

Poverty among young people in the UK

A report by NPI for StreetGames

January 2015

Contents

| | |
|---|----|
| Executive Summary | 3 |
| Introduction | 5 |
| Measuring poverty..... | 5 |
| Methodology | 6 |
| Poverty among young people..... | 7 |
| Income poverty..... | 7 |
| Material deprivation..... | 8 |
| Gender..... | 9 |
| Disability..... | 9 |
| Ethnicity | 10 |
| Geographical variations..... | 11 |
| Poverty by region | 11 |
| Local poverty among children aged 16+ | 11 |
| Local worklessness among under 25s | 12 |
| Living situation | 14 |
| Living with parents | 14 |
| Tenure..... | 14 |
| Being parents..... | 15 |
| Work status | 17 |
| Parents of young people | 17 |
| Young adults | 18 |
| Students..... | 18 |

Executive Summary

This report considers the level and trends in poverty among people aged 14 to 24 (referred to as “young people”). It uses official government statistics to show how poverty varies by a range of themes: demographics, living situation and work status.

A household is in poverty if its income after tax and housing costs is less than 60% of the typical (median) household income. It therefore identifies poverty as those with an income considerably below what is typical in society. A single adult with a disposable income of less than £130 per week in 2012/13 would be in poverty.

Of the 9.0 million young people aged 14-24 living in the UK, approximately 2.7 million, or 30%, are living in poverty. This includes 1.9 million young people with an income considerably below the poverty threshold (below 50% of median income). A further 740,000 young people had incomes just above the poverty threshold (above the 60% of median income but below 70%).

13% of young people live in families that are unable to keep their accommodation warm enough. Among children aged 14 and over, 8% do not have local access to outdoor space in which to play and 9% lack leisure equipment because of cost.

At 30% the poverty rate among young people is higher than any other age group. A decade earlier the children aged under 14 were more likely to be in poverty than young people, but this is no longer true. The poverty rate among 20-24 year olds grew by 6 percentage points in the last decade, more than any other age group.

Poverty among young people is highest in London at 38%, but the proportion of young adults in London claiming an out-of-work benefit is lower than much of the North or England. Estimates of poverty at the local area suggest that it is highest in the Welsh Valleys, cities across England and some coastal towns.

380,000 young people in poverty have a long standing illness or disability. Most young people in poverty are White-British (1.9 million), but the poverty rate for non-White British young people is almost double the rate for White British young people.

Of the 9.0 million people aged 14-24, 6.4 million live with their parents and 2.6 million do not. Just under half of all young people living with their parents (3.1 million) are classified as ‘dependent children’ (i.e. they were aged under 16, or aged 16-19, living with their parents and in full-time education).

Young people not living with their parents have a much higher poverty rate at 43% than those who do at 25%. But this gap is linked to tenure: young people not living with their parents are more likely to rent, and renters have a higher poverty rate.

Just under 1.1 million young people in poverty live in private rented accommodation, compared to 960,000 in social rented and 680,000 in owner-occupied. The poverty rate for young people in owner-occupied housing is at 15% compared to close to 50% for renters.

More than half of 19 to 24 year olds with children are in poverty. But this only amounts to 370,000 young people, compared to 2.3 million in poverty without children. Young people with children are rarely teenagers and are much more likely to be in their mid-20s.

Some 3.1 million young people in poverty are classified as dependent children' (they are under 16, or up to 19, living with their parents and in full-time education). They are more likely to be in poverty if none of their parents are in work but over two thirds of those in poverty have a working parent. Of the 5.9 million young people in poverty that are classified as 'working age adults' (aged 19 and over, or 16 and not in full-time education): 540,000 are in working, 420,000 are unemployed, 380,000 are inactive and 440,000 are students.

There are more 19 and 20 year olds in poverty than young people of other ages. If full-time students who do not live with their parents were excluded this peak would disappear. But even excluding students the poverty rate for people in their early 20s is still 5 percentage points higher than for those in their late 20s.

Poverty among young people is higher than any other age group, a decade earlier this was not the case. Whilst the poverty rate for children under 14 and for pensioners fell, the poverty rate for young people increased. Part of the reason that poverty among young people is higher is that they are more likely to live in private rented accommodation and spend a greater share of their income on housing costs.

But the age group 14 to 24 is diverse. The vast majority of 14 year olds live with their parents and are in full-time education, whilst the opposite is true for 24 year olds, in fact many of them will be parents themselves. The poverty rate for young people is high across the age group but their circumstances will be very different and efforts to tackle poverty need to reflect this.

Introduction

This report looks at trends in poverty among 14 to 24 year olds in the UK. It is written by NPI, an independent research institute, for StreetGames, a charity which offers opportunities to young people in disadvantaged communities through sport.

The aim of this report is to provide StreetGames with statistics on the level and trends in poverty among their target group: people aged 14 to 24 (hereafter referred to as “young people”). It looks at how poverty varies by a range of themes: demographics, living situation and work status.

The first section considers **levels and trends in poverty**. It looks at depth of poverty and variations by region, ethnicity and disability.

The second section considers trends in poverty by **living situation**. Within the age group 14 to 24 there is considerable variation in individuals’ living situation so we look at variations in poverty by whether young people live with their parents, are parents themselves and their housing tenure.

The final section explores the influence of **work** on poverty. It looks at the work status of young adults and the work status of teenagers’ parents. Lastly it considers to what extent students alter poverty levels among young people.

Measuring poverty

The official measure of poverty compares the income of individual households to the national average. A household is in poverty if its income after tax is less than 60% of the average (median) household income for that year. It is a measure that identifies poverty as households with an income considerably below what is typical in society. As a result it is often referred to as “relative” poverty/low income. This measure is one of the four poverty reduction targets in the Child Poverty Act 2010 (to reduce the proportion of children who live in relative low income to less than 10%).

Poverty can be measured before or after housing costs (BHC/AHC). The AHC measure looks at income after housing costs have been met (rent, mortgage interest, water charges, service charges and building insurance costs). The BHC measure looks at income before these costs have been met and that income includes housing benefit. The BHC measure tends to make people receiving housing benefit look relatively better off. The BHC measure is used in Child Poverty Act. But this report uses the AHC measure, as housing cost are unavoidable and significant for young people; the AHC measure provides a better reflection of ‘disposable’ income.

The income threshold for poverty varies according to the number of adults and children in the household. For example, the income required by a couple to not be in poverty is greater than, but not double, the amount required by a single adult. The table below shows the poverty threshold for a range of household types in 2012/13 (the most recent year of data). Any young person in poverty would have a weekly household income below this value.

The poverty threshold in 2012/13 by household size (weekly income after housing costs)

| Household type | Poverty threshold |
|--|-------------------|
| Single adult | £130 |
| Two adults, no children | £224 |
| Two adults with children aged 5 and 14 | £364 |
| One adult with a child aged 5 | £175 |

Source: Households Below Average Income, DWP.

Methodology

This report uses data from the Family Resources Survey (FRS) and Households Below Average Income (HBAI). This is collected and used by the Department of Work and Pensions to produce national poverty statistics. The report uses three year averages for the years 2010/11 to 2012/13. A three year average provides a larger sample size and a greater degree of robustness.

Poverty among young people

Income poverty

Of the 9.1 million young people aged 14-24 living in the UK, approximately 2.7 million, or 30%, are living in poverty.

Measuring poverty as being above or below a particular threshold has limitations. The official measure sets this threshold at 60% of median income, but it is not clear that someone at 61% and 59% of median income would have significantly different standards of living, all other things being equal. The table below looks at how many young people are just above and significantly below this poverty threshold, by showing the number with a household income below 70% of the median (just above the poverty line) and below 50% of the median (significantly below the poverty line).

Of the 2.7 million young people below the 60% poverty line more than two-thirds, or 1.9 million, are also below the 50% poverty line. So most young people in poverty are in 'deep' poverty. On the other side of the 60% poverty line, there are a further 740,000 young people with between 60% and 70% median income. Although this group does not feature in our analysis, those below the 70% line are likely to experience many of the challenges associated with poverty.

The number and proportion of young adults below different income thresholds

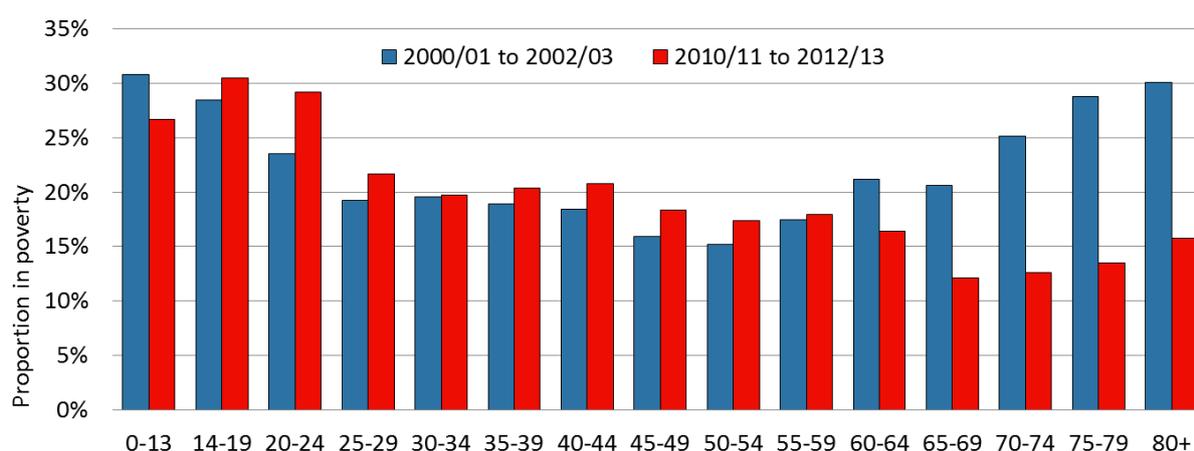
| | Number of young people (millions) | Proportion of young people |
|------------------|-----------------------------------|----------------------------|
| Below 50% median | 1.9 | 21% |
| Below 60% median | 2.7 | 30% |
| Below 70% median | 3.4 | 38% |

Source: Households Below Average Income. The data is an average for 2010/11 to 2012/13

The graph below shows how this poverty rate of 30% compares to other age groups and how it has changed overtime. It shows that the poverty rate among young people is higher than any other age group.

A decade earlier children aged under 14 were more likely to be in poverty than young people, but this is no longer true. The poverty rate for children aged under 14 has fallen whilst the rate for 14-19 year olds and 20-24 year olds has increased. The poverty rate among 20-24 year olds in particular grew by 6 percentage points in the last decade, more than any other age group. This is in stark contrast to the poverty rate for pensioners which was relatively high but has fallen considerably.

Poverty rate by age group



Source: Households Below Average Income, DWP. Income is measured after housing costs.

Material deprivation

One limitation of the official poverty measure is that it only looks at income. To supplement this, the government also measures the level of “material deprivation”, which asks if a family goes without certain common items for reasons of cost. This material deprivation measure is included in one of the four targets in the 2010 Child Poverty Act.

The table below shows the proportion of young people that lack some of these basic items. The items included in the material deprivation measure are different for adults and children so the table shows these results separately as the age group 14 to 24 includes both.

It shows that 13% of all young people live in families that are unable to keep their accommodation warm enough. Among children aged 14 and over, 8% do not have local access to outdoor space in which to play and 9% lack leisure equipment because of the cost. Among adults aged under 25, 22% do not have enough money to spend on themselves and not their family.

Young people lacking items for reasons of cost

Proportion of 14-25 year olds in families unable to...

| | |
|--------------------------------------|-----|
| keep their accommodation warm enough | 13% |
|--------------------------------------|-----|

Proportion of children aged 14 and over that lack...

| | |
|--|----|
| outdoor space/facilities nearby to play safely | 8% |
|--|----|

Proportion of children aged 14 and over that, for reasons of costs, lack...

| | |
|---|-----|
| a holiday away from home for at least 1 week a year with family | 37% |
|---|-----|

| | |
|---|----|
| leisure equipment such as sports equipment or a bicycle | 9% |
|---|----|

| | |
|--|-----|
| go on a school trip at least once a term | 6% |
| a hobby or leisure activity | 5% |
| have friends round for tea or a snack once a fortnight | 5% |
| Proportion of adults aged under 25 that, for reasons of cost, lack... | |
| make savings of £10 a month or more | 44% |
| holiday away from home one week a year, not staying with relatives | 43% |
| money to spend each week on yourself, not on your family | 22% |

Source: Family Resources Survey, DWP. The data is an average for 2010/11 to 2012/13.

Gender

The table below shows that the poverty rate for young men is 29% and for young women it is 31%, this difference of 2 percentage points is not significant. Overall half of young people in poverty are women and half are men.

Poverty among young adults by gender

| | In poverty (000s) | Proportion of total poverty | All young people (000s) | Poverty rate |
|--------------|-------------------|-----------------------------|-------------------------|--------------|
| Men | 1,310 | 49% | 4,560 | 29% |
| Women | 1,380 | 51% | 4,470 | 31% |
| Total | 2,690 | 100% | 9,030 | 30% |

Source: Households Below Average Income, DWP. Income is measured after housing costs. The data is an average for 2010/11 to 2012/13.

Disability

Overall 380,000 young people in poverty have a long term illness or disability (14% of the total number of young people in poverty). The poverty rate among those with a long term illness or disability at 33% is slightly higher than others aged 14 to 24, at 29%.

Poverty among young people by health/disability status

| | In poverty (000s) | Proportion of total poverty | All young people (000s) | Poverty rate |
|-------------------------------------|-------------------|-----------------------------|-------------------------|--------------|
| Long standing illness/disability | 380 | 14% | 1,170 | 33% |
| No long standing illness/disability | 2,310 | 86% | 7,860 | 29% |
| Total | 2,690 | 100% | 9,030 | 30% |

Source: Households Below Average Income, DWP. Income is measured after housing costs. The data is an average for 2010/11 to 2012/13.

But levels in poverty by disability should be treated with caution. People who are disabled and their families face higher costs (such as extra transport costs or costs for equipment and home care). Likewise disability related benefits, which are intended to cover these additional costs, are included as income when measuring poverty. As such the official poverty measure may not be an accurate reflection of the standard of living of disabled people.

Ethnicity

Most young people in poverty are White British (71% or 1.9 million). But, whilst most young people in poverty are White British, the poverty rate among this group at 26% is much lower than other ethnic groups at 47%. As the sample size is limited the table below does not show the poverty rate for different ethnic minority groups, but all are close to 50%. After White British the next biggest ethnic group is Asian, accounting for 330,000 young people in poverty, almost double the number of Black or Other White young people in poverty.

Poverty among young people by ethnicity of household head

| | In poverty (000s) | Proportion of total poverty | All young people(000s) | Poverty rate |
|-------------------|-------------------|-----------------------------|------------------------|--------------|
| White British | 1,900 | 71% | 7,340 | 26% |
| Non-White British | 790 | 29% | 1,690 | 47% |
| Total | 2,690 | 100% | 9,030 | 30% |

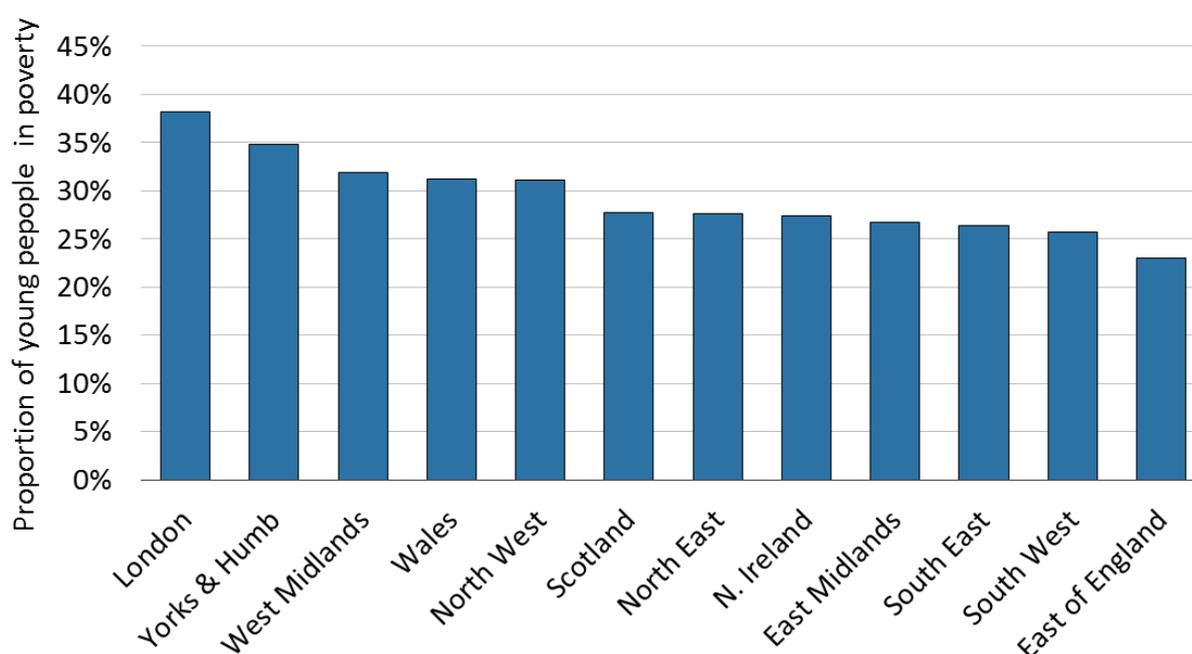
Source: Households Below Average Income, DWP. Income is measured after housing costs. The data is an average for 2010/11 to 2012/13. Ethnicity is that of the household head.

Geographical variations

Poverty by region

The graph below shows that there is a great deal of regional variation in poverty among young people. In general, regions in the south of Britain – the South East, South West and East of England – had the lowest levels of poverty. London has the highest level of poverty among young people at 38% but this is linked to high housing costs in the capital. Poverty is also relatively high in Yorkshire and the Humber, the West Midlands, Wales and the North West.

Proportion of young people in each region in poverty



Source: Households Below Average Income. Income is measured after housing costs. The data is an average for 2010/11 to 2012/13

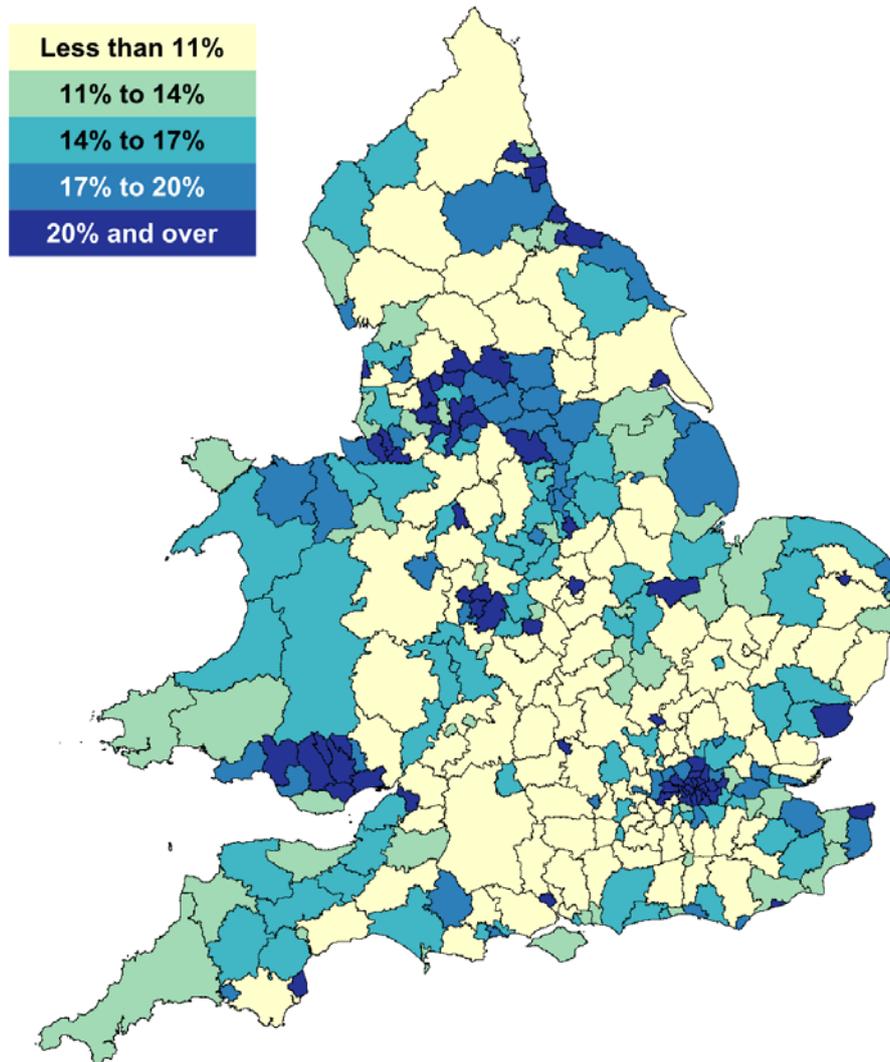
It is not possible to look at the official poverty measure at a more local level than region so next we look at proxies for poverty among young people at the local authority level.

Local poverty among children aged 16+

HMRC provides estimates of the number of children in poverty by age in each local authority using data from Child Tax Credit claims. The map below shows the proportion of children aged 16 and over that are estimated to be in poverty (their *before* housing costs income is below 60% of the median).

It shows that in England the areas with the highest rates of poverty among children aged 16+ are often cities. Most London boroughs have high poverty rates, along with Liverpool, Birmingham and Manchester and the surrounding local authorities. But some coastal towns around the country also have high poverty rates: Torbay in the South West, Thanet in the South East, Hartlepool and Sunderland in the North East and Blackpool in the North West. By contrast, in Wales the highest rates of poverty are in the valleys, which are inland, relatively rural areas.

Proportion of children aged 16-19 in poverty in each local authority



Source: Personal tax credits: low income children, HMRC (2012) & Census (2011). Poverty is a HMRC-based estimate of low income, measured before housing costs.

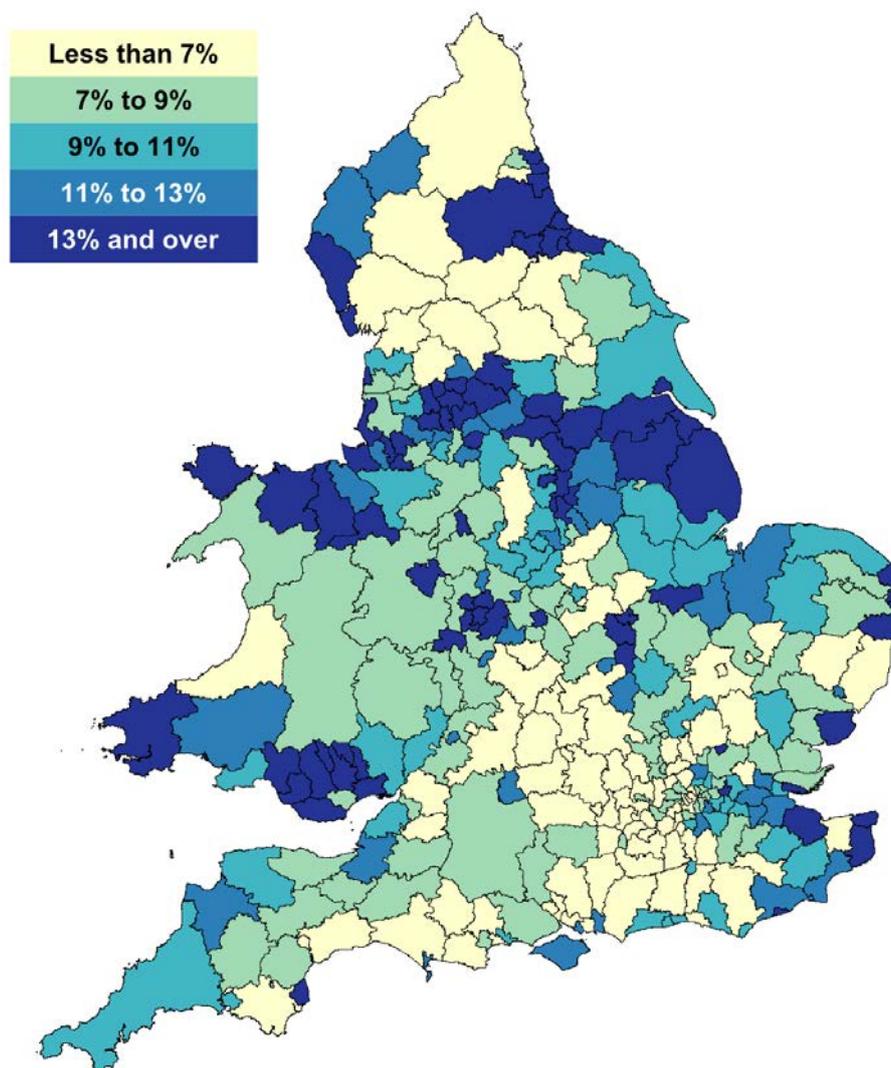
Local worklessness among under 25s

The next map considers local levels of poverty among young adults. The proxy for this is the proportion of adults aged under 25 that claim an out-of-work benefit. Unlike the previous map which showed a rural/urban divide, this map of low income

worklessness among young adults shows more of a North/South divide. Within England the areas with the highest proportion of young adults claiming an out-of-work benefit are in the North East, the North West and Yorkshire and the Humber.

It also shows that the proportion of young adults claiming an out-of-work benefit in London was relatively low when the proportion of 16+ children in poverty was relatively high. But the trend for the situation to be worse in some coastal areas remains. Likewise within Wales the valleys tended to have the worst outcomes on this indicator.

Proportion of adults aged under 25 claiming an out-of-work benefit



Source: Work and Pensions Longitudinal Study, DWP (2014) & Census (2011).

Living situation

Living with parents

Of the 9.0 million people aged 14-24, 6.4 million live with their parents (including step-parents and foster parents), and 2.6 million do not. Just under half of all young people living with their parents (3.1 million) are classified as dependent children (i.e. they were aged under 16 or aged 16-19 and still in full-time education).

Young people not living with their parents have a much higher poverty rate at 43% than those who do at 25%. Among those living with parents, non-dependents have a lower poverty rate at 21% than dependent children at 29%.

Overall about 41% of young people in poverty do not live with their parents and 34% live with their parents as dependent children.

Poverty among young people by household composition

| | In poverty (000s) | Proportion of total poverty | All young people (000s) | Poverty rate |
|-------------------------|-------------------|-----------------------------|-------------------------|--------------|
| Not living with parents | 1,100 | 41% | 2,580 | 43% |
| Living with parents | 1,590 | 59% | 6,450 | 25% |
| <i>Non-dependent</i> | 680 | 25% | 3,300 | 21% |
| <i>Dependent</i> | 910 | 34% | 3,150 | 29% |
| Total | 2,690 | 100% | 9,030 | 30% |

Source: Households Below Average Income, DWP. Income is measured after housing costs. The data is an average for 2010/11 to 2012/13.

Tenure

Just under 1.1 million young people in poverty live in private rented accommodation, compared to 960,000 in social rented and 680,000 in owner-occupied. Young people in private rented accommodation therefore make up 40% of all young people in poverty. But the poverty rate is highest in social rented housing, at 53%, followed by private rented, at 45%. The poverty rate among young people in owner-occupied housing is much lower at 14%.

Poverty among young people by tenure

| | In poverty (000s) | Proportion of total poverty | All young people (000s) | Poverty rate |
|----------------|-------------------|-----------------------------|-------------------------|--------------|
| Social rented | 950 | 35% | 1,770 | 53% |
| Private rented | 1,080 | 40% | 2,380 | 45% |

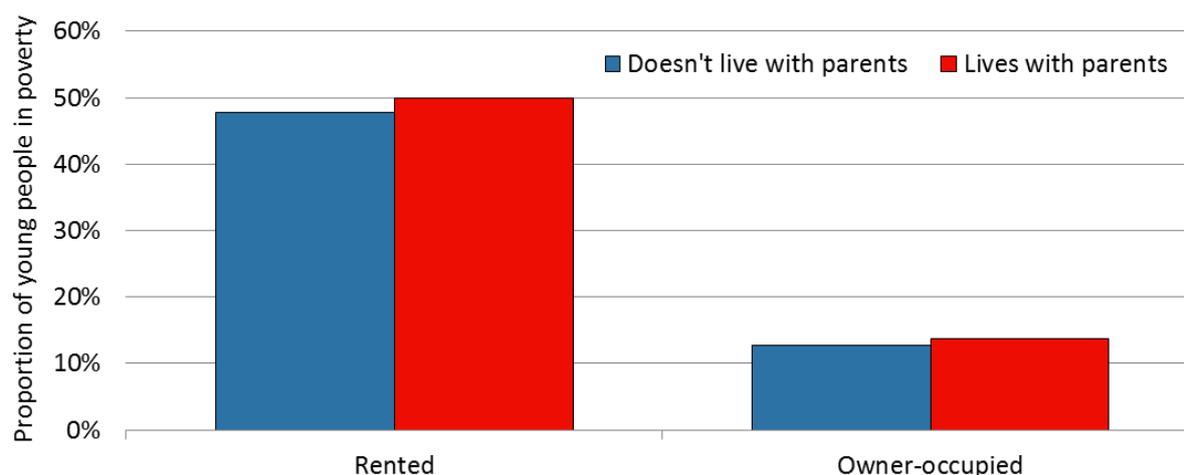
| | | | | |
|----------------|--------------|-------------|--------------|------------|
| Owner-occupied | 670 | 25% | 4,880 | 14% |
| Total | 2,690 | 100% | 9,030 | 30% |

Source: Households Below Average Income, DWP. Income is measured after housing costs. The data is an average for 2010/11 to 2012/13.

This difference in the poverty rate by tenure is linked to the difference between those who live with their parents and those who do not. The graph below shows that the poverty rate is much higher for young people in rented accommodation than owner-occupiers regardless of whether they live with their parents. The gap in the poverty rate between those living with their parents and those who do not disappears when tenure is taken into account.

Young people not living with their parents have a higher poverty rate overall because most of them rent their homes. In total 70% of young people not living with their parents live in private rented accommodation compared to 19% of those who live with their parents.

Poverty rate among young people by living situation and tenure



Source: Households Below Average Income, DWP. Income is measured after housing costs. The data is an average for 2010/11 to 2012/13.

This is part of the reason that poverty among young people is higher than other age groups – many young people live in private rented accommodation so a higher proportion of their income is diverted towards covering housing costs. But renting can be a symptom of poverty as well as a cause: many households rent their homes because their earnings are insufficient for the requirements of a mortgage.

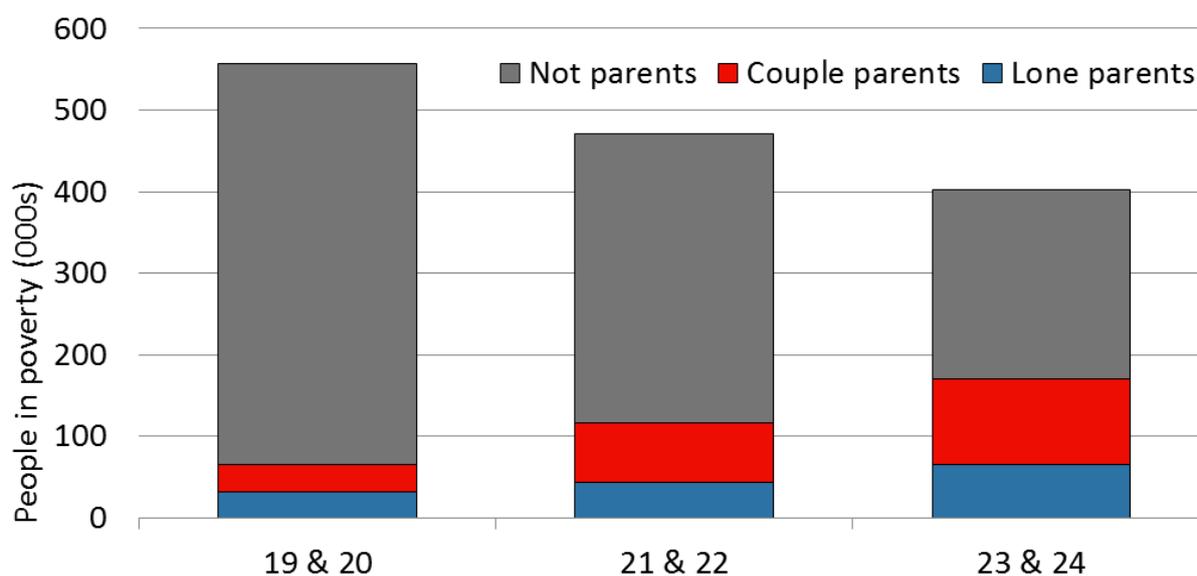
Being parents

370,000 young people in poverty have children of their own. The vast majority of these (350,000) do not live with their parents. While a much larger number of young

people in poverty do not have children (2.3 million), more than half of young people with children are in poverty (54%). In comparison, young people without children have a poverty rate of 28%.

The graph below shows the number of people in poverty with and without children from the age of 19 (only around 20,000 parents younger than 19 are in poverty). It highlights how young parents in poverty are rarely teenagers and are much more likely to be in their mid-20s. It also shows that most young parents in poverty are in a couple; about two fifths are single parents.

Number of people in poverty aged 19 to 24 by parental status



Source: Households Below Average Income, DWP. Income is measured after housing costs. The data is an average for 2010/11 to 2012/13.

It also highlights the diversity of poverty among young people. The vast majority of people aged 14 and in poverty will live with the parents and attend school. By contrast, by the age of 24 many of those in poverty will not be in full-time education, living independently and may be parents themselves.

Work status

The age group 14 to 24 includes children and working-age adults. So when we consider how work affects poverty it is helpful to split young people into two groups:

1. the 3.1 million living with their parents as dependent children where we look at the work status of their parents; and
2. the 5.9 million of working age who have left secondary education where we will consider the work status of the individual.

Parents of young people

As shown earlier, 910,000 young people were in poverty and living with their parents as 'dependent children' (they are aged under 16, or under 19 and still in full-time education). The table below show the work status of their parents.

Poverty among dependent young people by employment status of parents

| | In poverty (000s) | Proportion of total poverty | All young people(000s) | Poverty rate |
|------------------------|-------------------|-----------------------------|------------------------|--------------|
| Full-working parents* | 150 | 17% | 1,530 | 10% |
| Part-working parents** | 440 | 49% | 1,160 | 38% |
| Workless parents | 310 | 35% | 460 | 69% |
| Total | 910 | 100% | 3,150 | 29% |

* Full-working parents: all parents are in work and at least one parent works full-time.

**Part-working parents: a parent is self-employed, a parent is not working or all work is part-time.

Source: Households Below Average Income, DWP. The data is an average for 2010/11 to 2012/13.

Among young people living as dependent children, the poverty rate was lowest, at 10%, for those with 'full-working' parents (lone parents working full time or a couple both in work and at least one working full time). By contrast, the poverty rate was 38% for those with 'part-working' parents (families where parents are self-employed, only work part-time, or contain one working and one non-working parent). It was 69% for those whose parents were not working.

The poverty rate is higher for children whose parents work less hours, particularly for those who do not work. However, only a minority of dependent 14 to 19 year olds in poverty have workless parents (35%) and most of live in families where at least one parents is working.

Whilst a young dependent is more likely to be in poverty if none of their parents are in work, most of those in poverty live with a working parent. So the work done by

these parents does not generate sufficient income to lift the household above the poverty threshold.

Young adults

The next table looks at the work status of the 1.7 million young people of working age and not in secondary education in poverty.

Poverty among young adults by employment status

| | In poverty (000s) | Proportion of total poverty | All young people(000s) | Poverty rate |
|--------------|-------------------|-----------------------------|------------------------|--------------|
| Full time | 270 | 15% | 2,290 | 12% |
| Part time | 270 | 15% | 1,090 | 25% |
| Unemployed | 420 | 24% | 790 | 54% |
| Student | 440 | 25% | 1,050 | 42% |
| Inactive | 380 | 21% | 670 | 57% |
| Total | 1,780 | 100% | 5,880 | 30% |

Source: Households Below Average Income, DWP. Income is measured after housing costs. The data is an average for 2010/11 to 2012/13.

The table shows a similar trend to the previous table – that those in employment have a lower poverty rate. The poverty rate among young adults in full-time work is 12%, half the rate for those in part-time work at 25%, which is roughly half the rate for those not in work.

But still over half a million young adults in poverty are working (30% of those in poverty), 270,000 work full time and the same number work part time. Around 440,000 young adults in poverty are students and not in work (around a quarter of those in poverty) and about the same number are unemployed and in poverty.

Young adults classified as ‘inactive’ (and not students) have the highest poverty rate at 57%, accounting for about 380,000 people. This includes 170,000 young adults looking after their family/home and 100,000 who are sick or disabled.

Students

The graph below shows how many young people in poverty are in full-time education not living with their parents. Their low income could be explained by their status as students living at university.

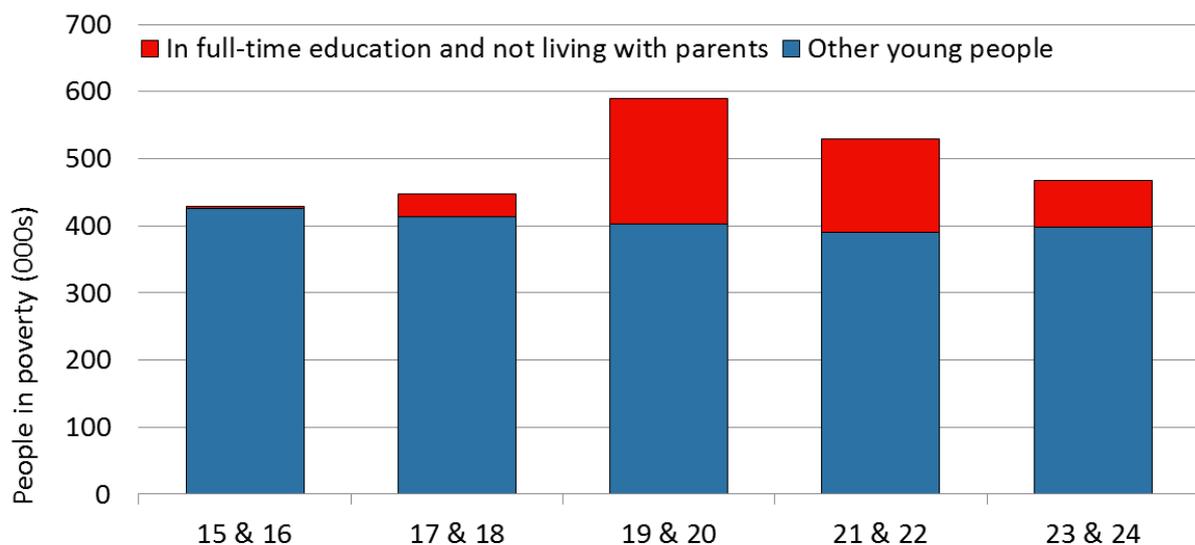
Students receive low interest rate loans and may have access to other forms of subsidy. There are also bursaries and grants that are designed to help with students

from less well-off backgrounds, or whose financial situation is less stable or secure. Many students in poverty will not remain so once they are no longer students and find employment (although with tough conditions for entry into the labour market, some may struggle in this respect). As a result students represent an anomaly when we think about poverty and arguably a kind of ‘false poverty’ which is only temporary.

Overall 1.3 million young people in poverty are in full-time education and not living with their parents. The graph below shows that if this group was excluded the trend in number of young people in poverty by age would be much flatter and the increase at age 19 would disappear.

If those in full-time education not living with their parents were excluded the poverty rate among 19 to 24 year olds falls by three percentage points to 27%. But this is still 5 percentage points higher than the poverty rate for those aged 25 to 29 year olds. So whilst students are part of the reason the poverty rate is higher among young people, it remains true even if they are excluded.

Poverty among young people by age and student status



Source: Households Below Average Income, DWP. Income is measured after housing costs. The data is an average for 2010/11 to 2012/13.