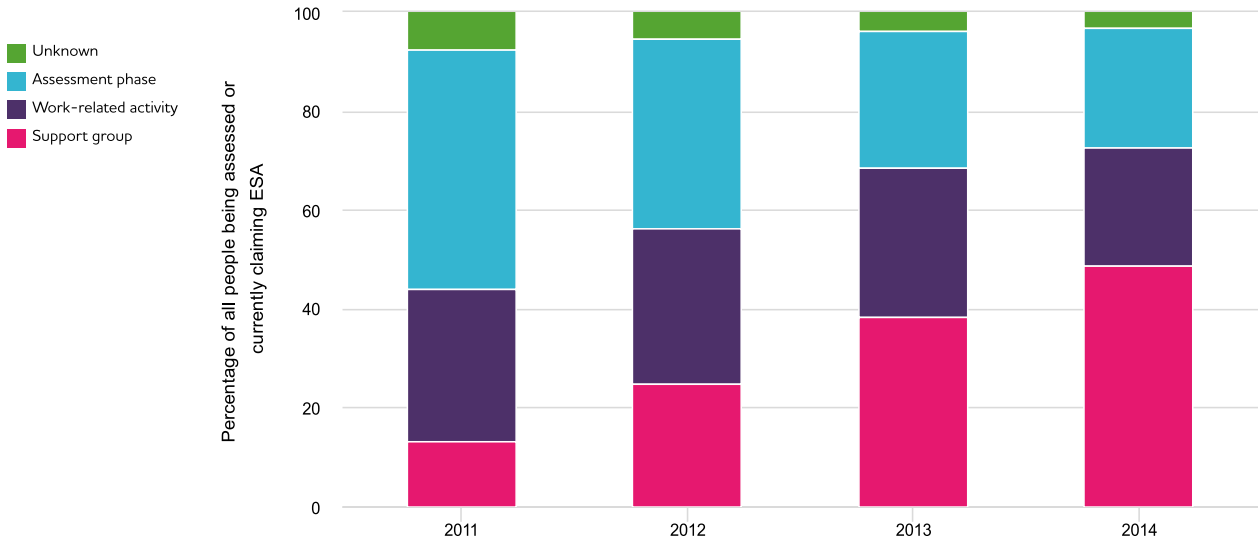
Unlike claimants in the support group, the work-related activity group is subject to conditionality and claimants can be sanctioned for failing to participate in work-related activity. The number of sanctions applied to ESA claimants in this group doubled between 2012/13 and 2013/14, reaching 39,000. The second graph shows the number of sanctions applied by the main disabling condition of the person claiming.

People whose main disabling condition was a mental and behavioural disorder received 23,000 sanctions, more than half of the total applied in 2013/14. In addition, 4,000 sanctions were applied to people whose main disabling condition was a disease of the musculoskeletal system and connective tissue. Sanctions numbers ranged between 1,000 and 2,000 across the remaining categories of health condition.

## Employment and Support Allowance claimants

Indicator: 26A

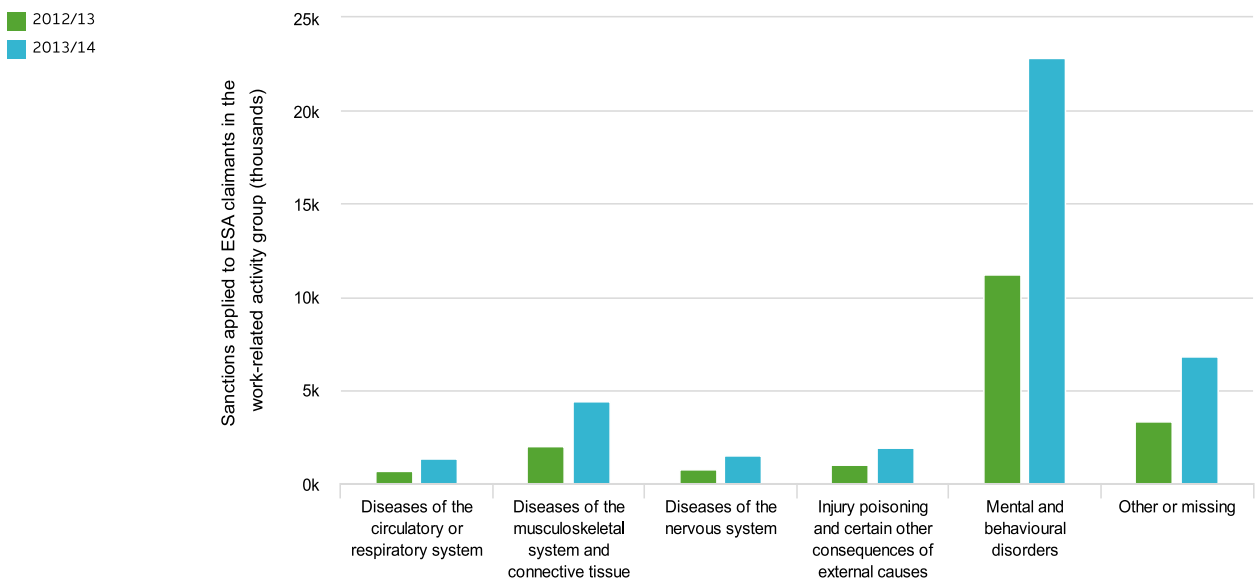
In 2014 people in the ESA support group made up 49 per cent of the total number of people either claiming or being assessed for ESA.



Source: Tabulation tool, DWP; the data is for Great Britain

Indicator: 26B

The number of sanctions applied to ESA claimants in the work-related activity group doubled in 2013/14. People with mental and behavioural disorders received 23,000 sanctions, or nearly half of the total.



Source: DWP FOI request 2015-896; the data is for Great Britain; the data is a total for the 12 months from October to September.

The first graph shows the proportion of people on Employment and Support Allowance who were either in the support group, in the work-related activity group, in the assessment phase, or whose status was unknown between 2011 and 2014.

The second graph shows the number of sanctions applied to people in the work-related activity group in 2012/13 and 2013/14. The figures do not include the number of people who were referred for a sanction where the sanction was not subsequently applied.

Reliability: high to medium. The first graph is based on administrative data, and the second draws on information released by the Department for Work and Pensions in response to a Freedom of Information request.

## 27 Council Tax Support

**In England, 2.3 million low-income households will pay more Council Tax in 2015/16 than they did under the previous Council Tax Benefit system, including 1.3 million families who will pay at least £150 more a year.**

Council Tax Support was introduced across England in April 2013 and replaced the national system of Council Tax Benefit, under which the poorest households were largely exempt from paying Council Tax. Under the new system of Council Tax Support local authorities can devise their own scheme for supporting working-age households in their area.

In 2014/15, of the 2.3 million households that were paying more in Council Tax, 1.3 million were paying at least £150 more a year with the majority (760,000) paying an additional £150 to £200 compared with what they paid under the previous Council Tax Benefit system. Meanwhile around 910,000 households will pay less than £150 extra.

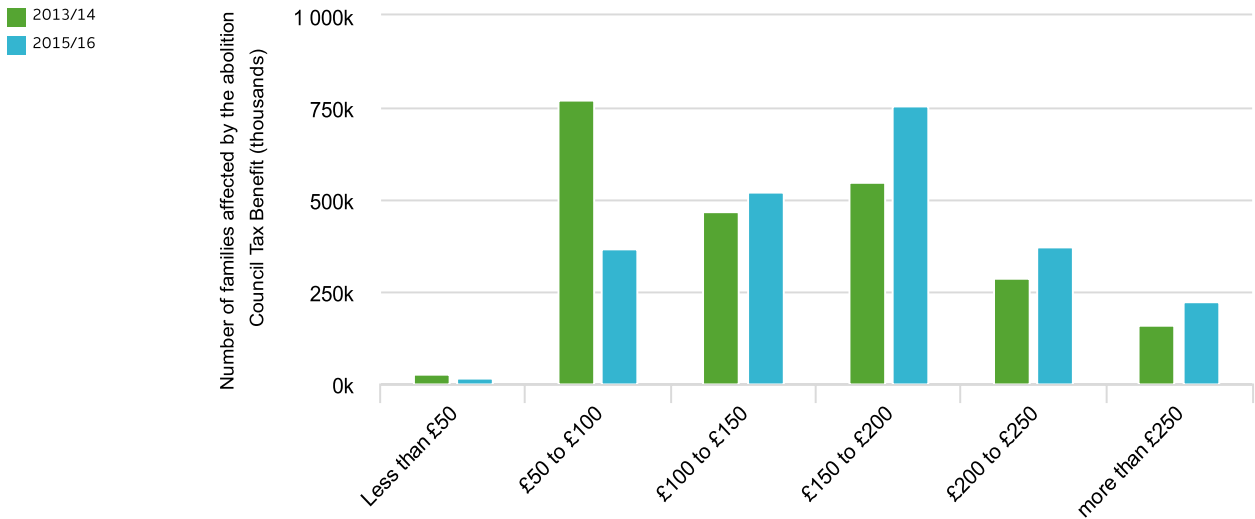
Council Tax Support schemes can be altered each year. Compared with the first year of the localised support scheme in 2013/14, the overall number of households that are paying more has decreased by 11,000. This is linked to falls in unemployment which means that fewer people would have been entitled to Council Tax Support regardless of the changes. But more households are facing larger additional payments. In 2013/14 800,000 households were paying less than £100 extra; in 2015/16 that will fall to 390,000 households while the number paying £150 or more will increase by 350,000 to 1.3 million.

On average, families affected by the changes to Council Tax Support schemes will pay an additional £167 in 2015/16. The second graph shows how the average varies across the English regions, ranging from £140 in the North East and £142 in Inner London to £191 in the South West and £181 in Yorkshire and the Humber.

## Council Tax Support

Indicator: 27A

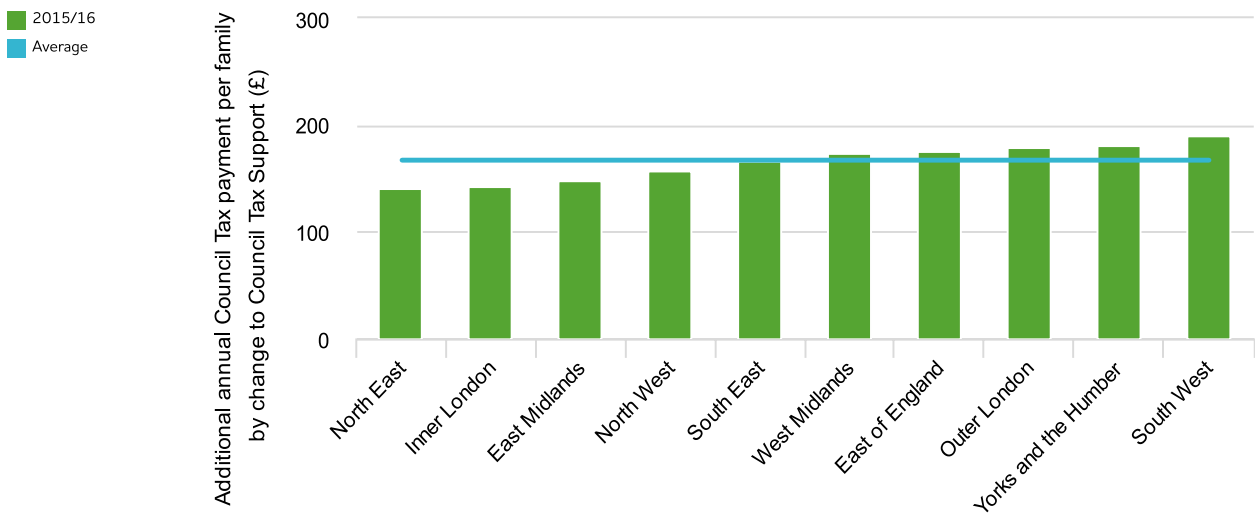
In 2015/16 2.3 million low-income households face higher Council Tax payments than they did before Council Tax Benefit was abolished. Around 1.3 million of these families will pay at least £150 more a year.



Source: NPI analysis; the data is for England

Indicator: 27B

Families affected by the move to local Council Tax Support were paying £167 more on average in 2015/16. Families in the South West faced the largest average cut in support at £191.



Source: NPI analysis; the data is for 2015/16 for England

The first graph shows the total number of working-age families in England required to pay more Council Tax in 2014/15 as a result of the abolition of Council Tax Benefit. It shows the number experiencing a change in entitlement in April 2013 only, April 2014 only, or in both years.

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 2014/15.

Reliability rating: medium. Both graphs draw 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 when estimating how much more families had to pay when Council Tax Benefit was replaced by Council Tax Support.

## 28 Reduced benefit entitlement for social renters

**Some 460,000 low-income tenants living in the social rented sector have had their Housing Benefit cut because they are deemed to have a spare room; 420,000 of these tenants face reductions of more than £10 a week, or £40 a month. Yet there is limited scope for many tenants to move into smaller affordable homes; in every region in England the number of single or couple households who were facing benefit cuts was at least double the number of one-bed social lettings in 2013/14.**

Housing Benefit restrictions have applied to working-age families who are deemed to be under occupying homes in the social rented sector since April 2013. People who are affected by the policy face a reduction of 14 per cent of their eligible rent for Housing Benefit purposes where they have one spare room, rising to 25 per cent for two or more spare rooms.

In May 2015 460,000 low-income households in the social rented sector were experiencing cuts to their benefits because they were thought to have more bedrooms than they needed. Some 420,000 or 9 in 10 of the households affected by the reduction were losing £10 or more a week. The majority of households, 260,000, were experiencing cuts of £10 to £15 a week, but 31,000 households were facing much more significant cuts of £25 or more a week, adding up to a cut of more than £100 each month. The majority of those affected are single and couple households with no dependent children, around 330,000 in May 2015. The rest (120,000) are households which contain children.

Households facing these cuts must make up the shortfall. There are a number of ways that households may avoid being subject to the reduction, including downsizing to a smaller home within the social rented sector, applying to increase their bedroom entitlement or moving into the private rented sector.

Comparing the number of single and couple households affected by the cut in May 2014 to the number of one-bed lettings that were made in 2013/14, it seems that the option of downsizing would not be open to many of the smaller households affected by the cut. In every region in England the number of single or couple households – what we might call ‘one-bed households’ – was at least double the number of one-bed social lettings in 2013/14.

The North East and North West together were the regions with the greatest mismatch between the number of one-bed households and one-bed lettings, with more than three times the number of single and couple households affected by the reduction as there were one-bed lettings in that year. In London, the number of one-bed lettings to smaller households was similarly out of balance. Relatively speaking, the South East and Yorkshire and the Humber were the regions with the closest match with just over two households needing to move to a one-bed households for every one-bed letting in 2013/14.



## Reduced benefit entitlement for social renters

### Indicator: 28A

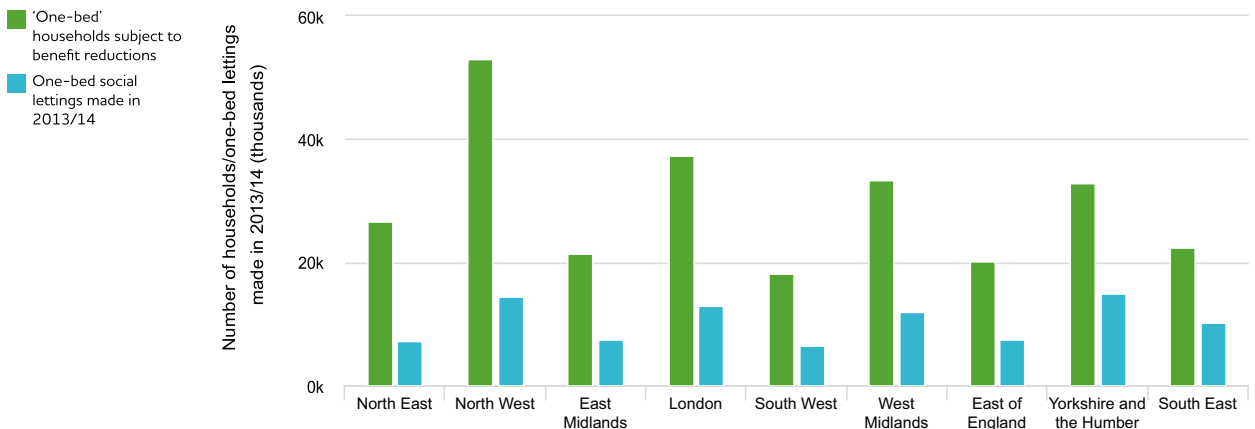
420,000 low-income social rented tenants affected by the spare room subsidy reduction are losing at least £10 a week, or £40 a month. Overwhelmingly those affected are single people and couples with no dependent children.



Source: DWP Stat X-plore; the data is for Great Britain in May 2015

### Indicator: 28B

The supply of smaller affordable homes in the social rented sector is limited: across England the number of households who needed a one-bed home in order to avoid the spare room subsidy reduction was two to three times more than the number of one-bed lets.



Source: DWP Stat X-plore for May 2014 and the Continuous Recording of Social Housing Lettings and Sales, DCLG for 2013/14; one-bed households defined as single and couple households with no dependents; the data is for England.

The first graph shows the average weekly benefit reduction among those households in the social rented sector who are affected by the spare room subsidy reduction, or the 'bedroom tax'.

The second graph compares the number of single and couple households with no children in the social rented sector who were affected by the subsidy reduction to the number of one-bed lettings in 2013/14 across England.

Reliability rating: high for the first graph, medium for the second graph. The second graph combines two data sources – social housing lettings data published by the Department for Communities and Local Government and DWP data.

## 29 Benefit cap for working-age households

**The benefit cap applies conditionality to households that would not usually be required to seek work, including 11,000 lone parent households where the youngest child is under the age of five. Those households that are already being capped will lose a further £64 on average when the cap is lowered.**

A cap on the total amount of benefit that workless, working-age households could claim was introduced in Great Britain in 2013. Households subject to the cap are not able to claim more than £500 a week, or £350 for single claimants. In 2015 it was announced that the cap would be lowered.

The majority of households subject to the benefit cap are lone parent households. Of the 22,000 households that were subject to the benefit cap in May 2015, 14,000 were lone parents and 11,000 of these households contained a child aged under five. Two-parent families (6,900) and a small number of couple and single person households (1,200) made up the remainder. The number of lone parents subject to the benefit cap is striking because one of the main policy rationales offered for introducing the benefit cap was to increase incentives to work. If the expectation is that people affected by the cap will be able to mitigate the impact of lower benefit payments by moving into work then in practice the cap is enforcing a stricter system of conditionality, and stronger work incentives, for a group – lone parents with young children – that is usually allowed some leeway in recognition of their caring responsibilities.

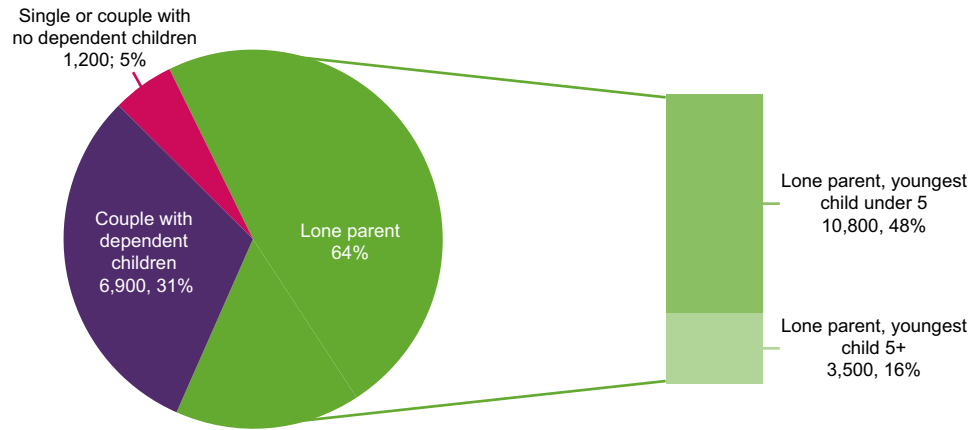
Up to May 2015, capped households in England were losing an average of £63 a week, rising to £67 a week in Scotland. In Wales the average weekly loss was slightly lower at £51. Particular household configurations saw larger average losses: overall, couples with children (£68 average weekly loss) and lone parents (£62) lose more than single adult households (£44 a week) under the cap. For the limited number of two-person households with no children that were capped, the average weekly reduction was close to the average at £61. Tenants in the social rented sector were losing £69 a week on average, slightly more than tenants in the private rented sector at £63 a week.

But some households face much higher reductions. Lone parents and two-parent families in London lose £73 and £89 per week respectively, while larger families face a weekly reduction of £118. Lowering the benefit cap to £23,000 a year in Greater London and £20,000 outside the capital will increase the weekly loss experienced by households already subject to the cap and also affect a wider set of households. According to the policy impact assessment (Welfare Reform and Work Bill: Impact assessment for the benefit cap, available at: <http://www.parliament.uk/documents/impact-assessments/IA15-006.pdf> (accessed 28 October 2015), households already subject to the cap will lose an additional £64 in 2017/18, on top of the current average loss of £63 per week. Households that are newly subject to the cap are estimated to lose an additional £39 a week.

## Benefit cap for working-age households

Indicator: 29A

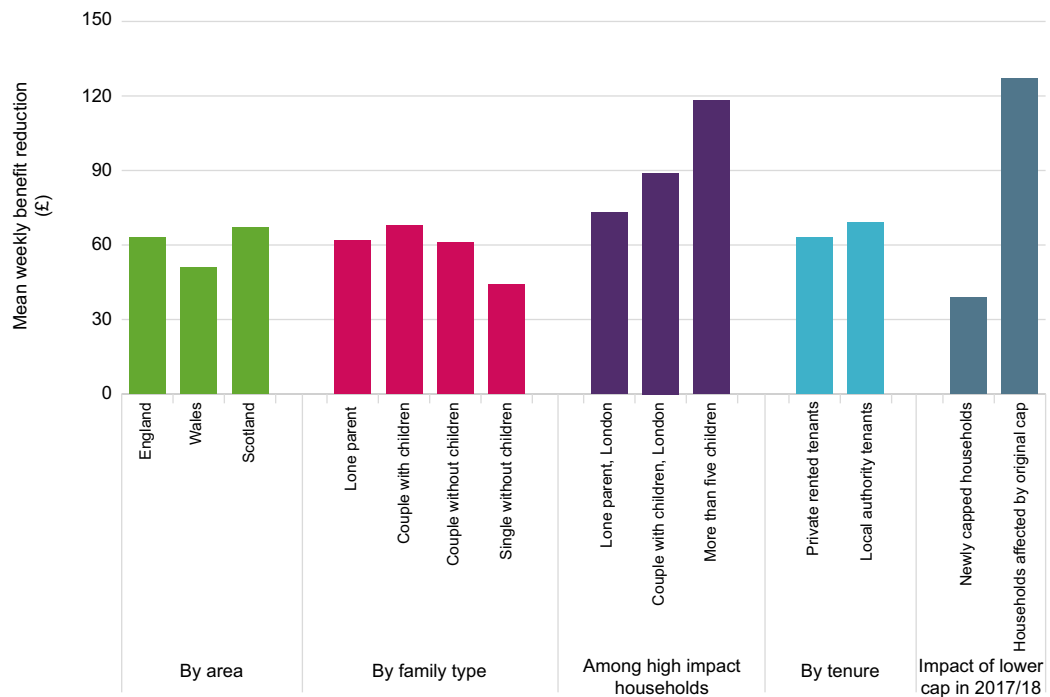
Lone parents make up the majority of households subject to the benefit cap; in May 2015 11,000 of these lone parent households contained a child under the age of 5.



Source: Benefit Cap quarterly statistics, DWP; the data is for May 2015 Great Britain

Indicator: 29B

Families with children face some of the largest cuts to their benefits under the current benefit cap. Those households already capped at £26,000 will lose £127 a week by 2017/2018 under the lower benefit cap.



Source: Stat-Xplore, DWP; the data is an average for households capped between April 2013 and May 2015, for Great Britain

The first graph shows the proportion of households subject to the benefit cap in May 2015 by family type, breaking down the data on lone parent households by the age of the youngest child.

The second graph outlines the average weekly reduction in benefits experienced by different households. The figure for the average cut for tenants in the private rented sector is an estimate for private tenants that were not claiming Local Housing Allowance or living in regulated private rental accommodation.

## 30 Tax credits supporting young people in Great Britain

**In 2013/14 3.9 million families with children were claiming some sort of tax credit in Britain, benefiting 7.3 million children. All of them will be affected by the changes to tax credits in April 2016, which include: a four-year freeze in the value of tax credits, a lowering of the income threshold and an increase in the rate at which tax credits are withdrawn above this threshold.**

The freeze means that the value of tax credits will fall relative to prices, but the other changes mean that any family earning more than £3,850 a year will see their entitlement cut. In 2013/14, 2.5 million families with children received tax credits and had some earned income so are likely to see their tax credits cut. A further 1.3 million recipient families had no earned income so would only be affected by the tax credit freeze. In 2013/14, families with children in Great Britain received an average of £6,095 (out-of-work) and £7,252 (in-work) in income from tax credits.

The map shows the proportion of young people (aged 0–19) in working families who currently benefit from tax credits in each local authority in Great Britain. Most of these children will be affected by a tax credit cut in April. Overall, 32 per cent of young people aged up to 19 years old in Great Britain were in working families that were receiving tax credits in 2013/14. The proportion increases to 40 per cent or more of the young people in 30 local authorities in Great Britain. The local authorities with the highest proportion of young people living in working families receiving tax credits were Pendle (52 per cent), Blackburn with Darwen (50 per cent), Boston (50 per cent) and Hyndburn (48 per cent). Many of the areas that will be particularly affected are already relatively disadvantaged and many are also in rural areas. But in only 28 local authorities does the proportion of children who will be affected by cuts to tax credits fall below 20 per cent.

Grouping some of these areas together, we can see that in the more prosperous rural areas of England 32 per cent of young people will be affected compared with 57 per cent in manufacturing and post-industrial areas and 55 per cent in central London.

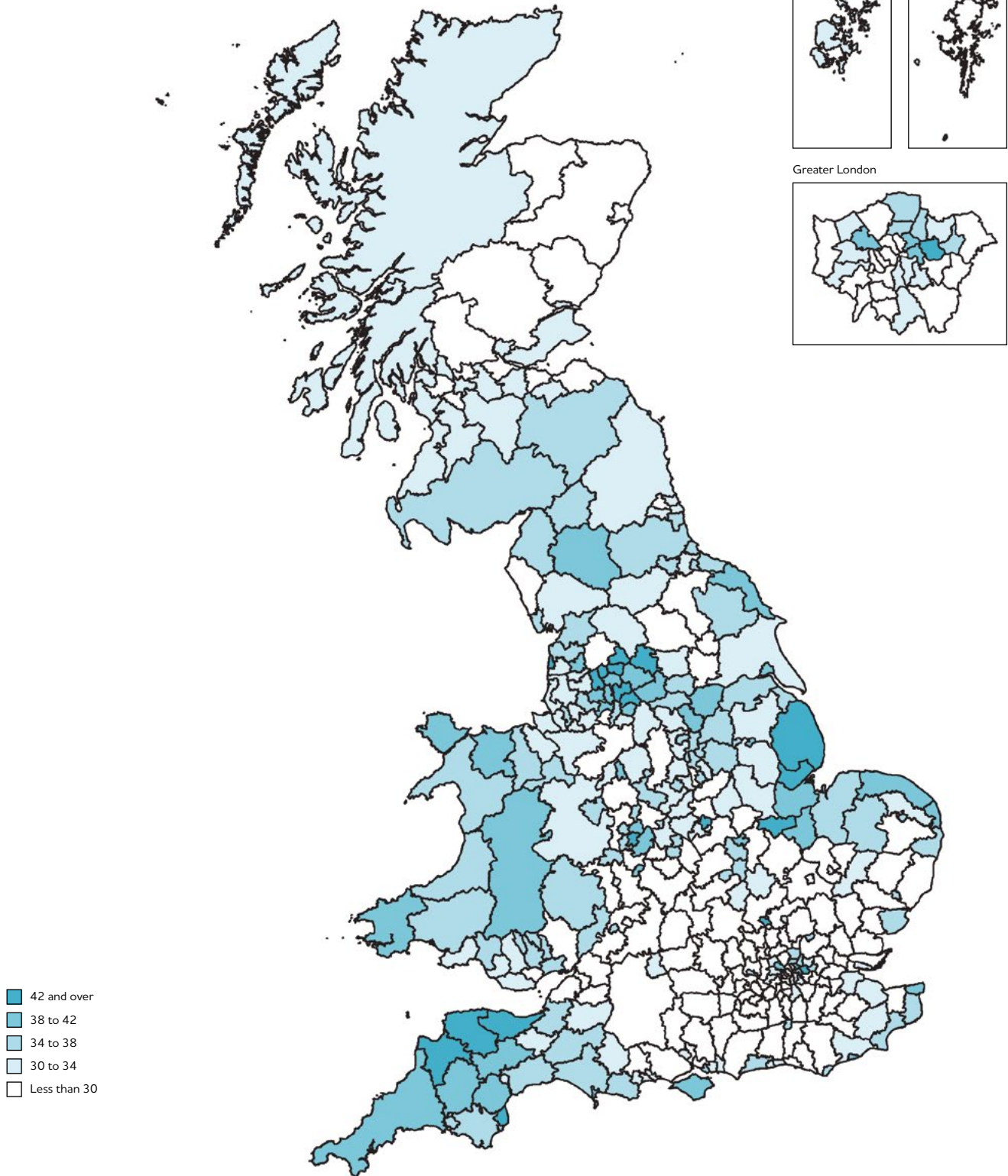
The map shows the proportion of young people aged 19 or under who live in working families that receive tax credits in each local authority area.

Reliability rating: medium. The map draws on administrative data on the number of children in families receiving tax credits in 2013/14 and mid-year population estimates for 2014.

# Tax credits supporting young people in Great Britain

Welfare and benefits

Indicator: 30



Source: Personal tax credits, via HMRC, the data is for 2013/14

## Commentary

A debate about welfare reform that originates from a concern with the size of social security spending, and which becomes focused on reducing the amount spent on working-age claimants, will leave a number of important policy questions unanswered. At £228 billion, spending on social security represents a significant share of government expenditure. Resources are not limitless and difficult questions have to be answered about who should get support and when. However, given that spending on social security as a share of GDP has been coming down since 2012/13 (Hood, A. and Oakley, L. (2014) A survey of the GB benefit system, Institute for Fiscal Studies; Office for Budget Responsibility (2015) Welfare trends report, OBR), it seems fair to prioritise other questions relating to the design of the benefit system.

Many of the indicators in this chapter raise questions around the issue of access to benefits. A question that appears particularly incompatible with the tenor of recent debates is why such a large proportion of people do not claim benefits that they appear to be eligible for. The level of take-up can offer important insights into the state of the benefit system and the extent to which targeted support is reaching intended groups. This should form a key performance indicator for the DWP.

Another issue relating to access is the length of time it takes for people to receive support. For those who start a claim for benefits, the assessment process can be challenging and some claimants experience long delays. Some of these delays are now built in to the system – for example, everyone making a claim for JSA, ESA or Universal Credit is now required to wait for seven days before they are entitled to the benefit. Other delays are the result of more fundamental design problems: better monitoring of delays in the assessment process for ESA is needed to ensure that a particularly vulnerable group of claimants is not being affected by service failures.

Access to benefits is not just a matter of meeting the criteria for individual benefits. In addition to the means-testing associated with the majority of working-age benefits, recent reforms have introduced additional layers of conditionality and assessment for some households. The benefit cap aims to prevent certain households (such as those who are working-age, workless, not in receipt of DLA) from making high value benefit claims that outstrip median earnings. In practice 11,000 lone parents with a young child aged under 5 are having their benefit capped. If the expectation is that these claimants will respond to the cap by moving into work, the cap is effectively extending conditionality to a group of claimants that would not normally be expected to actively seek work.

Benefit levels have never been based on a systematic estimate of basic needs. Each reform, whether a freeze in benefit rates, an adjustment to entitlement or benefit levels, or the addition of a new condition that people have to meet in order to claim, changes how the system functions. Many introduce new inconsistencies. These deserve greater attention.

## Chapter 4

### Services

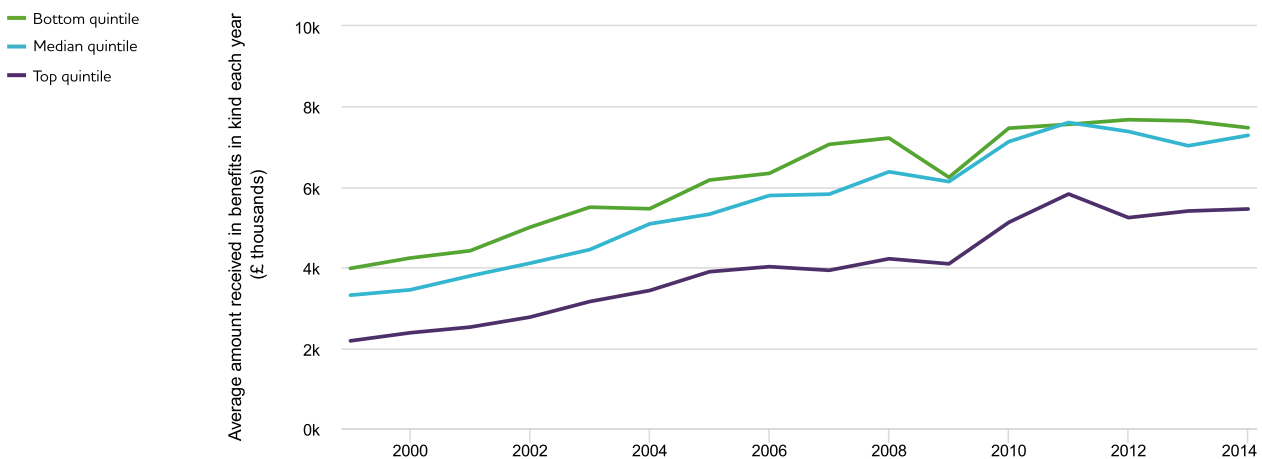
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## Introduction

Last year's *Monitoring poverty and social exclusion* was the first time an entire chapter was dedicated to services. The justification for this was the important role services play in wealth redistribution, complementing the work done by taxes and welfare in reducing poverty. Therefore our approach to services has been about provision, access and outcomes. The indicators in this chapter have been chosen to reflect that.

As well as the specific functions of services with regard to education, health, care, transport and so on, it is possible to put a monetary value on them to assess their role in redistributing income. Households at the bottom of the income distribution receive more in 'benefits in kind' (the non-cash benefits derived from education, healthcare, etc.) than households on average or high incomes (see graph below). This has been the trend for most of the past 15 years. Benefits in kind fell considerably for people in the bottom quintile of the income distribution in 2009, then rose again in 2010, although by this point benefits in kind received at the median were at a similar level and actually rose above the bottom quintile in 2011. Since then benefits in kind have levelled out at the bottom quintile and fallen slightly at the median, rising again for the latter in 2014.

Having fallen for two years, the value of benefits in kind for the median has begun to rise since 2013, while it is still slightly falling for the poorest fifth and slightly rising for the richest fifth.



Source: The effects of taxes and benefits on household income, historical data, 1977-2013/14, ONS; the data is for the UK

Public services are currently facing overlapping challenges around demand, budget cuts and reforms designed to improve efficiency. A growing population and other demographic shifts around migration and people living longer has meant that health, education, social care and other services are experiencing shifts and often increases in demand. By considering a range of factors such as outcomes, provision, reliance on and barriers to services, this chapter seeks to highlight both improvements and pressure points.



## Choice of indicators

The first two indicators look at educational under-attainment at ages 11 and 16. Educational outcomes feature prominently in the Conservative government's rebranding of poverty. Here we consider differences by gender, ethnicity, subject and free school meal status. The chapter concludes with a map showing under-attainment of pupils at age 16 eligible for free school meals by local authority.

The third indicator shows variation by region and local area deprivation in poor performance in secondary schools. This complements the previous two indicators, by illustrating how service-related inequalities can simultaneously be expressed in terms of quality as well as outcomes.

The next two indicators look at health outcomes. The first traces how life expectancy among men and women has changed over time, and analyses shifts in health inequalities by looking at life expectancy by area deprivation. The second considers mental health, which is occupying an increasingly prominent place in public policy debates about health. The two graphs examine risk of mental ill health by gender, over time, and across the income spectrum.

Accompanying public policy debates about the future of the National Health Service is the increasing notion that social care is in crisis. The next two indicators reflect this. The two graphs on child social care look at increasing demand for care and outcomes for looked-after children. The two graphs on adult social care focus on the provision and intensity of care.

The following indicator on legal aid also reflects on the shifting relationship between supply and demand. Cuts to legal aid inevitably decrease the supply of free legal services, but cannot alone explain the accompanying fall in demand.

The final pair of graphs consider digital inclusion, increasingly important for accessing other services and predominantly market-based. The first graph shows how access to the internet and mobile phones has changed across the income distribution, while the second analyses the reasons that prevent people from accessing the internet.

## 31 Educational attainment at age 11

**The proportion of 11-year-olds not meeting expected standards in reading and maths is half what it was 15 years ago and lower than at any point since then. Gaps persist, however, between pupils eligible for free school meals and other pupils.**

Progress in educational attainment at age 11 picked up in 2014, having slowed in 2013 after 2012 saw the largest fall in the proportion of children not achieving the expected standard (Level 4) in reading and maths since 2000. Nonetheless, progress in maths is continuing at a steady pace while the proportion lacking the required standard in reading fell 3 percentage points in 2014 after a slight rise in 2013.

Some 14 per cent did not achieve the expected standard in maths while 11 per cent did not achieve it in reading. In both areas this marks significant improvement over the past 15 years, particularly for maths, which has fallen from 31 per cent in 1999. The proportion lacking Level 4 or above in reading has halved from 22 per cent in this period. While educational attainment in reading has fluctuated over the past few years, maths has seen a steady improvement. As a result, there has been convergence to the point where the differences in attainment by subject are much smaller than in the past.

Despite these decreases, the second graph shows that gaps persist between pupils who are eligible for free school meals and those who are not. For both girls and boys, pupils eligible for free school meals are almost twice as likely not to achieve the expected standards in reading, writing and mathematics as those who are not eligible. Some 41 per cent of boys and 32 per cent of girls eligible for free school meals did not achieve the expected standards, compared with 21 per cent of boys and 16 per cent of girls not eligible for free school meals.

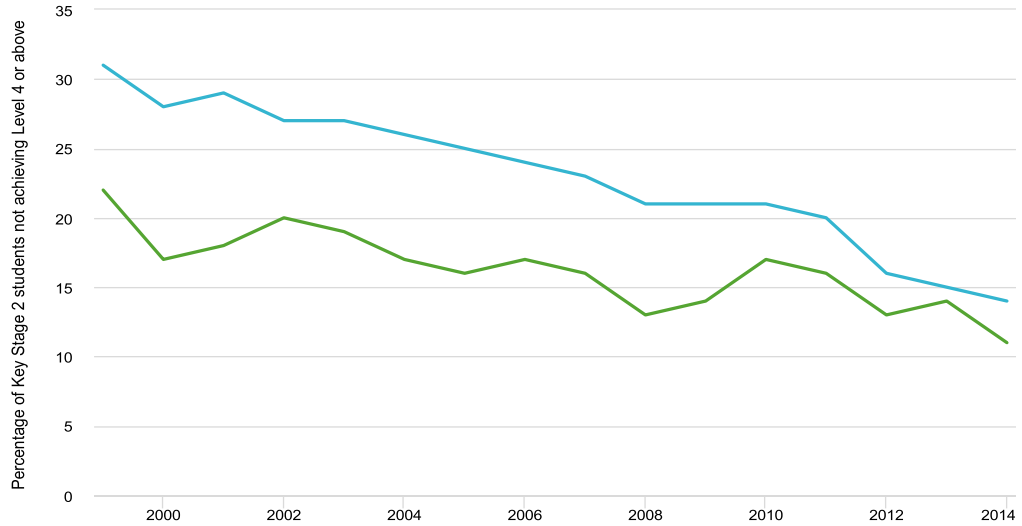
The graph also shows that there is an attainment gap between boys and girls at age 11, with girls out-performing boys whether receiving free school meals or not. The gap is more pronounced, however, between girls and boys eligible for free school meals, at 9 percentage points, than between girls and boys not eligible for free school meals, at 5 percentage points.

## Educational attainment at age 11

### Indicator: 31A

More 11 year olds are meeting the expected standards in reading or maths than in any other year in the last 15.

■ Reading  
■ Maths

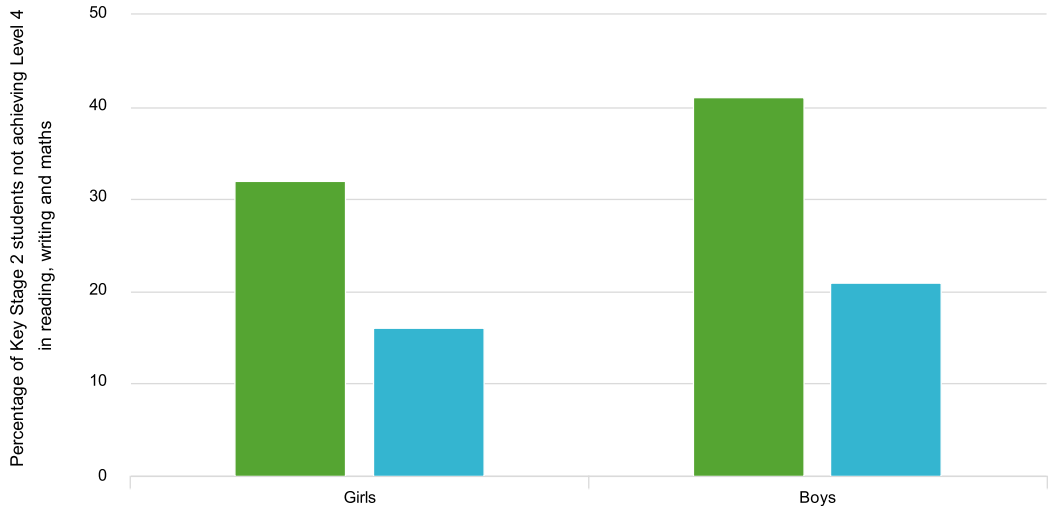


Source: National Curriculum Assessments at Key Stage 2 in England, 2014, DfE.

### Indicator: 31B

For both girls and boys, pupils eligible for free school meals are twice as likely not to meet expected standards in reading, writing and maths than other pupils.

■ Eligible for free school meals  
■ Not eligible for free school meals



Source: National Curriculum Assessments at Key Stage 2 in England, 2014, DfE.

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 tests 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 and maths tests and in teacher assessments of writing at Key Stage 2 varies by the gender of the pupil and free school meal status.

To be eligible for free school meals, parents have to receive means-tested out-of-work benefits, i.e. they have to be workless. While this is the best available proxy measure, it excludes children in low-income working families – around half of the children in low-income households.

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

## 32 Educational attainment at age 16

**Progress in attainment among 16-year-olds slowed in 2013/14, while the free school meals attainment gap has remained fairly constant over the last six years. However, the size of this gap is more pronounced in some ethnic groups than others.**

Over the five years to 2012/13, significant improvements were being made in attainment at age 16, with fewer pupils eligible for free school meals and fewer other pupils not achieving five A\*–C GCSEs including English and maths each year. However, in 2013/14 the proportion not meeting this target rose slightly among both groups, to 63 per cent among those eligible for free school meals and 36 per cent among other pupils. The former Education Secretary's emphasis on eliminating 'grade inflation' may in part explain this.

Steady improvement in attainment at age 16 has seen the proportion of pupils eligible for free school meals not achieving five A\*–C GCSEs including English and maths fall 10 percentage points from 73 per cent in 2008/09. Mirroring this improvement, the proportion of other pupils not achieving these grades has fallen 10 percentage points from 46 per cent in 2008/09. Much of the improvement came between 2008/09 and 2010/11; progress has slowed since.

Significantly, the similar rate of improvement among both groups has meant that the GCSE attainment gap by free school meal eligibility has not changed significantly in these years, at 28 percentage points in 2008/09 and 27 percentage points in 2013/14.

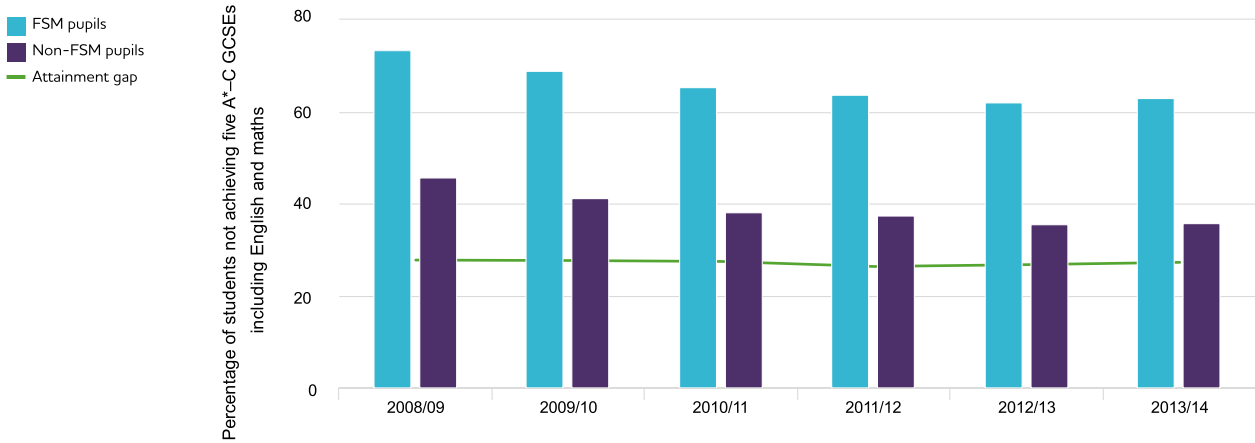
However, the gap between pupils eligible for free school meals and other pupils is not uniform across the population. The second graph shows how attainment also varies by ethnicity and free school meal status. The under-attainment rate among pupils not eligible for free school meals ranges from 25 per cent among Chinese pupils to 50 per cent among Black Caribbean pupils. Among pupils eligible for free school meals the variation is even greater, with 32 per cent of Chinese pupils lacking five A\*–C GCSEs including English and maths compared with 72 per cent of White British pupils.

The attainment gap by free school meal eligibility was largest for White British pupils at 32 per cent, next largest for Other White pupils at 22 per cent, and third largest for Indian pupils at 19 per cent.

## Educational attainment at age 16

### Indicator: 32A

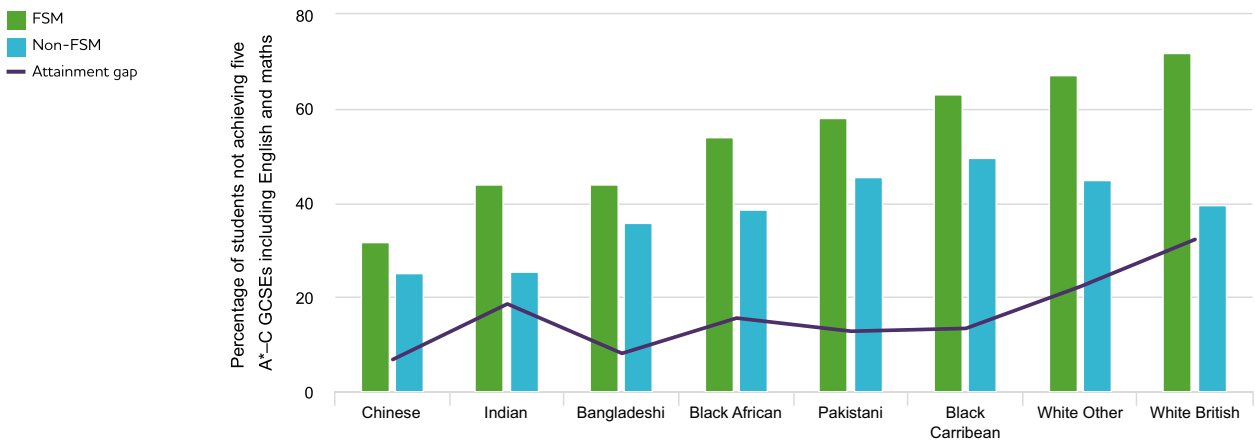
Under-attainment among 16 year olds eligible for free school meals has not changed significantly over the past three years; the gap in attainment by free school meal status has also remained unchanged.



Source: GCSE and equivalent attainment by pupil characteristics, DfE, 2013/14; the data is for England

### Indicator: 32B

More than seven out of ten White British pupils who receive free school meals are not meeting expected standards at age 16, a higher rate than any other ethnic group. White British pupils also have the largest attainment gap by free school meal status.



Source: GCSE and equivalent attainment by pupil characteristics, DfE, 2013/14; in line with recent reforms, the data only takes a student's first attempt at a qualification into account; the data is for England

The first graph shows the proportion of 16-year-old pupils lacking five A\*-C GCSEs including English and Maths by free school meal status. 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. The data used in each graph for the year 2013/14 is different, due to a methodological change in the dataset. The new methodology restricts certain qualifications, 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 first graph uses the old methodology for consistency over time. The breakdown in the second graph uses the new methodology.

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.

To be eligible for free school meals, parents have to receive means-tested out-of-work benefits, i.e. they have to be workless. While this is the best available proxy measure, it excludes children in low-income working families – around half of the children in low-income households.

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

## 33 Educational services: secondary school

**Regional variation in secondary schools rated as inadequate by Ofsted has increased. Large variations are also present by area deprivation, with more schools rated as inadequate in the most deprived quintile of areas.**

At the top end of the spectrum, 10 per cent of schools are failing (rated as inadequate by Ofsted) in Yorkshire and the Humber, up 2 percentage points since 2010. The South East, the South West and London are the only English regions where the proportion of failing secondary schools (rated as inadequate by Ofsted) has not risen in the past five years. London, having been on a par with the North West, South East and South West in terms of failing schools in 2010, is now the outstanding region in this regard.

Some regions have seen particularly substantial increases. Following increases of 6 and 5 percentage points respectively in the past five years, the North West and West Midlands are now joint second in terms of schools rated as inadequate, both with 9 per cent.

In addition to these large regional differences, there is clear variation by local area deprivation. In the most deprived quintile of areas, 11 per cent of secondary schools were rated as inadequate by Ofsted in 2015, almost twice as many as the 6 per cent in the median quintile. In the least deprived quintile, only 1 per cent were given this rating.

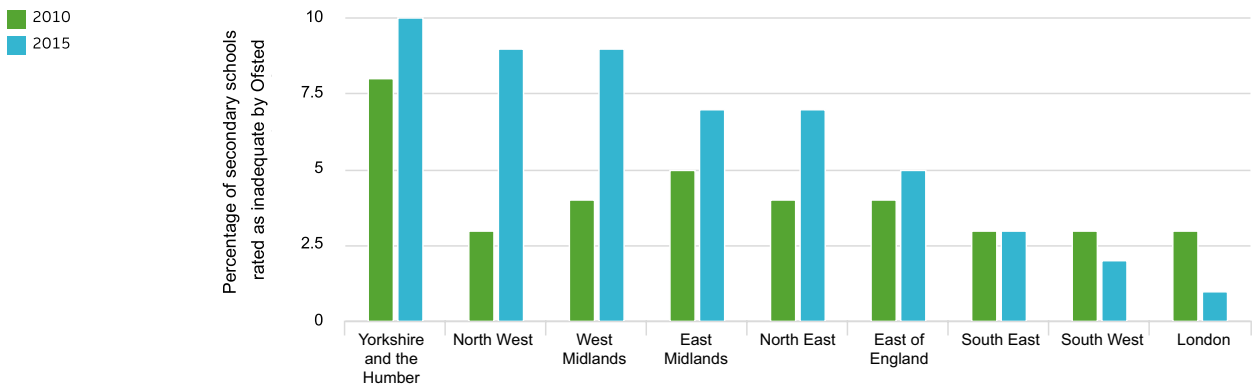
In the scale of Ofsted ratings, the next lowest after 'inadequate' is 'requires improvement' (formerly 'satisfactory'). Again, there is clear variation by area deprivation, with 12 per cent in the least deprived quintile of areas being given this rating by Ofsted in 2015 compared with 26 per cent in the most deprived quintile.

The proportion rated as either inadequate or requiring improvement is the same in the most deprived and second most deprived quintile, at 37 per cent. Things improve considerably between the middle and fourth quintiles, with 33 per cent of schools in the middle quintile and 19 per cent in the fourth quintile either inadequate or requiring improvement.

## Educational services: secondary school

### Indicator: 33A

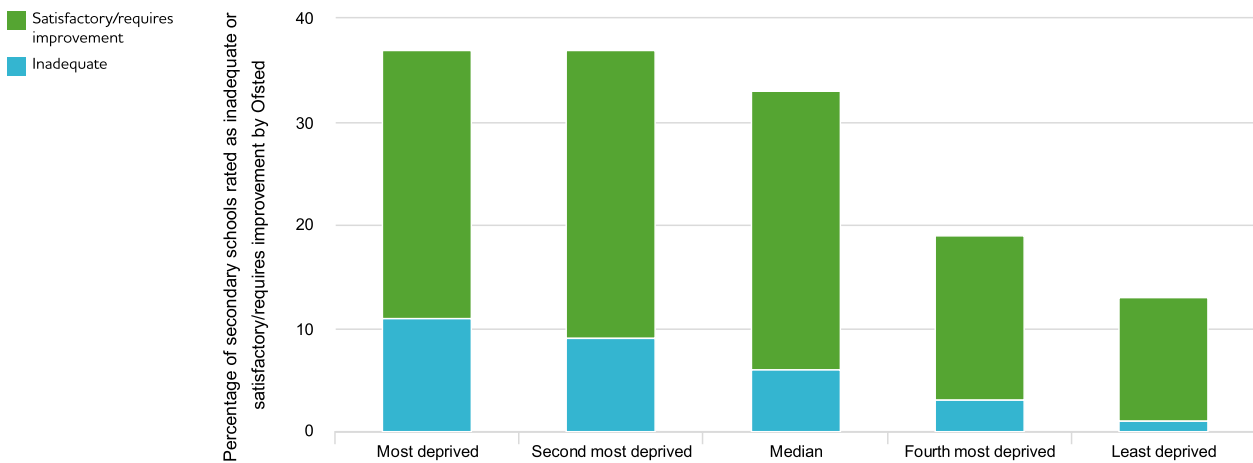
The proportion of schools rated by Ofsted as inadequate has risen in all regions except the South West and London in the last five years, where it is now the lowest. It rose most in the North West, but is still highest in



Source: Data view, Ofsted; the data is for England

### Indicator: 33B

More than one in ten schools in the most deprived fifth of areas was rated by Ofsted as inadequate. This is almost twice as many as in the median and ten times as many as in the least deprived fifth.



Source: Data view, Ofsted; the data is for England

The first graph looks at the proportion of all secondary schools rated as inadequate in Ofsted inspections by region, at 31 August 2010 and 31 March 2015.

The second graph shows the proportion of all secondary schools rated as 'inadequate' and 'requiring improvement' in Ofsted inspections at 31 March 2015 according to the deprivation of the area in which the school is located.

Ofsted assigns a grade of 1–4, where 1 is outstanding, 2 is good, 3 is requires improvement and 4 is inadequate. Before September 2012, satisfactory was used instead of requires improvement.

Reliability rating: medium. The sample of schools rated as inadequate by Ofsted is relatively small. As a result, breakdowns of this data should be treated with caution. Furthermore, a change in inspection regime can alter the number of schools rated as inadequate over time. This may be a factor contributing to some of the more significant differences between 2010 and 2015 in the first graph.

## 34 Health outcomes: life expectancy

**General improvements in health have seen life expectancy rise considerably over the past two decades. Within this general improvement, gaps in life expectancy at birth between the male and female population and between more and less deprived areas have both decreased.**

Men and women have seen considerable increases in life expectancy over the past 20 years, with life expectancy increasing for both genders every year between 1993 and 2013.

By 2013, female life expectancy at birth had risen to 83 years from 79 years in 1993. Male life expectancy is still lower than female life expectancy and has only just reached the equivalent female life expectancy of around two decades previously. However, male life expectancy has been increasing at a faster rate, from 74 years in 1993 to 79 years in 2013.

The second graph explores differences in life expectancy by area deprivation and gender, comparing each quintile with the male median. It shows that for any level of area deprivation, women are expected to live for longer than the male median. However, in the last decade health inequalities between men and women at any level of area deprivation have declined, although only slightly. The gap decreased most in the most deprived quintile, by 1.2 years, and least in the least deprived quintile, by 0.5 years.

For both men and women in more deprived areas, life expectancy is lower than the respective male and female middle quintiles. The difference between most deprived and median for women has not changed in the past ten years, at 3.5 years, but the respective difference for men has decreased slightly, to 4.6 years from 5.2 years.

The closing gap between men and women can also be seen in terms of area deprivation. Life expectancy for women in the most deprived quintile of areas was 0.7 years higher than the male middle quintile a decade ago, but the gap is now negligible.

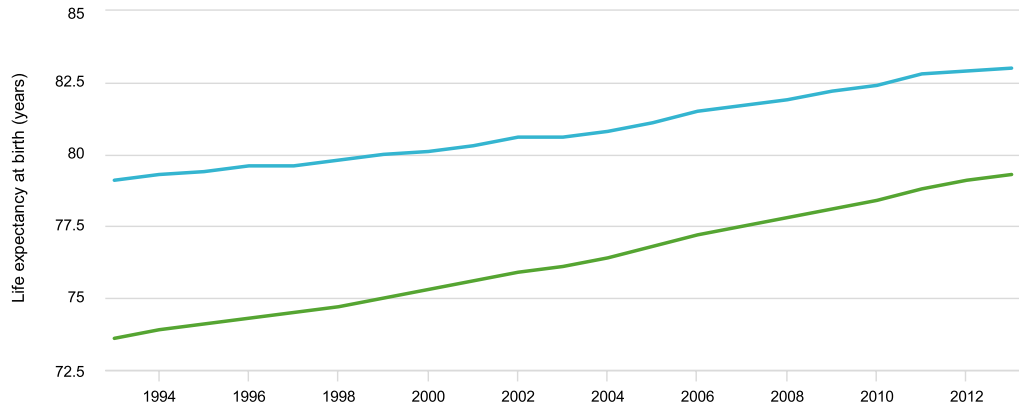


## Health outcomes: life expectancy

Indicator: 34A

Life expectancy has increased for men by almost six years and for women by four years in the past two decades. However, female life expectancy is still almost four years higher than male life expectancy.

Men  
Women

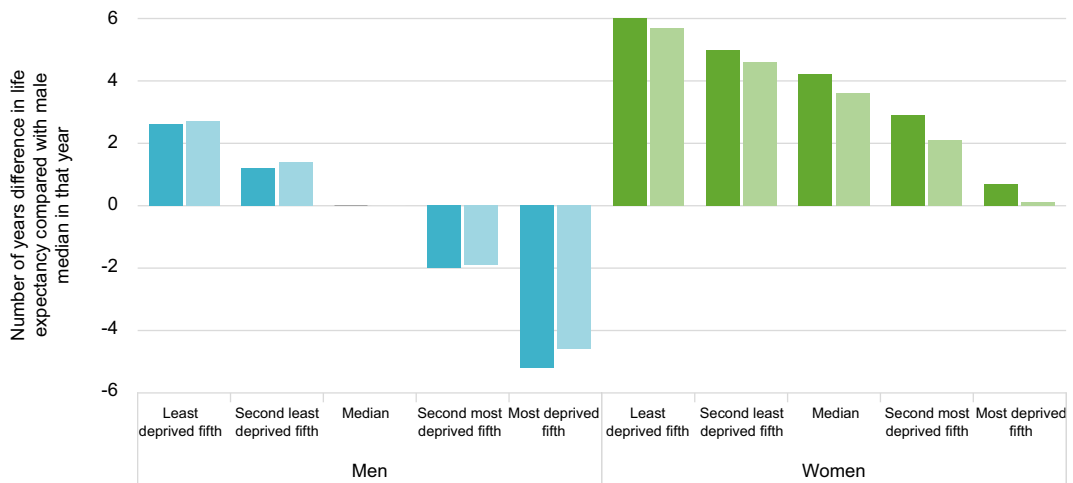


Source: ONS life expectancies, 2013; the data is for England and Wales.

Indicator: 34B

Inequalities in life expectancy between men and women have decreased slightly for all levels of deprivation. Life expectancy in the most deprived areas is still significantly lower than in other areas, regardless of gender.

2001/04  
2011/13  
2001/04  
2011/13



Source: ONS inequality in life expectancy at birth by area, 2001-04 and 2011-13; the data is for England

The first graph shows life expectancy at birth over the past two decades for women and men. The graph shows life expectancy for people born that year. Each data point uses a three-year average.

The second graph shows life expectancy for men and women compared with the male median. The graph shows the difference between the life expectancy of each group – men and women by the deprivation of the area they live in – and the life expectancy of a man in an area of average deprivation (essentially, the male average). If the bar is above the line, then that group has a greater life expectancy than the male average. Below the line means life expectancy is less than the male average. The bars show the difference in 2001–04 and 2011–13.

The 2001–04 dataset provides life expectancy figures for each quintile (fifth) of local area deprivation, while the 2011–13 dataset provides life expectancy for each decile (tenth). We have therefore taken an average of two deciles to estimate the life expectancy for each quintile of local area deprivation in 2011–13.

Reliability rating: high for the first graph, medium for the second. Although the quintile averages are by area deprivation and include all men or women in a given area, there will nonetheless be variation in income levels within each area, no matter how deprived.

## 35 Mental health

**High risk of mental ill-health has increased for women over the past seven years. It is highest among the poorest groups for both men and women.**

The proportion of both men and women at high risk of mental ill-health increased in 2009. However, while it has since fallen for men between 2009 and 2012, by 2 percentage points to 14 per cent, it has remained at 18 per cent for women.

This represents a 3 percentage point increase in the proportion of women at high risk of mental ill-health since 2005, compared with a 1 percentage point increase among men. While there has always been a higher proportion of women with high risk of mental ill-health in the years covered, this represents a widening of the gap between men and women since 2005.

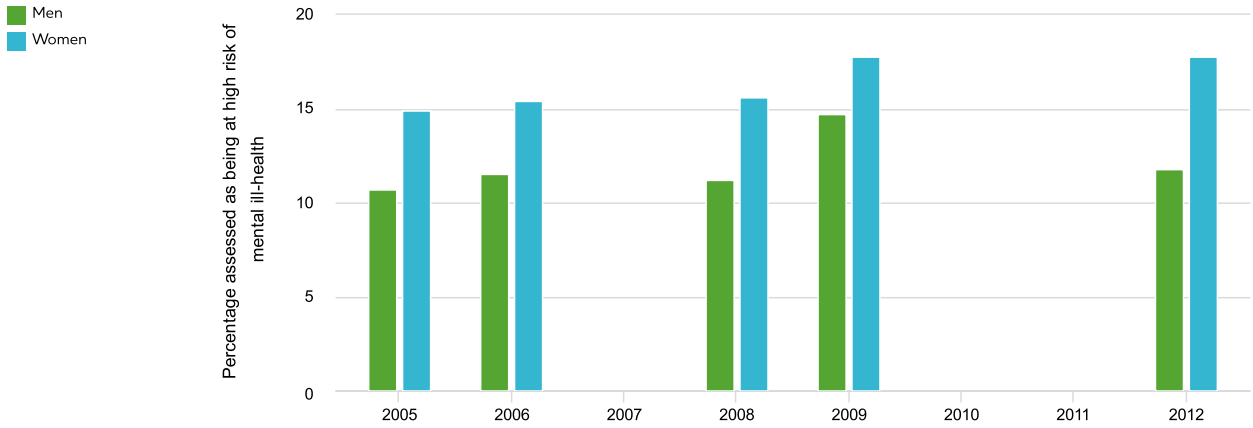
The second graph shows how this varies with income. A higher proportion of women are at high risk of mental ill-health than men across the income distribution. For both men and women, the poorest quintile is most likely to be at high risk of mental ill-health, with 26 per cent of women and 23 per cent of men.

Men's mental health improves as income increases, with 10 per cent of the median and 7 per cent of the richest quintile at high risk of mental ill-health. For women, all quintiles except the bottom quintile are more or less equal in terms of high risk of mental ill-health, with just under one in six women at high risk of mental ill-health. As a result of this, the gap between women's and men's risk of mental ill-health decreases as income increases.

## Mental health

### Indicator: 35A

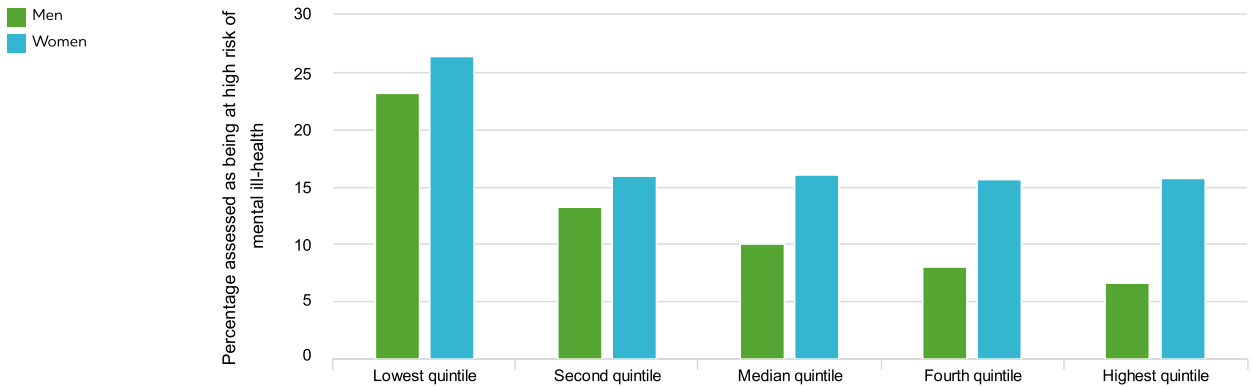
A greater proportion of women were assessed as being at high risk of mental ill health in 2012 compared to seven years before. For men, the rate is much lower and has not risen over the last seven years.



Source: Health survey of England, 2012

### Indicator: 35B

Women are more likely to be at high risk of mental-ill health than men, but there is little variation between women across the income range except in the lower fifth. Men are steadily more likely to be at high risk as income decreased.



Source: Health survey of England, 2012

The first graph shows the proportion of men and women at high risk of mental ill-health. A high risk of mental ill-health is determined by asking informants a number of questions about general levels of happiness, depression, anxiety and sleep disturbance over the previous four weeks, which are designed to detect possible psychiatric morbidity. This is called a 12-item general health questionnaire (GHQ-12). A score is constructed from the responses, and the figures published show those with a score of 4 or more out of 12 referred to as a 'high GHQ-12 score'. Each person is asked to compare how they feel currently to how they normally feel.

The graph is missing data from 2007, 2010 and 2011 as the GHQ-12 was not included in the Health Survey for England questionnaire in those years. It was included in 2014 but not 2013. However, the 2014 survey data will not be published until early 2016.

The second graph shows high risk of mental ill-health using GHQ-12 scores by gender and by income.

Reliability rating: medium to low. In general, mental ill-health is difficult to measure. The GHQ-12 measurement is subjective and more sensitive to short-term than long-term considerations. Moreover, interpreting shifts over time in the first graph is also made more difficult due to missing data points and the latest data is for 2012.

## 36 Child social care

**The number of children in need has been rising, especially in the past year. Children in care are still significantly more likely to under-attain at age 16 than other children.**

A child is in need if they have been referred to children's social care services, and assessed through an initial or continuous assessment to be in need of social care services. The number of children starting a period in need has increased over the past five years. A child can have more than one period of need throughout the year if the time periods don't overlap, and these are counted separately. Some 373 children started a period in need for every 10,000 children in 2013/14, compared with 336 in 2009/10, an 11 per cent increase. Most of this rise came in the last year of data, with 347 children per 10,000 starting a period in need in 2012/13.

Section 47 enquiries are initiated when there is significant reason to believe that a child is suffering or is likely to suffer significant harm. Parallel to the rise in periods of need in the last year, there has been a rise in the number of Section 47 enquiries. The number of Section 47 enquiries per 10,000 children rose by 56 per cent between 2009/10 and 2013/14, from 80 to 124. Each occasion a child is subject to a Section 47 enquiry is also recorded separately.

This increase in the number of children in need is worrying because of the difficulty experienced by many children in care in achieving expected standards. Under-attainment fell every year between 2006 and 2013, but slightly increased in the last year of data to 86 per cent.

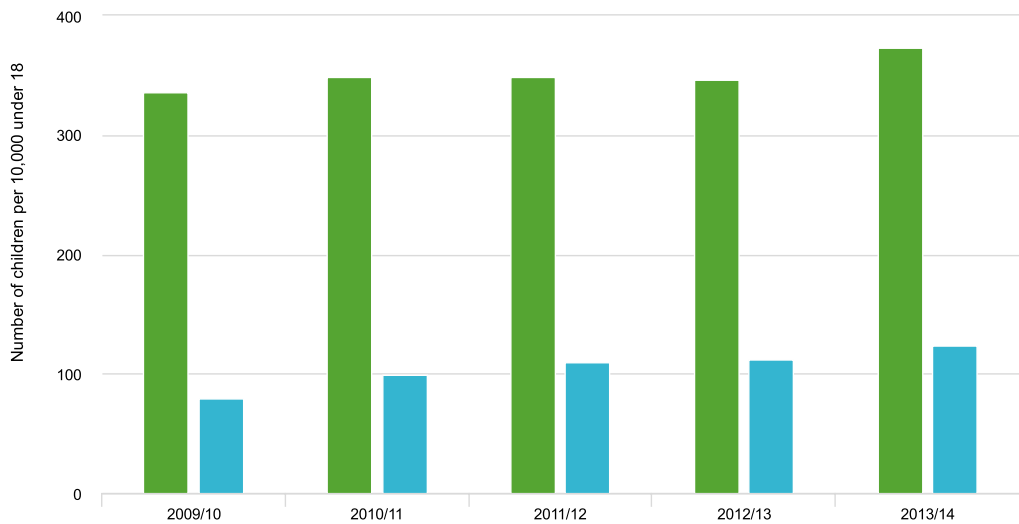
The difference between looked-after children and non-looked-after children grew slightly from 38 to 41 percentage points between 2006 and 2010, then significantly in 2011 to 45 percentage points. The difference was largest between 2011 and 2013, when looked-after children were more than twice as likely not to achieve five A\*–C grades at GCSE including English and maths. While this difference slightly decreased as under-attainment among other children stopped improving significantly in 2011 and rose in the last year, the gap is still more than 40 percentage points.

## Child social care

### Indicator: 36A

There are now more children in need than at any point in the last five years. The number of Section 47 enquiries, a duty on local authorities when children are considered to be at risk of 'significant harm', has risen by more than 50 per cent in four years.

- Children starting an episode of need
- Children subject to newly started Section 47 enquiries

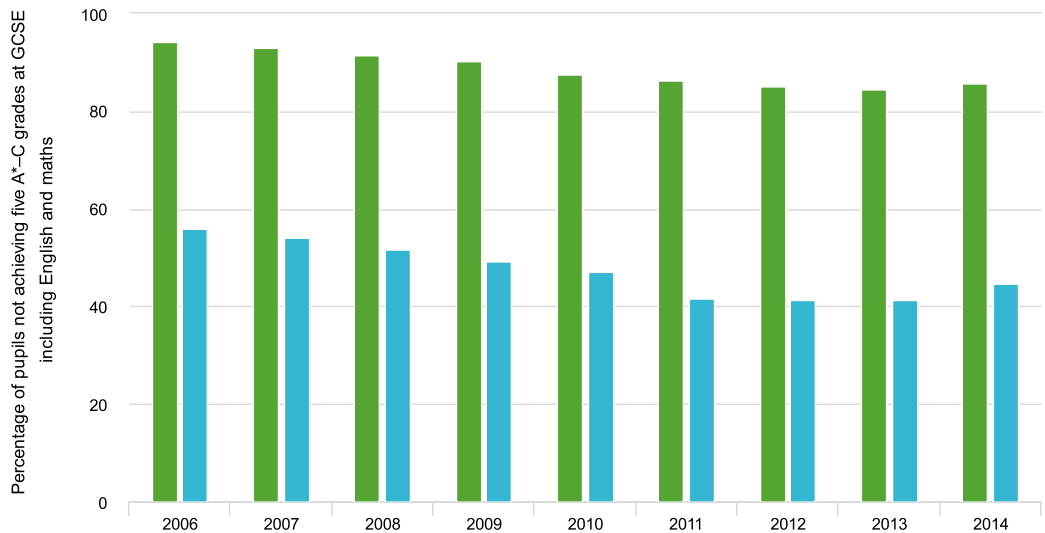


Source: Characteristics of children in need, 2013/14; the data is for England

### Indicator: 36B

Children in social care are almost twice as likely not to meet expected standards at Key Stage 4 than their peers.

- Looked-after children
- All children (until 09) / non-looked-after children (from 2010)



Source: Outcomes for children looked after by local authorities, 2014; the data is for England

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

The second graph compares the proportion of looked-after children with all children (for 2006 to 2009) and with non-looked-after children (from 2010 to 2014), who are not achieving five A\*-C GCSE grades including English and maths at the end of Key Stage 4 (age 16).

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, or are subject to a care or placement order.

Reliability: medium. The first graph cannot tell us cases where a child has been counted twice on separate occasions as in need or subject to a Section 47 enquiry. The second graph may include some comparability issues over time due to measures introduced to combat grade inflation as noted earlier.

## 37 Adult social care

**The proportion of 18 to 64-year-olds and those aged 65 or over receiving social care have both fallen significantly in recent years. There has been a slight rise, however, in the number aged 65 or over receiving more than 10 hours of care per week.**

The proportion of the adult population receiving social care has been declining for several years. Among those aged 18 to 64, the number receiving care per 10,000 people has fallen every year since 2008/09 and by 29 per cent in total. The number receiving care per 10,000 is now 125, having been 175 in 2008/09, five years previously.

The number of those aged 65 or over receiving care per 10,000 people has fallen for an even longer period, from 2005/06. However, the number has fallen faster in the past five years, by 38 per cent from 1,475 in 2008/09 to 915 per 10,000.

This fall in the rate of the 65 or over age group receiving care is reflected in the overall number receiving home care, which has fallen by 19 per cent in the past five years, from 340,000 to 280,000. However, there has been a change in the mix of intensity of home care received by pensioners. While the overall number receiving home care has fallen, the number receiving more than 10 hours has risen from 120,000 to 130,000 in 2013/14.

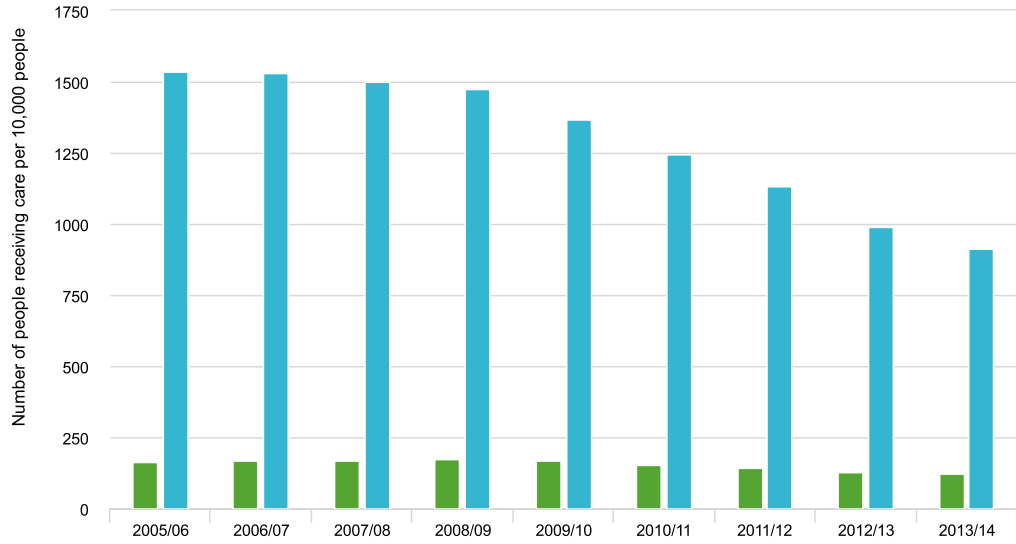
Although this is only a slight rise, it shows that less intensive home care is decreasing while more intensive home care is at least being maintained at similar levels to previously. This is reflected in 46 per cent of those aged 65 or over who receive home care receiving 10 or more hours per week, compared with 34 per cent five years ago.

## Adult social care

### Indicator: 37A

The proportion of people aged 65 and over receiving care has fallen dramatically over the past five years; the rate of 18-64 year olds receiving care has also fallen.

■ Age 18 to 64  
■ Age 65 and over

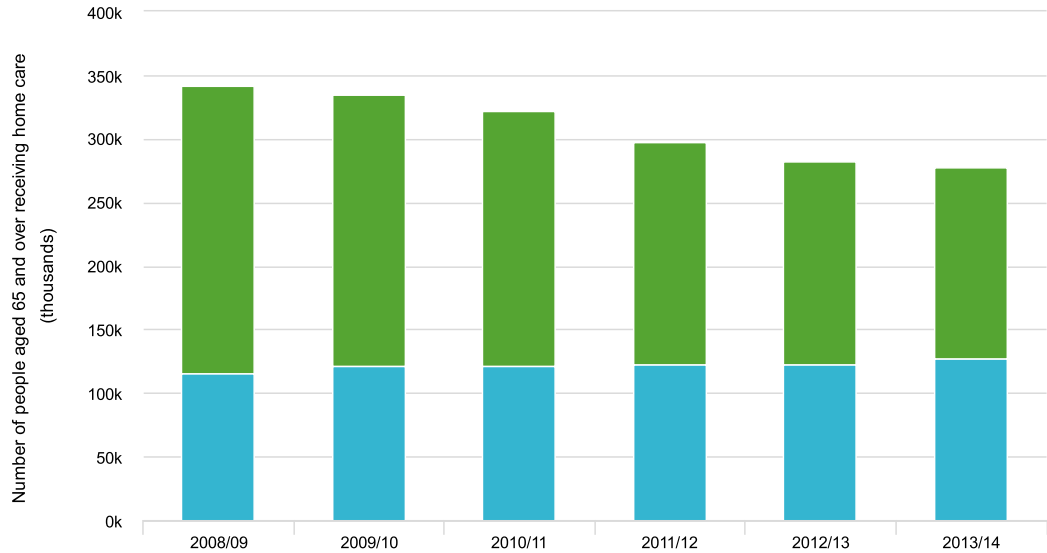


Source: Referrals, assessments and packages of care data, 2013/14 P1, via National Adult Social Care Intelligence Service; the data is for England

### Indicator: 37B

While the number of pensioners receiving home care has fallen, there has been a small increase in the number receiving more intensive care.

■ Less than 10 hours  
■ More than 10 hours



Source: Referrals, assessments and packages of care data, 2013/14 H1, via National Adult Social Care Intelligence Service; the data is for England

The first graph shows the proportion of adults aged 18 to 64 and aged 65 or over who are receiving care services either provided or commissioned by the Council with Adult Social Service Responsibilities (CASSR) in England. This includes community-based services, residential care and nursing care.

The second graph shows the number of adults in England aged 65 or over receiving home care and the number of hours of home care they are receiving.

Reliability: medium. Both graphs measure provision, looking therefore at the output of a service, but not at demand, which we are assuming is at least constant or rising. In addition, the second graph only tells us what has been planned but not the amount of care that is actually given.

## 38 Legal services: legal aid

**The provision of civil legal aid for legal advice has fallen significantly in the past five years, but has remained flat since last year. Reforms introduced in April 2013 cut legal aid funding significantly, reducing the expected number of civil legal aid cases. But there were still fewer actual claims that year than expected.**

The number of cases granted civil legal aid (matters started) for legal advice has fallen across the board in the past five years. In total, the number has fallen from 930,000 cases in 2009/10 to 170,000 in 2014/15. The number has not changed since 2013/14, the year of major legal aid reforms following the Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act of 2012. Categories no longer eligible for legal aid include: family cases where there is no proof of forced marriage, domestic violence or child abduction; immigration cases that do not involve asylum or detention; welfare benefit cases aside from appeals to the upper tribunal or high court; housing and debt matters unless they constitute an immediate risk to the home; and employment cases that do not involve a contravention of the Equality Act 2010 or human trafficking.

However, some areas of law have seen much more significant decreases in the number of cases granted civil legal aid for legal advice than others, with some almost disappearing or disappearing entirely. Matters started in housing law decreased by 45 per cent between 2012/13 and 2013/14 to 47,000, while in family law they decreased by 79 per cent to 43,000.

The biggest falls were in debt cases granted civil legal aid for legal advice which fell by 97 per cent and in welfare by 100 per cent, while employment cases (in the 'other' category) also fell by 100 per cent (although a new category, 'discrimination', now exists).

On the one hand, falling civil legal aid provision reflects a shrinking budget. However, the second graph, which uses statistics from a National Audit Office (NAO) report<sup>1</sup>, illustrates how the LASPO reforms have led to a (increased) gap between the expected and actual amount of legal aid provided<sup>2</sup>.

Without the reforms the number of civil legal aid matters expected in 2013/14 by the Legal Aid Agency would have been 690,000. With the reforms, this was reduced by 47 per cent to 360,000. The actual number approved in 2013/14 was fewer still, at 300,000<sup>3</sup>.

1. National Audit Office, Implementing reforms to civil legal aid, 17 November 2014, p.4.
2. This gap in expected and actual spending existed before the LASPO reforms, but recent research such as the NAO report suggests that the Ministry of Justice needs to take seriously how it might have extended the problem of unmet demand by creating barriers to access. This is further discussed in the commentary at the end of this chapter.
3. The difference between the number for the second graph and the numbers for the first graph is that this number includes cases that involved representation or mediation, whereas the first graph only applies to legal advice cases.

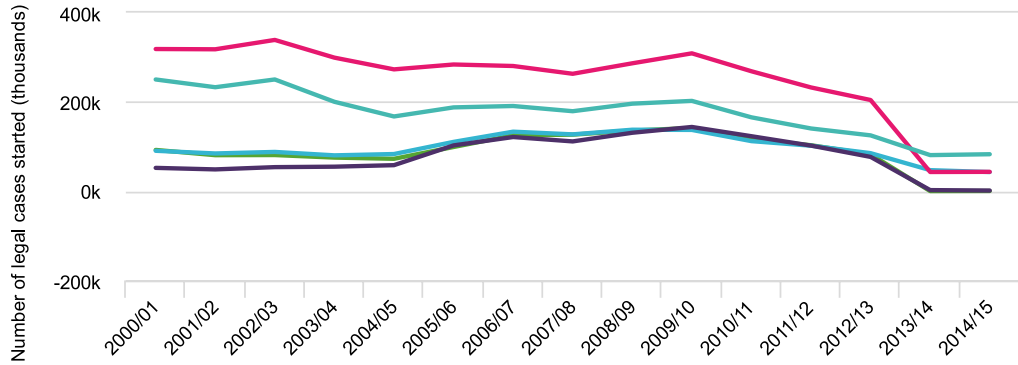


## Legal services: legal aid

### Indicator: 38A

Legal aid for civil cases is almost non-existent for some types of cases such as debt and welfare. It is still available for housing cases but at less than a third of the level of five years previously.

- Welfare
- Housing
- Debt
- Family
- Other

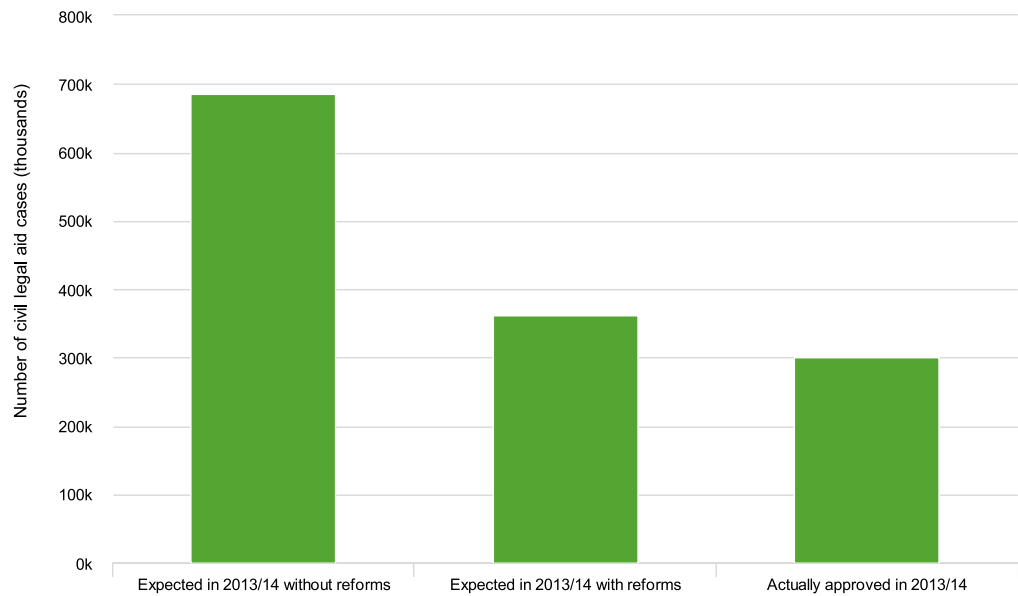


Source: Ministry of Justice legal aid statistics; the data is for England and Wales

### Indicator: 38B

The number of cases funded by civil legal aid in 2013/14 was less than half what would have been expected without the legal aid reforms. It was also less than was expected with the reforms having been implemented.

- Cases



Source: National Audit Office analysis of Legal Aid Agency data, 2014; the data is for England and Wales

The first graph shows the number of civil legal aid-funded matters started in different areas of law - housing, welfare, debt, family and 'other' law. The first three are chosen to reflect areas this report is concerned with. Family law has had the highest level of legal aid cases each year until recently. 'Other' areas of law include immigration, mental health, community care, consumer, clinical negligence, personal injury, employment, education, and actions against the police. The graph only shows the legal advice element of legal aid due to limited data on legal aid for legal representation.

The second graph uses data from the National Audit Office, which is based on an analysis of data provided by the Legal Aid Agency (LAA), to show the expected and actual number of civil cases funded by legal aid. These numbers include advice, representation and mediation and therefore differ from the numbers in the first graph (advice only). The expected number is shown both with and without the LASPO reforms.

Reliability: high for the first graph, medium for the second, as it includes estimations by the LAA of the civil legal aid caseload.

## 39 Digital inclusion

**Internet and mobile phone access are improving across the income distribution, although there are still large differences. Lack of skills is now a more significant barrier to domestic internet use than equipment or access costs.**

The proportion of households lacking access to a mobile phone fell consistently across the income spectrum over the five years to 2013. The proportion of the poorest households lacking a mobile phone has fallen by more than half, from 35 per cent to 14 per cent in 2013, the greatest overall percentage point fall. The proportion of households on median incomes lacking mobile phone access was 8 per cent.

Similarly, the proportion of households lacking access to the internet has also fallen across the income spectrum in the same period. The greatest percentage point fall was again among the poorest households, at 27 percentage points, from 64 per cent in 2008 to 37 per cent in 2013.

Despite this improvement, there are still considerable gaps between richest and poorest in terms of internet access, with households in the poorest quintile more than ten times as likely to lack internet access than the richest quintile and more than twice as likely as households with average incomes.

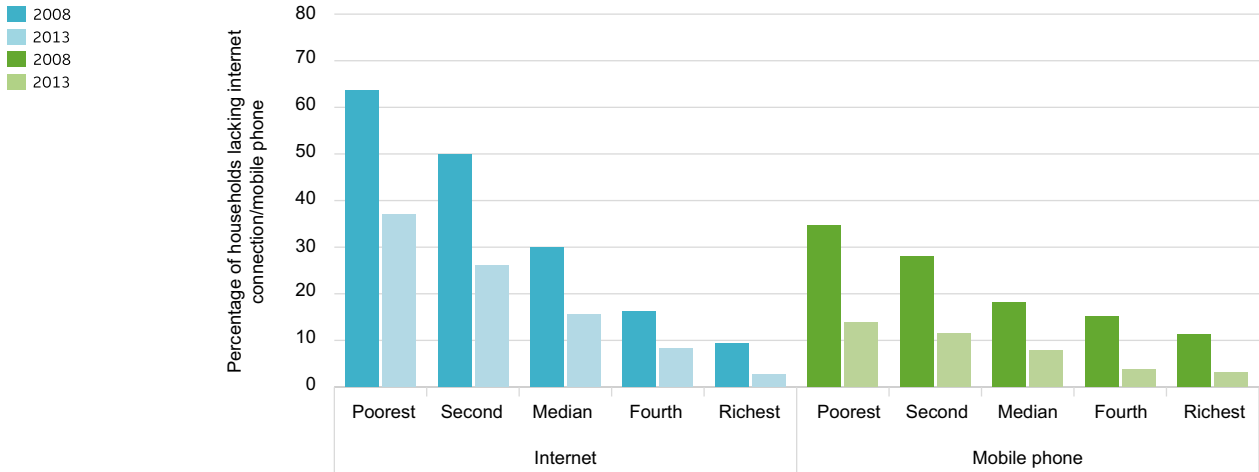
However, the barriers to domestic internet access have shifted over recent years. Whereas in 2008 5 per cent of people did not have access to the internet at home because equipment costs were too high and 4 per cent because access costs were too high, the same figures in 2015 were both under 2 per cent. Cost has become a much less significant barrier to lacking internet access.

Meanwhile, a similar proportion considered lack of skills to be a barrier to internet access in 2008, at 4 per cent compared with 5 per cent in 2008. Although not a barrier as such, the main reason for lacking internet access was the feeling that it was not necessary.

## Digital inclusion

### Indicator: 39A

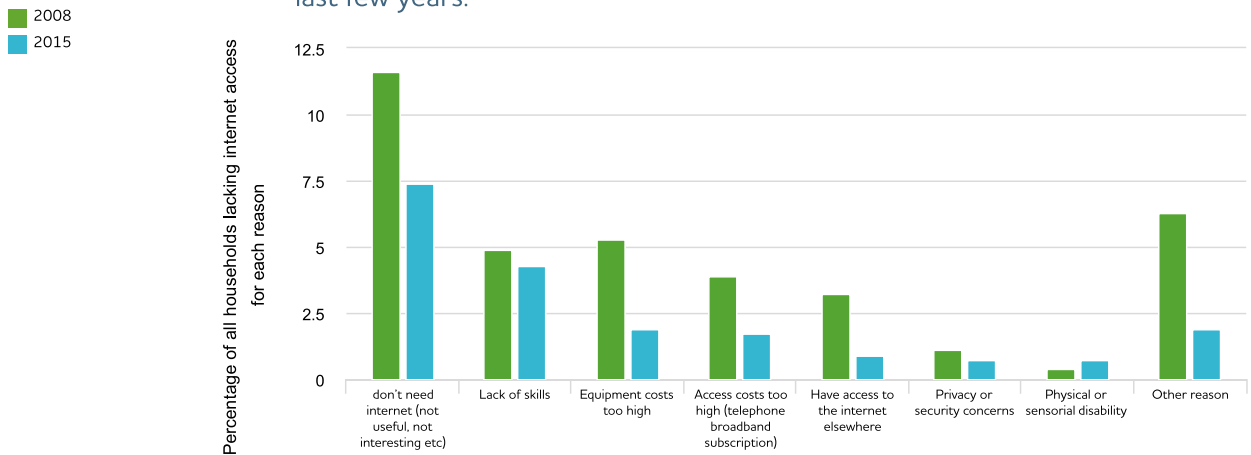
The proportion of people lacking internet or mobile phone access has fallen across the income distribution, although the poorest quintile are still more than twice as likely as the median to lack internet access.



Source: Living Costs and Food Survey, 2008 and 2013; the data is for the UK

### Indicator: 39B

Lack of skills is now a more significant barrier to internet access than cost. The most significant reason people give for not having the internet is lack of need, but the proportion of people saying this has fallen significantly in the last few years.



Source: Internet access - households and individuals, 2015, ONS; the data is for Great Britain

The first graph compares the proportion of households in two years (2008 and 2013) without a domestic internet connection or mobile phone, for each quintile of the income distribution. Internet connection includes broadband and dial-up connection. The incomes have been equivalised to take account of different kinds of household, to adjust for the fact that pensioners without children are less likely to have an internet connection or mobile phone and many pensioners living alone may otherwise be in the lowest income group.

The second graph shows the proportion of all households lacking internet access for two years (2008 and 2015), broken down by the reason for lacking access. Percentages sum to more than the total proportion of households without internet access as respondents could give more than one answer.

Reliability rating: high.

## 40 Free school meal status and educational attainment at age 16

This map shows the proportion of pupils eligible for free school meals (FSM) in each local authority in England and Wales not achieving five A\*–C GCSEs including English and maths (or English/Welsh and maths in Wales). The median for all local authorities is 70 per cent. In other words, in half of all local authorities more than 70 per cent of FSM pupils did not meet expected standards at age 16. There is a vast range of outcomes across local authorities. At one end of the spectrum, 41 per cent of FSM pupils in Westminster under-attained, while at the other, 84 per cent (more than 5 in 6) under-attained in North Devon.

Westminster and North Devon are consistent with some broad geographical patterns. Urban areas similar to Westminster have tended to out-perform rural areas similar to North Devon. To illustrate this, 9 out of 10 of the local authorities with the lowest FSM under-attainment were London boroughs. Not one of London's 32 boroughs had a level of low attainment among FSM pupils that was worse than the national average. Five out of ten with the highest FSM under-attainment were rural areas, like North Devon, with a further three in the ex-mining and manufacturing areas.

The map shows the proportion of pupils eligible for free school meals who did not attain at least five A\*–C grades at GCSE level including English (or Welsh in Wales) and maths at the end of Key Stage 4 (age 16) in England and Wales for lower tier local authorities (including districts, unitary authorities, metropolitan boroughs and London boroughs). The data is for all maintained schools (including academies and city technology colleges) and is based on the number of pupils at the end of Key Stage 4 in each academic year.

Here free school meals are used as a proxy for poverty. A child is eligible for free school meals if their parent(s) receives an out-of-work benefit or Child Tax Credit but not the Working Tax Credit component. As such, children in low-income, working families are not included in this analysis.

A new methodology used in 2013/14 in this dataset means certain qualifications do not count as the same as a GCSE, 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.

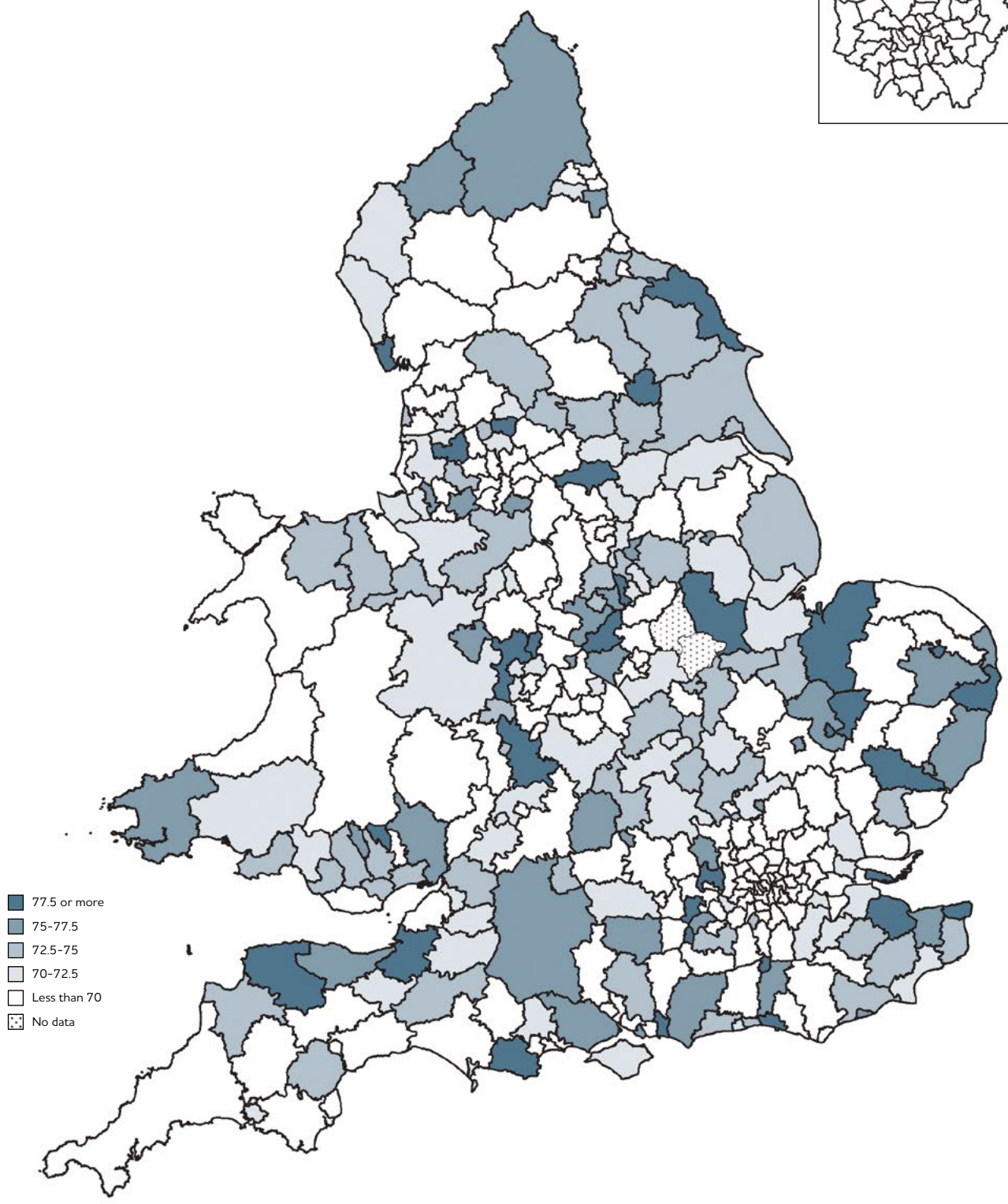
Reliability rating: high.

# Free school meal status and educational attainment at age 16

Services

Indicator: 40

Greater London



- 77.5 or more
- 75-77.5
- 72.5-75
- 70-72.5
- Less than 70
- No data

Source: Department for Education and Welsh Government, the data is for 2014

## Commentary

The other chapters in this report have shown that poverty is about more than just income. In addition to social security, public services exist to support people in leading a healthy, rewarding life. They also help people in times of acute need, as a step towards recovery from, say, illness or a debt problem. Yet the picture for public service finances over the next five years appears bleak. As a recent IFS report remarks of the current government's deficit reduction plans: 'Two years of overall spending being cut by 1 per cent a year, followed by a year in which overall spending is frozen, quickly becomes a 5.4 per cent a year cut, for three years, for a swathe of public services'.<sup>1</sup>

This comes at a time when some services, such as social care and parts of the NHS, are already struggling to match demand. Improving life expectancy, especially among the poorest (Indicator 44), is welcome, but a population that is living longer poses significant economic and service delivery challenges, with health and care on the front line and their paths connected. With adult social care provision declining (Indicator 47) and threatened by further local authority cuts in the Spending Review, hospital beds are already increasingly full of older people waiting for community care. Meanwhile, rising Section 47 enquiries in cases of children suffering significant harm (Indicator 46A) is suggestive both of rising demand and the claim by the NSPCC that child social services are increasingly operating as an 'emergency service'.<sup>2</sup>

But demand and supply aren't simply pulling in opposite directions: reforms designed to save money can actually appear to reduce demand. The Justice Committee found that poor implementation of legal aid reforms combined with poor measures to ensure access for marginalised and vulnerable people in part accounts for the falling uptake in civil legal aid since April 2013 (Indicator 48) and the resultant underspend.<sup>3</sup>

The fact that claims have to initially be made by telephone in three areas of law – debt, discrimination and education – has been criticised for granting poor access to legal aid for people with mental health issues or English as a second language. The Public Law Project adds that limited awareness among potential clients can explain suppressed demand, and suggests that the gateway has acted as a barrier to access to justice.<sup>4</sup>

Cuts and reforms to public services have received less attention than cuts and reforms to social security but should not be ignored – public services such as legal aid, the NHS and social care help level up the disadvantages of low income. With more cuts to come, it is hard to see where savings can be made on targeted, means-tested services alone. It may be that over the course of this government, NHS and care waiting times, cuts to mainstream services – filling in potholes, maintaining outdoor spaces, collecting bins – and dissatisfaction among key service workers will elicit more public debate on the future of public services and further clarify the effect of those on low incomes.

1. Emmerson, C. (2015) Public service spending: more cuts to come. Institute for Fiscal Studies
2. Jutte, S., Bentley, H., Miller, P. and Jetha, N. (2014) How safe are our children? NSPCC
3. House of Commons Justice Committee (2015) Impact of changes to civil legal aid under Part 1 of the Legal Aid, Sentencing and Punishment of Offenders Act 2012. HMSO
4. Hickman, D, and Oldfield, A. (2015) Keys to the gateway: an independent review of the mandatory civil legal advice gateway, pp. 75-76. Public Law Project

## Chapter 5

# Housing

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## Introduction

In this chapter we consider the links between housing and poverty. To put this into context it is useful to understand how overall tenure patterns have changed in recent years.

One of the biggest changes in housing in the last decade has been the rise in the number of people living in the private rented sector from 6.3 million in 2003/04 to 12 million in 2013/14. Meanwhile the number of people in owner-occupied homes has fallen by 1.4 million to 40.4 million and the number in social rented homes has remained at 10.5 million. Despite these changes owner-occupation remains by far the dominant tenure containing 64 per cent of the population.

But this tenure distribution and how it has changed varies considerably by age (see table). The age group with the highest proportion in owner-occupied housing is 65–74-year-olds with more than 80 per cent in this tenure. In fact among those aged 45 and over at least three-quarters live in owner-occupied housing. People aged 16 to 34 have the lowest levels of owner-occupation, with less than half living in that tenure, and the highest levels living in the private rented sector at over a third. Across all ages from 25 around 15 per cent of people live in social rented housing with the proportion slightly higher among children.

**Table: Tenure shares and shifts by age**

	Owner-occupied	Private rent	Social rent	Main shift in last decade (tenure and percentage points)
Children	57%	22%	22%	Owner > private rent 11pts
16-24	47%	34%	19%	Owner > private rent 9pts
25-34	45%	39%	15%	Owner > private rent 19pts
35-44	65%	20%	15%	Owner > private rent 10pts
45-54	75%	11%	14%	Owner > private rent 5pts
55-64	79%	8%	14%	Owner > private rent 4pts
65-74	81%	5%	14%	Social rent > owned 3pts
75+	77%	5%	18%	Social rent > owned 9pts

Source: Households Below Average Income, DWP; the data is for the UK in 2013/14; the change is between 2003/04 and 2013/14

In the last ten years the main tenure shift has been from owner-occupation to private rented. This increase has been greatest among 25–34-year-olds with a shift from one to the other of 19 percentage points, almost double the shift seen in any other age group. But sizeable shifts occurred among children, 16–24 and 35–44-year-olds; the shift towards private renting from owner-occupation is not isolated to one cohort or generation, it can be seen in all age groups under 45.

Among those aged 45–54 and 55–64 shifts from owner-occupation to private renting have been much smaller. Among those over state pension age levels of private renting have remained low and the main shift has been a decrease in the proportion in social rented housing for an increase in owner-occupation.



## Choice of indicators

The first indicator in this chapter looks at how these shifts are reflected by looking at poverty by tenure and work-status. The next indicator looks at Housing Benefit claimants to see how many people, and who, is in need of help from the state to pay their rent. It then looks specifically at the in work claimants who make up a growing share of the Housing Benefit claimants.

The next indicator looks at housing quality, how standards have changed over time and how this progress has varied by tenure and income. The following four indicators look at trends in repossessions, evictions and homelessness – all examples of acute housing distress.

Lastly we return to the shift in tenure by age, looking at what this means for families with children and their housing costs, and how it varies across Britain.

## 41 Poverty and tenure

**Although the number of people in poverty has hardly changed in the last decade, shifts in tenure and work patterns mean that the largest group in poverty is no longer people in workless social renting families, but working private renting ones.**

In 2013/14 there were 12.9 million people in poverty in Great Britain with each of the tenure types shown in the graph housing about a third of the total: 4.4 million were in social rented, 4.3 million were in private rented and 4.1 million in owner-occupied accommodation.

Ten years earlier, although the number of people in poverty was only slightly lower at 12.1 million, the distribution of poverty by tenure was very different. In 2003/04 there were as many people in poverty in social rented housing as owner-occupiers, at 4.9 million, accounting for 81 per cent of all people in poverty. Meanwhile, there were only 2.3 million private renters in poverty. So in the last ten years the number of owner-occupiers in poverty has fallen by 800,000, double the fall in the number of social renters in poverty (400,00), while the number of private renters in poverty has risen by 2 million.

Within this shift in poverty by tenure there have also been changes by work status. The fall in the number of owner-occupiers in poverty was consistent across those in working, workless and pension-age families. For private renters the shift was in the opposite direction with the number in poverty rising regardless of work status. The biggest increase here has been in the number in working families, rising by 1.4 million (accounting for 72 per cent of the increase in poverty among private renters).

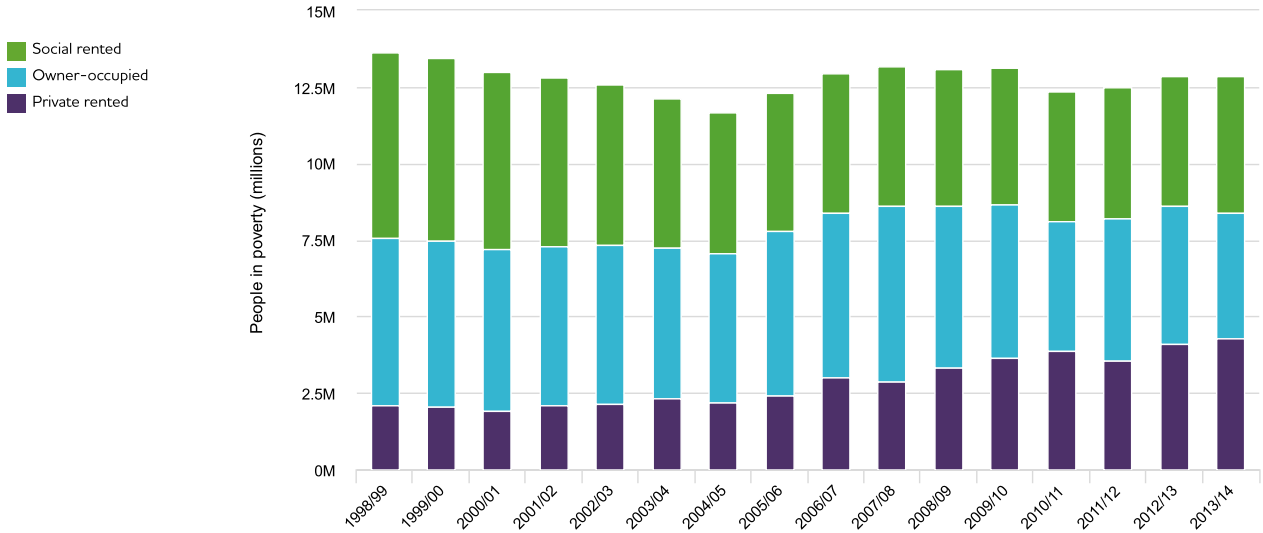
Among social renters the number in pension-age families in poverty fell by 290,000 and the biggest fall was among those in workless families of 640,000, but this was largely countered by a rise of 500,000 in the number of people in poverty in working families.

Taking these work, tenure and poverty shifts together, the picture in 2003/04 was markedly different to 2013/14. Ten years ago the largest work tenure group in poverty was the 2.9 million people in workless social renting families, followed by the 2.6 million in working owner-occupied ones. Now the largest work tenure group in poverty is the 2.54 million people in working private renting families, with working owner-occupied ones still the second largest group at 2.5 million. The number of workless social renting families, previously the largest tenure/work group in poverty, is now the third largest at 2.3 million.

# Poverty and tenure

Indicator: 41A

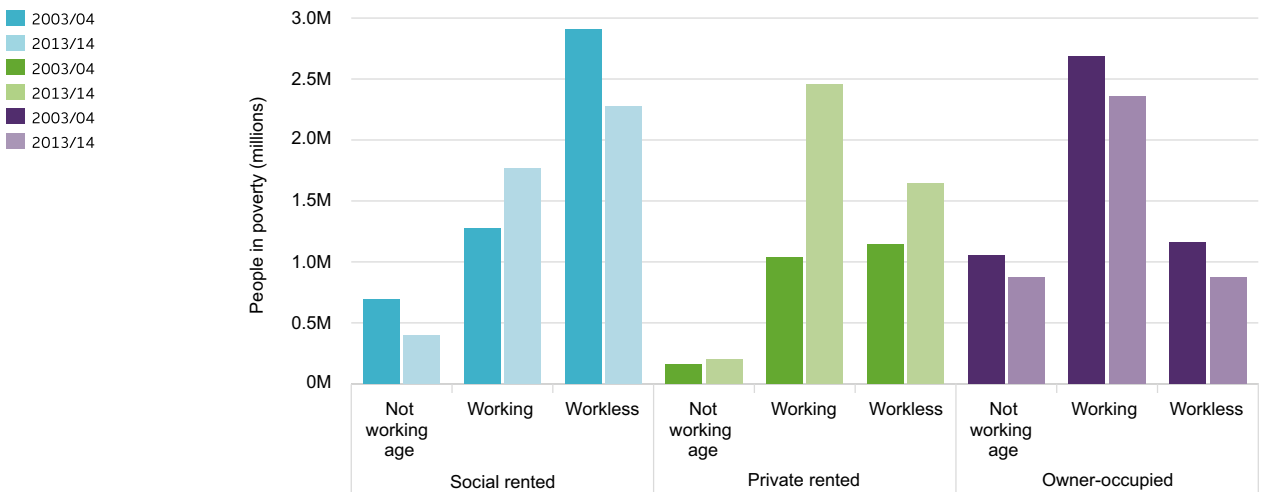
At 4.3 million people, the private rented sector now contains a third of all people in poverty.



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

Indicator: 41B

In the last decade the number of people in poverty in a working private renting family increased by 1.4 million and those in a working social renting family by 500,000.



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

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

The second graph shows the number of people in poverty in 2003/04 and 2013/14 by tenure. The data is split by family work status: where no one is of working age, where someone is of working age and someone is in work, where someone is of working age and no one is in work.

People are said to be in poverty if their income is below 60 per cent of the median income. Income is disposable household income after housing costs. All data is equalised (adjusted) to account for household composition.

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

## 42 Housing Benefit claimants

**The total number of families receiving Housing Benefit has fallen but the number of in-work claimants continues to rise. Of the 1.8 million recipients with children, 750,000 were in private rented housing.**

In 2015 there were 4.8 million families in receipt of Housing Benefit. Most families – 2.7 million – claiming Housing Benefit are workless and living in the social rented sector (this includes pensioner recipients). Some 1 million were workless and living in the private rented sector. The remaining 1.1 million were in working families, half in private rented and half in social rented housing.

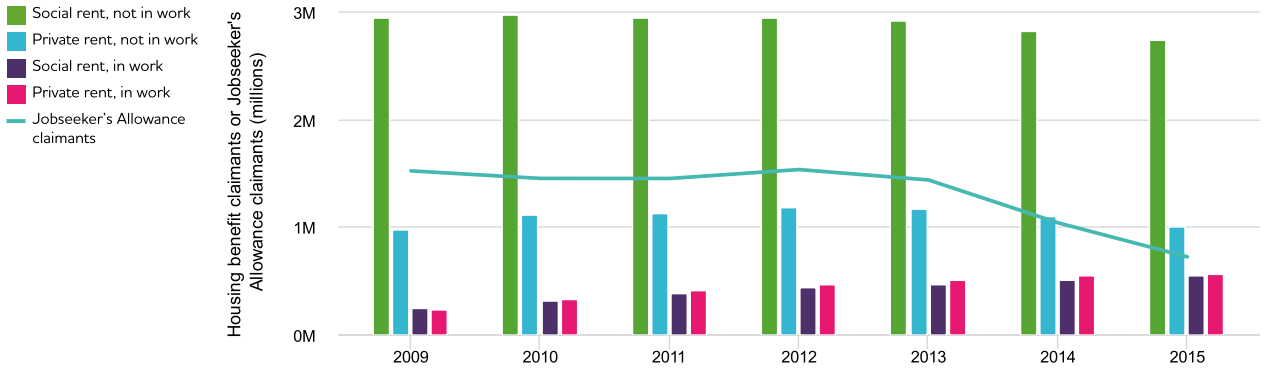
Following years of increases, the number of Housing Benefit claimants peaked in 2013 at 5.1 million and has been falling steadily since. The number of workless claimants was relatively high from 2009 to 2013 in line with the high numbers claiming Jobseeker's Allowance following the recession. Since 2013 the number of workless families receiving Housing Benefit has fallen as unemployment has fallen. But the number of working families claiming continues to increase, with 2015 seeing the highest number to date. So while the total number of recipients in 2015 was 220,000 lower than the 2013 peak, the number in workless families was 340,000 lower and the number in working families 120,000 higher.

A quarter of Housing Benefit recipients in 2015 were aged 65 and over (1.3 million), and the vast majority of these lived in the social rented sector. There were 2.6 million Housing Benefit recipients aged between 25 and 54 with the number spread relatively evenly within these age groups. But among the younger age group a higher proportion live in the private rented sector (45 per cent among 25–34-year-olds compared with 33 per cent of 45–54-year-old recipients). 1.8 million recipient families contained children, 750,000 of whom lived in private rented housing.

# Housing Benefit claimants

Indicator: 42A

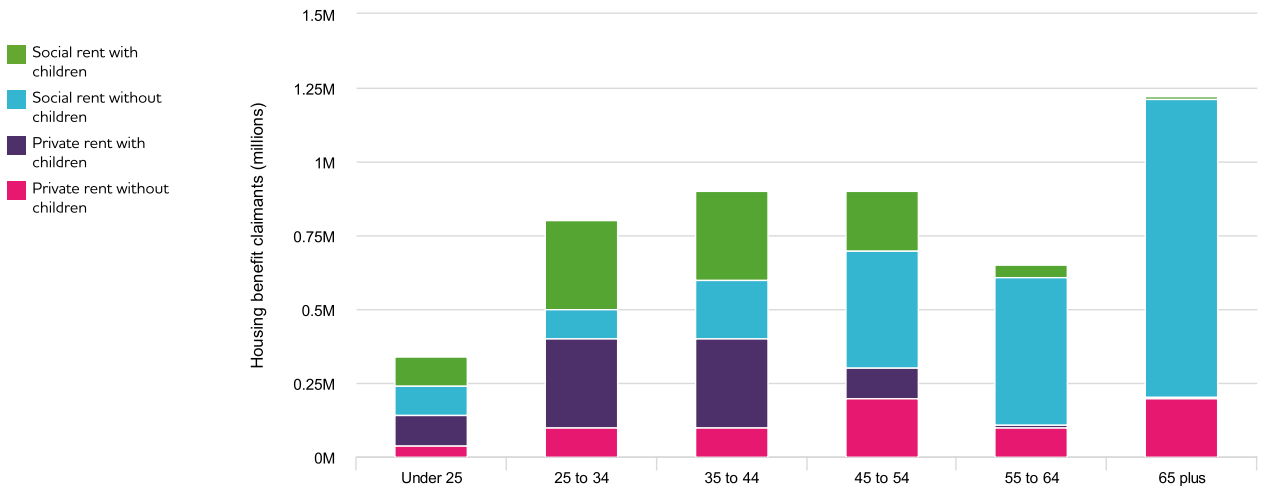
The number of Housing Benefit claimants has fallen with unemployment since 2013 but the number of claimants in work continues to rise.



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

Indicator: 42B

Over half of Housing Benefit claimants aged under 45 have children and are more likely than older claimants to live in the private rented sector.



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

The first graph shows the number of Housing Benefit claimants in May of each year. The data is broken down by tenure (social and private renters) and work status. The line on the graph shows the number of Jobseeker's Allowance claimants.

The second graph shows the number of Housing Benefit claimants by age in February 2014. 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 DWP.

## 43 In-work Housing Benefit

**In 2012 the majority of new in-work Housing Benefit claims were not transfers from an out-of-work claim but made by people who had not previously claimed. Two years on, less than 40 per cent had stopped claiming Housing Benefit.**

In the 12 months to May 2014 700,000 new in-work Housing Benefit claims began. Of those, 310,000 were previously out-of-work claims but the majority (390,000) were started by people who had not claimed any Housing Benefit the previous month. There are many 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.

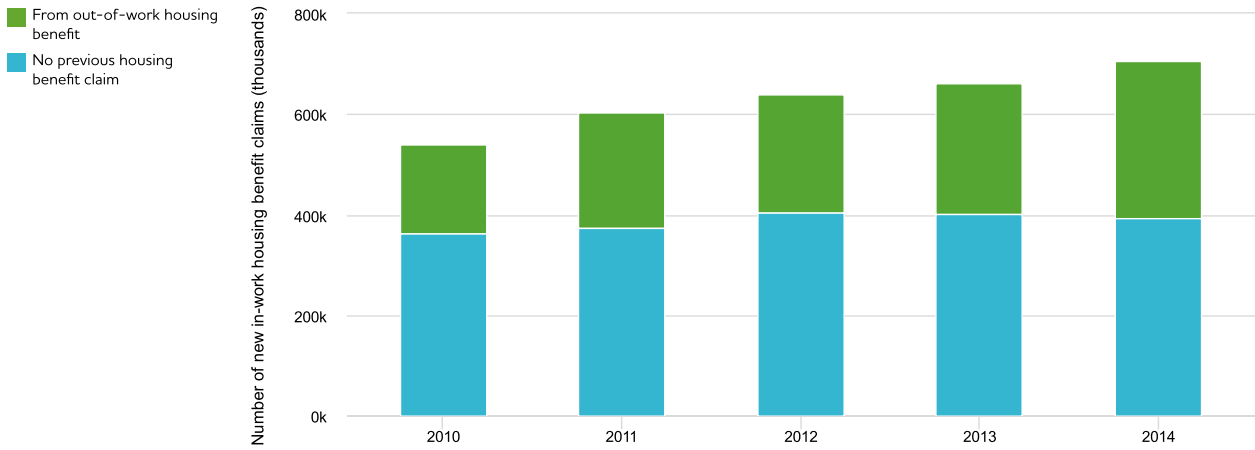
Following four years of increases the number of new in-work Housing Benefit claims made in 2014 was 170,000 higher than in 2010. (This is consistent with the rise in the in-work Housing Benefit claims, shown in indicator 42). The increase has been driven by a rise in the number of claims transferring from an out-of-work to an in-work claim which has almost doubled since 2010, while the number of new in-work claims has remained close to 400,000 since 2012.

In the month of February 2012, 50,000 people started an in-work Housing Benefit claim. Two years later, only 19,000 of them (38 per cent) were no longer claiming Housing Benefit. A further 9,000 were still claiming but were out of work. More than a quarter (26 per cent) were still claiming in-work Housing Benefit having done so continuously over the previous 24 months. Another 17 per cent were still claiming in-work Housing Benefit but at some point over that period had not been as they had either stopped claiming altogether, transferred to an out-of-work claim or at some point done both before restarting their in-work claim.

## In-work Housing Benefit

Indicator: 43A

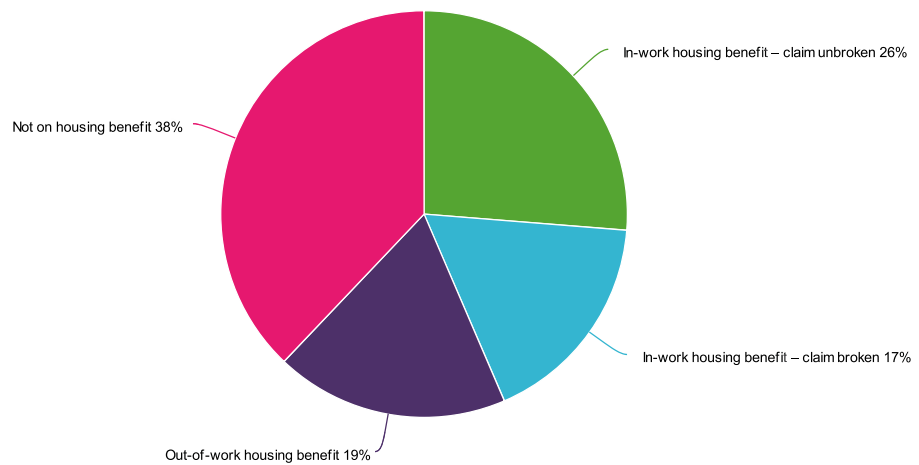
The number of people moving from an out-of-work to an in-work Housing Benefit claim has been rising and most in-work claims are started by someone who did not previously claim at all.



Source: Single Housing Benefit Extract, DWP; the data is for Great Britain for the 12 months to May of the year shown.

Indicator: 43B

Less than 40% of in-work housing benefit claimants were no longer claiming housing benefit two years after their claim started.



Source: Single Housing Benefit Extract, DWP; the data shows the status in February 2014 of people who had begun claiming in-work benefit in February 2012 in Great Britain

The first graph shows the number of new in-work Housing Benefit claims made in the 12 months to May of the year shown. The data is split to show if the new in-work claim was previously an out-of-work claim (i.e. 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 2014 of people who had begun an in-work Housing Benefit claim in February 2012. By February 2014 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 2014 having had a break in their claim at some point in the previous two years (i.e. at some point they were not claiming Housing Benefit and/or 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. 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.

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.

## 44 Housing standards

**Private rented homes are more likely to have a category 1 hazard and more likely to have severe damp problem than other tenures. But for each tenure, those in poverty are more likely to live in homes with severe damp problems.**

In 2013, 5 per cent of social rented homes had a category 1 hazard, more than half the rate of owner-occupied homes (12 per cent) and a third of the rate for private rented homes (17 per cent). These hazards are assessed as posing a potential health and safety risk to the occupants.

The social rented sector consistently has the lowest rate of unsafe housing. This is likely to be due to registered social landlords being obliged to deal with category 1 hazards. Private rented homes have consistently had the highest rates of unsafe housing.

But since 2008 the proportion of homes that are unsafe has fallen across all tenures. Between 2008 and 2012 the proportion of unsafe social rented homes more than halved from 11.5 per cent to 4.8 per cent and remained unchanged in 2013. But the percentage point fall has been greater among private tenures and has continued into 2013. In the five years to 2008 the proportion of unsafe owner-occupied homes fell by 10.1 percentage points and private rented homes by 13.2 percentage points.

Private rented homes also have the highest prevalence of severe damp problems. Some 7.5 per cent of private rented households not in poverty had problems of severe damp in their home, more than double the rate for social renters (3.6 per cent) and owner-occupiers (2.4 per cent). But for each tenure households in poverty are more likely to live in a home with damp problems than households not in poverty. Some 4.5 per cent of owner-occupiers in poverty live in homes with damp problems, and 7.9 per cent of social rented households do so; both of these figures are around double the rate for households not in poverty in the same tenure. Private renters in poverty are by far the most likely to live in homes with damp problems, at 11.4 per cent.

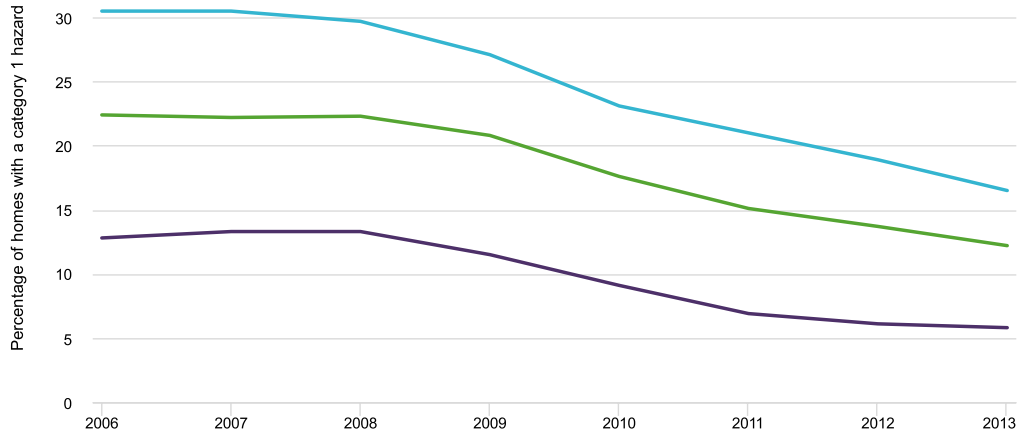


## Housing standards

Indicator: 44A

Despite recent falls, private rented homes were around three times more likely to have a category 1 hazard than social rented ones, while owner-occupied homes were twice as likely.

Owner-occupied  
Private rented  
Social rented

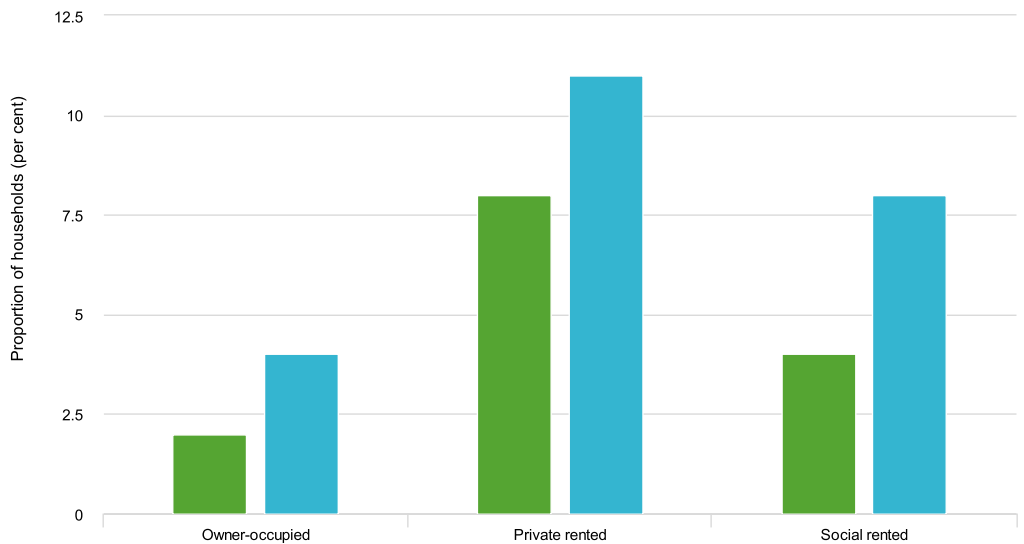


Source: Survey of English Housing and the English Housing Survey, DCLG; trends in fuel poverty statistics, DECC; the data is for England

Indicator: 44B

Owner-occupiers and social renters in poverty are twice as likely to live in housing that has damp problems than those not in poverty, but the rate for private renters is higher for any given poverty status.

Not in poverty  
In poverty



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

The first graph shows the proportion of social rented, private rented and owner-occupied homes in England that contain a category 1 hazard. (Trained surveyors identify aspects of a property that pose a serious danger to health and safety to the resident as a category 1 hazard using the Health and Safety Rating System.)

The second graph shows the proportion of homes in England that have problems of damp. The proportions are given separately for households by poverty status and tenure (social rented, private rented and owner-occupied). Damp includes problems of rising damp, penetrating damp and serious condensation/mould.

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.

## 45 Repossessions and evictions

**Mortgage repossessions are at their lowest level for 10 years with particularly low rates in the South of England. Landlord evictions have been rising for five years and the rate in London is more than double the other English regions.**

There were 38,000 evictions in England and Wales in 2014/15, almost five times the number of mortgage repossessions of 8,000. The number of mortgage repossessions peaked in 2008/09 at 37,000, and excluding a small rise in 2011/12 has been falling sharply since. In 2014/15 the number of mortgage repossessions was at its lowest for ten years.

Conversely, following five consecutive years of increases, the number of evictions of renting households is at its highest for at least ten years. About half of these evictions were carried out by social landlords. The number of such evictions increased sharply in the year to 2013/14 (up by 3,100) but only slightly in the year to 2014/15 (up by 850) to reach 19,000.

The number of evictions by a private landlord is much smaller at 4,600 in 2014/15. Although it is double the number ten years earlier, it only accounts for 12 per cent of evictions.

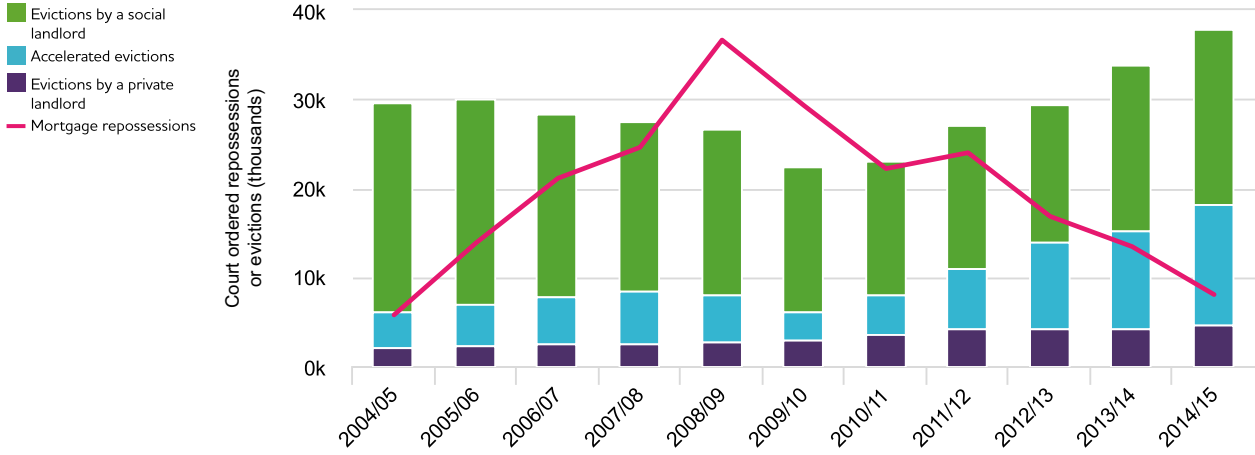
Most of the recent rise in evictions has been through the use of 'accelerated possession orders' which can be used by social and private landlords with shorthold tenancies once the initial fixed tenancy period has ended (typically a 6 or 12 month period). It allows possession orders to be made by the court solely on the basis of written evidence and without calling parties to a hearing. Some 14,000 evictions in 2014/15 used accelerated possession orders. The number of such evictions has risen by at least 1,000 every year since 2009/10 and has driven the rise in overall landlord evictions.

In Wales and in every English region the rate of landlord evictions was higher than the rate of mortgage repossessions. The rate of mortgage repossessions was highest in the North East at 2.1 per 1,000 household with a mortgage. The rate was above 1.5 for all northern regions and Wales; in London, the East and South of England it was 0.5 or below. The rate of evictions in London, at 9.7 for every 1,000 households, was almost 20 times higher than the rate of mortgage repossessions and more than double any other region. Elsewhere the rate of landlord evictions ranged between 2.2 in the South West and 4.1 in the West Midlands.

## Repossessions and evictions

Indicator: 45A

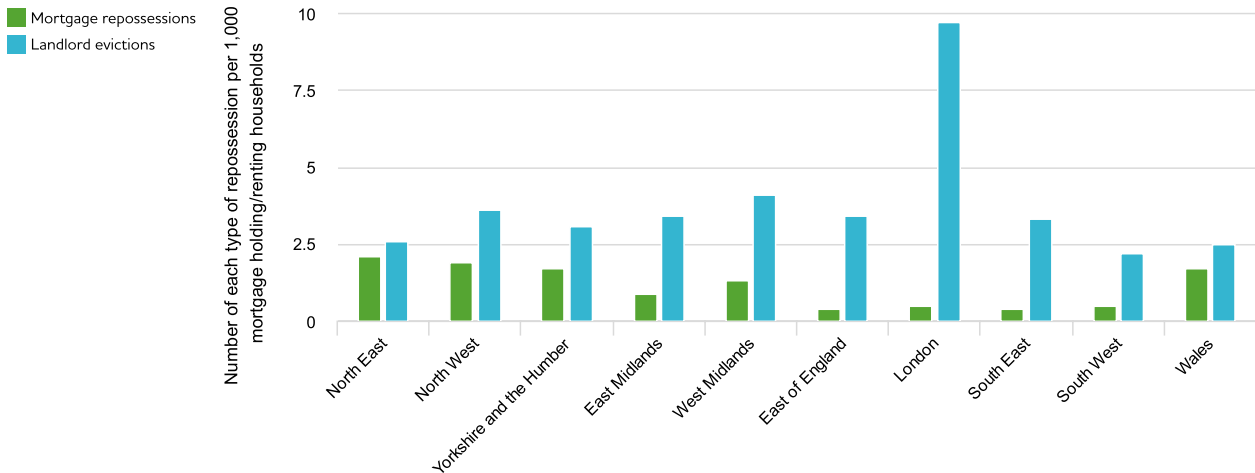
Following five years of increases, the number of court ordered landlord evictions is more than four times the number of mortgage repossessions.



Source: Mortgage and landlord possession statistics, MOJ; the data is for England and Wales

Indicator: 45B

In every region the rate of court ordered landlord evictions is higher than mortgage repossession and in London it is more than double any other region.



Source: Mortgage and landlord possession statistics, MOJ and Annual Population Survey household dataset, ONS via GLA; the data is for 2014/15

The first graph shows the number of repossessions 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 an accelerated claim (used when the tenant is near the end of their lease by private or social landlords).

The second graph shows, for each region in 2014/15, the number of mortgage repossessions for every 1,000 owner-occupiers with a mortgage and the number of landlord repossessions for every 1,000 renting households.

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 for the first graph which is based on government published administrative data. Medium for the second graph which combines two different sources (the Labour Force Survey and Ministry of Justice administrative data) although both are reliable datasets.

## 46 Homelessness acceptance

**Following a fall in homelessness acceptances in the late 2000s the number has been rising in the 2010s, largely due to an increase in homelessness at the end of shorthold tenancies.**

In 2014/15 54,000 households were accepted as homeless by their local authority under the 1996 Housing Act. This means they were deemed unintentionally homeless and 'in priority need' (i.e. someone in the household belonged to a vulnerable group).

In the late 2000s the number of homelessness acceptances fell dramatically from highs of more than 100,000 in earlier years. It was 40,000 in 2009/10, increased to 53,000 in 2012/13 and remains at this level. Almost a third of homelessness acceptances in 2014/15 occurred in London (17,000). While the number nationally has not changed much since 2012/13 the number in London has increased consistently over the last five years and is at its highest since 2005/06. Meanwhile the number of homelessness acceptances in the North of England, at 8,200 in 2014/15, has fallen every year since 2005/06 excluding a small rise in 2011/12.

The main reason for households becoming homeless in 2014/15 was a shorthold tenancy coming to an end which accounted for 16,000 homelessness acceptances (29 per cent of the total). The next most common reason at 14,000 was losing accommodation previously provided by family/friends, followed by relationship breakdown at 9,300.

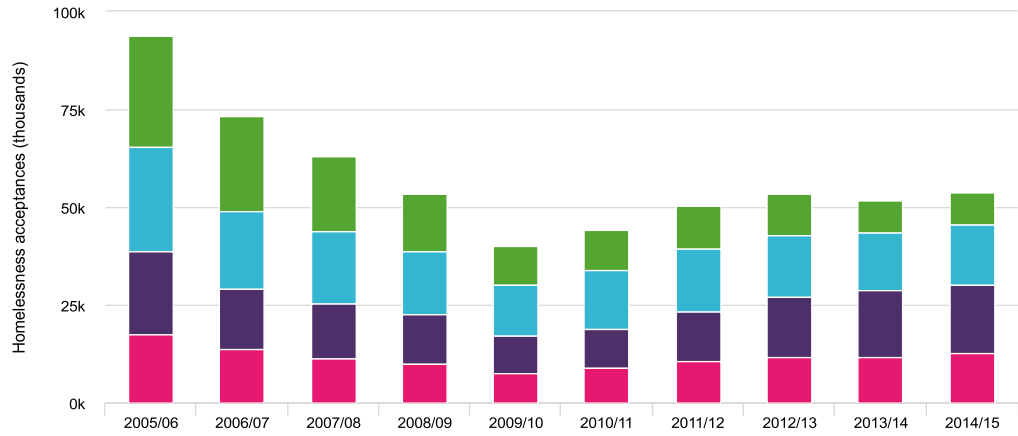
In 2009/10, when the number of homelessness acceptances was 14,000 lower, the main cause was linked to losing accommodation provided by family or friends. The number coming from a shorthold tenancy, at 4,600, only accounted for 11 per cent of the total. Between 2009/10 and 2014/15 the number becoming homeless for this reason has tripled while the numbers becoming homeless for all other reasons hardly changed. So the increase in homelessness acceptances over the last five years is largely due to the end of shorthold tenancies.

# Homelessness acceptance

Indicator: 46A

Homelessness acceptances in the North of England are at their lowest for at least a decade, but in London, the East and South East they have risen for three years in a row.

- North of England
- Midlands and South West
- London
- East and South East

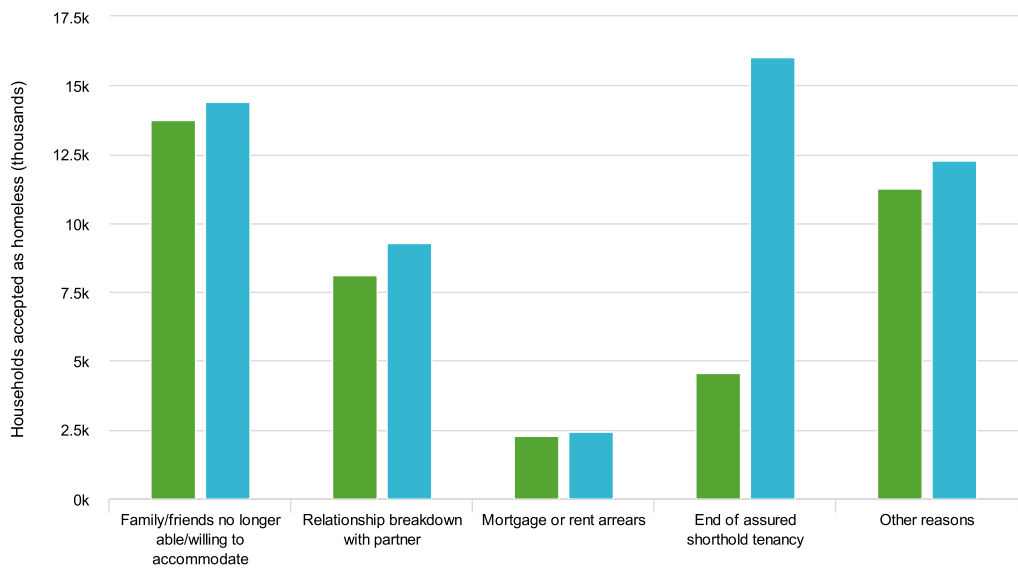


Source: Quarterly p1(E) returns, DCLG

Indicator: 46B

The rise in homelessness since 2009/10 is almost solely due to the ending of shorthold tenancies

- 2009/10
- 2014/15



Source: Quarterly p1(E) returns, DCLG; the data is for England

The first graph shows the number of people accepted as homeless in each financial year since 2003/04 across different parts of England.

The second graph shows the number of people accepted as homeless in 2009/10 and 2013/14 by reason for homelessness.

To be found statutorily homeless a household must be assessed as unintentionally homeless and in priority need at which point the local authority has a duty to house them under the 1996 Housing Act.

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 statutorily homeless varies.

## 47 Temporary accommodation

**A quarter of households living in temporary accommodation are in housing outside their local authority area, a record high, and a quarter of those leaving temporary accommodation do so without local authority assistance.**

Just under 65,000 households were living in temporary accommodation in March 2015. This is accommodation provided by the council to homeless households while suitable settled accommodation is found. Some 5,000 households were in hostels or refuges and 5,000 were in bed and breakfast accommodation, but most were in conventional rented accommodation.

The number of households in temporary accommodation peaked ten years ago at just over 100,000 in 2005. Following rapid declines in the late 2000s it was half that, at 48,000, in 2011, but since then it has risen again each year. Over two-thirds of households in temporary accommodation live in private rented housing. While this is not new the number of such placements arranged and managed by a registered social landlord has fallen as the number of placements arranged directly through a private landlord increased.

But the biggest shift in temporary accommodation placements in recent years has been the proportion located outside the local authority area. In 2015 almost 17,000 households were living in temporary accommodation outside their local authority area, a tripling in five years amounting to a quarter of all households in temporary accommodation. Since the current duty to house homeless households began with 1996 Housing Act, out-of-area placements in temporary accommodation have never been higher.

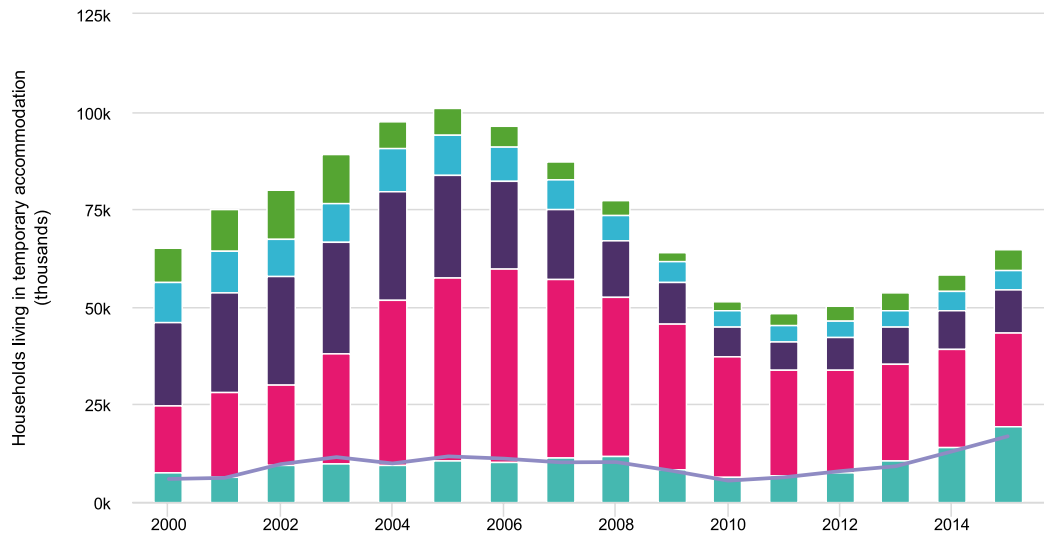
Two-thirds of households that moved on from temporary accommodation in 2014/15 were placed in an assured tenancy (provided by registered social landlords). Only 6 per cent moved into a shorthold tenancy. But over a quarter of households that left their temporary accommodation moved on without having secured settled accommodation with the help of the local authority; 7 per cent were no longer eligible for help or were deemed to be intentionally homeless, 14 per cent voluntarily moved out of their accommodation without being required to by the local authority and 6 per cent lost their temporary accommodation as they had rejected an offer of settled accommodation.

# Temporary accommodation

Indicator: 47A

The number of households in temporary accommodation is rising but remains below the mid-2000s peak. The number living outside of their area has never been higher.

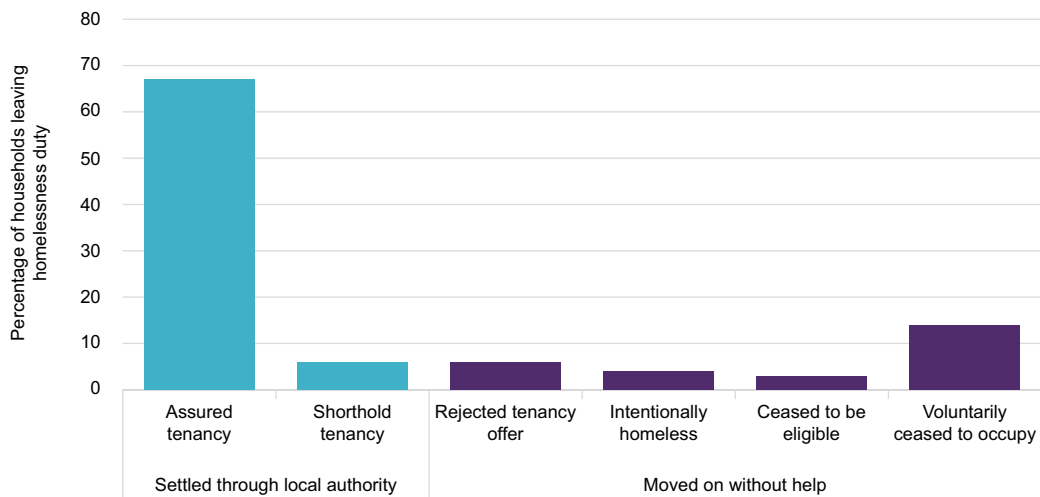
- B&B
- Hostels (including refuges)
- Local authority or housing association (LA/HA) stock
- Private rented but leased by LA/HA
- Other private rented
- Out-of-area placement



Source: P1(E) Quarterly return, DCLG; the data is for England

Indicator: 47B

Most households leaving temporary accommodation move to a long-term (assured) tenancy, but a quarter leave without local authority help.



Source: P1 (E) Quarterly Returns, DCLG; the data is for England in 2014/15

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

The second graph shows the outcome of households leaving temporary accommodation in 2014/15. It also includes a small proportion of households that were no longer recorded as 'duty owed, no accommodation secured' (households that were statutorily homeless but had not been placed in temporary or settled accommodation).

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.

## 48 Homelessness prevention

**In 2014/15 110,000 actions were taken by local authorities to enable potentially homeless households to remain at home, up from 64,000 in 2009/10. The most common preventive action was resolving Housing Benefit problems.**

In 2014/15 there were 205,000 instances where a local authority in England acted to prevent a household from becoming homeless, and a further 16,000 instances where a local authority relieved homelessness outside of the council's statutory homelessness duty. Compared with the previous year there were slightly fewer actions to prevent and relieve homelessness, but more than the year before that.

The total number of actions (relief and prevention) rose each year between 2009/10 to 2013/14, from 170,000 to 230,000. But the number of actions to relieve homelessness actually fell over this period peaking at 25,000 in 2010/11.

Within actions to prevent homelessness, 110,000 (just over half) were to enable households to stay in the same home while the remaining 96,000 actions helped households find alternative accommodation before becoming homeless. While both of these were higher in 2014/15 than in 2009/10, actions helping people to remain in the same home has increased by 45,000, more than double the increase in the number helped by moving home (up by 19,000).

In 2009/10 when 64,000 actions were taken to prevent households from becoming homeless, the most common means of doing so was by helping them remain in their private or social rented accommodation, accounting for 14,000 actions. In 2014/15 this accounted for 19,000 prevention actions.

But the most common means of assistance in 2014/15 was the 26,000 cases where Housing Benefit problems had been resolved, almost five times the number in 2009/10 (5,300). Debt advice (10,000 actions) and resolving rent or service charge issues (9,500) were also common ways that homelessness had been prevented.

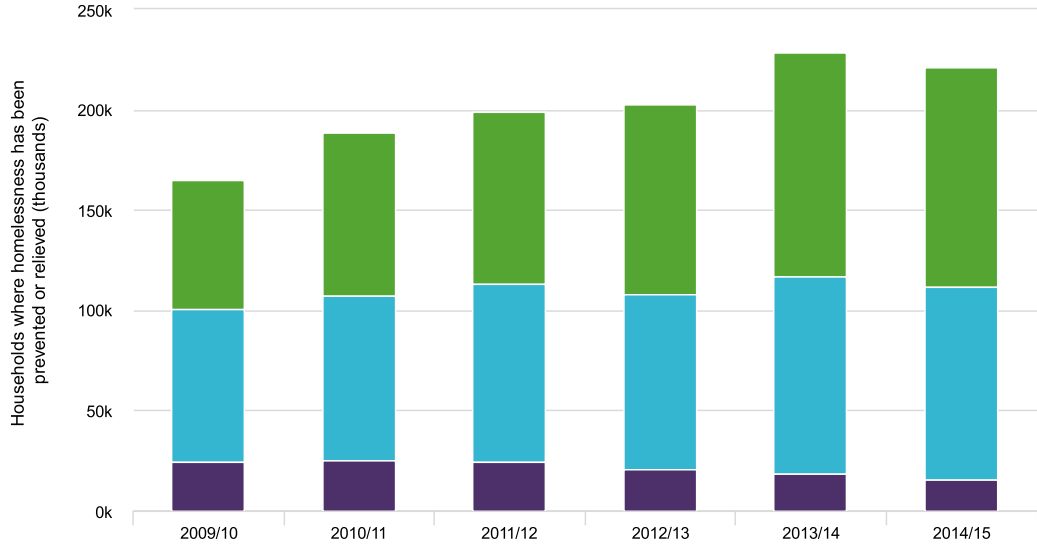


# Homelessness prevention

Indicator: 48A

More than 200,000 households were prevented from becoming homeless in 2014/15, slightly lower than the previous year.

- Prevention - stay at home
- Prevention - move to new home
- Relief - move to settled accommodation

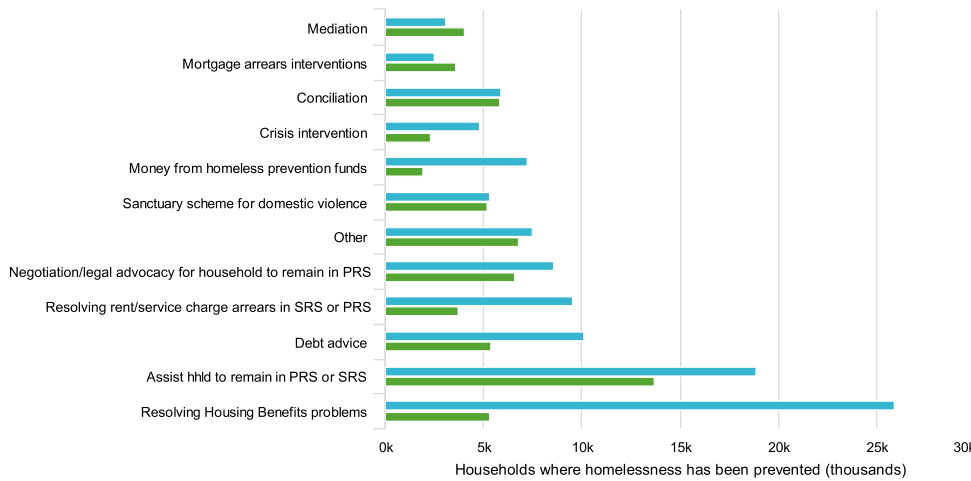


Source: Quarterly P1E returns, DCLG; the data is for England

Indicator: 48B

In 2014/15 local councils prevented more than 25,000 instances of homelessness by resolving Housing Benefit problems, five times higher than 2009/10.

- 2009/10
- 2014/15



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

The first graph shows the number of households prevented from becoming homeless each year and whether this was by securing alternative accommodation or by remaining in their current home. It also shows the number of households relieved from homelessness.

The second graph looks specifically at those cases where households were prevented from becoming homeless, and remained in the same home. The data is broken down to show how homelessness was prevented, comparing 2009/10 and 2014/15.

Homelessness prevention involves providing people with the ways and means to address their housing and other needs to avoid homelessness. Homelessness relief occurs when an authority has been unable to prevent homelessness but helps someone to secure accommodation, even though the authority is under no statutory obligation to do so.

Reliability rating: medium. While this is administrative data and the quality is high, how each local authority delivers homelessness services varies. It is also important to note that this is a measure of service delivery and changes could reflect a change in supply and/or demand.

## 49 Children and tenure

**At 1.3 million there are now almost as many children in poverty in private rented housing as in social rented housing. The high housing costs faced by private renters with children are a contributing factor.**

In 2013/14 there were 1.3 million children in poverty living in private rented housing, more than double the number a decade earlier. Meanwhile the number of children in poverty in owner-occupied housing has fallen steadily to 960,000. With these two tenures following opposite trajectories the number of children in private rented housing overtook the number in owner-occupied housing in 2012/13 and the gap continues to widen.

The number of children in poverty in social rented housing also fell in the 2000s, from 1.7 million in 2003/04 to 1.3 million in 2011/12, but it has since risen slightly to 1.4 million.

A decade ago less than a fifth of children in poverty lived in private rented housing (670,000). By 2013/14 the private rented sector contained 36 per cent of children in poverty; at 1.3 million children it is only 100,000 fewer than the number in social rented housing.

The proportion of people in poverty on both the before and after housing costs measure is highest for social renters with and without children at 29 per cent. For private renters with children it was 20 per cent and for those without children it was 15 per cent. Less than 10 per cent of owner-occupiers (with and without children) were in both before and after housing costs poverty.

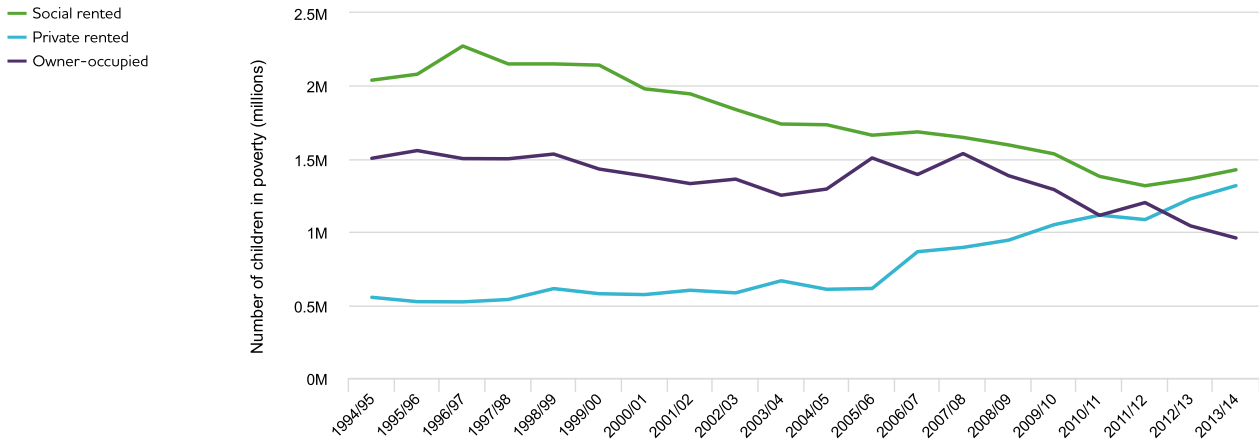
But the proportion of people in poverty as a result of their housing costs is greatest for private renters with children. Housing costs increase their poverty rate by 25 percentage points (to 44 per cent) compared with 20 percentage points for social renters with children (to 49 per cent). For both private and social renters without children, housing costs increased their poverty rate by 15 percentage points (to 44 per cent and 30 per cent respectively). Less than 3 per cent of owner-occupiers are in poverty solely because of the impact of housing costs on their income, partly because housing costs include rent and mortgage interest costs but not capital repayments.

The higher housing costs among private renters with children closes the gap in the poverty rate between social and private rented families with children by 5 percentage points. Once housing costs are accounted for just under half (49 per cent) of people in social rented housing with children are in poverty and 45 per cent of those in private rented housing with children are.

## Children and tenure

Indicator: 49A

There are 1.3 million children in poverty in private rented housing, more than the number in owner-occupied homes and just below the number in social rented ones.



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

Indicator: 49B

The housing costs associated with having children and living in the private rented sector considerably increase the risk of poverty.



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

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

The second graph shows the proportion of people in poverty on both the after and before housing costs measure of poverty and the proportion of people in poverty on the after housing costs measure but not the before housing costs measure. These poverty rates are shown separately by tenure and whether the family contains dependent children.

Housing costs comprise such items 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.

## 50 Children, Housing Benefit and private renting

**Areas with high levels of deprivation but not necessarily a large social housing stock are often the ones with a high proportion of children living in private rented homes and receiving Housing Benefit.**

In 2015 in 14 local authorities in Britain more than one in six children lived in families that received Housing Benefit and lived in the private rented sector. In 118 local authorities this was the case for at least one in ten children.

In Blackpool, the area with the highest proportion of children in living in families claiming Housing Benefit in the private rented sector, 30 per cent of children live in such families. This is five percentage points higher than the next highest area, Tendring in Essex. Enfield, an outer London borough, is next with 24 per cent.

These specific examples are illustrative of a broader pattern. The areas with the highest proportions of children living in private rented housing and receiving Housing Benefit are often coastal towns or outer London boroughs. The proportion in many cities and across Inner London is relatively low even where levels of child poverty tend to be high. This is probably due to these areas having a larger social rented housing stock in which to house low-income families. In parts of the country with high levels of poverty but less social housing families with children are more likely to live in the private rented sector.

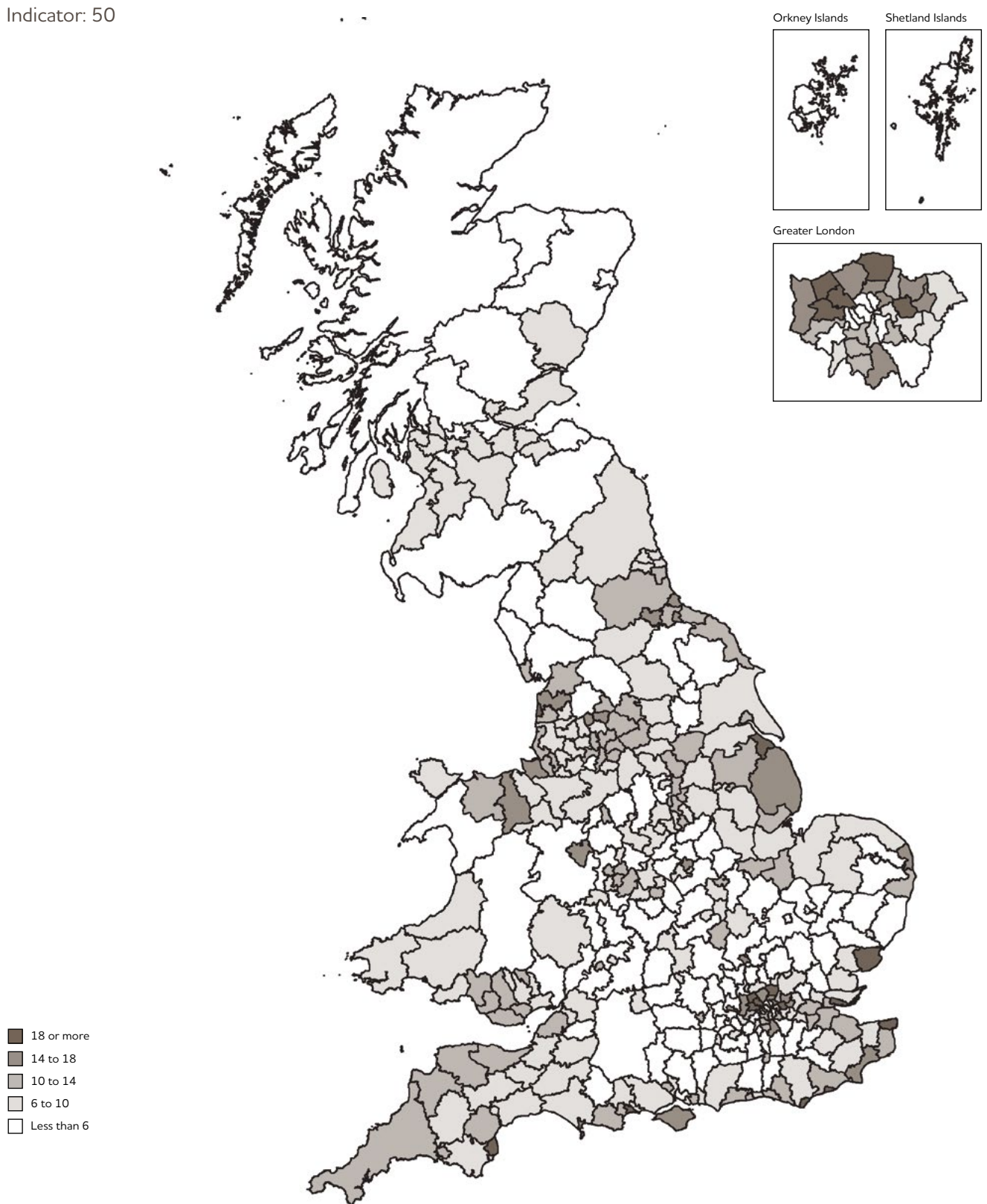
The result is a rural/urban split but rather than the difference being between big cities and countryside areas, it is, with the exception of London, about the difference between smaller towns, suburbs and rural areas. Grouping together some of the local authorities we find that the proportion of children in households claiming Housing Benefit in the social rented sector is around twice as high in suburban areas and coastal towns as in rural areas (12 per cent compared with 6 per cent). Large cities, with the exception of London, sit somewhere between these two figures.

The map shows the proportion of children in each local authority that live in the private rented sector and are in families that receive Housing Benefit.

Reliability rating: medium. The analysis combines two different sources (the Housing Benefit caseload and mid-year population estimates) although both are reliable datasets.

# Children, Housing Benefit and private renting

Indicator: 50



Source: Housing Benefit statistics via DWP Stat Xplore, the data is for 2015

## Commentary

The term 'generation rent' typically refers to the growing number of younger adults living in private rented housing as they are unable to get on the property ladder. This issue has gained much media attention over recent years and policy recognition has come through the help-to-buy schemes. But what has received much less attention is the growing number of children living in the private rented sector which reached 2.9 million in 2013/14.

This poses a serious poverty challenge. Firstly, because 1.3 million of these children are already in poverty, but also because housing costs are much higher among families with children – they need more bedrooms and often are less able to work full-time due to childcare. Nonetheless they have to compete for the same rented properties as fully working, adult-only households. While this might be manageable there is little chance of building up savings and qualifying for a mortgage. So housing costs are likely to remain high for the long term and the prospect of improvement for those children already in poverty is limited.

There are other problems with the private rented sector too. Tenancies are often short term so it is difficult for parents to anticipate where they will be living and how much it will cost more than 12 months ahead, and disruptive school moves are likely in the private rented sector. Their homes are also more likely to pose a health and safety risk than in other tenures. Increasingly, private renting is a gateway tenure to homelessness either through actual evictions or tenancies not being renewed.

In recent years the economy has improved and unemployment has fallen which is undoubtedly good news for poverty. But what remains are serious structural issues that cannot be solved through more economic growth. This is evidenced by the growing number of long-term in-work Housing Benefit claimants.

Though great, these problems are not insurmountable – the substantial improvements in housing standards in recent years are testament to what has been and can be achieved when a problem is recognised and something is done to address it.

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## 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 is deemed, 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.

## 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 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 (i.e. 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 to be 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 one. 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

## 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 and priority needs. If accepted as homelessness, the local authority owes a 'homelessness duty' to ensure that suitable accommodation is available for the applicant and his or her 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.

## 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, cohabitees 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) or from a private landlord (private rented accommodation).

## 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, investment income). This is the government's official poverty measure, used in the 2010 Child Poverty Act.

## Legal aid

Legal aid gives assistance to people otherwise unable to afford legal advice, mediation or representation in court and some tribunals. It can include help for family and non-family civil law cases as well as criminal law cases if someone is accused of a crime. In April 2013, the Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act 2012 came into force. LASPO has meant certain categories of law are no longer within the scope of legal aid funding while others only qualify if they meet certain criteria.

## Living Wage

The Living Wage is based on the amount an individual needs to earn to cover the basic costs of living. The Living Wage is £9.40 an hour in London and £8.25 an hour in the rest of the UK. The Living Wage is an informal benchmark, not a legally enforceable minimum level of pay, unlike the national minimum wage which is significantly lower. From 1 October 2015 the national minimum wage is £6.70 an hour for adults, and £5.30 for those aged 18 to 20. From April 2016 the minimum wage will increase to £7.20 an hour for adults aged 25 and older. The applicable minimum wage rate will still apply for people aged 24 and under.

The Living Wage is currently calculated by the Centre for Research in Social Policy at Loughborough University, while the London Living Wage has been calculated by the Greater London Authority since 2005. The Living Wage should not be confused with the National Living Wage announced by the Chancellor in June 2015, which essentially replaces the minimum wage for those aged over 25.

## Low pay

Low pay in this report is defined as an hourly pay rate below two-thirds of the UK median hourly wage, excluding overtime. In 2014, this figure was £7.69.

## Low-income households

A household has a low income (or is in poverty) if its net income is less than 60 per cent 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; student loan repayments. This threshold is sometimes referred to as the 'poverty line'. Poverty can be measured on two bases – on income before housing cost (BHC) and on income after housing cost (AHC).

## Material deprivation

There are different measures of material deprivation for children and pensioners in the Households Below Average Income survey. 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 example, 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, 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, communities and local government*, June 2006.

## 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.

## 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 Baccalaureate, 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) for 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).

## 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.

## Zero-hour contracts

A zero-hours contract is a contract of employment which 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.

