

Why has poverty risen so much for young adults?

In the last decade, poverty among 19-25 year olds rose twice as much as any other age group. This report considers whether and how demographic, work, and housing changes can explain this increase.

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Key points

- 29% of young adults (aged 19-25) were in poverty in the three years to 2012/13. This is 6 percentage points higher than a decade earlier – the biggest increase of any age group.
- The proportion of young adults in households where all adults work has decreased in the last decade and the proportion in households with only some or no adults in work increased – this accounts for about two thirds of the increase in the poverty rate among young adults.
- Working-age adults as a whole did not see the same degree of change in working patterns which is why their poverty rate did not increase to the same extent; it grew by 2.5 percentage points.
- The poverty rate for young adults in working households also increased and the rate for those in workless households decreased.
- Some of the increase in the poverty rate among those in working households was due to the higher proportion living in private rented housing. But the poverty rate among young adults that work and rent also increased.
- The increase in young adult poverty cannot be explained by a change in the proportion of young adults living with their parents or the proportion who themselves are parents.
- Less than a fifth of young adults are students and not working. This is higher than a decade earlier, but the growth in students only explains a small part of the changing poverty rate among young adults – the poverty rate among other young adults increased just as much.

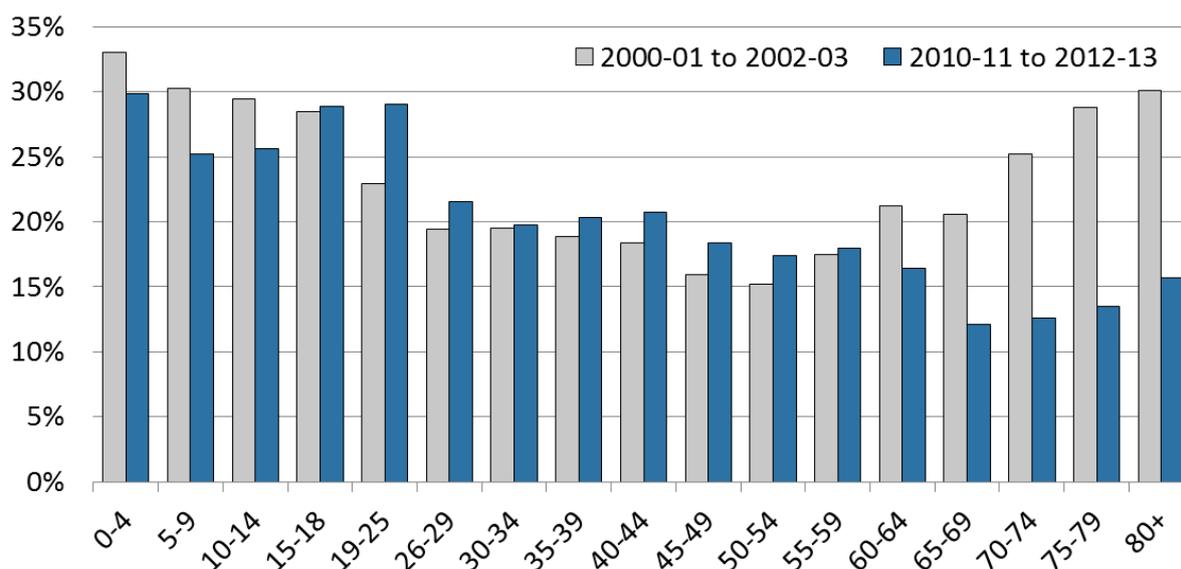
Introduction

Background

In the three years to 2012/13, 29% of 19-25 year olds in the UK were in poverty. This poverty rate is 6.1 percentage points higher than a decade earlier, and has increased more than any other age group.

The graph below shows how the poverty rate for different age groups has changed over the last decade. In the early 2000s young children and older pensioners had the highest rates of poverty. Since then the poverty rate for pensioners has fallen considerably. Among children the fall has been much smaller. Meanwhile, the poverty rate for working-age adults increased slightly. For young adults, however, this growth has outstripped any other age group and they now have one of the highest poverty rates.

Figure 1: Proportion of people in poverty by age



This paper considers why poverty among people aged 19 to 25 increased so much more than other age groups.

The table below summarises the profile of this age group and how it differs to those slightly older. Half of 19 to 25 years olds live with their parents and few have children of their own; a quarter are in full-time education and most are in work. For many this age is characterised by the transition from living with parents to living independently and being in full-time education to being in employment. So the experience of poverty among this group will be distinct. Some may willingly manage on a low income while continuing full-time education, while others may have access to

financial support from their parents. But others will not, and nor will they have had the chance to accumulate savings through work to draw on.

Table 2: 19-25 year olds compared to 26-35 year olds

	Aged 19-25	Aged 26-35
Live with parents	50%	12%
Have own children	14%	45%
In full time education	27%	3%
Employed	60%	79%

While these different characteristics explain why 19-25 years olds have a different poverty rate to other age groups, it does not explain why the poverty rate among this group has changed.

Methodology

To understand why the young adult poverty rate has changed we consider how their characteristics have changed. The characteristics we look at are:

- Household composition (i.e. whether they live alone, with their parents or are parents themselves)
- Post 18 study, particularly among those not in paid work
- Household work status, the number of working adults in the household
- Housing tenure

There are two reasons why the poverty rate among young adults might increase:

1. Risk – a change in the poverty rate among young adults with a particular characteristic
2. Composition – a change in the proportion of young adults with a particular characteristic

For example, we can look at changes in the work status of young adults. Workless young adults have a higher poverty rate than working ones. So the overall poverty rate could have increased for any of the following reasons: (a) the poverty rate for workless young adults increased, (b) the poverty rate for working young adults increased, and/or (c) the proportion of young adults that were workless increased.

To demonstrate the impact of this on the overall poverty rate, we present a table like the one below for each characteristic. The first two columns show how the situation has changes in the last decade, the poverty rate for both groups and the proportion

of young adults in each group. The final column shows to what extent each of these changes contributed to the overall change in the poverty rate among young adults (the increase of 6.1 percentage points).

Example output

Impact of having 'x'	2000-01 to 2002-03	2010-11 to 2012-13	Impact on poverty rate
Poverty rate – young adults with x	?	?	?
Poverty rate – young adults without x	?	?	?
Share of all – young adults with x	?	?	?
Total			+6.1%

Definitions and data

In this report poverty refers to the official measure which 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.

Poverty can be measured before housing costs (BHC) or after housing costs (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. This report uses the AHC measure, as housing cost are unavoidable and significant for young adults; the AHC measure provides a better reflection of ‘disposable’ income.

This report uses data from the Family Resources Survey (FRS) and Households Below Average Income (HBAI) dataset. This is collected and used by the Department of Work and Pensions to produce national poverty statistics. The report uses three year averages and compares the years 2000/01 to 2002/03 with 2010/11 to 2012/13. A three year average provides a larger sample size and a greater degree of robustness.

Analysis and outputs

Below we present the outputs of the analysis, looking at the impact of each characteristic in turn.

Living with parents

- The poverty rate among young adults living with their parents is, at 20%, almost half the rate for those who do not at 38%.
- The poverty rate for both groups has increased considerably over the decade.
- A slightly higher proportion of young adults live with their parents than a decade ago. It is now a 50:50 split compared to 46:54 in 2003.
- Changes in the proportion of young adults living with their parents are not sufficient to explain the increase in poverty among this group. In fact, this shift has prevented the poverty rate among young adults from increasing further.

Table 3: Impact of living with parents on the overall poverty rate

	2000-01 to 2002-03	2010-11 to 2012-13	Impact on poverty rate
Poverty rate - doesn't live with parents	31%	38%	3.6%
Poverty rate - lives with parents	13%	20%	3.3%
Share of all - doesn't live with parents	54%	50%	-0.8%
Total			+6.1%

Having children

- Half of young adults with children are in poverty compared to a quarter of those without
- In the last decade, the poverty rate for young adults with children has not changed significantly, while the rate for those without children has increased considerably
- There has been no change in the proportion of young adults with children
- The large increase in young adults poverty has been among those without children who have a lower poverty rate, so young parents cannot explain the increase in young adult poverty.

Table 4: Impact of having children on the overall poverty rate

	2000-01 to 2002-03	2010-11 to 2012-13	Impact on poverty rate
Poverty rate – without children	18%	26%	6.2%
Poverty rate – with children	52%	50%	-0.2%
Share of all without children	86%	86%	0.1%
Total			+6.1%

Non-working students

About 40% of non-working students are in poverty compared to 26% of other young adults (i.e. working students and non-students, or non-working non-students).

The poverty rate for non-working students fell in the last decade, while the rate for other young adults increased.

A minority of young adults are non-working students at 17%, but this is higher than a decade earlier at 11%.

While the increase in the proportion of young adults that are non-working students caused an increase in the poverty rate, this has been almost completely countered by the falling poverty rate among this group.

Therefore the increase in young adult poverty cannot be explained by the higher proportion of non-working students.

Table 5: Impact of being a non-working student on the overall poverty rate

	2000-01 to 2002-03	2010-11 to 2012-13	Impact on poverty rate
Non-working student	49%	41%	-1.1%
Other	20%	26%	5.8%
Share of all non-working student	11%	17%	1.4%
Total			+6.1%

Working households

When considering if young adults live in working households it is useful to break them up into three groups: households where all adults work, where only some work, and where none work. As there is an extra group the outputs are presented slightly differently. In the table below the first two columns show how the poverty rate for

each of these groups has changed and the last two show how the proportion of young adults in each group has changed.

Three quarters of young adults in workless households are in poverty, compared to a third of those in households where some adults are in work and a tenth of households where all adults are in work.

The poverty rate among young adults in workless households, though very high, has fallen. The rate among those in working households has increased.

A minority of young adults live in workless households (16%), but the level has increased in the last decade. The proportion in households where some adults work has also increased and stands at 40%. Less than half (44%) of young adults live in a household where all adults worked when a decade ago the majority did (55%).

Table 6: Proportion of young adults in poverty and in each household type

	Poverty rate		Share of all	
	2002-03	2012-13	2002-03	2012-13
All adults working	7%	10%	55%	44%
Some adults working	28%	32%	32%	40%
No adults working	81%	75%	13%	16%
Total	23%	29%	100%	100%

The next table shows how much these shifts have impacted the overall poverty rate for young adults. It also shows how much the same changes among working age adults more generally impacted their overall poverty rate which increased by 2.5 percentage points over the decade (from 19% to 21%).

The fall in the proportion of young adults in households where all adults work and the increase in the proportion where only some or none work accounts for at least half of the increase in young adult poverty.

The remaining increase is explained by the growth in the poverty rate among young adults in households where someone is in work.

So the change in the amount of work done by households accounts for about half of the increase in young adult poverty and the increasing risk of in-work poverty accounts for the rest.

Table 7: Impact of household work status on the overall poverty rate

	Age 19-25	Age 19-59
Change in poverty rate among <i>all working</i>	+1.7%	+1.0%
Change in poverty rate among <i>some working</i>	+1.5%	+1.2%
Change in poverty rate among <i>none working</i>	-0.9%	-0.4%
Change in the <i>type of household</i>	+3.8%	+0.6%
Total	+6.1%	+2.5%

For people aged 19-59, the poverty rate increased by 2.5 percentage points. Unlike young adults this has little to do with the shift in the working patterns of households and is primarily based on the increase poverty rate among working households.

Household tenure

50% of young adults in social rented accommodation are in poverty and 40% of those in private rented are. The poverty rate for those in owner-occupied accommodation is much lower at 10%.

The poverty rate for social renters has not changed while for those in private rented and owner-occupied housing it has increased.

The most common tenure among young adults is owner occupation with 45% of young adults living in this tenure, but this is 10 percentage points lower than a decade earlier. This fall has meant an increase in the next most common tenure among young adults: private rented at 37%. Social rented is the least common tenure accounting for 18% of young adults which remains unchanged.

Table 8: Proportion of young adults in poverty and in each tenure type

	Poverty rate		Share of all	
	2002-03	2012-13	2002-03	2012-13
Social rent	50%	51%	18%	18%
Private rent	35%	41%	27%	37%
Owner-occupation	8%	11%	55%	45%
Total	23%	29%	100%	100%

The shift in the tenure distribution among young adults explains about half of the change in poverty among young adults. As the social rent distribution did not change this is entirely due to the fall in owner-occupation and increase in private renting.

Of the remaining increase in poverty among young adults about a third can be explained by the increasing rate of poverty in owner-occupied housing and two thirds by the increasing poverty rate in private rented housing.

Table 9: Impact of housing tenure on the overall poverty rate

	Age 19-25	Age 19-59
Change in poverty rate among <i>social rented</i>	+0.1%	-0.5%
Change in poverty rate among <i>private rented</i>	+2.0%	+0.3%
Change in poverty rate among <i>owner occupied</i>	+1.1%	+0.3%
Change in the <i>tenure type</i>	+2.9%	+2.4%
Total	+6.1%	+2.5%

Over the same period the poverty rate for 19-59 year olds increased by 2.5 percentage points. Almost all of this increase is due to the shift from owner-occupied housing towards private rented; the poverty rate within each tenure for all working-age adults had little impact on the overall poverty rate.

Overlap between work and tenure

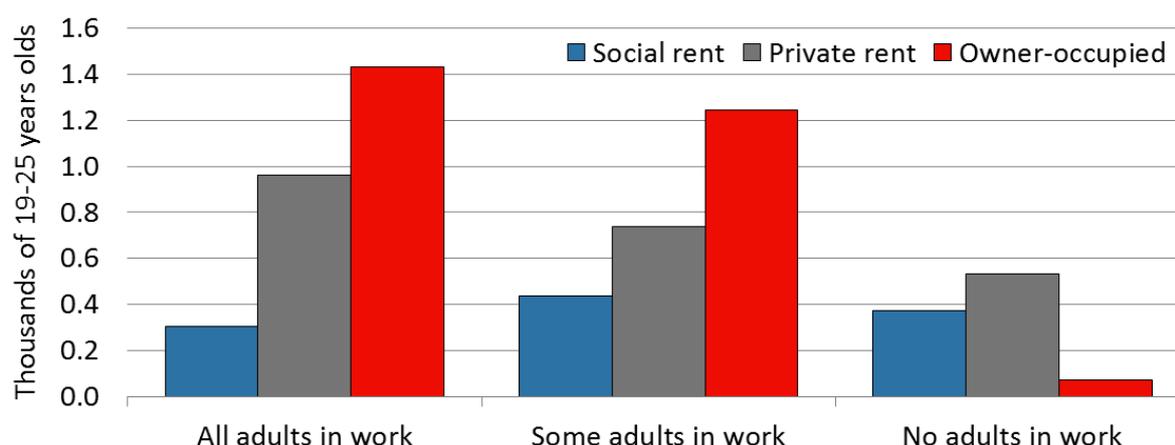
Both shifts in work and tenure can partly explain why young adult poverty has increased.

- Young adults have seen a bigger shift away from living in full working households than working-age adults more generally, and this accounts for more than half of the increase in poverty.
- Young adults have seen a shift towards private renting which has caused the poverty rate to increase, but this is true among other working-age adults. What is distinct among young adults is the increased poverty rate among private renters and owner-occupiers.

But to what extent does the shift away from living in full working households explain the increased poverty rate among owner-occupiers and private renters?

To put this into context, the graph below shows the relative size of each tenure/work status group. Most young adults live in a working household (2.7 million where all adults work and 2.4 million where only some work). Among those in working households most live in owner-occupied housing (2.7 million), but private renting housing is also common (1.7 million). A minority of young adults live in households where no adults work (1 million) with about half living in private rented accommodation.

Figure 10: Young adults by tenure and household work status (10/11 to 12/13)



Overall the poverty rate for owner-occupiers increased by 2.2%, for private renters by 6.2%, and social renters by 0.6%. While the change among owner-occupiers was small compared to private renters, figure 10 above shows that a large number of young adults live in this tenure and table 9 shows that this did influence the overall poverty rate for young adults.

Table 11 below considers the extent to which these changes in poverty by tenure are linked to the shift in work status. It shows that:

- For young adults in private rented accommodation under half of the increase in the poverty rate was due to the shift in work status, the rest was due to an increase in the poverty rate among working households.
- But for young adults in owner-occupied housing most of the increase in poverty was due to the shift in work status.
- For social renters in poverty the fall in the poverty rate among workless households almost completely counters the increase among working households and the shift in work status.

Table 11: Impact of tenure on the poverty rate by household work status

	Private rented	Owner occupied	Social rented
Change in poverty rate among all in work	+2.1%	+0.7%	+0.6%
Change in poverty rate among some in work	+1.9%	+0.0%	+1.5%
Change in poverty rate among none in work	-0.5%	-0.3%	-2.9%
Change in the work status	+2.7%	+1.8%	+1.5%
Total	+6.2%	+2.2%	+0.6%

Put another way, the shift in work status occurred in all tenures, but so did the fall in the poverty rate for workless households. And for households in work the poverty rate rose primarily among renters.

Summary

- The poverty rate for young adults increased by 6 percentage points in the last decade, more than double any other age group.
- Two thirds of this increase can be explained by the shift in work patterns. The proportion in households where all adults work fell while the proportion in households where some or no adults work grew.
- The remaining third is due to an increase in poverty among young adults in working households. This trend occurred across the working-age population.
- The increase in in-work poverty is linked to housing costs and the growth in the size of the private rented sector.
- But the poverty rate for private renters who work also increased. As a large proportion of young adults live in the private rented sector this change affected them more than other age groups.