





Monitoring poverty and social exclusion 2004


The New Policy Institute has updated its annual analysis of indicators of poverty and social exclusion for all the latest data. This year's analysis has a particular focus on the contrasting fortunes of different groups within the population. Overall, four key issues emerge, namely working-age adults without dependent children, the economically inactive who want paid work but are not officially unemployed, the quality of jobs at the bottom of the labour market and young adults with poor or no educational qualifications:

 The number of people living in low-income households continues to fall. All of this fall has been among children (and their parents) and pensioners. In contrast, the number of working-age adults without dependent children who are in low income has risen in recent years.

 There has been substantial success over the last decade in reducing unemployment and in reducing worklessness among couple households. There has been much less success in reducing the numbers of people who are economically inactive but want paid work, in long-term worklessness due to sickness and disability, and in worklessness among single-adult households. There is a large overlap between these groups and they are a major challenge for future policy.

 While work strongly reduces the risk of being in poverty, it does not eliminate it: two-fifths of people in low-income working-age households now have someone in paid work. A quarter of all those earning less than £6.50 per hour are directly employed by the public sector.

 Low pay is only one of the disadvantages of jobs at the bottom of the labour market. Two-fifths of people who find work no longer have that work six months later, the same proportion as a decade ago. More than half of employees on below-average incomes are not contributing to a non-state pension.

 Progress in increasing the number of children and young adults with an adequate minimum level of educational qualification has now stalled, with no further advance since 2000 compared with significant progress during the second half of the 1990s. Around a quarter of young people at each of the ages of 11, 16 and 19 are still failing to reach a basic level of attainment.

Summary of the poverty and social exclusion indicators

| Indicator | Change over time | |
|--|-------------------------|------------------------------------|
| | Over the last 5-6 years | Over latest year of available data |
| Income | | |
| 1. Individuals with low income | Improved | Improved |
| 2. The location of low income | N/a | N/a |
| 3. Low income by type of person | Mixed | Mixed |
| 4. Low income by economic status | Worsened | Steady |
| 5. Out-of-work benefit levels | Mixed | Mixed |
| 6. Persistent low income | Steady | Steady |
| 7. Income inequalities | N/a | N/a |
| 8. Material deprivation | Improved | Improved |
| Children | | |
| 9. Low birth-weight babies | Worsened | Worsened |
| 10. Infant mortality | Steady | Steady |
| 11. Births to girls conceiving under age 16 | Improved | Improved |
| 12. Low attainment at schools - 16-year-olds | Improved | Steady |
| 13. Low attainment at school - 11-year-olds | Improved | Steady |
| 14. School exclusions | Improved | Steady |
| 15. Children in workless households | Improved | Steady |
| 16. Concentration of poor children | Steady | Steady |
| 17. In young offender institutions | Worsened | Steady |
| Young adults | | |
| 18. Unemployment | Improved | Steady |
| 19. Low pay | Steady | Improved |
| 20. Destination of school-leavers | Steady | Steady |
| 21. Problem drug use | Worsened | Steady |
| 22. Without a basic qualification | Steady | Worsened |
| 23. With a criminal record | Steady | Steady |
| Adults aged 25 to retirement | | |
| 24. Individuals wanting paid work | Improved | Improved |
| 25. Jobs | N/a | N/a |
| 26. Low pay | Improved | Improved |
| 27. In receipt of tax credits | N/a | N/a |
| 28. Insecure at work | Steady | Steady |
| 29. Access to training | Improved | Steady |
| 30. Premature death | Improved | Steady |
| 31. Obesity | Worsened | Steady |
| 32. Limiting long-standing illness or disability | Steady | Steady |
| 33. Mental health | Steady | Worsened |
| Older people | | |
| 34. No private income | Improved | Improved |
| 35. Benefit take-up | Worsened | Worsened |
| 36. Excess winter deaths | Steady | Steady |
| 37. Limiting long-standing illness or disability | Steady | Worsened |
| 38. Anxiety | Steady | Steady |
| 39. Help from social services to live at home | Worsened | Steady |
| 40. Rural access to services | N/a | N/a |
| Communities | | |
| 41. Concentration of poverty | Steady | Steady |
| 42. Transport | Improved | Improved |
| 43. Without a bank or building society account | Steady | Steady |
| 44. Burglaries | Improved | Steady |
| 45. Without household insurance | Improved | Steady |
| 46. Dissatisfaction with local area | Steady | Steady |
| 47. Without central heating | Improved | Improved |
| 48. Overcrowding | Steady | Worsened |
| 49. Homelessness | Worsened | Worsened |
| 50. Mortgage arrears | Improved | Improved |

What the indicators show

Trends in low income

In 2002/03, 12.4 million people – 22 per cent of the population – were living in low-income households. This is using the definition of low income used in the UK Government's current targets for reducing child poverty (60 per cent of median income, with income levels adjusted for household size and composition). This 2002/03 figure is lower than that in 2001/02 and continues the steady decline that has been happening since 1996/97, when 14 million people were living in low-income households.

All of the fall in the number of people in low-income households has been among children (and their parents) and pensioners (Figure 1). In 2002/03, 3.6 million children were in low-income households compared with 4.3 million in 1996/97, a fall of 700,000. Since the effects of the April 2003 enhancements to tax credits are not yet included in the official figures, it may well be that the Government achieves its short-term target of reducing child poverty by a quarter by 2004. 2.2 million pensioners were in low-income households compared with 2.7 million in 1996/97, a fall of 500,000. Pensioners are now no more likely to be in low-income than working-age households.

In contrast, the number of working-age adults without dependent children in low income was higher in 2002/03 than in 1996/97: 3.9 million compared with 3.6 million. This group now accounts for a third of all people in low-income households.

The focus of Government anti-poverty strategies of recent years on children and pensioners, and the lack of priority accorded to working-age adults without dependent children, is illustrated by what has been happening to levels of Income Support (IS). Since 1998, IS for a couple with two children has risen by a third after allowing for inflation while IS for a couple with one child has risen a quarter. This rate of increase is greater than that for average earnings, which have risen by a sixth over the same period. By contrast, IS for working-age adults with no children has stayed unchanged (after allowing for inflation) over the whole ten-year period, falling ever further behind average incomes.

Lack of work

At 850,000, the number of people who are officially (ILO) unemployed continues to fall and has now halved over the last decade (see Figure 2).

However, a further 1.5 million people are economically inactive but want paid work, less than a decade ago but only by a relatively small amount: one-seventh. As a result, the total number of people wanting paid work is now around three times higher than the official unemployment figures and the downward trend over the last decade has been much less favourable.

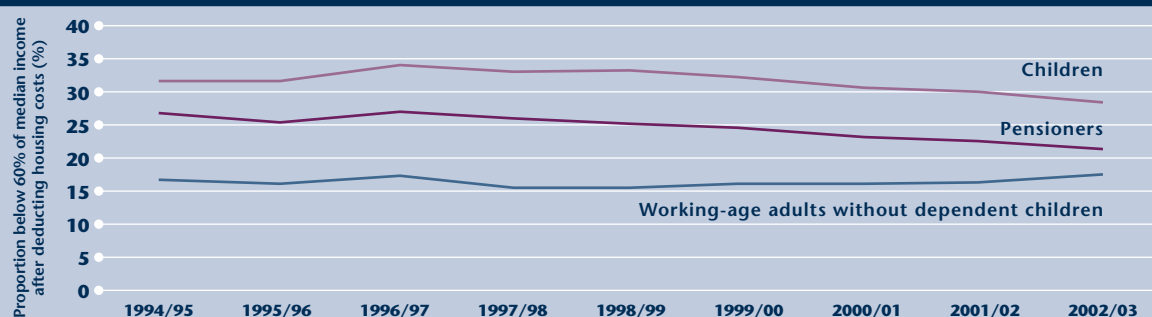
Trends in the numbers of long-term claimants of out-of-work benefits show a clear contrast between groups. Using two years as the threshold for 'long-term', the number of long-term unemployed claimants has fallen by five-sixths, with only 70,000 unemployed people claiming out-of-work benefits for two years or more in 2004 compared with 440,000 a decade ago. In contrast, the number of long-term claimants who are sick or disabled has increased by a third since 1996 and now stands at 2.4 million. Four-fifths of long-term claimants of out-of-work benefits are now sick or disabled and a further sixth are lone parents. Only 2 per cent are officially unemployed.

Clearly, worklessness is more serious if no adults in the household are working. In 2004, there were around two and three-quarters of a million workless working-age households. This compares with 3 million a decade ago. But, again, the trends are very different for different groups. In particular, while the number of workless couple households has fallen by a third over the last decade, the number of workless single adult households has remained largely unchanged. Two-thirds of all workless working-age households are now single adult households, with a quarter of these being lone parents and the other three-quarters being single adults without dependent children.

Low pay

While work strongly reduces the risk of being in poverty, it does not eliminate it: two-fifths of people in low-income working-age households now have someone in paid work.

Figure 1: The proportion of children and pensioners who live in low-income households is falling. In contrast, the proportion of working-age adults without children who live in low-income households has risen in the last few years.



Source: Households Below Average Income, DWP

Scope: Great Britain

Figure 2: Whereas the number officially unemployed has halved over the last decade, the number who are 'economically inactive but want work' has only fallen by a seventh

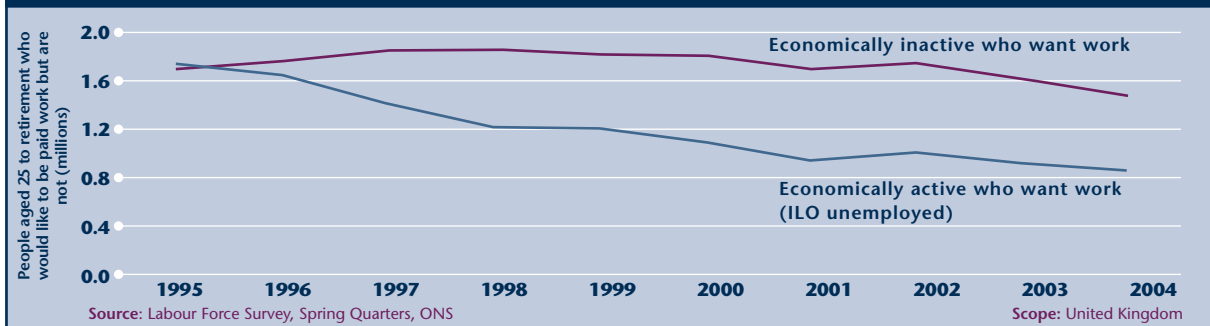
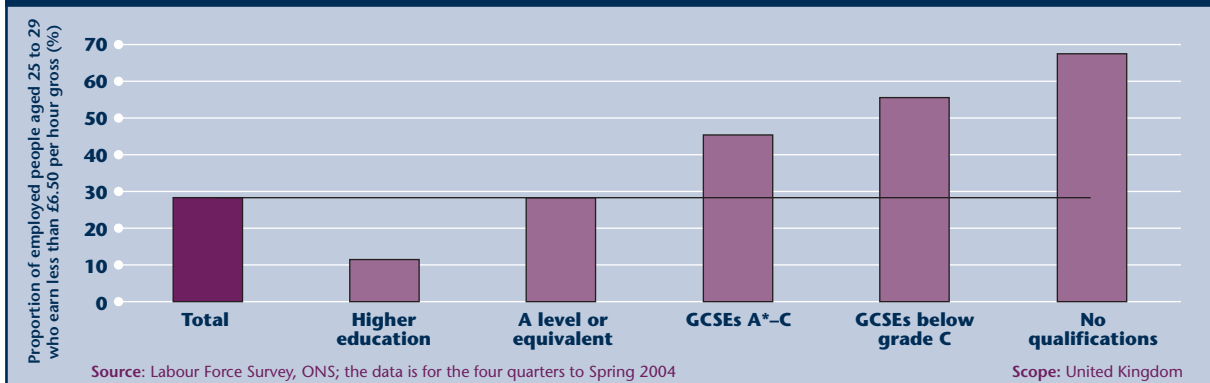


Figure 3: Employees aged 25 to 29 without A levels or equivalent are more than twice as likely to be in a low paid job as those with such qualifications, with around half paid less than £6.50 per hour



Around seven million workers earn less than £6.50 per hour, of whom more than four million are women. Three million are part-time workers, of whom four-fifths are women. The pay differentials between men and women exist across all occupations and across all industries.

Two-fifths of those earning less than £6.50 per hour work in the distribution, hotel and restaurant sectors. A further quarter are directly employed by the public sector and, for those aged 25 and over, this proportion rises to almost a third. Relatively few low-paid jobs are in sectors which face direct competition from low wage producers abroad: only one in ten of the low-paid jobs is in manufacturing and one in six across all production industries combined.

Low pay is only one of the disadvantages of jobs at the bottom of the labour market. In terms of job insecurity, two-fifths of people who find work no longer have that work six months later, the same proportion as a decade ago. In terms of job-related training, despite some improvement over the last decade, those with no previous qualifications are still three times less likely to receive training than those with some qualifications. In terms of pension provision, more than half of employees aged 25 to retirement on below-average incomes are not

contributing to a non-state pension, with this being the case across the age spectrum.

Tax credits are a major Government initiative to help people on low pay. Over the last few years, the system of tax credits has become progressively more generous in terms of both the number of people that it helps and the amounts of money that they receive. In January 2004, around two and a half million people were in receipt of tax credits (excluding those receiving only that portion of Child Tax Credit which replaced the Married Couples Allowance). This is around double the numbers in 2000 and treble the numbers of the equivalent benefit (Family Credit) a decade ago. Note that, although some people without dependent children are now eligible for tax credits, the vast majority (over 90 per cent) of recipients do have dependent children.

Education

The risk of low pay is much greater for those with poor or no educational qualifications: for people aged 25 to 29, half of all those who are in work but lack A levels or equivalent are earning less than £6.50 per hour (see Figure 3). Two-thirds of those who are in work but lack any qualifications are earning less than £6.50 an hour.

The 2003 report concluded that progress across a

range of education indicators had stalled in recent years. This remains the case, with substantial numbers of young adults continuing to have poor or no qualifications:

- Almost 30 per cent of all 19-year-olds lacked an NVQ2 or equivalent in 2004. This proportion has been rising since 2001 after falling steadily during the second half of the 1990s.
- 12 per cent of 16-year-olds in England and Wales failed to obtain five or more GCSEs in 2004 and 6 per cent obtained no GCSEs at all. Both of these proportions are the same as in 2000 but after steady falls during the second half of the 1990s (see Figure 4). While the proportion of 16 year-olds gaining only low grades in their GCSEs has been declining throughout the last decade, 25 per cent still obtain no GCSEs above a grade D.

- Among 11-year-olds in England, around a quarter failed to reach level 4 at Key Stage 2 in maths and English in 2003. While this figure is down from two-fifths in 1996, all of this improvement took place in the years up to 2000 with no improvement since then.

Ill health

It has not been possible to update any of the analyses of health inequalities among children and young adults since the 2003 report. This is partly because much of the available data now uses a different definition of social class than in previous years and partly because parts of the information sections within the Department of Health are currently being re-organised. The one exception is suicides among young adults, where the numbers continue to fall,

Figure 4: 12% of 16-year-olds still obtain fewer than 5 GCSEs and 6% get no GCSEs at all, both figures being unchanged since 1998/99

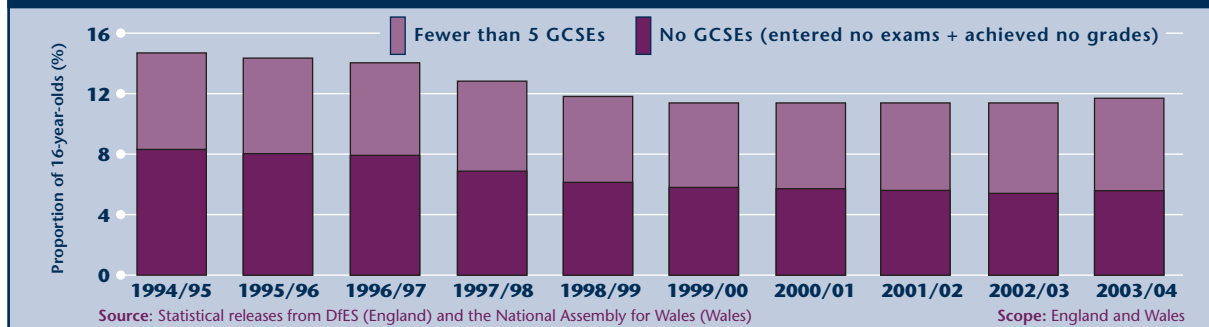
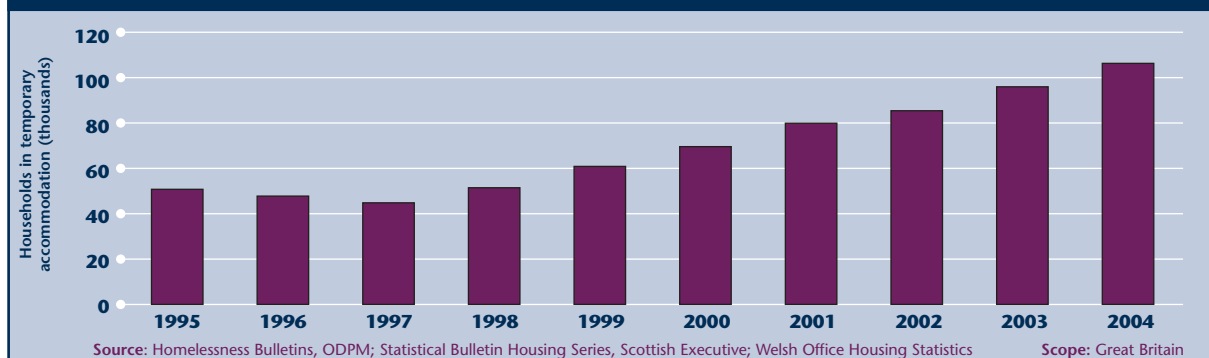


Figure 5: Adults in the poorest fifth are twice as likely to be at risk of developing a mental illness as those on average incomes



Figure 6: The number of households in temporary accommodation has more than doubled since 1997



although their prevalence among those with routine and manual occupations is more than twice that of other occupations.

For working-age adults, there is continuing improvement in the numbers of premature deaths, down by a sixth in the decade to 2002. Prevalence of limiting long-standing illness and mental illness both remain unchanged, while levels of obesity rose by two-fifths in the decade to 2002. What remains most notable, however, is the continuing existence of substantial inequalities. For example: premature deaths are much higher in Scotland than in England or Wales; adults in the poorest fifth are twice as likely to be at risk of developing a mental illness as those on average incomes (see Figure 5); almost half of all adults in the poorest fifth of the population aged 45-64 have a limiting long-standing illness or disability, twice the rate for those on average incomes; and women on below-average incomes are twice as likely to be obese as women on above-average incomes.

Crime

The number of burglaries has almost halved over the last decade, although there has been little change in the last few years. Households with no home contents insurance remain three times as likely to be burgled as those with such insurance and half of all households in the poorest fifth of the population lack such insurance compared with one in five for households on average incomes.

Despite the falling rates of burglary, and burglary being the crime that most people worry about, three-quarters of the population continue to believe that the national crime rate has been rising. A third of women aged 60 and over feel very unsafe out at night, the same as a decade ago.

Homelessness

Over 100,000 homeless households are now living in temporary accommodation, more than double the numbers in 1997 (see Figure 6).

Around 200,000 households were accepted as homeless by their local authority in 2003, a quarter higher than in 2000. All of this rise has been households without dependent children, who accounted for two-thirds of all the households accepted as homeless in 2003. Statistics from Scotland suggest that the vast majority (95 per cent) of homeless households are single adult households (equivalent data is not available for England).

By far the biggest reason for becoming homeless is loss of accommodation provided by relatives or friends. An estimated two and a half million people

live in overcrowded conditions (such that at least one of the adults does not have a bedroom of their own).

Financial exclusion

Despite some signs of improvement in recent years, one in six of the poorest households still do not have any type of bank/building society account. This is three times the rate for households on average incomes.

About the project

The study has involved drawing together data from a wide range of sources, including government-funded surveys, some administrative data and some local and health authority returns. The work has only been possible due to the co-operation of civil servants (particularly statisticians) across government.

How to get further information

The report is only available online. All the indicators and graphs discussed in these *Findings*, plus many more, can be viewed on the www.poverty.org.uk website.

A separate report by the same team, looking particularly at Scotland, is available in a printed version and as a pdf (and is also updated at www.poverty.org.uk). **Monitoring poverty and social exclusion in Scotland 2004**, by Guy Palmer, Jane Carr and Peter Kenway, is published by the Joseph Rowntree Foundation (ISBN 1 85935 259 6, price £16.95).