JRF JOSEPH ROWNTREE FOUNDATION

UK Poverty 2023

The essential guide to understanding poverty in the UK

Contents

Acknowledgements

Thank you to all the team at JRF who worked on the report: Carla Cebula, Aleks Collingwood, Rachelle Earwaker, Joseph Elliott, Peter Matejic, Isabel Taylor and Andrew Wenham.

Foreword

by Paul Kissack, Group Chief Executive of the Joseph Rowntree Foundation (JRF) and the Joseph Rowntree Housing Trust (JRHT)

The UK has entered 2023 at a moment of profound challenge. After a long period of persistently high poverty rates and increasing levels of deep poverty across the UK, both the Covid-19 pandemic and the historically high inflation rates that increased the prices of energy, food and other essentials in 2022 have hit poorer households the hardest. This winter, 7.2 million low-income households are going without essentials – hungry, cold, without basics like showers, toiletries or adequate clothing – and 4.7 million are behind on their bills.

We know the current challenge is not just the result of some passing 'cost of living crisis'. It comes instead on the back of years of economic and social failure. For a decade and a half we have seen no meaningful improvements in living standards, especially for people on lower incomes. Over 20 years we have seen very deep poverty rise. Over decades our country has become much wealthier – but this wealth is tightly concentrated, with rates of homeownership declining and inheritance becoming more important to life chances. We have some of the largest geographical inequalities in the western world. Improvements in life expectancy have stalled and for some are going backwards, while we see deeply worrying trends in mental health.

Faced with these challenges, the results of which are laid bare in this report, it would be easy to despair. But at JRF we are redoubling our commitment to social change. Around us we see challenges which are both urgent and deep, and we are increasingly clear about the task before us.

We are driven by the unshakeable belief that poverty can be solved in the UK. Honouring our history, there is a strong moral purpose to this mission: to end the poverty that blights the lives and life chances of millions of people, and to ensure dignity and esteem for everyone in the UK, addressing insecurity, exclusion and powerlessness. This is urgent work – perhaps more urgent today than at any time in our history.

But while urgent action is vital, we are also driven by the belief that deeper and more radical change is needed to our economic and social models. Faced with growing crises, chronic failures and deep foundational challenges (including the climate emergency, the digital revolution and an ageing population), we believe we are in – or should be in – a period of deeper transition. We do not claim to have a clear blueprint for the new. Instead, we believe the task before us is to help imagine it, shape it, test it and support others involved in that work.

The complex web of challenges we face today requires us to take a wider lens on the changes needed. While JRF remains anchored in a focus on poverty – and the need to address income poverty and destitution – we need to work on building greater economic security and the conditions in which people can thrive. As highlighted in this report, poverty is closely entwined with four key areas of focus for JRF: work, technology and markets; care, family and relationships; housing and land; and assets and wealth.

Across these themes we will take forward three sorts of work: shedding new light on the nature and scale of social injustice in the UK today, while setting out practical routes to a more equitable future; campaigning and advocating for change, while supporting a movement of people and organisations shaping a more equitable future; and investing in new propositions to speed up the transition to a more equitable future for people and planet, backing people engaged in this work.

One hundred years ago, a reimagining of the UK – leading to the Beveridge Report in 1942 – was informed by fresh insights, inspired by campaigning voices, acted upon by practical women and men puzzling a way forward through new experiments and fuelled by imagination and a sense of belief. As millions of families face their bleakest winter, it is time to put our shoulders to the wheel once again and rediscover the pioneering spirit of our forebears. As this issue of UK Poverty clearly illustrates, nothing less than a radical economic and social reshaping of the UK for the decades ahead will be enough to meet the challenges we face. JRF stands ready to play its part.

Executive summary

It is clear that we are in the midst of a profound cost of living crisis with huge implications for society. Many of us are having to make difficult choices on what spending we prioritise, but some of us face increasingly bleak choices, none of which should be necessary in a country as wealthy as the UK.

This is the second issue of our new-style UK Poverty report, which looks at trends in poverty across many important characteristics and impacts. We know poverty at any stage in life can lead to negative impacts, so it is critical to scrutinise the data thoroughly to work out who is worst affected, determine how trends are changing over time and see what the future prospects are likely to be.

Many economic and social trends have changed dramatically in the less than three years since Covid-19 first severely impacted lives in the UK. Throughout each section of this report we had to ask ourselves key questions about the period in which the data was collected. The latest official poverty data is for April 2020 to March 2021, but 2021/22 and 2022/23 are very different years. By looking across a range of data sources and insights we can build up as comprehensive a picture as possible of the current situation and the state of poverty in the UK, and form a judgement of future prospects.

What does the latest official data for 2020/21 tell us?

Around one in five of our population (20%) were in poverty in 2020/21 – 13.4 million people. Of these, 7.9 million were working-age adults, 3.9 million were children and 1.7 million were pensioners. There was a reduction in the headline poverty rate and numbers between 2019/20 and 2020/21. It might sound very surprising that poverty fell in the first year of the pandemic, with the largest reductions for pensioners and children.

The explanation of these results is based on changes to overall incomes, policy choices and how the pandemic affected population groups differently. A falling average income caused the relative poverty line to fall, at the same time as a range of temporary coronavirus-related support was introduced, including a £20 a week uplift to Universal Credit and Working Tax Credits. Children and pensioners are the two groups where the impact would be most likely to be seen: children, as they are the group most likely to be in poverty and thus their families would be the most likely to be receiving benefits that were increased, and pensioners, who are least likely to have been affected economically by the pandemic, as they are less likely to be working.

Which groups have the highest poverty rates?

The latest data shows a similar picture to previous reports in terms of the groups more likely to be in poverty, but there have been reductions in poverty rates for some of the groups with the highest poverty rates, where the temporary coronavirus-related support is likely to have had a large effect. The reduction in average income also caused the relative poverty line to fall.

Poverty for families receiving Universal Credit or equivalents remained very high, at 46%. This is despite the temporary £20 a week uplift, which was in place for the whole of the period covered by the survey, and a resetting of Local Housing Allowance to reflect again actual rents in an area. Poverty rates continued to be highest for people in the social rented and private rented sectors, and much higher for households including a disabled person or an informal carer.

Families with three or more children still clearly had the highest poverty rate by family size, but the rate in 2020/21 was much lower than in 2019/20, with the rate for families with a child aged under four also falling more than for families with older children. Similarly, some of the increase in deep poverty since 2002/03 showed a reversal in the latest data.

Looking at the geography of poverty, the latest data reflects a similar ranking, with Northern Ireland and Scotland having lower poverty rates than England and Wales and, within England, the North East and London having the highest rates.

The impact of the pandemic on the labour market was immense. Around 11.7 million jobs were furloughed, many on reduced pay. At the height of the pandemic there were 929,000 fewer payrolled employees than before lockdown began. This has contributed to a fall in the share of people in poverty living in working households.

Finally, there remain huge variations in poverty rate by ethnicity. Around half of all people in households headed by someone of Bangladeshi ethnicity were in poverty in 2020/21, with rates for people in households headed by someone of Pakistani or Black ethnicity also having very high poverty rates of more than 4 in 10, more than twice the rate of people in households headed by someone of white ethnicity.

Living standards are likely to have fallen since the official data was collected

Since the last official poverty data, the direct impact of the pandemic on society has lessened, but some of the changes it has brought about will be long-lasting, with a further severe global economic shock coming from the Russian invasion of Ukraine and the continuing effects of Brexit. The labour market has recovered strongly, but employment is still below pre-Covid-19 levels, with an increasing share of the population moving into inactivity, and pay has not increased in line with inflation.

In our last report we said we expected inflation would rise, but at that point the peak was expected to be about 4%, which would have been the highest rate for 10 years. Inflation is now forecast to peak at around 11%, the highest rate for 40 years. The speed of the increase in inflation made the effects of the withdrawal of the £20 a week uplift in October 2021 even more severe, with benefits only going up by 3.1% in April 2022, when inflation was much higher. This meant April 2022 saw the greatest fall in the value of the basic rate of unemployment benefits since 1972, when annual uprating began and, as the cost of living has continued to rise throughout 2022, the real term purchasing power of households receiving these benefits has continued to fall. The pressure on renters has grown, especially for poorer households affected by the frozen rates of Local Housing Allowance.

Future prospects are deeply worrying

Trends look even more worrying for the future. The Office for Budget Responsibility (OBR, 2022) forecasts falling employment from mid-2022 to late 2023 and for the employment rate to remain below its mid-2022 level for the whole period to the start of 2028. At the same time, wages are forecast to not keep up with inflation for the whole of 2023 (although this is mitigated somewhat for low earners by increases in the National Living Wage). Benefits were increased in line with inflation, as was the benefit cap, with lump sums added to these to help recipients cope with higher prices. However, Local Housing Allowance continues to be frozen and the basic rate of benefits remains close to destitution levels. Costs have risen dramatically and while the OBR expects inflation to fall throughout 2023, it is forecast to remain well above the Bank of England target throughout the year and lower inflation just means prices are rising less quickly but not falling, following the large recent increases. Rents are expected to continue to rise, with mortgage payments also rising due to higher mortgage interest rates.

The extent to which these factors drive higher poverty levels will depend, in part, on what happens to average incomes and how the current recession affects low- and middle-income households. It will also, critically, depend on the extent to which national and local governments' policies protect the living standards of the households least able to cope with these economic headwinds.

The experience of deepening poverty

Our latest cost of living tracker, carried out in late October and early November 2022, illustrates the wide-ranging effect of the cost of living crisis on poorer households. Looking across the poorest fifth of families, the results present a truly shocking picture: more than 7 in 10 families are going without essentials, around 6 in 10 cannot afford an unexpected expense, more than half are in arrears and around a quarter use credit to pay essential bills. The situation has worsened greatly since we first asked this set of questions in October 2021.

Low-income households have less of a buffer against rising costs or any unexpected expenses, given they are less likely than other households to have savings; in 2018–20, just over a third of people in the poorest fifth of households had liquid savings of less than £250 compared with 1 in 50 of the richest fifth. Low-income households with children, single working-age people, private and social renters and households whose head was sick or disabled were also more likely to have low levels of savings.

Almost a fifth of poor households experienced food insecurity in 2020/21, with more than a quarter of households receiving Universal Credit being food insecure. The impact of the cost of living crisis on customs taken for granted is laid bare in our latest cost of living tracker where around half of the poorest fifth of families say they have reduced spending on food for adults, half are already reducing the number of showers they take and around 6 in 10 are heating their home less. Around 4 in 10 families with children are spending less on food for their children. This is the background to the growth in food bank use, with the latest full year Trussell Trust data covering 2021/22 showing a much higher level of use than before the pandemic.

Looking at the direct impact of the pandemic, the rate of deaths caused by Covid-19 was higher in the most deprived areas than in the least deprived in every UK nation. For England and Scotland, the death rate from Covid-19 in the most deprived areas was at least twice that in the least deprived areas. As an area's level of deprivation increased, so did its number of deaths from Covid-19.

Among working-age adults, people living in poverty are more likely to suffer from poor health more broadly. There is evidence that suggests low incomes are associated with potential symptoms of anxiety, such as lack of sleep, lacking energy and feelings of depression. For children, even at a young age, there is a gap in young people's educational attainment by parental income level, and this continues throughout the different stages of a child's education. The impact of the Covid-19 pandemic has generally widened the attainment gap between the most and least disadvantaged pupils in the UK, with reasons for this including the digital divide, home learning environments and falling incomes.

What needs to happen now?

The Chancellor of the Exchequer said in the 2022 Autumn Statement, 'How we look after our most vulnerable citizens is not just a practical issue but speaks to our values as a society.' As can be seen from the evidence throughout this report, poorer households are some of the most vulnerable to the effects of the cost of living crisis. They have entered this period after a long period of stubbornly high poverty rates and rising deep poverty which was followed by a pandemic that had a greater impact on more deprived areas.

There are some elements designed into the benefits system that increase poverty, including:

- the two-child limit in income-related benefits
- the benefit cap
- the five-week wait for the first Universal Credit payment
- unaffordable debt deductions from benefits
- Local Housing Allowance rates (frozen since April 2020) again breaking the link between housing costs and benefits.

What is evident beyond this though is that the basic rates of benefits are inadequate and do not allow recipients to meet their essential needs. Resetting basic benefit rates and ensuring that they cannot be brought below these rates through the repayment of advances or other deductions is a critical step to protecting people who need benefits, not just during this cost of living crisis but whenever anyone needs social security support.

Beyond social security, the evidence from the OBR is that the economic fallout of the current recession will last a number of years. This will have big effects across society, on the labour market, on the housing market, on the relative prosperity of different parts of the UK and on public services. In dealing with challenges in any of these areas, the value of needing to protect those in poverty from experiencing the worst impacts of the recession should be a principle running through all decisions. It is also necessary to look more long-term at what getting to a United Kingdom free of poverty would take. This means examining the building blocks of social and economic systems, be that the labour market, the housing market, the social security system, or how we organise family life or care, to see how these can be made to work in the interests of poorer households so that there is a positive vision beyond simply getting through the current recession.

The approach taken in this report

UK Poverty is a set of short sections, each following the same structure, which starts with why the issue is important, goes on to set out the latest data, examines past trends and then looks forward to future prospects. As well as using data from official household surveys from across the UK (primarily the Family Resource Survey (DWP, 2022a) and the Households Below Average Income series (DWP, 2022b) which is based on this), it also draws on data collected in JRF's cost of living tracker (see Earwaker, 2022a). This is made up of three waves of a largescale, bespoke survey designed to understand the impact of the cost of living crisis on low-income households.

All data sources used are subject to different margins of error, which we have considered before drawing attention to findings and trends in this report. Given the impact the Covid-19 pandemic had on survey fieldwork (more details can be found in Annex 5), higher margins of error will apply to data collected during the Covid-19 pandemic. In particular, figures from the FRS for 2020/21 are subject to additional uncertainty and may not be strictly comparable with previous years.

We would appreciate any feedback you have on this publication. Please email analysis@jrf.org.uk with any comments.

Trends in poverty

Trends in poverty

Overall poverty rates for children, working-age adults and pensioners

Why is this important?

We know poverty has a wide range of negative consequences. It restricts the options and opportunities available to people and limits their access to things that are mostly taken for granted by society. Poverty at any stage of life can lead to negative consequences.

Consequences include poverty constraining a person's ability to afford to buy what they need and participate in the routine activities of others in society. Low incomes also reduce financial resilience to unexpected expenses, such as car repairs or a faulty washing machine, and can lead to households falling behind with bills for utilities, Council Tax or other essentials.

Money worries in turn contribute to low-income adults and their children being much more likely than wealthier adults and children to suffer from depression or anxiety. Poverty can also affect the prospects of children, who may fail to reach the same level of educational attainment as those from wealthier families. This in turn can make escape from poverty even harder when they become adults.

What's the headline story in the latest data

The latest official poverty data (from the Households Below Average Income series) is for 2020/21. Results based on the latest year's data are a lot less reliable than in other years. This is because all the fieldwork for this year's survey had to change at short notice from the normal face-to-face interviewing to telephone interviewing in response to the coronavirus pandemic and national lockdown restrictions. This change affected both the size and composition of the achieved sample, with adjustments needed for the fact that fewer households were sampled early in the survey year at the start of the pandemic. Further details of the impact of the pandemic on the data source is given in Annex 5. Our assessment is that the dataset can be used for analysis, but we need to be cautious in judging whether changes are due to real effects or data quality issues, as well as reviewing our conclusions when further data becomes available. This is particularly true when looking at subsets of the data, for instance for different countries or at a regional level.

In 2020/21, around one in five of our population (20%) were in poverty – 13.4 million people. Of these, 7.9 million were working-age adults, 3.9 million were children and 1.7 million were pensioners.[1] Throughout this report, when we use the term poverty we are using the relative poverty rate, after housing costs, to measure poverty unless otherwise stated. See Annex 1 for more information on poverty definitions.

The latest data tells us that more than one in four children in the UK were living in poverty (27%) in 2020/21. Around four in ten children in lone-parent families were in poverty, compared with one in four of those in couple families.

Lone-parent families (with a single, working-age adult) were by far the most likely of any family type to be struggling with poverty. When we look at pensioners, the poverty rate for single pensioners was almost double that of couple pensioners and around 1 in 7 pensioners overall are living in poverty.

Number of people in poverty and poverty rates for different groups, UK 2020/21

Group	Number in poverty	Poverty rate (%)
People in poverty	13,400,000	20
Children in poverty	3,900,000	27
Working-age adults in poverty	7,900,000	20
Pensioners in poverty	1,700,000	15
Single pensioners in poverty	900,000	20
Couple pensioners in poverty	800,000	11
Single working-age adults in poverty, no children	2,800,000	23
Working-age adults in a couple in poverty, no children	1,900,000	14
Working-age lone parents in poverty	700,000	38
Working-age parents in poverty in couple families	2,500,000	20
Children in poverty in lone-parent families	1,200,000	39
Children in poverty in couple families	2,700,000	24

Since the end of the survey period (March 2021), there have been lots of signs of a worsening situation for poorer households, with JRF's cost of living tracker showing that 3.1 million households were in arrears in October 2022. This is a lot worse than the situation in summer 2022, when we last ran the survey, when 2.7 million were in arrears, which in turn was worse than the 2.3 million in arrears when we ran the survey in late 2021.

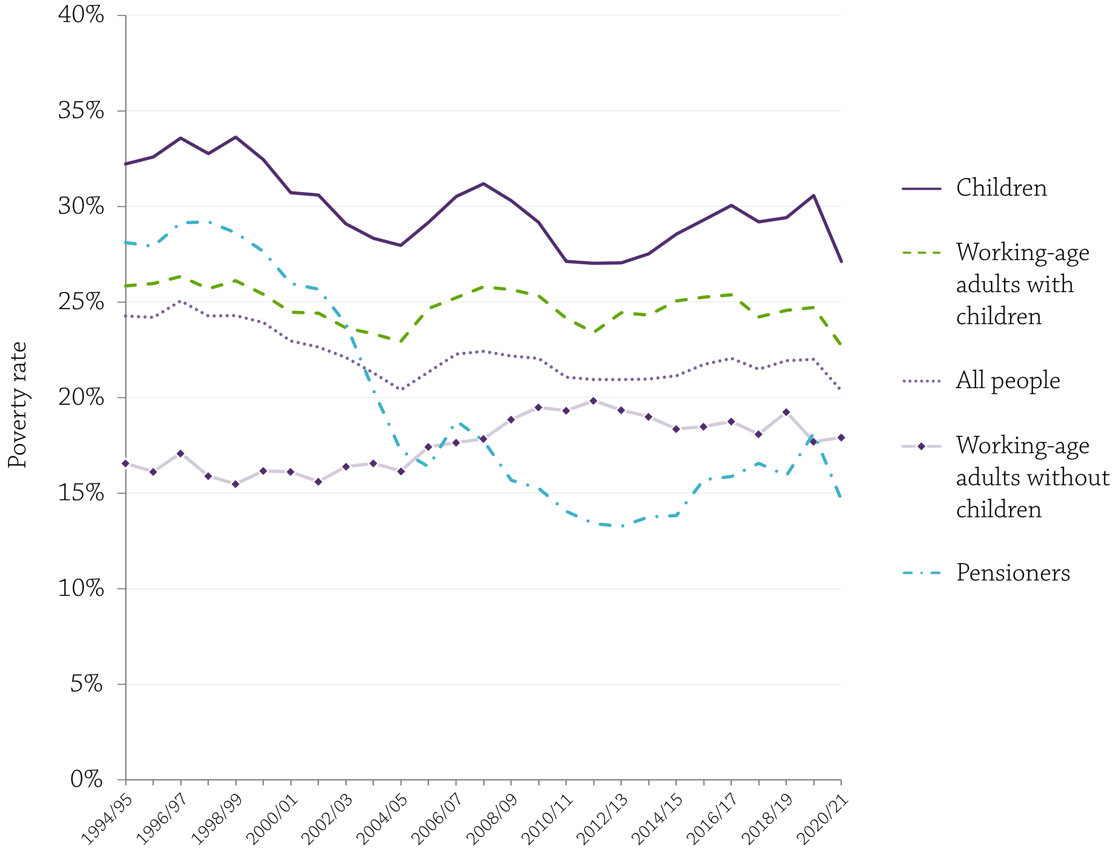
How has this changed over time?

The number and proportion of children, working-age adults and pensioners in poverty have all fallen between 2019/20 and 2020/21, with the biggest falls in the proportion of a group in poverty being for children (down 4 percentage points to a still far too high 27%) and for pensioners (down 3 percentage points to 15%). Seeing a reduction in poverty in 2020/21 during the economic turmoil of a global pandemic might seem counter-intuitive but it is consistent with a falling average income causing the relative poverty line to fall, at the same time as a range of temporary coronavirus-related support was introduced. Children and pensioners would be the two groups where the impact would be most likely to be seen: children as they are the group most likely to be in poverty and thus to be in families receiving benefits subject to increases, and pensioners who are least likely to have been affected economically by the pandemic as they are less likely to be working.

Children have consistently had the highest poverty rates throughout the last 25 years. Twenty-five years ago, a third of children lived in poverty. This fell to 28% by 2004/05 and reached its lowest level of 27% in 2010/11 to 2013/14. After this period, child poverty rose, reaching 31% in 2019/20, before falling back to 27% in 2020/21. Families with children are more likely to be receiving benefits than families without children, so this pattern reflects changes in employment levels, earnings and benefits.

After the pensioner poverty rate fell dramatically from between 28% and 29% in the mid to late 1990s to 13% in 2012/13 (driven by increasing income from private pensions and increases in benefits), it edged upwards until 2019/20, before the reduction to 15% in the latest data. Therefore, the enormous fall in pensioner poverty that was seen over the previous two decades had started to be reversed before the Covid-19 pandemic. The decrease seen in the most recent data was probably due to pensioners’ lower likelihood of being exposed to the negative impacts on the labour market during the pandemic.

While overall poverty rates have stayed at about the same level since around 2004/05, different groups have seen different poverty trends since 1994/95



Source: Households Below Average Income, 2020/21, DWP

What are the future prospects?

Future trends in poverty depend on what happens to its drivers, which include employment and earnings, benefits and tax credits, and housing costs, as well as how the cost of living is changing. The latest published data covers 2020/21, the first year of the pandemic. Since the start of the pandemic, there have been massive and, to some extent, temporary distortions to these key drivers. It will take some time for these to move through the published data (in addition to the pandemic affecting the ability to collect accurate data), meaning care will have to be taken when interpreting upcoming official poverty statistics.

Summary of changes to drivers of poverty levels

Driver	Effect of increase	Currently	Future prospects
Employment	Generally poverty reducing	**Mixed**: Low unemployment and high employment but increasing inactivity.	**Bad:** OBR forecasts falling employment from mid-2022 to late 2023 and for it still to be below its mid-2022 level at the start of 2028.
Earnings	Ambiguous – can increase relative poverty if benefitting middle-income households more than low-income. As well as hourly pay, hours and control over working patterns are factors affecting earnings	**Mixed:** Average earnings are currently falling in real terms, as they are not keeping up with inflation. In April 2022, the National Living Wage was increased by more than inflation, and the work allowance increased and taper rate reduced in Universal Credit, which will support low earners.	**Bad:** OBR forecast wages not keeping up with inflation for the whole of 2023. This could be mitigated somewhat by increases in the National Living Wage, however this isn't perfectly targeted at the poorest households with someone in work.
Benefits	Generally poverty reducing	**Bad:** Benefits are currently at a 40-year low because the historic inflation rate used for uprating was much lower than the inflation rate across the whole of 2022/23. Lump sum payments have mitigated this somewhat, but the fall in the basic rate remains.	**Mixed:** Benefits have been increased in line with inflation as has the benefit cap (the maximum amount of benefit someone out of work can receive in benefits), with lump sums added to these to help recipients cope with higher prices. Local Housing Allowance continues to be frozen and the basic rate of benefits remains close to destitution levels.
Housing costs	Generally poverty increasing	**Bad:** Rents increasing – many are related to Consumer Price Index (CPI), with some housing costs (eg shared accommodation) based on Retail Price Index (RPI).	**Bad:** Rents expected to continue to rise, with mortgages rising too due to higher mortgage interest rates, which are forecast to more than double between Q3 2022 and Q4 2023 and remain at about that level going forward.

Driver	Effect of increase	Currently	Future prospects
Inflation	Limited effect on relative poverty but will increase cost of living	**Bad:** At 40-year high driven by high energy prices, which is feeding into the costs of many other items, including essentials, which means inflation for poorer households is higher than for richer ones.	**Bad:** While the OBR expects inflation to fall throughout 2023, it is forecast to remain well above the Bank of England target throughout the year. Falling inflation does not reverse the increases in prices, but simply means prices have stopped rising so quickly.

It is clear from this table that the current economic situation is bad, with many of the key drivers already showing a negative picture, and the OBR is forecasting future worsening trends in many cases. It is clear from their forecast of falling real household disposable incomes in 2022/23 and 2023/24 that these effects will have a profound impact on many people's living standards.

It is therefore welcome and necessary that the Government has sought to mitigate some of the worst effects on households with the lowest incomes by uprating benefits with inflation and continuing with lump sum payments and the energy price guarantee to limit energy price rises, which will provide a lifeline for families. It does seem likely though that these decisions will not be sufficient to mitigate the rising costs, including of essentials like energy, food and housing, and further action is very likely to be needed.

During recessions, relative poverty measures (which depend on how poorer households are faring compared with the average household) are highly dependent on both what governments do to protect the incomes of poorer households and also on the impact of the recession on the average household. Relative poverty in 2023/24 may actually show an improvement compared with 2022/23 because poorer households' incomes are falling less quickly than the average household. In some ways this is a limitation of a relative poverty measure, in that while the overall measure may show 'improvement' it will not necessarily reflect an increase in the income, and likely living standards, of individuals with low incomes. This is also likely to be only a short-term effect which reverses as the economy starts to grow again from 2024/25. It could still mean the incomes of poorer households are falling, so with a likely picture of more and more households going without essentials, there will be little comfort in any short-term reductions in relative poverty. We will need to look across a range of indicators to look at the whole picture of how poorer households are faring in future years and whether the pre-pandemic pattern of rising child and pensioner poverty returns.

How does this section interact with other sections?

Overall poverty levels are influenced by all subsequent sections. It is only by looking across all these that a true picture of the current and future situation can be ascertained.

Family composition, age and sex

Why is this important?

Larger families, that is those with three or more children, have always faced a disproportionate risk of poverty. The benefits cap, which limits the income a household can receive in out-of-work benefits, and the two-child limit, which restricts eligibility for child-related benefits to the first two children, disproportionately affect such families.

Families with younger children and lone-parent families, which are predominantly headed by women, also face a disproportionate risk of poverty. Having younger children affects parents' ability to work, the hours they can work and their pay, while lone parents are less likely to be able to work full-time, and less likely, because of childcare responsibilities, to be able to travel to a job that may pay better.

A gender perspective is often missing from debates about poverty. The debate is often based on analysis of household incomes, which includes an implicit assumption about how incomes are shared within a household. Although the FRS does not collect information on respondents' gender, it does record their sex. While this does not allow us to investigate fully how gender affects poverty for women and men, it does allow a more complete picture of the links between sex and poverty to be seen.

What's the headline story in the latest data?

In 2020/21, the child poverty rate for children in families with three or more children was almost twice as high as the rate for children in one- or two-child families (38% compared with 21% and 22%). This means around 1 in 5 children in one- or two-children families were in poverty, compared with almost 2 in 5 children in families with three or more children.

One in five working-age males and working-age females were living in poverty (19% and 20%). These rates were lower for male and female pensioners (14% and 15%). The age groups for adults that have the highest poverty rates were 60–64 (25%), 40–44 (22%), 16–24 (20%) and 55–59 (20%).

We know from the previous section that lone-parent families, which are predominantly headed by a woman, have the highest poverty rate of any family type. Two in five children in lone-parent families were in poverty in 2020/21 (39%) compared with 1 in 4 children in couple families (24%).

Poverty rates vary greatly depending on the age of children in the family. Almost 3 in 10 children in families where the youngest child is aged under five (28%) or between 5 and 10 years old (29%) were in poverty. Around a quarter (24%) of children in families where the youngest child is aged 11 to 15 years old, and 21% in families where the youngest child is 16 to 19 years old were living in poverty.[2]

Number of people in poverty and the poverty rates for different groups, UK, 2020/21

Group	Number in poverty	Poverty rate (%)
Children in poverty in one-child families	700,000	21
Children in poverty in two-child families	1,500,000	22
Children in poverty in three-child families	1,700,000	38
Working-age males in poverty	3,800,000	19
Working-age females in poverty	4,000,000	20
Children in couple families	2,600,000	24
Children in lone-parent families	1,200,000	39
Pension-age males in poverty	700,000	14
Pension-age females in poverty	900,000	15
Children in poverty (by age of youngest child in the family)		
0 to 4	1,600,000	28
5 to 10	1,400,000	29
11 to 15	600,000	24
16 to 19*	200,000	21
Children in poverty (by age)		
0 to 4	1,000,000	26
5 to 10	1,300,000	27
11 to 15	1,100,000	28
16 to 19*	500,000	30

Group	Number in poverty	Poverty rate (%)
Working-age adults in poverty (by age)		
16 to 24	1,000,000	20
25 to 29	700,000	17
30 to 34	800,000	18
35 to 39	800,000	18
40 to 44	900,000	22
45 to 49	800,000	18
50 to 54	800,000	17
55 to 59	900,000	20
60 to 64	1,000,000	25
Pension-age adults in poverty (by age)		
65 to 69	400,000	14
70 to 74	500,000	14
75 to 79	400,000	15
80+	500,000	18

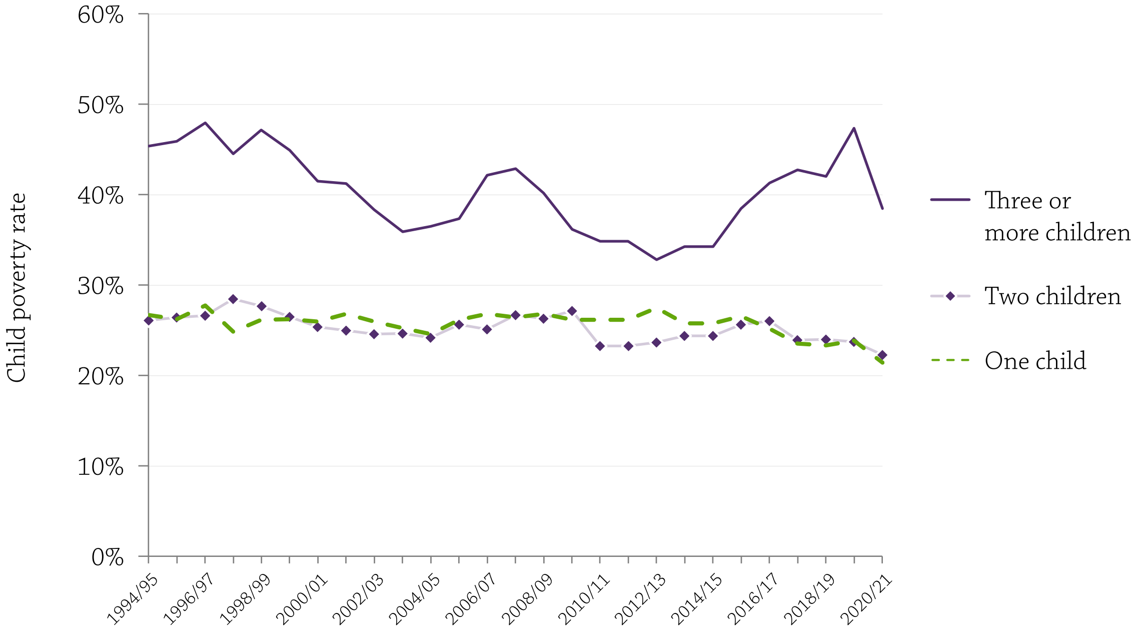
* A person is defined as a child if they are 16 to 19 years old and they are: not married nor in a civil partnership nor living with a partner; living with parents/a responsible adult and in full-time non-advanced education or in unwaged government training.

How has this changed over time?

The two most striking trends over time are for larger families and for families with children aged under 10.

Between 2012/13 and 2019/20, the proportion of children in large families who are in poverty increased from 33% (1 in 3 children) to almost half, after positive movement on child poverty for larger families in the decade before. Larger families receive a bigger share of their income from benefits than smaller families, so even before the two-child limit was introduced they were more vulnerable to reductions in benefits. In the latest data, this poverty rate fell back to a similar level as seen in 2015/16 (38%). The overall increase between 2012/13 and 2020/21 is still very concerning, despite the reduction in the latest year.

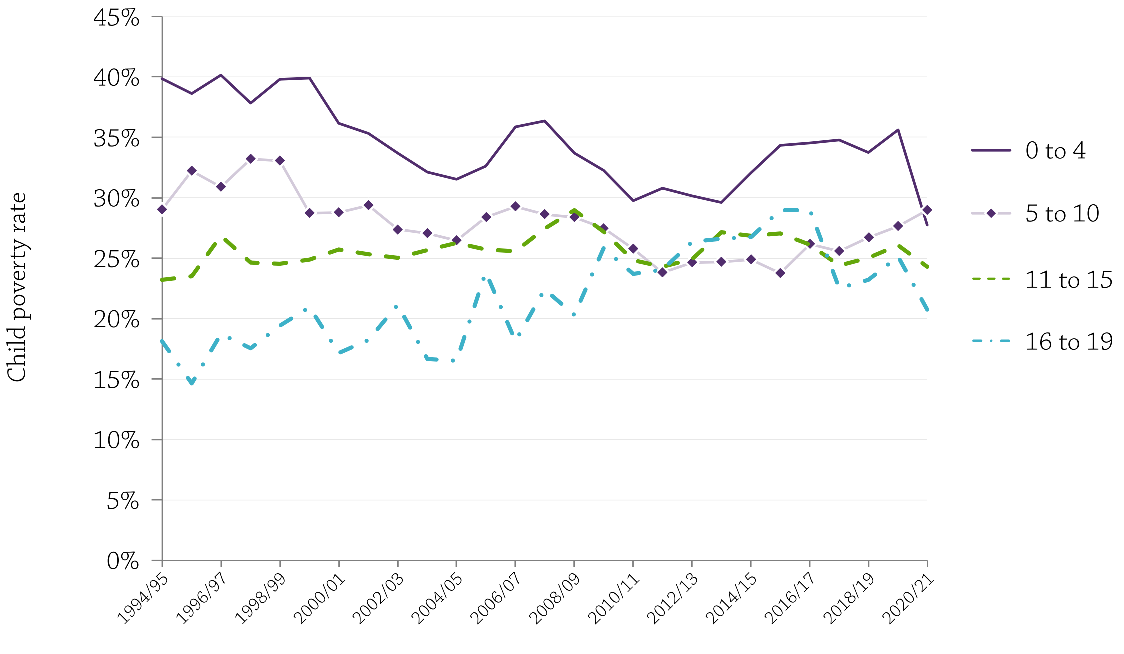
Child poverty rates have been consistently higher for children living in large families



Source: Households Below Average Income, 2020/21, DWP

Poverty rates for children in families where the youngest child is under five rose between 2013/14 and 2015/16 and then plateaued at around 35% until 2020/21. In this most recent data, the rate was 28%. This is the lowest it has been since this data was first collected. Historically, poverty rates have always been highest in families where the youngest child is aged under five. However, the latest data shows that this rate is now similar to that of children in families where the youngest child is aged five to ten (28% and 29% respectively). While poverty rates for families whose youngest child is under five have dropped sharply this year, the poverty rate for families where the youngest child is aged five to ten has been rising since 2017/18.

Child poverty rates were highest in families where the youngest child is under five until 2020/21 when similar rates were seen in families where the youngest child is five to ten years old

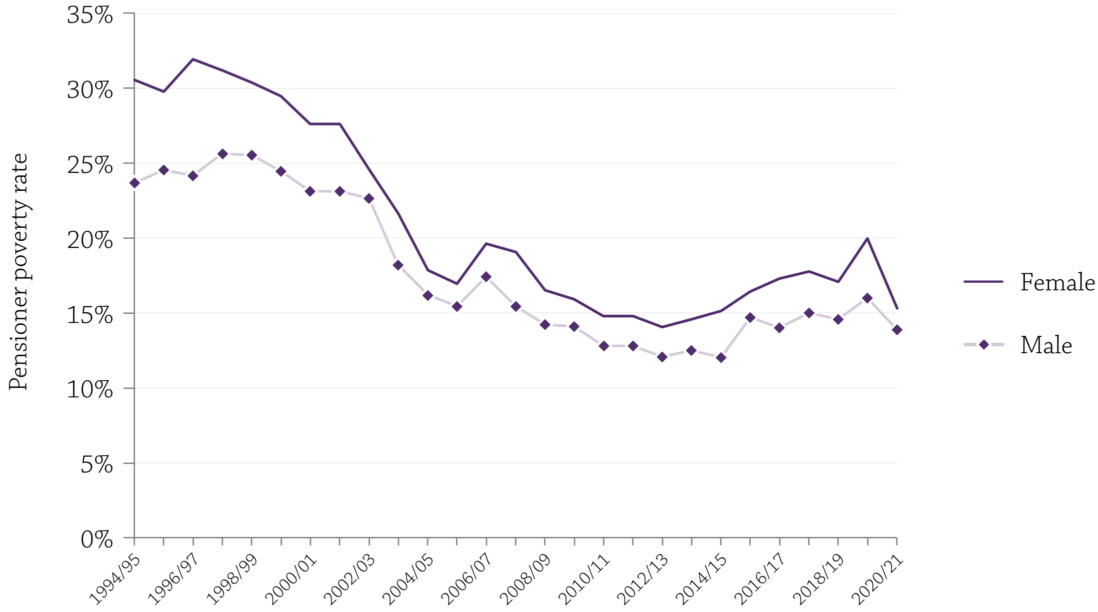


Source: Households Below Average Income, 2020/21, DWP

Both larger families and families with younger children are more likely to be on benefits. The drop in poverty rates that we see for larger families and for those with children aged under five in the latest data is likely to be due to the £20 a week uplift to Universal Credit and Working Tax Credits during the first year of the Covid-19 pandemic. This was withdrawn at the end of September 2021. We will need further data to see if the fall in the poverty rates is sustained and how much is due to additional support put in place during the Covid-19 pandemic.

Pensioner poverty rates rose between 2012/13 and 2019/20. Pension-age women tend to have higher poverty rates, reflecting the fact that they generally live longer than men and often have a less complete National Insurance contribution history due to gaps in their employment history. In 2020/21, this gap between poverty rates for male and female pensioners narrowed considerably (15% for female pensioners and 14% for male pensioners).

The poverty rate has been consistently higher for female pensioners than for male pensioners, but the gap narrowed considerably in 2020/21



Source: Households Below Average Income, 2020/21, DWP

What are the future prospects?

The decrease in the poverty rate for children, working-age adults and pensioners that was seen in 2020/21 was probably due to a combination of lower average incomes across the UK causing the relative poverty line to fall and the temporary financial support that was introduced, specifically for low-income families, in response to the Covid-19 pandemic. This would have affected children (whose family are likely to receive benefits) and pensioners (who are less likely to have income from earnings) in particular. As the additional support has been withdrawn and average earnings have started to recover, children and pensioners are at a high risk of falling back into poverty without additional government support.

Similarly, the fall in poverty rates for larger families and young children in the latest data was probably due to the £20 uplift to Universal Credit and equivalent benefits introduced in response to the Covid-19 pandemic. As this was withdrawn in October 2021, it is likely that the poverty rates for these families will once again increase. These families have a higher proportion of their incomes coming from benefits (despite their increasing employment rates in recent years), so are also disproportionately affected by general changes in the benefits system, as well as by the benefits cap. Although benefits will be uprated in line with inflation in April 2023, which will maintain the value of benefits, benefit rates are currently at a historic low and families receiving benefits will continue to struggle to meet essential costs.

The latest data still does not show the full effect of the two-child limit policy, which explicitly targets larger families. This has withdrawn means-tested support from third and subsequent children born since April 2017. In the latest data, more than half of families containing three or more children have their youngest child born before this date so are unaffected by the benefits cap. As time goes on, more and more families will be affected by this and poverty rates in larger families are therefore likely to increase further.

Prospects for pensioner poverty are mixed. There are some reasons for optimism: the triple lock at a minimum makes sure the value of the state pension keeps up with prices; pensioner incomes are less likely to be affected by the current recession; and more new pensioners will have some private pension provision because of the introduction of auto-enrolment into pension schemes. On the other hand, the shift from defined benefits to defined contribution pension schemes will result in lower income from occupation pensions in retirement and lower homeownership will mean more pension-age people need to cover the costs of private rental accommodation over the coming years. The rising levels of inactivity since the pandemic of people in their 50s and 60s is also concerning, with people often underestimating their life expectancy after retirement and how long a period their retirement income needs to cover.

How does this section interact with other sections?

The main interactions of these factors are with the labour market: poorer parents in larger families or with younger children find it harder to work full-time, particularly given the cost and availability of childcare. Lone parents are also less likely to be able to work full-time, and less likely to be able to travel to a job that may pay better because of childcare responsibilities.

Poverty depth and duration

Why is this important?

We know that there are a number of negative outcomes related to living in poverty but there is also evidence that longer spells of poverty have greater impacts than shorter-term or temporary spells. Families living in deep poverty or destitution are also likely to experience more severe outcomes as they struggle to make ends meet.

What's the headline story in the latest data?

The most commonly used poverty line is 60% of the median equivalised household income after housing costs. To look into deeper poverty, lower thresholds can be used. In this report, households with an equivalised household income after housing costs that is below 50% of the median are considered to be in deep poverty, and those with an income under 40% of the median are said to be in very deep poverty. As explained in the overall poverty rates section above, these relative poverty rates are affected by changes to the average income across the country. As this fell during the Covid-19 pandemic, the relative poverty lines used in this analysis also fell in 2020/21 and were lower than they had been in 2019/20. Challenges to data collection during the Covid-19 pandemic are also likely to have affected the deep and very deep poverty rates, particularly as there was a larger undercount of Universal Credit in the first half of the survey year. See Annex 5 for more details.

In 2020/21, around 3 in 20 people (14%) were living in deep poverty, including 2.7 million children (19% of children). This rate was lower for pensioners (8%). This is probably because almost all pensioner families (97%) receive the state pension, which will prevent extremely low incomes. Across all households, 8% of people were living in very deep poverty. This means that 69% of people in poverty were living in deep poverty and 42% in very deep poverty.

Some groups are more likely to be in deep and very deep poverty than others. For example, more than one in four people from a minority ethnic background or in single-parent families and nearly 36% of working-age people in workless families were in deep poverty in 2020/21.

The deepest and most damaging form of poverty is destitution, which means going without the essentials we all need to eat, stay warm and dry, and keep clean. In 2019, 2.4 million people, including 550,000 children, experienced destitution. The current cost of living crisis is pushing more people into hardship and destitution. In autumn 2022, JRF's cost of living tracker found that 1.4 million households in the bottom income quintile had both not heated their home and had cut down on food, skipped meals or gone hungry since the beginning of 2022.

Poverty duration is measured through the length of time someone spends in poverty; the Income Dynamics publication (DWP, 2022c) considers someone to be in persistent poverty if they have been in poverty for three of the last four years. Groups with high poverty levels tend also to have high persistence of poverty. Just over one in six children are in persistent poverty, compared with just over one in ten working-age adults or pensioners. Adults (31%) and children (33%) in lone-parent families are much more likely than those in couple families to be trapped in persistent poverty. All minority ethnic groups in the UK are at a greater risk of experiencing persistent poverty than white people. Around one in four Black people and almost one in three people who selected they were Arab or from 'any other' ethnic group are trapped in persistent poverty compared with one in ten white people.

Persistent poverty rates for different groups, UK, 2016/2017– 2019/2020

Group	Persistent poverty rate (%)
People in persistent poverty	12
Children in persistent poverty	18
Working-age adults in persistent poverty	11
Pensioners in persistent poverty	10
Single male pensioners in persistent poverty	17
Single female pensioners in persistent poverty	18
Couple pensioners in persistent poverty	6
Single working-age males in persistent poverty with no children	13
Single working-age females in persistent poverty with no children	14
Working-age adults in a couple in persistent poverty with no children	5
Working-age lone parents in persistent poverty	31
Working-age parents in persistent poverty in couple families	13
Children in persistent poverty in lone-parent families	33
Children in persistent poverty in couple families	14

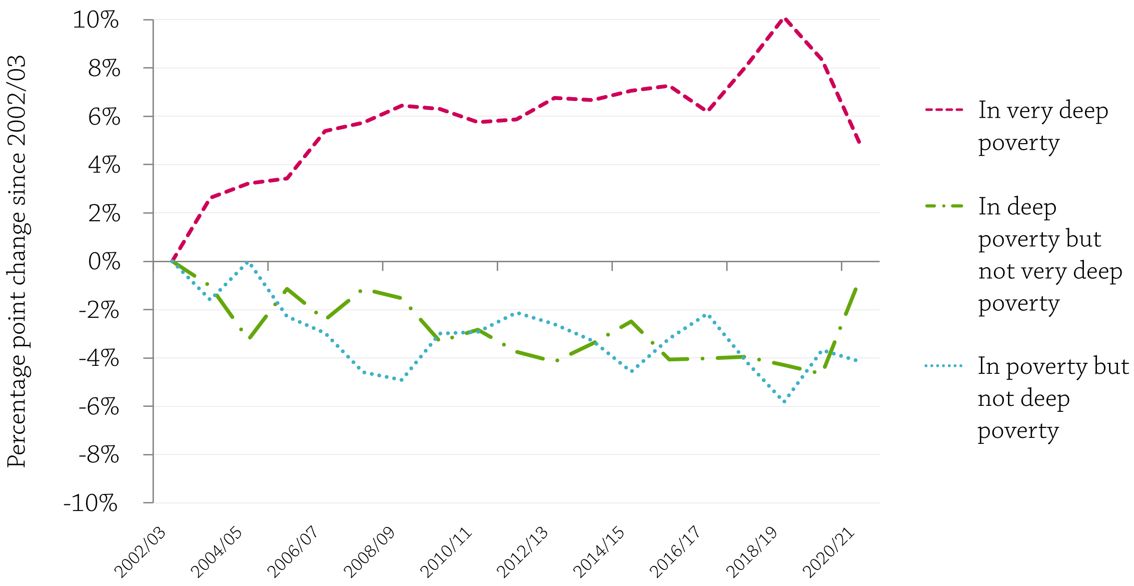
Source: Understanding Society, 2017–2020

How has this changed over time?

Over the last 20 years the poverty rate has remained relatively stable, however there has been an increase in the proportion of people in very deep poverty. Focusing on people living in poverty, the proportion in very deep poverty increased from 37% in 2002/03 to a peak of 47% in 2018/19, falling back to 42% in the most recent year.

As shown in the chart below, the proportion of people in poverty who were in very deep poverty has been higher in every subsequent year than it was in 2002/03. As was mentioned previously, the sudden fall in 2020/21 of the proportion of people in very deep poverty is probably due to policy and economic shifts during the Covid-19 pandemic and data collection challenges. Even with these changes, the proportion of people in poverty who were in very deep poverty still remains 5 percentage points higher than in 2002/03.

Increasing proportions of people in poverty are in very deep poverty



Source: Households Below Average Income, 2020/21, DWP

Note: The group in very deep poverty includes people who are below 40% of the median income after housing costs (AHC). The group in deep poverty, but not very deep poverty are in households below 50% of the median income (AHC) but above 40% of the median (AHC). The group in poverty but not deep poverty are in households classed as in poverty (below 60% of the median income (AHC)) but not in deep poverty, meaning they are above 50% of the median income (AHC).

Across the UK, our best estimate is that the number of households experiencing destitution, the most severe form of poverty, at any point during the year increased by 35% between 2017 and 2019. While we do not have a more recent figure on the number of people experiencing destitution, the number of food parcels distributed by The Trussell Trust rocketed from 1.1 million in 2015/16 to more than 2.1 million in 2021/22, showing that increasing numbers of families are struggling to afford the essentials, while levels of destitution could also be continuing to rise (The Trussell Trust, 2022b).

Levels of persistent poverty have hardly changed since 2010–2014, with 1 in 5 children in persistent poverty and just over 1 in 10 working-age adults or pensioners being in persistent poverty over the whole period.

What are the future prospects?

Some of the most recent improvements in the deep poverty rate are likely to reverse in the coming years as policies put in place to offer additional support during the Covid-19 pandemic come to an end. Furthermore, the cost of living crisis is putting additional financial pressures on low-income families. The poverty rate based on a relative income measure does not fully capture the effect of high inflation rates that are not matched by increasing incomes, as the only cost that is directly considered is housing. While relative poverty rates may not change dramatically in the next set of data, the cost of living crisis is leading to more people experiencing the deep hardship of going without the essentials, an experience that is no longer restricted to those on the very lowest incomes.

JRF's cost of living tracker has shown an increase in the proportions of low-income households struggling to pay bills or not heating and eating over the last six months. No one should go without food and warmth. The growing number of families going without these essentials is deeply concerning and suggests we could see a growing number of people becoming destitute.

Future prospects for persistent poverty are likely to be more muted. Any temporary effects from both the economic challenges and policy responses will take time to feed through to these statistics, or indeed will not affect them at all if these are temporary. A prolonged recession with falling employment and earnings associated with rising costs including increases in housing costs will also ultimately have an effect on persistent poverty levels.

How does this interact with other areas?

It is important to keep in mind that when relative poverty rates are presented in other sections of this report this includes people who are just below the poverty line and people who are far below the poverty line as well as people who have recently fallen into poverty and those who have been in poverty for an extended period of time. If different groups have similar overall poverty rates but experience different depths and duration of poverty that may lead to more negative consequences for one of those groups. When appropriate, we will comment on differences in depth and persistence of poverty in the relevant sections.

Geography and poverty

Why is this important?

Across nations, regions and local areas in the United Kingdom, differences in employment opportunities, levels of wages, adequacy of benefits and housing costs are important determinants of poverty rates. While ultimately Westminster maintains control over many policy and fiscal decisions, the devolution of powers to governments in Edinburgh, Cardiff and Belfast, to mayoralties in London and across England, as well as the ongoing role of local authorities, presents politicians and political leaders at national and local levels with policy levers with which they can seek to address poverty.

It is important to understand the way in which drivers of poverty interact to produce different rates of poverty at national, regional and local levels, and to monitor the rates of poverty over time to ascertain the progress of governments and political leaders in eradicating poverty across the UK.

What's the headline story in the latest data?

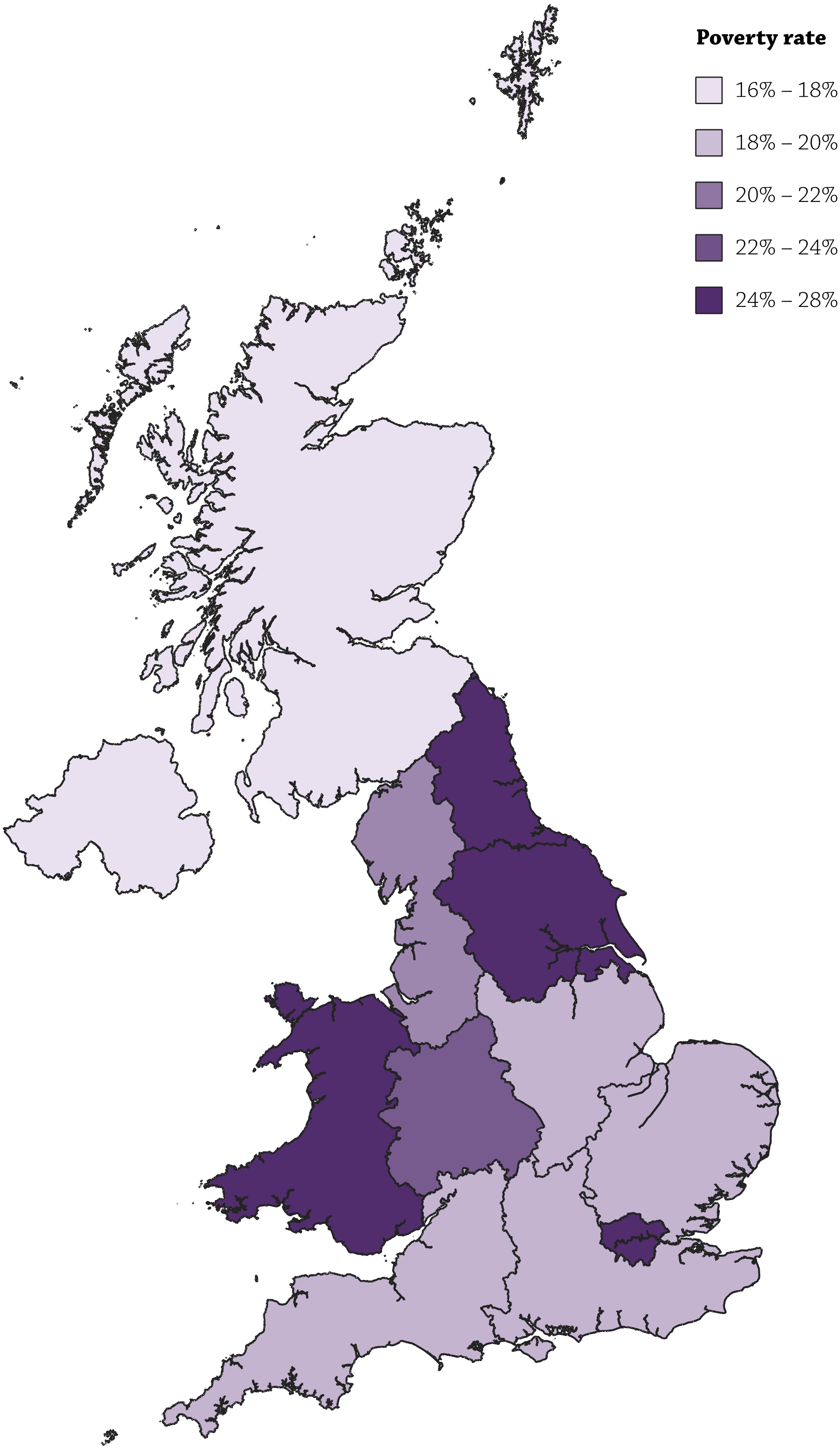
This section sets out the poverty rates and key drivers of poverty across the nations and regions of the UK. The data we use here includes the latest official data which covers the first year of the Covid-19 pandemic, the financial year 2020/21. The disruption caused by the pandemic meant that changes had to be made to the survey fieldwork, which affected the size and representativeness of the sample of respondents (see Annex 5 for more information). The 2020/21 sample was around half the size of the sample in previous years, and there is greater volatility in that year's data. As a result, neither the Scottish Government, the Welsh Government nor the Northern Ireland Statistics and Research Agency (NISRA) published poverty statistics for the three-year period 2018–21 due to the underlying weaknesses in the data. Similarly, we decided not to publish our usual analysis of the figures in our Poverty in Scotland 2022 report (Birt et al, 2022) as the sub-sample of data for Scotland alone was not considered reliable enough to show a trend over time.

That means that the principal usefulness of the new data is to compare levels between regions and nations rather than over time. Any comparisons over time should be treated with caution. In any event, when reporting regional statistics using this data we use three-year averages, which means the data in this section covers the period 2018–21. This section therefore mostly offers a comparison of rates of poverty and an explanation of how and why they vary between nations and regions in the UK. However, there is much to be done right across the country to reduce poverty rates and support those on low incomes.

Average number of people in poverty and poverty rates by UK nation/region, 2018–21

Nation/Region	Poverty rate (%)	Number in poverty
North East	26	680,000
North West	21	1,540,000
Yorkshire and The Humber	24	1,300,000
East Midlands	20	930,000
West Midlands	23	1,350,000
East	19	1,170,000
London	25	2,260,000
South East	20	1,760,000
South West	19	1,060,000
Wales	24	750,000
Scotland	18	950,000
Northern Ireland	17	320,000

UK Poverty rate by region, 2018–21



Source: JRF analysis of Households Below Average Income 2018–20, DWP

Scotland has a lower rate of poverty (18%) than England (22%) and Wales (24%) and around the same rate as Northern Ireland (17%). Housing costs are an important driver in the lower rates of poverty in Scotland; a smaller proportion of households live in the rented sector in Scotland than in the rest of the UK on average, while renters in Scotland disproportionately live in the lower-cost social rented sector (57% of renters are in social rented, compared with 45% of renters in the rest of the UK). Both private and social renters in Scotland pay lower housing costs on average compared with England and Wales. The poverty rate for social renters is lower in Scotland (40%) than in England (44%), and only a fifth of these (22%) are pulled into poverty by their housing costs compared with over a third (36%) of social renters in poverty in England.

Wales has the highest poverty rate among the four nations, with almost one in four (24%) people in poverty. Important drivers are the relatively high proportions of working-age adults not in work (26%), in jobs classified as 'routine' that are typically lower-paid, including in production, sales and services, agricultural and clerical roles (32% of those in work) and receiving Universal Credit or equivalent (legacy) benefits (21%).

Northern Ireland has the lowest poverty rate (17%) of the four nations, despite having the lowest rate of employment, as well as high rates of low-paid employment and proportion of families receiving Universal Credit or equivalent (legacy) benefits that is comparable to Wales, the North of England and the West Midlands, which have much higher poverty rates. The lower poverty rate in Northern Ireland is predominantly explained by the lower cost of housing. The proportion of people living in rented accommodation in Northern Ireland is the lowest across the four nations, and the average (median) weekly housing costs paid by low-income social and private renting households is the lowest of anywhere in the UK; £74 for social and £97 for private renting household in Northern Ireland compared with £99 and £131 respectively for the rest of the UK. Even for those buying with a mortgage, weekly housing costs (the definition for which excludes mortgage principal) are substantially lower in Northern Ireland than on average across the UK. This reflects the substantially lower house prices which require less borrowing and, consequently, lower levels of mortgage interest.

The poverty rate in **England** for 2018–21 was 22%. The following section breaks down the poverty rate by English region.

The latest data shows the **North East** of England had the highest poverty rate of all regions in 2018–21 at 26%. This was broadly consistent with the previous year (25%) and saw the North East surpass **London** which had consistently had the highest poverty rate for two decades, principally due to very high housing costs. **Yorkshire and The Humber** and the **West Midlands** also have higher than average poverty rates at 24% and 23% respectively. In these areas, higher poverty rates are driven by comparatively lower earnings, with a higher proportion of adults working in lower-paid occupations, and higher rates of economic inactivity and unemployment among working-age adults. People in these regions are also disproportionately likely to live in the rented sector and renters in these regions have the highest poverty rates for renters across the UK. However, renters in these regions are typically in poverty before housing costs are factored in, indicating that while the costs of renting may exacerbate and deepen poverty the most pertinent driver in these regions tends to be low incomes rather than high housing costs.

Demographic differences across regions also explain some of the differences in poverty rates by region; people living in the North East, Yorkshire and The Humber and the West Midlands are more likely to be in the demographics more at risk of poverty than elsewhere in England. All three regions have above average proportions of their populations living in single-parent families. The West Midlands and Yorkshire and The Humber have the highest proportions of children living in larger families (three or more children) after Northern Ireland, while the North East and the West Midlands have the highest proportions of children living in young-parent families (where one parent is under 25) after Wales. The North East has the highest proportion of people living in a family where someone has a disability, followed by Wales and then the West Midlands.

The regions of Yorkshire and The Humber and the West Midlands are also the most ethnically diverse after London, with 15–18% of their populations minority ethnic, compared with around 8% for the rest of the UK on average (when excluding these regions). These two regions have the largest Pakistani communities, where around 1 in 20 people are Pakistani, compared with fewer than 1 in 50 in the rest of the UK on average; the poverty rate for Pakistani people in the UK is 2.3 times that for white people. The sections in this report on disability, family composition, age and gender and ethnicity describe how poverty rates are much greater for these groups.

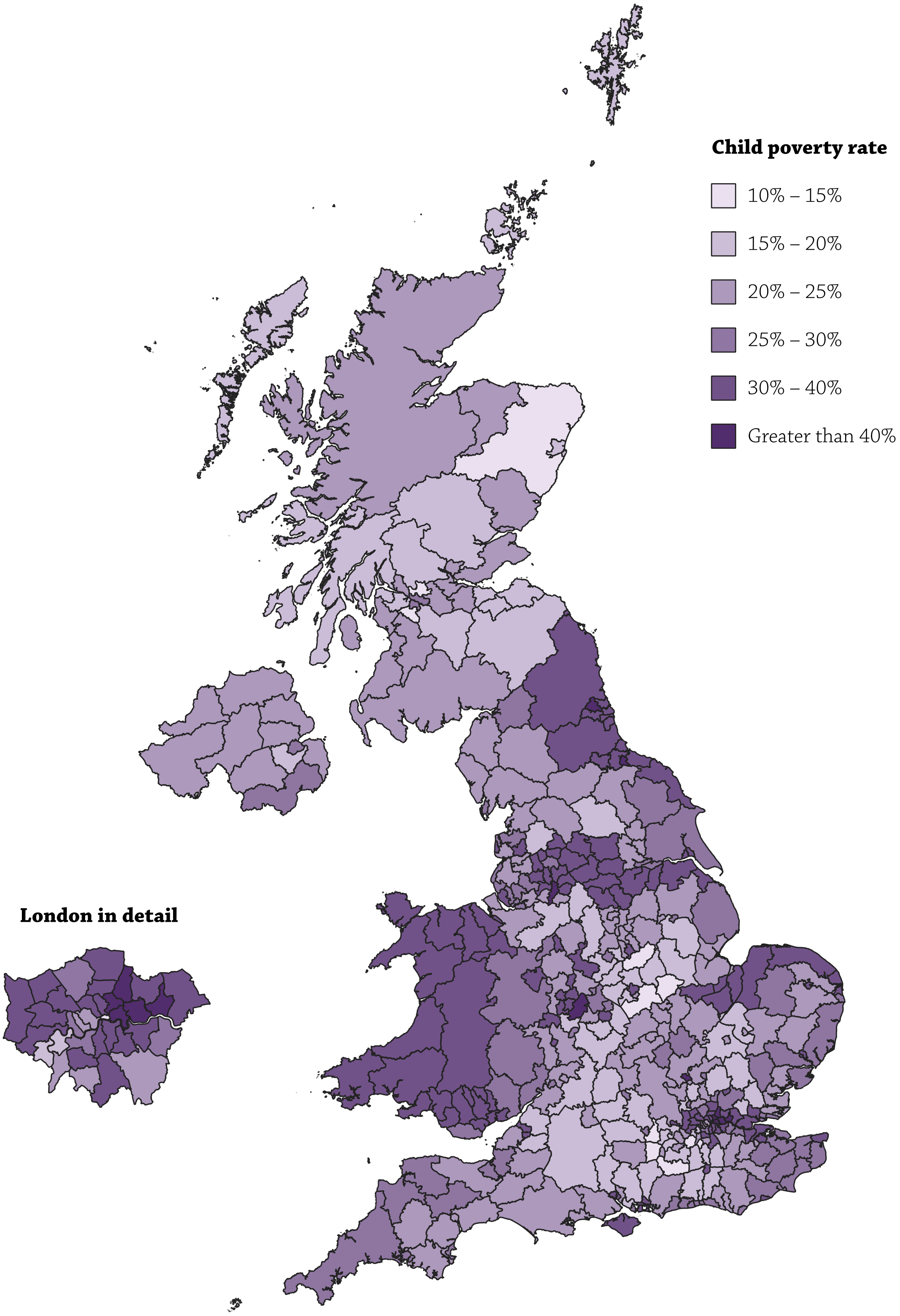
London has consistently had the highest poverty rate of every UK region or nation for the last two decades, although the latest data shows a 2 percentage point fall in the poverty rate between 2017–20 and 2018–21 to 25% – the second highest rate after the North East at 26%. Housing costs are a key driver of poverty in London. Half of Londoners are renters, with just over half of those in the social rented sector living in poverty and just over 3 in 10 private renters in poverty. Lower-income Londoners (in the bottom 40% of incomes) renting privately pay twice the average rent paid by low-income private renters across the UK, while low-income social renters in London pay almost a third more (32%). More than two-thirds of the private renters in poverty in London are only considered to be in poverty after housing costs.

The poverty rate for white Londoners is 19%, the same as the average rate for white people across the UK as a whole. However, the poverty rate for people of minority ethnicities is much higher than for white people in London at 35%. This is even higher for Bangladeshi (54%), Pakistani (46%) and Black people (42%) in particular. These minority ethnic households are more likely to live in rented accommodation, not be in work, have lower wages or work in lower-paid occupations if they are in work, live in single-earner households and be younger, have children and live in larger families. All of these characteristics increase the risk of poverty for these groups.

The **South West** and **East of England** have among the lowest poverty rates at 19%, followed by the **South East** and **East Midlands** at 20%, and the **North West** at 21%. The regions of England with the lowest rates of poverty typically have above average proportions of working-age adults in work, with those in work more likely to work in higher paid managerial and professional jobs. They have higher shares of people living in homes they or their family own than the country as a whole, while renters in these regions typically have lower rates of poverty than in other regions. However, within these regions renters are more likely to be in poverty only once housing costs are factored in.

We cannot break down the overall poverty statistics below the regional level, but research carried out by Loughborough University and published by EndChildPoverty.org (Stone, 2022) provides further insight into the geography of poverty by estimating the proportion of children who are in poverty after housing costs by local authority. The map below shows the average child poverty rates for 2018–21. Four local authorities in London have the highest child poverty rates: Tower Hamlets (51%), Newham (49%), Barking and Dagenham (46%) and Hackney (45%). These are followed by Luton, just north of London in the East of England, at 45%.

Child poverty rate estimates by local authority, 2020/21



Source: After housing costs child poverty rates estimates from Loughborough University, 2020/21

The map highlights the degrees of variation in poverty rates both within and across regions, with some regions having consistently high or low child poverty rates across local authorities, while others have a much wider range in poverty rates. Local authorities in the North East consistently have above average poverty rates, and all local authorities in this region, except Northumberland, have seen child poverty rates increase by at least 10 percentage points since 2012–15. Child poverty rates in Wales are also consistently above average, and clustered in the range of 27–36%. Wales has also seen substantial increases in child poverty rates over the last six years, with poverty rates increasing by between 3 to 6 percentage points.

Local authorities in the East Midlands, South West, South East, Scotland and Northern Ireland have child poverty rates clustered towards the lower end of the range, although there are exceptions within these areas with some local authorities like Glasgow City (29%), Leicester (35%), Slough (35%) and Bristol (33%) having above average poverty rates. Three quarters of the local authorities in these regions have seen falls in child poverty rates over the last six years.

There is a much wider range of poverty rates across local authorities within London, Yorkshire and The Humber, the North West and the West Midlands. The local authorities with both the highest and lowest poverty rates are in London, with Tower Hamlets at 51% and City of London at 10%. In Yorkshire and The Humber, Bradford has the highest child poverty rate at 40% while Harrogate has the lowest at 17%. In the West Midlands, Birmingham has the highest poverty rate at 42% while Warwick has a 19% poverty rate.

How have poverty rates by region changed over time?

Across all nations and regions, except for the South East, poverty rates were lower in 2018–21 than they had been in 1998–2001. Scotland saw the largest fall of 6 percentage points, followed by the North West and South West with 5 and 4 percentage point decreases. Across all regions, falls in the overall rate of poverty have been predominantly driven by falling levels of pensioner poverty (although the poverty rate has been increasing over recent years for this group), alongside the increasing proportions of working-age adults who are in work (although the rate of in-work poverty itself has increased).

Impacts of Covid-19 on the latest data aside, over the last decade the progress in reducing child poverty rates has been unravelling. In the last six years, rates of child poverty have been increasing in the North East (up 12 percentage points), Yorkshire and The Humber (up 6 percentage points), Wales (up 5 percentage points) and the West Midlands (up 3 percentage points) in particular, while remaining stubbornly high in London. These areas have some of the lowest rates of employment for working-age adults, while those in work in these regions not only face some of the lowest average wages across the UK's nations and regions, but Yorkshire and The Humber, the North East and the North West have seen some of the lowest growth in earnings over the last six years. The regions with the highest poverty rates also have the highest rates of receipt of Universal Credit or equivalent benefits, with the erosion in the adequacy of these benefits reducing their incomes and increasing the depth of poverty they are experiencing, as described above in the depth of poverty section.

What are the future prospects?

As the cost of living crisis escalates, families right across the country are struggling and facing extreme hardships, although our analysis from the cost of living tracker finds that those living in cities, particularly renters, are disproportionately experiencing the worst impacts of the crisis (Elliott, 2022). Those in London, the North of England, Scotland and Northern Ireland were disproportionately likely to cite experiencing hardships such as going without essentials, being behind on bills and being unable to keep their home warm.

There are various trends in employment, housing and benefits that are likely to increase poverty in some areas more than in others. A continuation of trends in employment rates and a continued divergence in wage growth across regions is likely to drive increased poverty risk in the North East, Yorkshire and The Humber and the West Midlands in particular.

The most recent data on private rents shows high rental growth across all nations and regions for all existing private rental tenancies, with Northern Ireland standing out as having particularly high rental cost growth. This may point to housing being a more significant driver of increasing poverty for Northern Ireland. All parts of the UK are seeing very high private rental growth for new tenancies, with private rents increasing at their fastest in over a decade. The largest increases are in London (17%), Wales and the North West (both at 12%) and Northern Ireland (11%) (Zoopla, 2022). These substantial hikes in rents for new tenants in particular will increase the risk of poverty for those affected.

The continued inadequacy of benefits disproportionately affects those areas of the country where a larger share of households receives those benefits. Despite the increase in the benefit cap, the cap itself will continue to disproportionately affect families in the south of England in particular, where a higher proportion of those on Universal Credit are already affected by the cap. As support towards housing costs through the Local Housing Allowance for private renters remains frozen at 2019 levels, this will also affect regions with a high proportion of low-income private renters and high housing costs.

Divergence in policy across nations will probably drive greater disparity in poverty rates across the country. Scotland has taken decisive action in defining child poverty targets in legislation and enhancing the benefits system with a Scottish child payment for those receiving qualifying benefits; this was introduced in February 2021 at £10 a week per child under the age of six; the value doubled in April 2022 to £20 a child and increased again in November 2022 to £25 when it was also rolled out to all eligible children under 16. In response to both the pandemic and cost of living crisis, both Scotland and Northern Ireland haven taken steps to limit rent increases for social renters, while the Scottish Government is introducing more protections for private renters including greater rent controls and eviction bans. The political stasis in Northern Ireland, which currently lacks a functioning government or assembly, means local politicians have been unable to use the nation’s institutions to deliver further and tailored support to families through the cost of living crisis.

How does this section interact with other sections?

This report on geography and poverty focuses on national and regional variations. However, there are also clearly important sub-regional and local variances in rates of poverty (as highlighted in the child poverty figures for local authorities) as well as on the experiences of being in poverty. Local economies, including jobs and housing markets, interact to influence employment rates and rates of pay, as well as the availability and affordability of housing.

Work and poverty

Why is this important?

The data used in this report covers the period in which the UK was gripped by the Covid-19 pandemic. Its impact on the workforce was immense. Around 11.7 million jobs were furloughed, many on reduced pay. At the height of the pandemic there were 929,000 fewer payrolled employees than before lockdown began. With work being one of the main ways of protecting against poverty, what happened to people in the workforce during the Covid-19 pandemic plays an important role in understanding the state of poverty in the UK.

What's the headline story in the latest data?

In 2020/21, 61% of working-age adults in poverty lived in a household where at least one adult was in work. At an individual level, 11% of all workers lived in a household in poverty. While poverty status is based on the income of the whole household and on all income sources not just earnings from work, poverty rates do vary by whether someone is working full- or part-time and whether they are an employee or self-employed. The poverty rate for part-time workers was double that for full-time workers (18% compared with 9%) and self-employed workers were twice as likely to be in poverty than employees (21% compared with 10%).

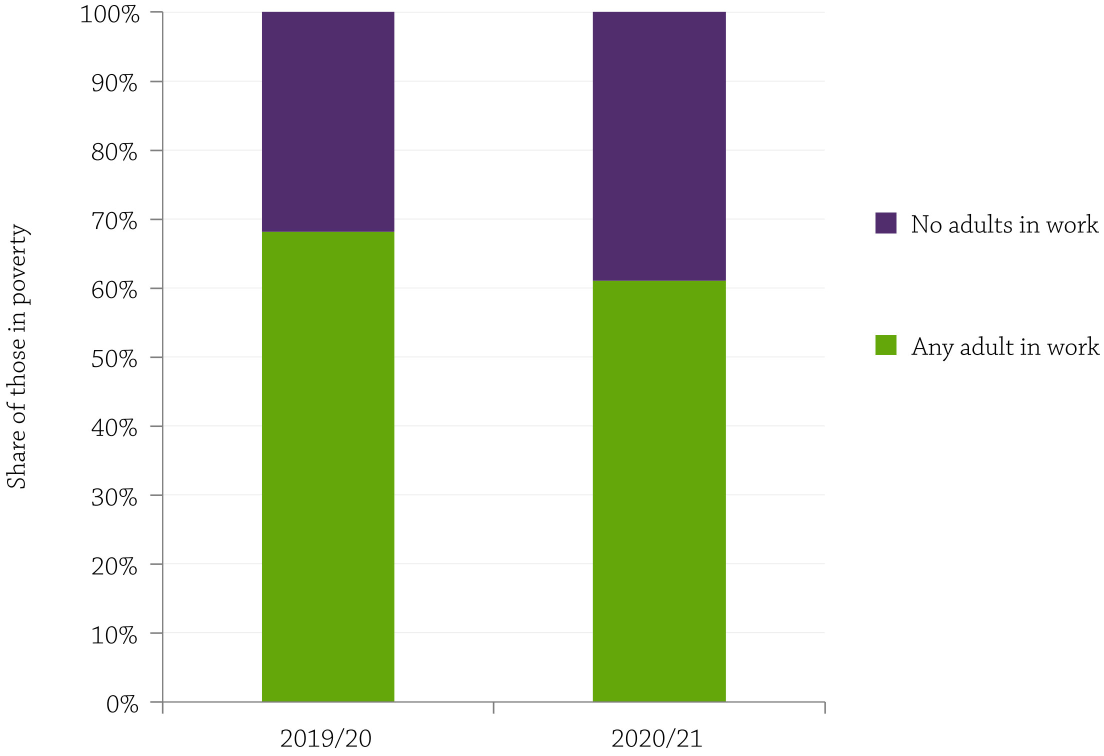
At a more granular level of the workforce, there were differences in poverty rates by sector. Workers in the wholesale and retail trade/repair of motor vehicles and motorcycles had the highest poverty rates at 18%. Accommodation and food services (16%), and administration and support activities (15%) followed closely behind. This is probably linked to low pay as the median pay in all three sectors is lower than the median pay across all sectors in the UK (ONS and HMRC 2022).

The poverty rate for working-age adults living in a working household differs between the regions and nations of the UK. In 2020/21, Northern Ireland had the lowest poverty rate at 1 in 9. This was much lower than the rates in Yorkshire and the Humber, the West Midlands, London, and Wales (all with a rate of 1 in 6) and the worst hit, the North-East (1 in 5).

How has this changed over time?

The proportion of working-age adults in poverty who were living in working households fell by 7 percentage points between 2019/20 and 2020/21. It fell from a record high of 68% before the pandemic to 61% in the latest data. Even after this drop, which is in part due to a reduction in employment during the pandemic, it is still much higher than the proportion of working-age adults in poverty living in working households (50%) seen in 1996/97.

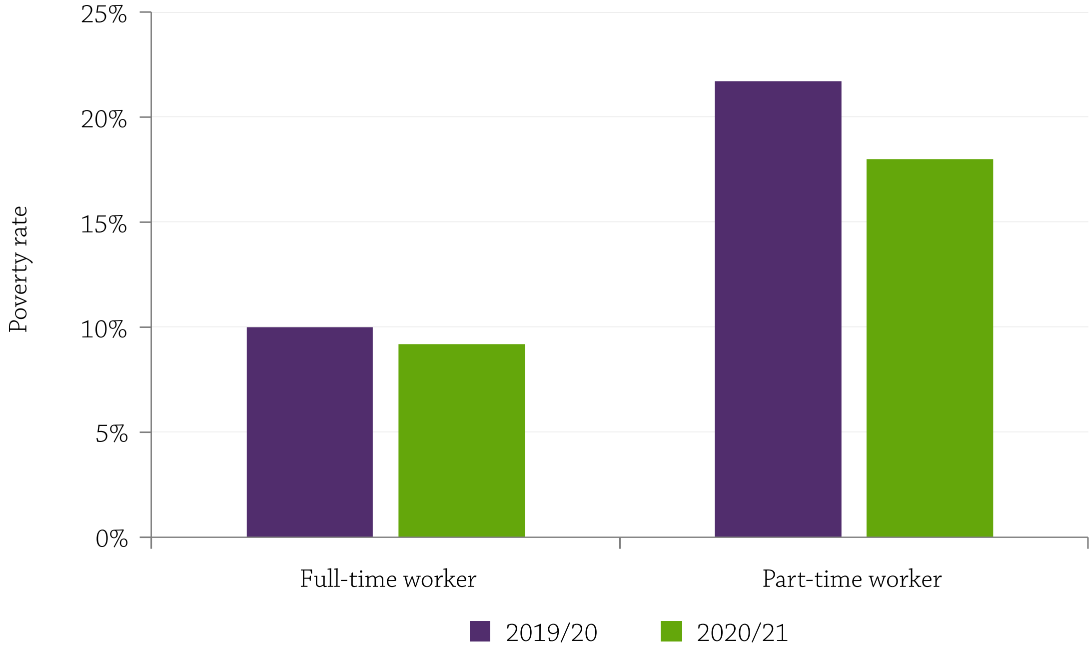
The proportion of working-age adults in poverty in working households decreased from its previous high before the pandemic



Source: Households Below Average Income, 2020/21, DWP

The overall rate of workers in poverty has also decreased in the latest data. In 2020/21, 11% of all workers were in poverty compared with 13% in 2019/20 (compared with 29% and 31% of non-workers in these years). The last time that the rate of workers in poverty was as low was in 2006/07. Between 2019/20 and 2020/21, poverty among part-time workers also fell to 18% from 22%. This remained broadly unchanged for full-time workers (9% and 10%). We will need to look at future data to see how the after-effects of the pandemic as well as the ongoing recession will affect these statistics.

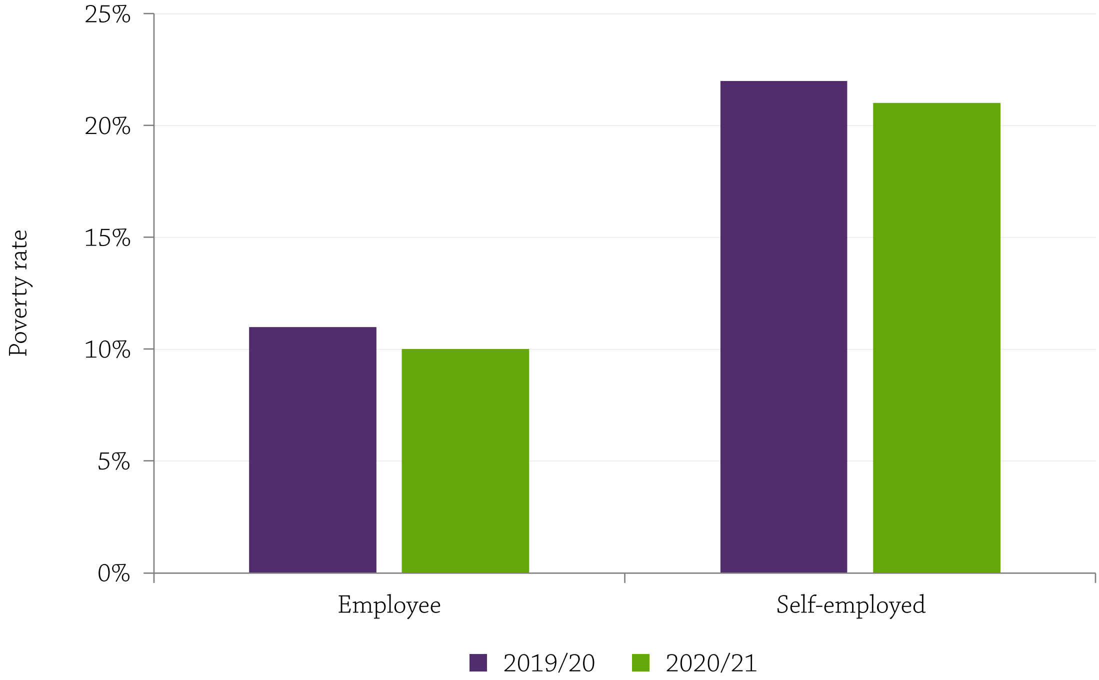
The poverty rate for part-time workers fell between 2019/20 and 2020/21 but it has remained more stable for full-time workers



Source: Households Below Average Income, 2020/21, DWP

The poverty rate for self-employed workers was largely stable (22% in 2019/20 and 21% in 2020/21). This continues the long-term trend of self-employed workers having a poverty rate between 20% and 25%. For employees, the drop in the latest data has taken their poverty rate down to its lowest level since 2007/08 (10%).

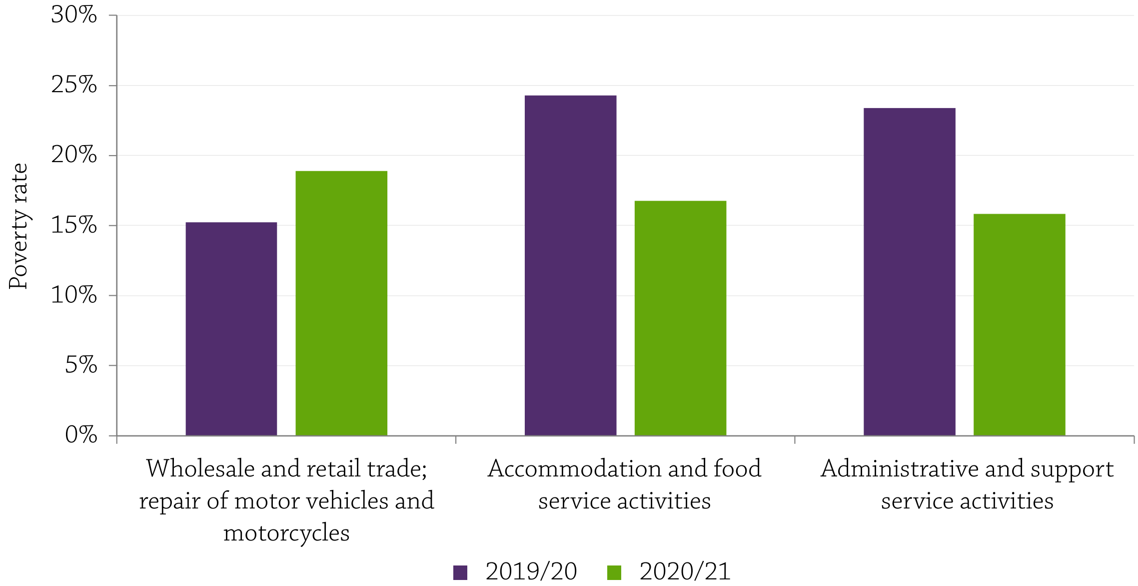
The poverty rate for employees has dropped to its lowest level in over a decade and the equivalent rate for self-employed workers remains much higher



Source: Households Below Average Income, 2020/21, DWP

In 2020/21, the wholesale and retail trade became the sector with the highest rate of poverty, overtaking accommodation and food service activities, and administrative and support service activities. This came as much of the retail industry was shut down by lockdown restrictions and wholesale and retail reached its joint highest ever poverty rate. At the same time, the poverty rate among administrative and support service activities was at its lowest level since 2009/10 and accommodation and food services has dropped to its lowest level on record. Some of this might reflect changes in the composition of the groups working in these sectors during the pandemic rather than a sustained improvement in poverty rates.

The greatest risk of poverty has shifted to wholesale and retail in the latest data



Source: Households Below Average Income, 2020/21, DWP

After a 2 percentage point increase in the poverty rate for workers in the North East, and a 2 percentage point decrease in the poverty rate for workers in London, the North East is now the area in the UK with the highest rate of poverty among working-age adults living in households where someone works. The latest increase is its sixth in eight years, and the overall poverty rate among workers in the North East is now 5.5 percentage points higher than it was in 2012/13.

The North-East now has the highest rate of poverty for workers across all UK regions and nations

Source: Households Below Average Income, 2020/21, DWP

What are the future prospects?

In-work poverty will be shaped by a labour market recovering from the coronavirus pandemic, as well as by the cost of living crisis and the effect of the ongoing recession.

The employment rate is increasing, although it is still below pre-Covid levels and the effect of the recession is forecast by the OBR to reduce the employment rate. There are historically high rates of vacancies, increasing the likelihood of workers being able to move to higher-paid work, or seek higher wages in their current roles.

Growth in nominal regular pay has reached rates as high as 6.1%, but this is still below the current rate of inflation (ONS, 2022f). Average actual weekly hours have increased to a level similar to that of pre-coronavirus lockdown. Indeed, for part-time workers average hours actually increased to a record high at the start of 2022 (ONS, 2022e). The number of part-time workers has also decreased, after a general increase from the beginning of 2021. With their higher risk of poverty, this decrease could have some downward impact on in-work poverty rates.

Beyond this, there are areas for concern within the labour market. While we are seeing high rates of vacancies, the question remains whether the roles can be considered 'good' work. Do they provide enough hours, a sufficiently high hourly rate of pay, and good enough conditions to make them viable options of employment?

The ongoing cost of living crisis, with inflation outstripping earnings growth, brings with it a risk of increased in-work poverty. Real terms total pay is falling at its fastest rate since 2001, when comparable records began. This will affect the value of workers' incomes through their earnings and increase their risk of poverty. On top of that, many will also potentially see their housing costs increase through higher rents and, for homeowner/buyers, through mortgage interest payments and service charges should they increase at a rate greater than earnings.

How does this section interact with other sections?

Work is one of the three major issues that drive poverty in the UK, alongside housing costs and the performance of the social security system. An increasing minimum wage, increasing wages and workers working more hours can only protect people against poverty so far if housing costs are too high and the UK's social security system fails to be the lifeline that it should be. The negative effects on poverty from the UK's social security system and housing costs could moderate any positive impacts from work, if, for example, pay and hours are increasing.

There can also be barriers to access to work because of the cost and availability of childcare, and the need to provide care for any disabled adults or children. Working patterns are particularly important to disabled people and carers who may need flexible or part-time work. This includes families with children, especially lone parents who live with no other earner in their household, and disproportionately affects women who take on the majority of caring responsibilities for both children and adults. There are also regional inequalities in the availability of work and the transport networks that affect getting to and from work in a timely or affordable way.

Benefit receipt and poverty

Why is this important?

A poverty-fighting social security system is a necessary part of any solution to poverty and destitution. It can replace or supplement the incomes of people who cannot earn enough money through work to meet their core living costs due to unemployment, underemployment, low pay or low-quality work. It can also offer support when people experience shocks to their income or unexpected costs (for example, job loss or sudden illness) as well as supporting people who are unable to work full-time (for example, because of disability or caring responsibilities).

It also supports people who have higher core living costs than others. For example, living with a disability often adds to the cost of living as your energy costs may be higher. Similarly, having children is more expensive than not having children because there are extra people in the household who need supporting who do not contribute to the household's income.

What's the headline story in the latest data?

Around half of all families in the United Kingdom received some form of state support in 2020/21. However, some family types were much more likely to receive benefits than others. Almost all pensioners received the state pension, while three-quarters of couples with children and 9 out of 10 lone-parent families received child benefit. Working-age families with children are much more likely to receive benefits – and particularly to receive non-income-related benefits – than families without children.

There are high rates of poverty for people in families receiving benefits. Given that many of these benefits are income-related and are therefore designed to be available only for low-income families, this is to be expected to a certain extent, particularly given the current inadequacy of the system. As shown in the table below, poverty rates are higher in families that receive benefits than those who do not.

Benefit	Poverty rate in families in receipt of benefit (%)
Universal Credit or equivalents[1]	46
Disability benefits[2]	17
Carer's Allowance[3]	34
Pension Credit	27
None of the above	14

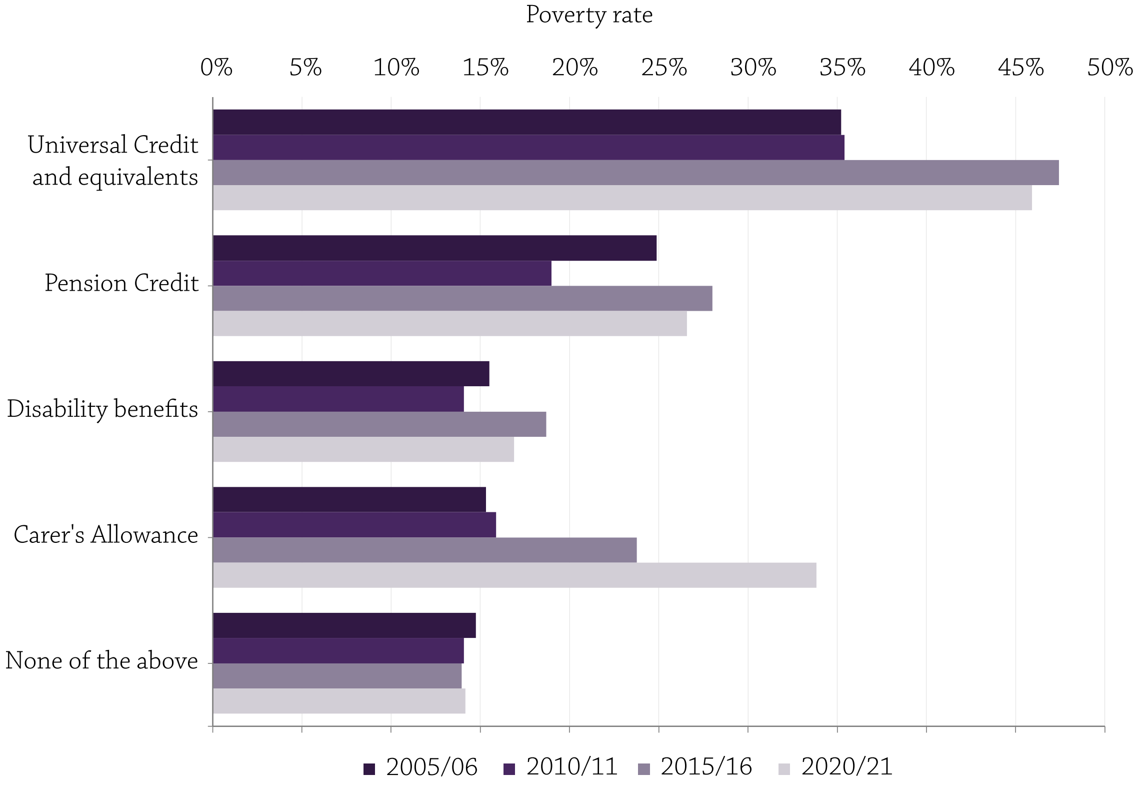
1. Universal Credit or equivalent covers families receiving Universal Credit (UC) or any of the legacy benefits it is replacing, that is, working-age Jobseeker's Allowance (income-related), Employment and Support Allowance (income-related), Income Support, Child Tax Credit, Working Tax Credit and Housing Benefit.
2. Disability benefits include any form of Disability Living Allowance, War Disablement Pension/Armed Forces Compensation Scheme, Attendance Allowance, Industrial Injuries Disablement Benefit and any form of Personal Independence Payments. The income from these benefits has been included as income, but these are actually paying for the extra costs associated with being disabled, rather than increasing living standards. If these benefits are not included as income the poverty rate for this group rises to 39%.
3. Carer's Allowance recipients are more likely to live with someone receiving disability benefits. If disability benefits are not included as income the poverty rate for this group rises to 61%.

There has been a positive move in Scotland via the benefits system with a Scottish child payment being made to those receiving qualifying benefits; the value doubled in April 2022 to £20 a child and increased again in November 2022 to £25 when it was also rolled out to all eligible children under 16. This is likely to have reduced the risk of poverty among families in Scotland receiving these payments.

How has this changed over time?

Poverty rates among families receiving these benefits were largely stable between 2005/06 and 2010/11, though families receiving pension credit were less likely to be in poverty in 2010/11 than they had been five years earlier. However, since then, poverty rates among people in households receiving most benefits have increased while poverty rates for people receiving none of the listed benefits remained stable at 14%–15% throughout this period. Although the latest data suggests that poverty rates among people receiving Universal Credit or equivalent benefits and Pension Credit had fallen since the previous year, these were still substantially higher than they had been 10 years earlier.

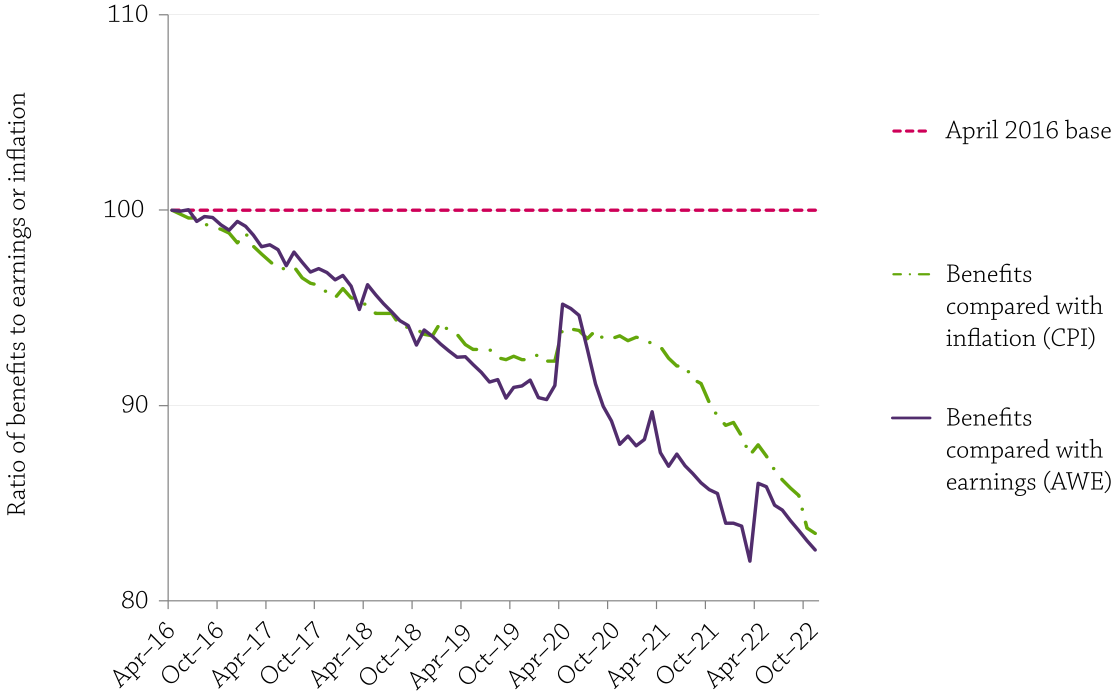
The biggest increases in poverty since 2005/06 were among families receiving Universal Credit or equivalent benefits or Carer's Allowance



Source: Households Below Average Income, 2020/21, DWP

Some of the long-term increases in these poverty rates may be due to changes to the benefits system that mean it is now more targeted at families with the very lowest incomes. However, these increases have also coincided with more than a decade of cuts to welfare spending.[3] The lower poverty rates for people in households receiving Universal Credit or equivalent benefits in the latest data came at a time when the £20 uplift to Universal Credit and Working Tax Credits was in place. However, outside this uplift, the real term value of the basic rate of benefits continued to fall and is now below the pre-pandemic level.

Between April 2016, when benefits levels were frozen, and the start of the Covid-19 pandemic, the value of benefits declined. Although it increased when inflation and earnings fell at the start of the pandemic, it is now below pre-pandemic levels



Source: DWP abstract of statistics and ONS inflation and wage data

In April 2022, benefits were uprated using the inflation rate measured in September 2021. However, by April 2022 inflation was considerably higher than it had been the previous year. Therefore, 2022 saw the greatest fall in the value of the basic rate of unemployment benefits since 1972, when annual uprating began. As the cost of essentials has continued to rise throughout 2022, the real term purchasing power of households receiving these benefits has fallen.

What are the future prospects?

In April 2023, benefits will be increased in line with inflation (as measured in September 2022). The benefit cap will also rise by inflation for the first time since it was introduced in 2013, and after being cut in 2016. This will help the value of benefits to recover slightly as inflation in April 2023 is expected to be lower than inflation in September 2022. However, benefit rates are currently at a historic low and families receiving benefits will continue to struggle to meet essential costs. Furthermore, the Local Housing Allowance remains frozen while rental prices have continued to rise, meaning that housing continues to become less affordable for families receiving benefits.

The government's autumn financial statement also included new payments for households on means-tested benefits who will receive an additional £900 cost of living payment in 2023/24. Pensioner households will receive an additional £300 cost of living payment, and individuals on disability benefits will receive an additional £150 disability cost of living payment in 2023/24. These payments will help alleviate some of the financial pressures facing low-income families, but they do not take into account the higher costs faced by different households (for example families with children) or offer tapered support to households who fall just above the qualifying threshold. As the energy price guarantee is set to rise to £3,000 in April 2023, the amount of income that will be required for households to afford the essentials may cause more households to fall into hardship.

How does this section interact with other sections?

Benefit levels are one of the key drivers of poverty rates, in combination with levels of work and earnings. A well-designed benefit system can help protect people from falling into poverty or falling into deeper poverty and to lift them out of poverty. It should enable people to afford the essentials, including healthy and nutritious food for their family, even as the cost of living rises. A benefits system that does not offer such support can cause anxiety as well as financial hardship among those who struggle to access help.

Housing and poverty

Why is this important?

Housing provides the base from which people live their lives, connecting them to work, education, services and their communities. The affordability of housing, alongside the stability, quality and size of homes, is crucial in itself, but also, if unaffordable, can drag occupants into poverty.

The experience of being in poverty also influences the type, quality and size of homes that households are able to access, can result in instability if families are unable to keep up with payments, and can be a driver of overcrowding and concealed households, for example if adult children live with their parents as they are unable to afford a home of their own, or find a home of the right size. At worst, households facing unaffordable housing costs can experience destitution, homelessness or rough sleeping.

What's the headline story in the latest data?

Housing costs are a major factor in determining whether people are pulled into poverty, with the cost of housing a key driver of poverty for renters in particular. A third of private renters (32% or 3.9 million people) are in poverty, driven by a combination of high housing costs and low incomes; over half of private renters in poverty (51%, 2 million people) are pulled into poverty by their housing costs, compared with just under four in ten (38%, 1.7 million people) social renters pulled into poverty by housing costs.

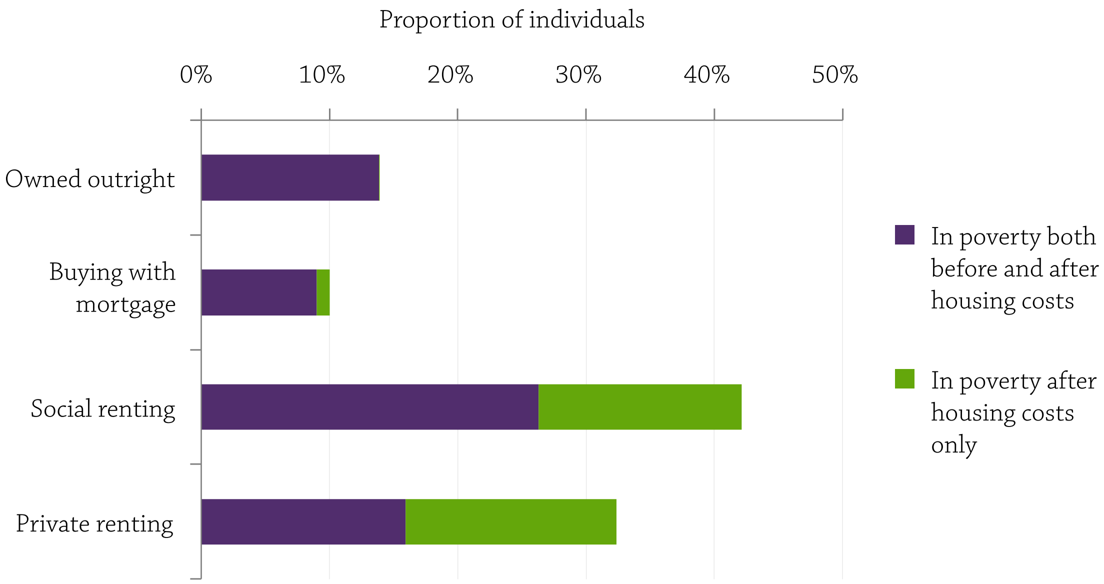
The rate of poverty was highest among social renters at 42% (4.4 million people). This reflects the comparatively lower incomes of many people in social renting households (70% are in the bottom 40% of incomes) and the higher costs of paying rent compared with the housing costs for owner occupiers while interest rates were low. The higher rate of poverty in the social rented sector reflects the role of this tenure in housing those in greatest need.

Average number of people in poverty and poverty rates by tenure, 2020/21

Tenure	Number in poverty	Poverty rate (%)
Owned outright	2,900,000	14
Buying with mortgage	2,300,000	10
Social renting	4,400,000	42
Private renting	3,900,000	32

Poverty rates are lowest for those who own outright (14%) and are buying with a mortgage (10%). The vast majority of these households in poverty are in poverty before housing costs, rather than being pulled into poverty by their housing costs.

The poverty rate is highest for social and private renters, many of whom are in poverty only after housing costs



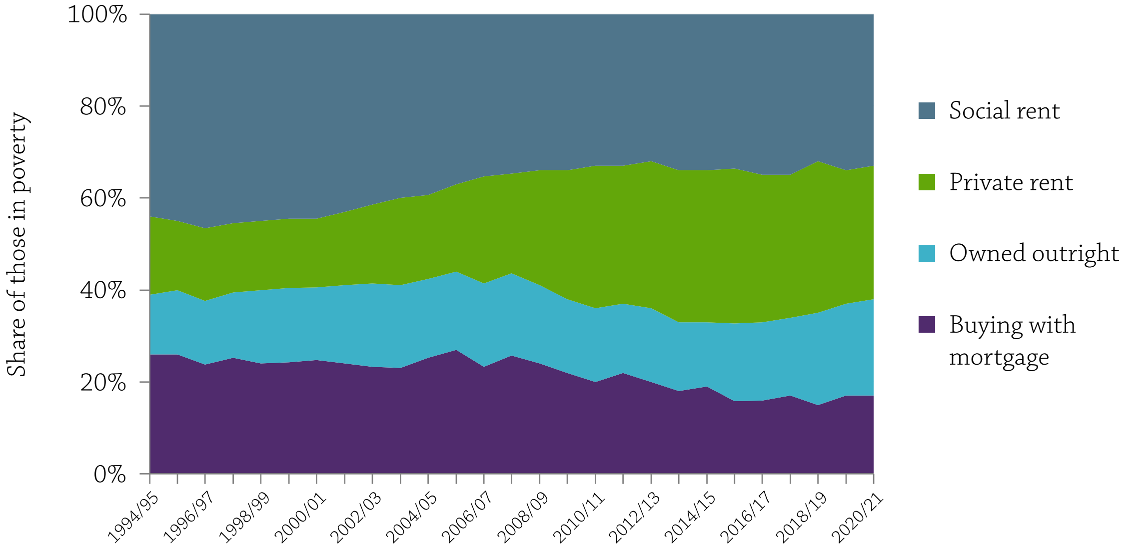
Source: Households Below Average Income, 2020/21, DWP

How has this changed over time?

Across all tenures the poverty rate in 2020/21 was lower than 25 years ago, reflecting the overall reduction in poverty rates over the period. Although 29% of those in poverty now live in the private rented sector, up from 17% in 1994/95, and a third (33%) live in the social rented sector, down from 44% in 1994/95, this largely reflects changes in trends in tenure across the whole population during this period, described further below.

In recent years housing costs have not typically been a driver of poverty for those who own their home outright, for whom housing costs are negligible, or for those buying with a mortgage. These two groups make up the majority of the population (66%) but, due to their substantially lower poverty rates, they only make up 38%, or just under four in ten, of people in poverty.

The proportion of those living in poverty in the private rented sector is much higher than it was 25 years ago



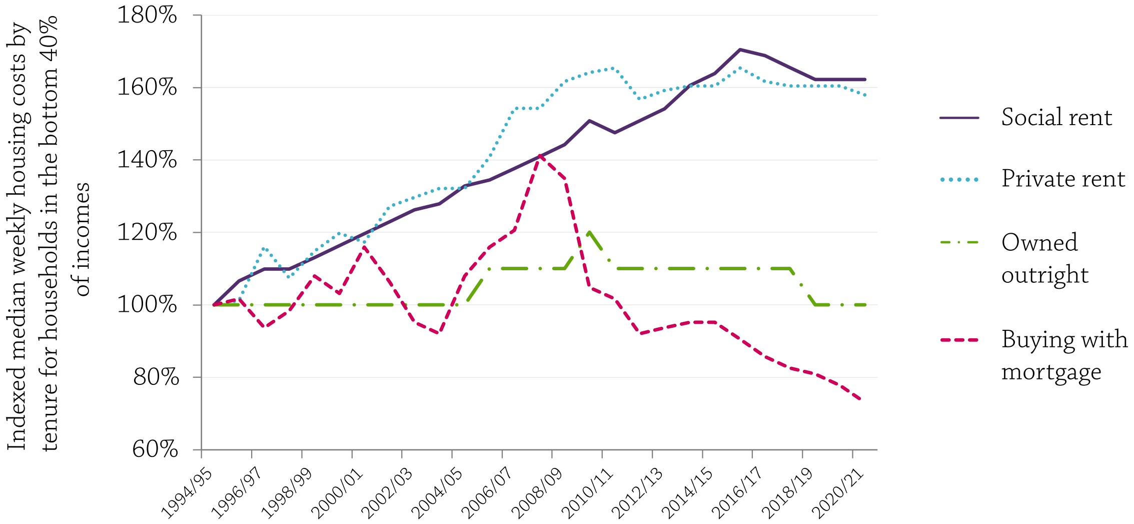
Source: Households Below Average Income, 2020/21, DWP

In real terms, housing costs (made up of rent without taking into account housing benefit, water rates, community water charges and council water charges, mortgage interest payments net of tax relief, structural insurance premiums for owner occupiers, and ground rent and service charges) have risen significantly for low-income social and private renters since 1994/95. They have remained at similar (and low) levels for low-income households (defined here as households in the bottom 40% of before housing cost incomes) who own outright and fallen for those buying with a mortgage, as shown below. Across the UK, rent setting policies in the social rented sector have seen long-term above-inflation increases in rents, although the 1% a year rent reduction for four years from 2016/17 for social rented homes in England curbed this increase.

Private rents for low-income households rose, on average, in line with, rather than above, inflation between 2008/09 and 2019/20. Nonetheless, the high cost of housing for private renters remains a key driver of the number of people in poverty as the number of households in this tenure has grown. Compared with 25 years ago, the UK's private rented sector is now home to three times as many families with children, increasing from under a tenth to just over a fifth of these families. This includes an increase from one to three million children. The increase has been most stark for the lowest income families with children, with the proportion of families in the bottom 40% of incomes living in private rented accommodation increasing from a tenth to a quarter.

Across all countries and regions of the UK, low-income private renting households paid the highest housing costs and highest proportion of income towards housing costs of all low-income households, averaging £128 a week or 38% of incomes compared with £99 a week or 31% of incomes for social renters. These rates are before housing support is considered, and this will help with the affordability of housing for those receiving support.

Housing costs are much higher in real terms for low-income social and private renters than 25 years ago



Source: Households Below Average Income, 2020/21, DWP

Note: Indexed median real weekly housing costs by tenure for households in the bottom 40% of incomes. Index: 1994/95 = 100.

The measure of housing costs indexed in the above graph excludes mortgage principal and includes rents and mortgage interest as well as other costs such as water rates and structural insurance payments. This is the measure of housing costs that is used when calculating after housing costs poverty rates because those who developed this measure did not want to include the component of mortgage repayment that pays towards the purchase of an asset, the mortgage principal, when determining whether a household is in poverty. Interest payments, the cost of borrowing paid to the lender, are included in housing costs when calculating poverty rates.

The graph above demonstrates the fall in mortgage interest rates over the last decade, which have reached record lows in recent years. This helps to explain why our analysis finds that very few households buying with a mortgage are in poverty only after housing costs. At the height of the financial crisis in 2007, 4% of households buying with their mortgage were in poverty only after housing costs when mortgage interest rates averaged around 5.8%. In recent years the proportion of households buying with a mortgage in after housing costs only poverty has fallen to around 1%, with mortgage interest rates averaging around 2%.

Energy efficiency

In the context of the cost of living crisis, with energy bills doubling between October 2021 and October 2022 even with the mitigations of the energy price guarantee, the energy efficiency of homes plays an important role in reducing consumption of, and expenditure on, energy. Households in poverty in England are slightly more likely to have homes that are more energy efficient than households not in poverty. Altogether, 38% of those in poverty live in homes with a standard assessment procedure energy efficiency rating of A–C, compared with 34% of those not in poverty. This is mainly because of the success of the social rented sector in England in delivering energy efficiency in their housing stock; 56% of all households in the social rented sector live in a home rated A–C, with only 3% rated E or below. Homes in the private rented sector and owner-occupied homes perform more poorly, with 29% and 27% rated A–C respectively, while around one in five (19% and 22% respectively) are rated E or below.

While a more energy efficient home will go some way to mitigate the impact of increasing energy bills by reducing consumption, the simple fact is that many families have insufficient incomes to meet the cost of doubling energy bills. In autumn 2022, JRF's cost of living tracker found that more than a third of low-income private renting households (35%) and more than four in ten social renting households (41%) had been unable to heat their home at some point in the last six months.

What are the future prospects?

Low-income households who rent their home or are buying with a mortgage are likely to face increasing housing costs that will risk pushing more into poverty in the coming years. Rocketing private rents, paired with frozen support towards housing costs for private renters and an inadequate supply of social rent homes, will increasingly force lower-income households to choose between paying ruinous rents or homelessness.

All nations and regions across the UK apart from London have seen their highest annual increase in the average level of private rents for existing tenancies for over a decade, at 4% in November 2022 (ONS, 2022d). This is driven predominantly by soaring rents on new lets across the country which are, on average, up 12% on last year. This is around three times the rate of the previous peak (4% year on year growth in the mid-2010s (Zoopla, 2022)). Although the Scottish Government has imposed a temporary rent freeze in the private sector until March 2023, UK Government support towards housing costs for private renters has been frozen at 2019 levels since the start of the Covid-19 pandemic, and increasing proportions of private renters are facing a shortfall between the rents they are paying and the housing support they receive. This means that more and more private renters are having to make up the difference through other income. A recent report by the All Party Parliamentary Group for Ending Homelessness (2022) concluded that the cost of living crisis, with spiralling rents and inadequate benefits, is pushing people to the brink of homelessness and destitution.

In the social rented sector, the governments in Westminster and Cardiff have agreed to a cap on rent increases of 7% in England and 6.5% in Wales, which will go some way to mitigate what otherwise could have been an increase of 11% in social rents. Two-thirds of social renters have some or all of their housing costs covered by housing benefit or its equivalent housing entitlement under Universal Credit. For most of these households, the increase in social rents will have no impact on their disposable income as their benefit entitlement will also increase to cover this. The remaining third of social tenants who do not receive support towards their housing costs will need to manage increasing rent alongside increases in their other bills. This will pile pressure onto already stretched household budgets.

Households buying their home with a mortgage are at risk from increases in mortgage interest rates which, for those on a standard variable rate and those moving onto a new fixed rate, could add £100s to the monthly mortgage repayment for the average household. This will pile further pressure on household finances at a time when they are already struggling to manage increasing energy, grocery and other bills. The most at-risk house buyers are those on lower incomes and those with low equity or high outstanding mortgage debt. This includes recent buyers who are increasingly indebted as they are likely to have borrowed larger multiples of their incomes to buy increasingly expensive homes enabled by what had been historically low interest rates. Low-income households with high outstanding mortgage debt could see monthly payments for housing costs including mortgage principal increase from around a third to almost half of their monthly income, on average.

Our analysis finds there are 100,000 households buying with a mortgage at risk of being pulled into poverty after housing costs due to increased mortgage interest rates if they remain at around 5.5% over the next few years. A substantial share of lower-income households will be unable to afford increases in monthly payments of this magnitude, which will probably result in increased mortgage arrears and, despite the greater forbearance lenders are required to practise since the 2007 crash, there could be an increase in families losing their home. Households who have bought their homes under a shared ownership scheme are also disproportionately at risk as they face inflation-linked rent increases alongside mortgage rate increases. Many social landlords have committed to voluntarily capping the increase in shared ownership rents at 7%, rather than at RPI +0.5%, which will go some way towards mitigating this impact.

JRF's cost of living tracker found that in autumn 2022 more than a quarter of private renters in the lowest income quintile were in arrears with their rent (26%), along with 23% of social renters. This is compared with 18% of mortgage holders in the lowest income quintile who were in arrears with their mortgage; 71% of private renters on the lowest incomes were in arrears with at least one household bill or lending commitment, along with 60% of social renters and 61% of mortgage holders. These figures are more than double the figure for people who own their homes outright (27%). Furthermore, 89% of private renters, 84% of social renters and 80% of mortgage holders in the lowest income quintile reported going without essentials since June 2022 or experiencing food insecurity in the 30 days before they were surveyed in October or November 2022. The proportion among those without housing costs (who own their own home outright) is much lower, at 52%.

The cumulative impact of these effects means that housing trends are likely to cause poverty levels to increase.

How does this section interact with other sections?

Geography is an important determinant of housing costs; private rents and house prices are much higher in London, the South and larger cities, while even social rents, set based on local property values and earnings, are higher than average in these areas.

As is the case for the majority of this report, this section provides UK-wide numbers, the sample for which, reflecting the population, is dominated by English figures. It is worth noting, however, that the significant differences in housing policy and outcomes in the different nations of the UK mean these figures are more pertinent to the English housing system than they are in Scotland and Northern Ireland in particular.

Ethnicity and poverty

Why is this important?

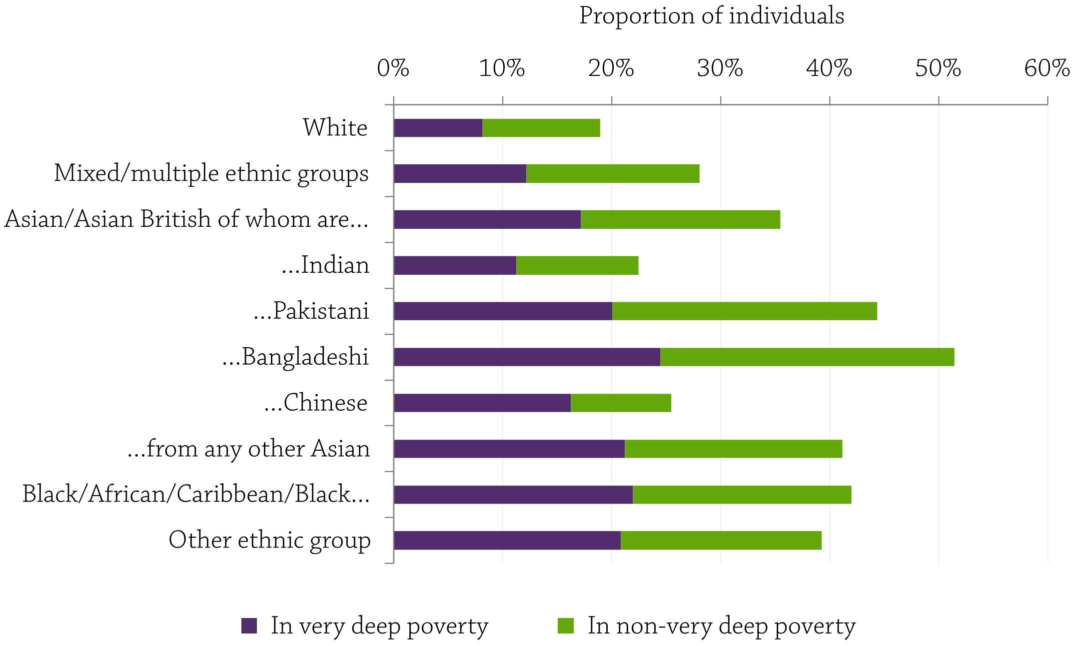
Poverty rates between ethnic groups vary significantly, with some groups at a higher risk of poverty than others. Across the UK, direct racism (through the decisions and actions of individuals and organisations) as well as social norms, policies, rules and structures lead to inequitable outcomes and poverty. Highlighting and understanding these differences is essential to solving poverty in the UK.

What's the headline story in the latest data?

Poverty rates for Bangladeshi and Pakistani ethnic groups are higher than for other ethnic groups. Between 2018/19 and 2020/21 (three-year averages are used due to the potential volatility in annual data), 51% of people from the Bangladeshi ethnic group were living in poverty while the poverty rate for the Pakistani ethnic group was 44%. More than 2 in 5 people from Black ethnic groups were also in poverty (42%). In comparison, around 1 out of 5 people from white ethnic groups were living in poverty (19%).

Four in 10 people in the Bangladeshi ethnic group (41%) also experienced deep poverty (with an equivalised household income after housing costs that is less than 50% of the UK average). This was the highest rate for any group, followed by people from Black (33%), Other Asian (33%) and Pakistani (32%) backgrounds. They are also the most likely to be experiencing very deep poverty (with an income less than 40% of the UK average); almost a quarter of people from a Bangladeshi background (24%) and at least a fifth from Pakistani (20%) and Black (22%) backgrounds experience very deep poverty. These rates are more than twice as high as for white ethnic groups (8%). Therefore, while poverty rates and deep poverty rates are highest for people from the Bangladeshi ethnic group, with elevated levels also seen among people from Pakistani, Black and any Other Asian backgrounds, very deep poverty rates vary less between different minority ethnic groups.

People in the Bangladeshi ethnic group have the highest overall poverty rate, followed by Pakistani and other Asian and Black ethnic groups, but very deep poverty rates vary less between different ethnic groups



Source: Households Below Average Income, 2020/21, DWP

Before the Covid-19 pandemic, almost a quarter of people from Asian (23%) and Black (24%) ethnic groups were living in households experiencing persistent poverty between 2016 and 2020 (DWP, 2022e). This is more than twice as high as the proportion among people from white ethnic groups (11%). However, people from Other ethnic groups (which includes individuals who identified as Arab or 'none of the specified ethnic groups' in the survey) had the highest persistent poverty rates over this period (31%).

Ethnic minorities have higher in-work poverty and higher child poverty rates. The in-work poverty rate is probably because many ethnic minority groups, particularly Pakistani and Bangladeshi workers, are more likely to have the types of jobs and working patterns that are associated with in-work poverty.

Ethnic minority groups are more likely to work in low-paid jobs (DWP, 2022e). A third of workers from Pakistani and Bangladeshi ethnic groups (34%) are working in jobs in the three lowest socio-economic classes (elementary jobs, jobs in sales and consumer services or process and plants and machine operative jobs). This is compared with only 22% of white workers. Only one in five workers (21.9%) from Pakistani and Bangladeshi ethnic groups are in jobs classified as 'professional' by the standard occupational classification (compared with 25% of white workers). This is the lowest proportion across all ethnic groups.

People from ethnic minority groups are more likely to work part-time, be self-employed or be in insecure work (DWP, 2022e). Workers from Pakistani, Bangladeshi and Black ethnic groups are more likely to be on zero-hours contracts than white workers; 2.8% of white workers are on zero-hours contracts compared with 7.9% of Black workers and 7.2% of Pakistani and Bangladeshi workers combined. These differences are even starker when looking at women in the workforce: 9.9% of Pakistani and Bangladeshi women in the workforce and 10.5% of Black women in the workforce are on zero-hours contracts, compared with only 3.4% of white women workers.[4]

There are clear, and persistent, differences in the hourly pay for employees in different ethnic groups. Since 2013, employees from Pakistani and Bangladeshi ethnic groups have had the lowest average hourly pay. In 2021, this was £12.03 an hour compared with £13.51 for white workers. As highlighted in last year's UK Poverty report (JRF, 2022) the pay gaps between women and men are not consistent across all ethnic groups. On average, men earned a higher hourly median wage than women in all but three ethnic groups in 2019. Bangladeshi women earned a similar amount to Bangladeshi men in the workforce, but this was substantially lower than the average hourly pay of most other groups.

Additionally, ethnic minority families are more likely than white families to spend more than a third of their income on housing. While 14% of white families spend more than 30% of their income on housing costs, this is more than twice as high for Black families (34%). Pakistani and Bangladeshi families are also more likely than white families to spend more than a third of their income on housing (25%).

In autumn 2022, JRF's cost of living tracker highlighted the higher likelihood of households in the bottom fifth of incomes across the UK who were from Asian, Black and Mixed ethnic groups of being in arrears and going without essentials. Among these low-income households, eight in ten (80%) working-age households from the Black ethnic group, 77% from mixed ethnic groups, and 67% of Bangladeshi or Pakistani households were in arrears, compared with just under six in ten (57%) of white households. Even more were already going without essentials; more than five out of six low-income working-age households from the Bangladeshi or Pakistani ethnic groups (85%), Mixed ethnic groups (88%) and Black ethnic groups (91%) reported having gone without essentials by October/November 2022, compared with 80% of white households.

The Opinions and Lifestyle Survey also found that people from minority ethnic groups were struggling to meet their energy and housing costs between June and September 2022 (ONS, 2022c). One in five adults from Black ethnic groups (21%) and 1 in 10 from Asian ethnic groups (10%) reported being behind on their energy bills during this period, compared with only 4% of white adults. People from minority ethnic groups were also more likely to be behind on their housing payments; 9% of people from Black ethnic groups and 8% from Asian ethnic groups were behind on their rent or mortgage payments, compared with only 2% from white ethnic groups.

How has this changed over time?

Poverty rates for ethnic minority groups have been consistently higher than for white ethnic groups over the past 25 years. Although there has been a large fall in poverty rates for both the Bangladeshi and Pakistani ethnic groups over this period, they remain the most likely to be in poverty. Since 2000/2001, poverty rates among the Black ethnic group have been relatively stable, at around 40%. This is twice as high as the poverty rate for the white ethnic group, which has been around 20% since 2003/04.

Poverty rates for Bangladeshi and Pakistani ethic groups have declined over the last 25 years, but remain much higher than the poverty rate for the white ethnic group

Source: Households Below Average Income, 2020/21, DWP

Note: In 2001/02, the ethnicity categories in the FRS were changed in line with the Government Statistical Service's harmonisation standard. Before then, information on mixed or multiple ethnic groups was not available in the data. Three-year averages for this group are therefore only available from 2001/02–2003/04 onwards.

What are the future prospects?

The cost of living crisis is having a larger impact on households from Black, Asian and other ethnic minority groups. In 2022/23, according to analysis from the New Economics Foundation, white households are expected to experience an increase in their cost of living that is equivalent to 5% of their income. For households from Black, Asian and minority ethnic groups, this is estimated to be 8% of their income (Tims and Caddick, 2022). As highlighted above, levels of poverty are already higher among these households and, without additional support, the ongoing cost of living crisis is likely to push more people from minority ethnic groups into poverty, and many into deeper poverty than they have already been experiencing.

The Opinions and Lifestyle Survey from June to September 2022 (ONS, 2022c) found that adults from Black, Asian and other ethnic minority groups were more likely to use more credit than usual to cover their increased costs of living than white adults; in particular, a quarter of adults from Black ethnic groups (26%) said that there were using credit more than usual, compared with only 14% of white adults. This additional borrowing, and future repayments of this, risks compounding future financial pressures among this group. People from Pakistani, Indian, Black, Bangladeshi and other Asian ethnic groups are also more likely to have reduced their pension contributions due to the increased cost of living, further increasing their risk of experiencing poverty later in life (Scottish Widows, 2022).

As one in four families (25%) from Bangladeshi and Black ethnic groups receive income-related state support (compared with 15% of white families) and families from the Bangladeshi and Pakistani ethnic groups are the most likely to receive Child Tax Credits (1 in 6) and Working Tax Credits (1 in 10), the value of benefits is particularly important for these groups. Therefore, the increase in benefits and the benefits cap in line with inflation in April 2023 and the additional cost of living payments for households on means-tested benefits will help alleviate some of the financial pressure faced by these families. However, as benefit rates are currently at a historic low, many of them will continue to struggle to meet essential costs.

How does this interact with other areas?

Ethnic minority families are disproportionately affected by changes to the benefit systems. They are also more likely to be working in low-paying insecure work, so labour market trends are also critical. There are also differences in the typical family types for different ethnic groups, with the average family size for some ethnic minorities being higher than average. They will also have higher household costs because they are more likely to have children in their household.

Disability, carers and poverty

Why is this important?

Disabled people face a higher risk of poverty and have done so for at least the last 20 years. This is driven partly by the additional costs associated with disability and ill-health, and partly by the barriers to work disabled people face. As a result, disabled people and/or families where someone is disabled frequently rely on benefit payments as a source of income, which at current rates will almost inevitably lead to higher poverty rates.

Across the UK, millions of people provide unpaid care for an ill, older or disabled family member or friend. The number of unpaid carers has been increasing as the population ages. Many carers find that they really struggle to balance work and care, and that they are facing their own health problems as a result of their caring role. There are also significant financial costs associated with caring, with carers often using their income or savings to pay for support services and care equipment. Carers also face poorer health outcomes, with a high proportion of carers struggling with mental and physical health problems. All of these factors mean that carers are much more likely than those who aren't carers, to be living in poverty.

What's the headline story in the latest data?

Disability

This section sets out poverty rates for disabled people and for individuals within families where someone is disabled.

There are 14.6 million disabled people in the UK – that is around 1 in 5 people. Looking at this by age, 9% of children, 21% of working-age adults and 42% of pensioners self-report being disabled. Just over one-third of all families contain at least one person who is disabled.

The poverty measure that has been used in this section measures income after housing costs, excluding disability benefits from household income. These disability benefits are designed to cover the costs associated with being disabled and including these as income can give a misleadingly low assessment of the poverty risk. Many disabled people need to buy specialist equipment to live independently, including things like powered wheelchairs, adapted cutlery or screen readers. They may need to adapt their homes to carry out everyday activities. Disabled children may need therapies such as physiotherapy, hydrotherapy, and speech and language therapy. Parents and family members might also need therapies and support services such as counselling to help them through their child's diagnosis journey. Disabled children often require specialist toys and play equipment. Some impairments or conditions have a significant impact on energy costs and for some public transport is inaccessible meaning that some disabled people have no choice but to use taxis and private hire vehicles to get around (John et al, 2019).

The poverty rate for disabled people is 29%, some 9 percentage points above those who are not disabled. The difference is particularly stark for working-age adults: disabled working-age adults are almost twice as likely to live in poverty compared with those who are not (35% and 18% respectively).

Poverty rates are higher for disabled people

Disabled/not disabled	Age group	Poverty rate (%)
Disabled	Child	32
	Working-age adult	35
	Pensioner	19
Not disabled	Child	27
	Working-age adult	18
	Pensioner	14

The poverty rate among working-age disabled men is 36%, 18 percentage points higher (or double the rate) for those who are not disabled. For working-age disabled women, the poverty rate is lower at 33%, though still 15 percentage points higher than for women who are not disabled. The lower poverty rate among disabled women compared with disabled men can be explained in part by different family structures. Among working-age adults, 48% of disabled men are single without children, 16 percentage points higher than for disabled women. As single working-age adults have higher poverty rates than those in couples, the higher proportion of single men within this group will be driving the higher poverty rate for disabled working-age men compared with disabled working-age women.

The poverty rate for individuals who live in families where someone is disabled is 28%, 9 percentage points higher than those who live in families where no one is disabled. Of all families in poverty, just under half contain someone who is disabled, compared with 3 in 10 families not in poverty.

Poverty rates vary by who is disabled within the family and is especially high where there are both disabled adults and children (32%).

Poverty rates are much higher for families containing a disabled adult

Disability mix within the family	Poverty rate (%)
No one disabled	19
Disabled adults only	27
Disabled children only	30
Disabled adults and children	32

People living in a family with a disabled person are also more likely to be in very deep poverty. Between 2002/03 and 2019/20 the risk of living in very deep poverty increased by a third for people in families with a disabled person, to reach 15% or 2.3 million people. Although this fell to 10% in the most recent data, this still means that 1.7 million people living in a family with a disabled person were living in very deep poverty in 2010/21.

Even before the pandemic, people in single adult families with a disabled family member were four times more likely to be behind on bills, six times more likely to be living in a cold home and nine times more likely to be unable to afford to eat properly, compared with those in families where no one is disabled (Schmuecker et al, 2022).

A key driver of the higher poverty rate is the lower employment rate for disabled people and in families where someone is disabled. In 2020/21 around half of disabled people aged 16 to 64 (48%) in the UK were in employment compared with 8 in 10 (80%) for non-disabled people. This disability employment gap was even larger in Scotland, Wales and in the North West and the North East of England (DWP, 2022d). Disabled people with severe or specific learning difficulties, autism and mental illness have the lowest employment rates (ONS, 2022g).

Among families where someone is disabled, the workless rate (the percentage of working-age adults living in families where no one is in work) was 32%, compared with 14% in families where no one is disabled. Among those families who are working, 15% of those where someone is disabled only work part-time, compared with 11% where no one is disabled.

Different employment rates also change the income profile for families where someone is disabled. Among families where someone is disabled, the median equivalised family income after housing costs is just 82% of the median income for families where no one is disabled. When disability and carer benefits are excluded from this, this falls to only 73%.

Carers

Around 1 in 16 adults (4.1 million) are informal carers, with nearly six in ten living in families where someone is disabled. Six in ten are women, and just over three-quarters are of working age. Around two-thirds care, on average, for fewer than 35 hours a week, with around one-third spending more than 35 hours a week providing informal care.

Informal carers are more likely to live in poverty than those without caring responsibilities: 29% compared with 20%. Within this, poverty rates vary by age and sex. Carers of working age have a higher poverty rate than their pensioner counterparts, and it is higher for men than it is women across both age groups.

Poverty rates are higher for working-age informal carers than non-carers

	Working age		Pension age		All	
	Carer (%)	Non-carer (%)	Carer (%)	Non-carer (%)	Carer (%)	Non-carer (%)
Female	28	21	22	17	27	20
Male	34	21	24	14	32	19

Working-age informal carers are less likely to be employed, a difference that persists across sex. Around two-thirds of male carers (67%) and 6 in 10 female carers (62%) are employed. By contrast, 7 in 10 women (70%) and almost 8 in 10 men who are not carers (78%) are employed. The amount of time spent caring also affects a carer's ability to work. Almost 6 out of 10 people (58%) who are caring for 35 hours or more a week are not in work, more than 2.5 times the rate of those caring for fewer than 20 hours a week. Just under half of adults caring for 20–35 hours a week are not in work (46%). Of those carers who are working, those with higher caring responsibilities (35+ hours) are more likely to work part-time than those providing lower levels of care (20–34 hours or less than 20 hours): 41%, 24% and 29% respectively.

This year, with the cost of living crisis, carers have faced unprecedented pressure on their finances. Nationally representative research by Carers UK (2022) shows that a quarter of carers (25%) said they were cutting back on essentials such as food or heating, and more than three-quarters (77%) said that the rising cost of living is one of the main challenges they will face over the coming year.

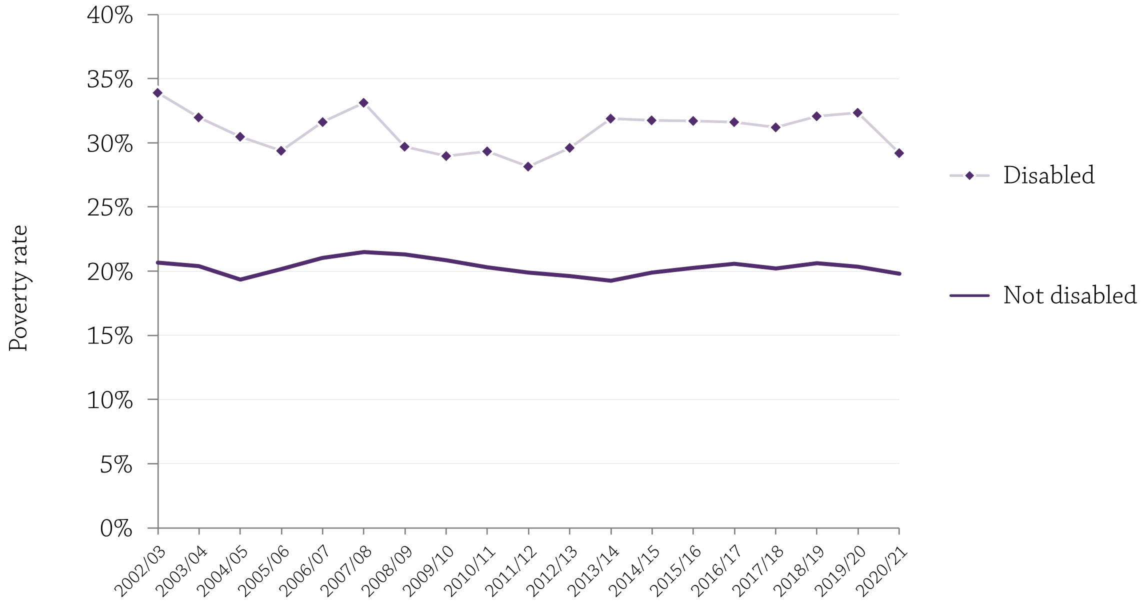
How has this changed over time?

Disability

The poverty rate for disabled people has remained broadly constant at around a third since 2013/14. At the same time, the proportion of the UK population reporting being disabled increased, as it has done consistently over the last two decades, particularly among working-age adults. This has resulted in larger numbers of people exposed to a higher risk of being in poverty, as poverty among disabled people has consistently been higher than among non-disabled people. After a closing of the poverty gap in the early part of the 21st century, it widened notably from 2011/12 to 2013/14 and has remained at broadly the same level ever since. The latest data shows a slight decrease in the poverty rate for disabled people. Next year's data will confirm whether this is an outlier or the start of a trend.

Although the poverty rate for disabled people has not varied much, the proportion of disabled working-age adults working has increased from 42% to 53% over the last 10 years, with a corresponding fall in the proportion receiving income-related benefits. The proportion of working disabled people who work part-time has remained relatively steady at around a third since 2012/13, compared with around a fifth of those who are not disabled. So, while more disabled people are working, they are still less likely to be able to access full-time work, and so often need to rely on income-related benefits to supplement their income.

Poverty has been consistently higher for disabled people than for people who are not disabled



Source: Households Below Average Income, 2002/03-2020/21, DWP

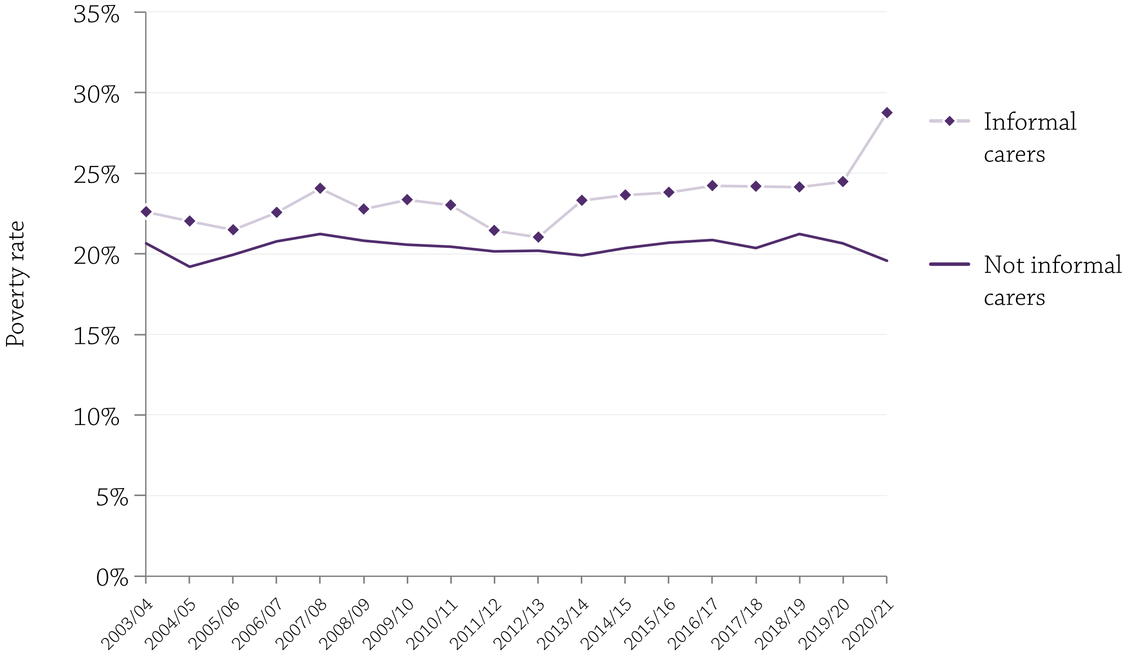
Note: Disability-related benefits are excluded from household income.

Carers

The proportion of adults who are informal carers has remained relatively stable, at around 8–10% over the last 15 years.

The poverty rate among carers continues to be higher than among those who are not carers. Following a similar pattern to poverty among disabled people, the poverty gap between carers and non-carers widened after 2012/13. The gap remained broadly stable (at around 4 percentage points) until the latest year when the poverty rate for informal carers has risen from 24% to 29%. We need more data to see if the increase in 2020/21 is sustained, or whether it is a one-off pandemic or data effect.

Poverty has been consistently higher for informal carers than for people who are not informal carers



Source: Households Below Average Income, 2020/21, DWP

What are the future prospects?

The outlook for future poverty among disabled people, their families and carers remains concerning. The poverty gap between disabled and non-disabled people shows no signs of closing, and while a greater proportion of disabled people are now employed, many are on low pay and still rely on income-related benefits. The value of many of these benefits has been eroded since 2010, through less-than-inflation uprating including the benefit freeze which was in place from April 2016 to March 2020. While the lifting of the benefit freeze in 2020 has halted this decline, benefits are still insufficient to prevent people being swept into poverty, especially for families who cannot work. As the number of Personal Independence Payments claims continues to rise, suggesting an increase in the number of people with a long-term physical or mental health condition or disability needing these benefits, this is likely to lead to a greater number of disabled people living in poverty.

While employment among disabled working-age adults is at its highest level in the last 20 years, there are signs that the work could prove to be precarious, and is insufficient to prevent people being pulled into poverty. Alongside this, negative stigma around employing disabled people still persists, with 1 in 5 employers less likely to hire a disabled person than someone who is not disabled (Moore, 2021). If work is going to provide a route out of poverty for disabled people, much still needs to be done to ensure that employers are doing what they can to support disabled employees.

Governments across the UK have taken a range of actions to provide carers with help and support, but the State of Caring 2022 report from Carers UK (2022) shows that more must be done. While the Government has confirmed that the funding committed for health and social care in England last year will be maintained, and that there is an additional £500 million for hospital discharge, it still falls far short of what is needed, particularly given the cost of living crisis, workforce shortages and the pressures on the NHS.

How does this section interact with other sections?

The key interaction is with the labour market section and benefit receipt sections. The labour market is not good enough at offering sufficient flexibility and accessibility for all disabled people and carers who want work, and there are inadequate benefit levels for those currently unable to work.

There is also a link with the health analysis that shows that in itself being in poverty can contribute to poor health.

The experience of being in poverty

The experience of being in poverty

Cost of living

Why is this important?

The cost of living is how much households spend on goods and services to help them fulfil their everyday lives. A key part of our definition of poverty is the ability to participate in society; having an income that allows you to meet the cost of living is integral to that. If the price of goods, especially of essentials, increases at a faster rate than incomes, this squeezes household budgets and puts pressure on those already on lower incomes.

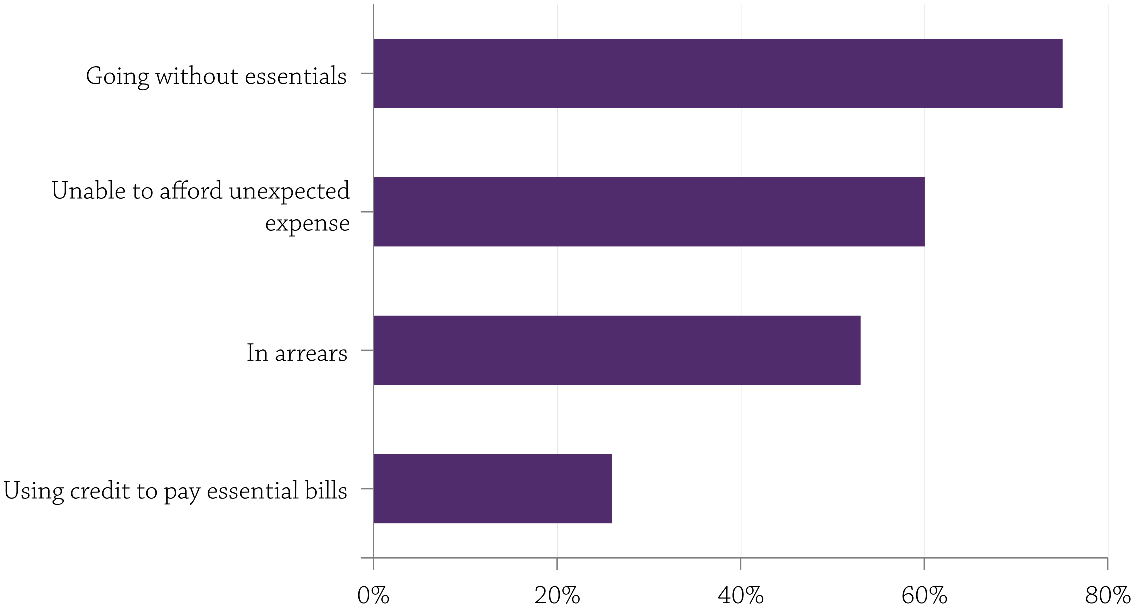
We are currently in a cost of living crisis, where record inflation has led to rising prices that have not been matched by income growth. The crisis is hitting all households across the UK, but it is punishing the budgets of the lowest income households who are facing higher than average inflation rates. Lower-income households spend a higher proportion of their income on essentials, like food, which has seen eye-wateringly high inflation of 16.2% in the year to October 2022.

This matters because the support available to low-income households hasn't been sufficient to meet the rising costs. Millions are being forced to go without essentials, are falling behind on their bills, and are facing damaging and long-lasting impacts to their financial resilience for the future.

What's the headline story in the latest data?

JRF has been tracking the impact of the cost of living crisis on low-income households, with three large-scale surveys at six month intervals since October 2021. The picture is dire for those on the lowest incomes (in the bottom 20% of equivalised household incomes), as shown below; 3.1 million households (53%) are in arrears with their household bills or behind on scheduled lending repayments, 4.3 million households (75%) are going without essentials and 1.5 million households (26%) are using credit to pay their bills. This is all despite recent government support targeting those on the lowest incomes. This support is clearly falling short.

The majority of low-income households are in arrears, unable to afford unexpected expenses, or going without essentials



Source: JRF Cost of living tracker, October/November 2022

Falling behind with bills

The proportion of low-income households who have reported being in arrears with their household bills or behind on scheduled lending repayments has increased from 39% to 53% since October 2021. This equates to a change from 2.3 million to 3.1 million households being in arrears.

This holds true across every type of household bill for those in the bottom income quintile. Unsurprisingly, energy arrears increased between October 2021 and May 2022, but subsequently have since held steady at the higher level of 21%. This suggests two things: one, that policies to help ease the pressure of energy bill increases are working to an extent, in that the problem has not got worse; and two, that warmer weather and conscious energy use (due to soaring prices) has prevented more households from falling into arrears on their energy bills.

However, arrears for Council Tax are up from 16% in May to 19% in October, and for water from 14% to 18% over the past year. Council Tax arrears are particularly concerning because the repercussions of falling behind are huge. If a household misses a payment and does not pay their arrears within seven days of being sent a reminder notice, they can be made to pay the entire year's bill in a single lump sum. This large financial outlay in a single payment will probably be very difficult for low-income families, who tend to have little to no savings, to afford. If this single sum is not paid, the council can take money from a household's benefit payments, reducing their future income.

Falling behind on high-cost credit repayments is also a concern for those in the bottom income quintile. A concerning number of low-income households report having high-cost lending, with 22% reporting having a loan with an unregulated lender ('loan shark'), and almost a quarter (23%) with a high-interest loan, such as from a doorstop lender, payday lender or pawnshop. Of those who report having a high-cost credit loan in at least one of these types of arrangements (either to an unregulated lender, a doorstop lender, a payday lender or a pawnshop) more than half (51%) are in arrears with their loan. That amounts to one million households – almost a fifth (18%) of households on the lowest incomes – being in arrears with high-cost credit. This is a huge number of households who will face very high repayments after having to borrow to cover current costs.

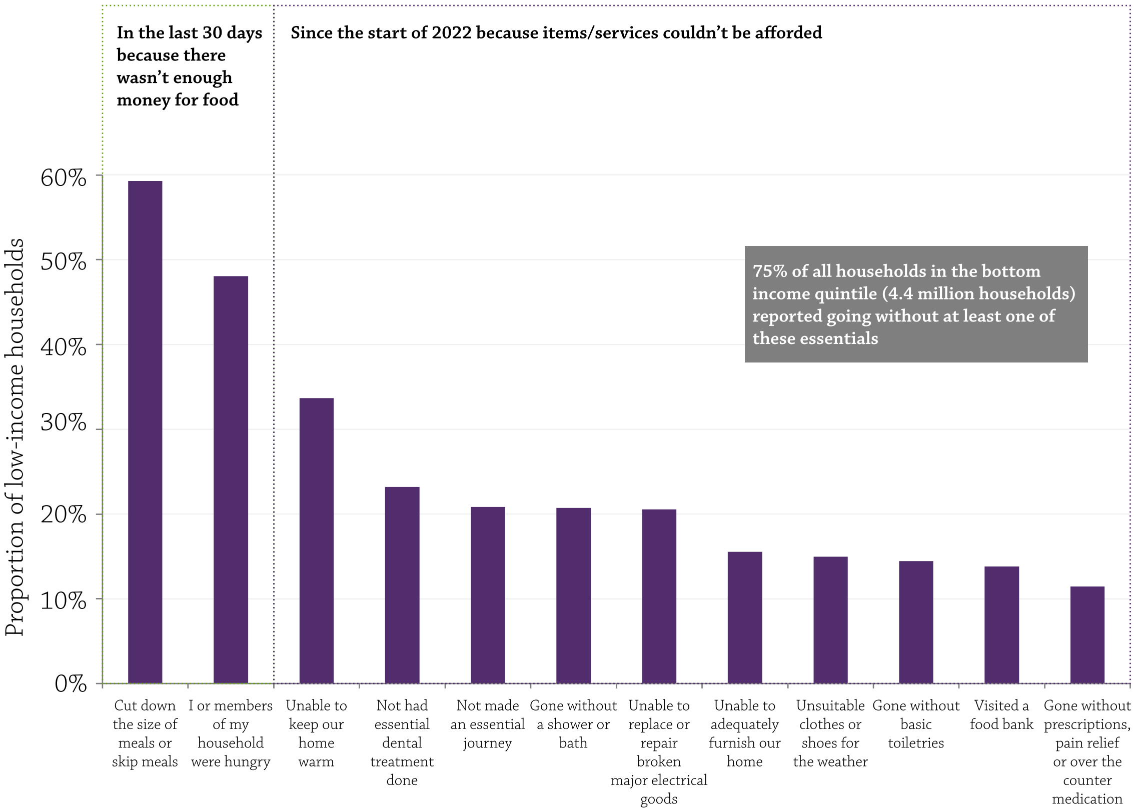
Going without essentials

In May 2022, just over two-thirds (67%, or 3.9 million) of households on the lowest incomes reported that they had gone without at least one essential such as showers, toiletries, adequate clothing or a warm home since the start of 2022, or that they had experienced food insecurity in the previous month.

Between then and October 2022 that figure rose to three-quarters of the group (75%) – 4.3 million households. More than half of this group (57%) reported going without three or more types of essentials, highlighting the depth of hardship over the past six months, despite government support. The chart below outlines the proportions and numbers of low-income households unable to consistently afford each of these essentials. If the percentage of low-income households shown in the chart is more than 20%, that means more than 1 million households across the UK are going without that essential.

Almost 2 million of the poorest households have been unable to keep their home warm between June and October/November 2022, and 1.2 million haven't been able to make an essential journey because they couldn't afford it.

A large proportion of households in the bottom income quintile have gone without essentials since June 2022 or experienced food insecurity in the month before October/November



Source: JRF analysis of Cost of living survey, October/November 2022

Using credit to pay bills

A quarter of households in the bottom income quintile (26%) said they have borrowed money or used a credit card to pay for their essential bills like rent, Council Tax and energy. Around 1 in 10 (11%) said they had done so since June 2022 alone. This is particularly worrying as these low-income households have taken on additional, short-term debt to pay these bills and they will need to repay this high-cost borrowing over the coming months and years.

Being unable to afford an unexpected essential expense of £200

Being unable to absorb financial shocks puts you in a financially vulnerable position, and it is clear from the arrears, essentials and credit picture painted above that this is true for households in the bottom income quintile. This is further confirmed as 6 in 10 (60%) report that they could not afford to pay a bill of £200 for an unexpected essential expense without cutting back on essentials or borrowing money.

How has this changed over time?

Over the last 12 months, households in the lowest income quintile have seen worryingly high levels of hardship get worse. The proportion in arrears has increased by more than a third since October 2021, from 2.3 million to 3.1 million households. The number going without essentials has increased by almost half a million households, from 3.9 million to 4.3 million households.

Data from before the pandemic tells us that this problem has worsened significantly. In 2019/20, 13% of these households reported through the Family Resources Survey being in arrears, falling to 11% in 2020/21 while the Universal Credit £20 a week support was in place. However, by October 2021 JRF's cost of living tracker found that low-income households were three times as likely to be in arrears (39%), demonstrating the financial impact of the start of the cost of living crisis.

What are the future prospects?

The UK has seen record high inflation in the last 12 months but means-tested benefits have only increased by 3.1%. Cost of living payments have been welcome, but have been eaten up by extortionate energy, food and transport rises. While the energy price guarantee was helpful, the average gas and electricity bill for a typical customer is still almost twice as high in winter 2022/23 as it had been in winter 2021/22. Low-income households have already taken action to try to meet their increased cost of living; 39% (2.3 million households) in the bottom income quintile have tried to earn more money to help deal with the cost of living crisis, and 26% have had to take on lending just to pay their bills.

Looking ahead, while UK Government decisions to uprate benefits as normal and give further lump sum payments are welcome, additional support for those on the lowest incomes doesn't come until April 2023. Therefore, there is a real risk that more low-income families fall into poverty, fall deeper into poverty or cannot afford the essentials before then. Already 52% are reducing the number of showers they take, 61% are heating their home less, 62% are using appliances less, 39% of families with children are spending less on food for their children, and half of all households have reduced spending on food for adults. By the time the new rates are in place, these figures are likely to have risen even further.

The damaging financial impact is already starting to appear when we see the worrying figures of high-cost credit arrears, and the number of households going without multiple essentials. Financial resilience for the future is also being eroded for many people who could previously afford to invest in their economic security. While many low-income households may already have been unable to afford insurance, more than a quarter (27%) reported that they have stopped or reduced their insurance payments (1.6 million households). This will have a material impact on the financial position if additional, unexpected costs are incurred. Furthermore, 25% of working-age households in the bottom income quintile (1.2 million households) report that they have stopped or reduced their pension contributions, which will erode their future financial resilience and increase their risk of experiencing poverty in the future.

How does this interact with other sections?

A key part of our definition of poverty is having an income that allows you to take part in, and contribute to, society. Having an income to cover the cost of living is a key driver in this. Cost increases, particularly for essentials, are difficult to manage for those on already stretched budgets. The value of benefits, as well as of wages and the amount of work available to those in employment, is therefore crucial to ensure that low-income families can still afford essential costs in the face of record inflation.

Some low-income households will also face additional financial pressures in the cost of living crisis, such as low-income households with no savings to use as a safety net or with additional expenditure needs, for example due to living in a household where someone is disabled or in an area of the country with high housing costs.

The pressures of meeting these essential costs can cause stress and anxiety and often involve making cuts in other areas which can affect overall wellbeing. The scarring impacts of a winter spent not being able to pay bills, going without food, a warm home and toiletries are significant on mental health and physical health.

Savings and debt

Why is this important?

A household with easily accessible savings is better placed to cope with sudden changes to their income (such as someone losing their job) or unexpected costs to cover (either one-off costs like replacing a household appliance or ongoing increases such as high levels of inflation increasing their living costs). Savings can, in the short-term, provide a degree of financial resilience. This can help reduce the risk of a household falling behind on bills or taking on additional debt.

Falling behind on bills or going into debt can place huge stress on the mental wellbeing of a household, which can lead to depression, anxiety and a greater chance of relationship breakups. This is why it is so important for households to have a buffer of liquid savings (savings that can be turned into cash quickly) to call on at short notice to avoid falling into debt and/or accumulating bill arrears.

What's the headline story in the latest data?

Savings

According to the Office for National Statistics' Wealth and Assets Survey (ONS, 2022h), 9.3 million people in Great Britain (or 15% of the population) lived in households where adult liquid savings[5] were less than £250 in 2018/20. However, this rate varied considerably between high- and low-income households[6]; a third of people living in the poorest fifth of households (34%) and 2 in 10 people in the second poorest fifth of households (21%) lived in households with less than £250 in savings, compared with only 1 in 50 (2%) of people in the richest fifth of households. When looking at differences by household wealth, more than half of households in the bottom 10% of household wealth in Great Britain owed more money on credit card payments and loans than they had in savings.

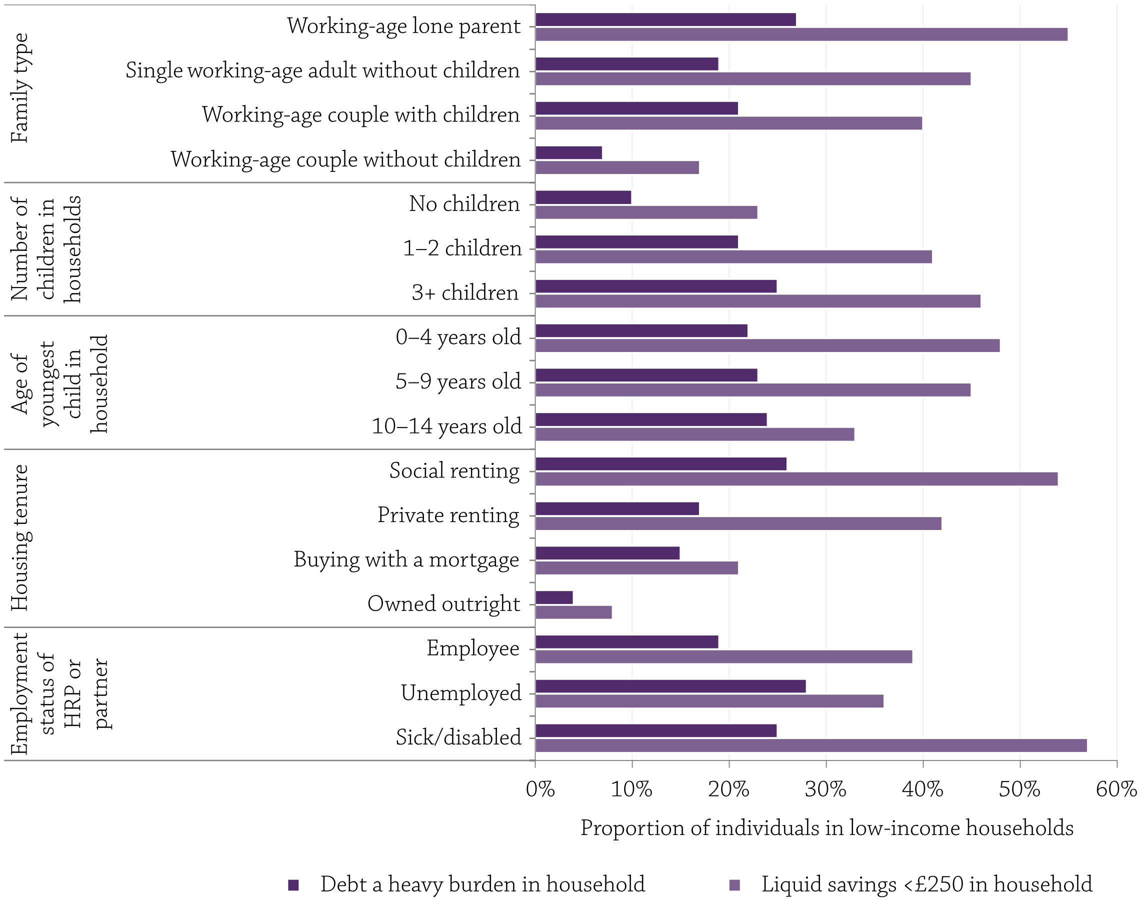
Within the fifth of households across Britain with the lowest incomes, there were also considerable differences in the levels of savings held by different groups. Those with children (especially those with young children) were at a particularly high risk of having savings under £250; almost half (48%, or 1.3 million people) of people in the poorest households with children under five had household savings under £250. In low-income households, single working-age people with and without children (55% and 45%, 1 million and 700,000 people respectively), private and social renters (42% and 54%, 900,000 and 2.5 million people) and households where the household reference person was sick or disabled (57%, 700,000 people) were also more likely to have savings under £250.

Debt

Even before the Covid-19 pandemic and subsequent increases in the cost of living, almost 4.9 million people (8% of the population of Great Britain) lived in a household where at least one person felt that their debt (excluding mortgage or student loan debt) was a heavy burden. A further 10 million lived in households where someone found debt to be somewhat of a burden, meaning one in four people lived in a household where debt was at least somewhat of a burden. However, this varied greatly between high- and low-income households. Almost a fifth of people in the poorest fifth of households (17%) and a tenth of people in the second poorest quintile (9%) lived in a household where at least one person found debt to be a heavy burden. In comparison, it was very rare for people in the richest fifth of households to live in a household where debt was a heavy burden (2%).

Among households in the lowest income quintile, at least a quarter of people in lone-parent families (27%, 500,000 people), in families with three or more children (25%, 600,000 people), living in social rental accommodation (26%, 1.2 million people) or where the household representative or their partner was either sick or disabled (25%, 300,000 people) or unemployed (28%, 200,000 people) lived in a household where debt was a heavy burden. Furthermore, nearly half of people in households with children under five, with three or more children or in lone-parent families found debt to be at least somewhat of a burden.

Within the poorest households, lone parents, social renters and people in households with a sick or disabled reference person are the most likely to have low savings and among the most likely to find debt a heavy burden



Source: Wealth and Assets Survey, 2018–20

Many of these groups are over-represented in the lowest income quintile. In particular, almost 8 out of 10 unemployed households are in the bottom income quintile along with 46% of households where the reference person is sick or disabled, 41% of lone-parent families, 40% of families with at least three children and 39% of social renters. As well as low incomes, many of these household types face additional expenditure (such as for disabled household members or children) which may also limit their ability to build up savings and increase their need to borrow more money to cover their essential expenses. Therefore these groups are both much more likely to have low household incomes and, even compared with other low-income households, more likely to have low levels of savings and a heavy burden of debt.

How has this changed over time?

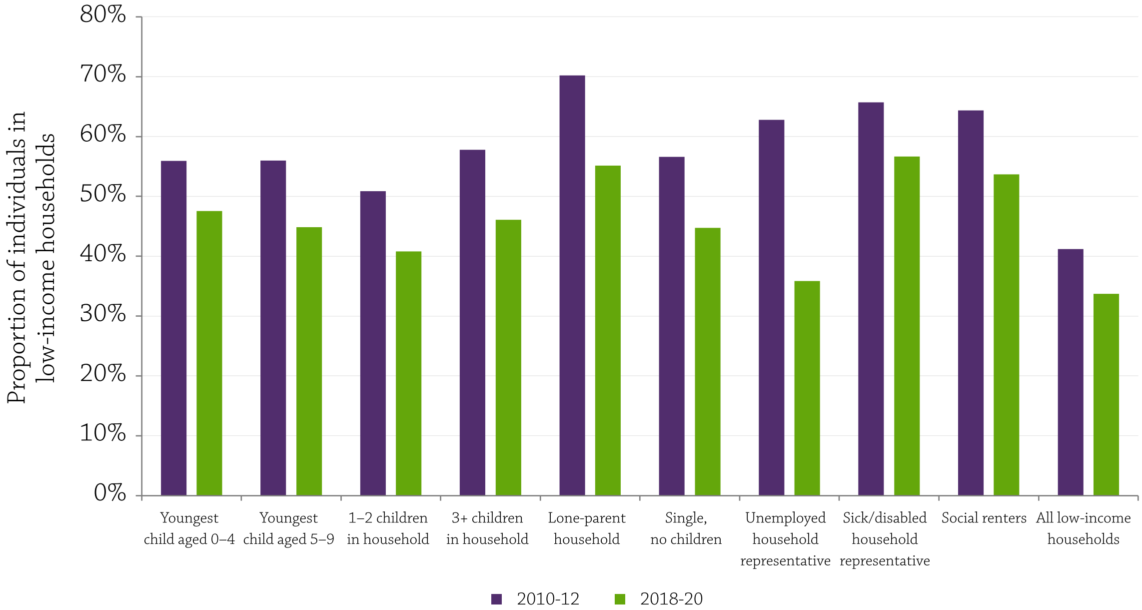
Savings

The proportion of people in households with less than £250 in liquid savings fell by a quarter between 2010–12 and 2018–20 (from 21% to 15%). To an extent this is not surprising given inflation over the period means £250 would not stretch as far in the latter period compared to the former. These figures fell across all income quintiles, with 34% of people in the lowest income households having savings under £250 in 2018–20, compared with 41% in 2010–12.

Even within the poorest income quintile, different changes have been experienced by different groups. Among low-income households whose household representative was employed, the proportion of people with household savings under £250 fell by only 4 percentage points (from 43% in 2010–12 to 39% in 2018–20) while this remained broadly stable in retired households (12% in 2010–12 and 11% in 2018–20).

However, as shown below, many of the groups with high poverty rates were markedly less likely to have household savings under £250 in 2018–20 than in 2010–12. This was the case for people living in households with an unemployed household reference person, in particular. For these households, the rate dropped by almost 30 percentage points. This rate also fell in lone-parent households, households with a sick or disabled household representative and those in social rental accommodation, but the majority of people in these groups still lived in households with less than £250 of savings in 2018–20.

Although the proportion of low-income households with low savings fell between 2010–12 and 2018–20, the majority of lone-parent households, households with a sick or disabled representative and social renters still had savings under £250 in 2018–20



Source: Wealth and Assets Survey, 2010–12 and 2018–20

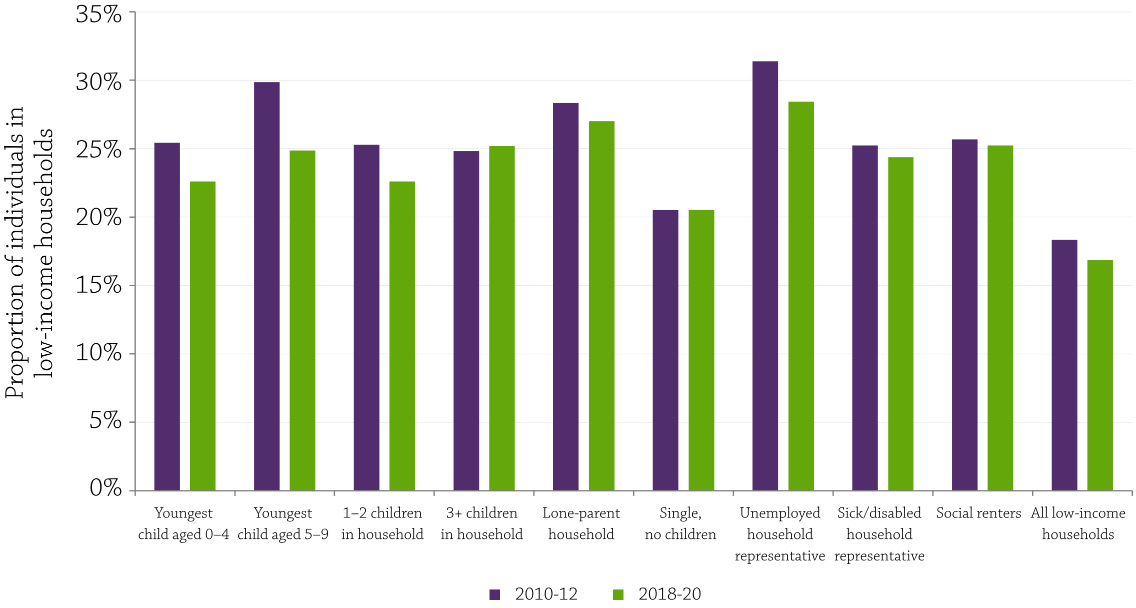
Although average household savings increased during the Covid-19 pandemic, this increase was not seen evenly across all types of households. The Bank of England estimated that high-income working households were almost twice as likely as low-income working households to have increased their savings in 2020 (42% compared with 22%). In contrast, the household savings of both unemployed and furloughed households were more likely to decrease than to increase during the pandemic. Therefore, while high-income households were able to increase their savings during the pandemic, low-income households were not able to build up or grow a safety net of savings to the same extent during this period.

Debt

The number of people living in households where at least one person found debt to be a heavy burden has also fallen overall. However, this reduction was not seen for the lowest income households (18% in 2010–12 and 17% in 2018–20), whereas the rate halved in the top two income quintiles (from 4% to 2% in the highest quintile and from 8% to 4% in the second highest quintile).

The proportion of people in the lowest income quintile who lived in a household where someone found debt to be a heavy burden did not decrease to the same extent as the proportion in households with low savings decreased. In particular, large families, single people (with or without children), people living with a sick or disabled household reference person and social renters were as likely to live in a household where at least one person felt a heavy burden of debt in 2018–20 as they had been in 2010–12.

Between 2010-12 and 2018-20, the proportion of people in low-income households where debt was a heavy burden changed little for many of the most vulnerable groups



Source: Wealth and Assets Survey, 2010–12 and 2018–20

Therefore, while almost all low-income households were less likely to have less than £250 in savings in 2018–20 than they had been in 2010–12, concerns about debt within low-income households persisted. This may be because low-income households' ability to build up a small amount of savings in the 2010s did not prevent them from accruing debt that put a strain on their household finances.

Since this data was collected, the Covid-19 pandemic and subsequent cost of living crisis have added an additional burden on household finances. This has pushed more low-income households into debt between 2021 and 2022. In October 2021, JRF's cost of living tracker found that 39% of low-income households were either in arrears for at least one household bill or had fallen behind on payments for borrowing. By May–June 2022, this had risen to 47%. This had risen further to 53% in October–November 2022.

By May–June 2022, 13% of households in the bottom income quintile had used credit to pay for essentials, such as rent or Council Tax, in 2022. This had risen to 26% by October 2022, with 11% reporting doing this since June 2022. Worryingly, many low-income households have used high-cost lenders (such as loan sharks, doorstep loans and payday lenders), with one quarter (25%) owing money to high-cost lenders in May–June 2022. This increased dramatically to 33% in October 2022.

What are the future prospects?

While there was a decline in the proportion of people living in a household with low savings over the course of the decade before the Covid-19 pandemic, the subsequent cost of living crisis is likely to reverse this trend. In particular, the elevated price of essentials such as food and energy could mean that low-income households with liquid savings need to use these to cover increased costs and reduce the amount of savings they hold. However, the £650 cost of living payment for households on low-income benefits and tax credits may help to alleviate some of these pressures, as might the £900 further payments in 2023/24.

As many low-income households have low levels of savings, the rising cost of living may also increase their borrowing and reduce their ability to repay existing debts as the value of their income falls in real terms. Many low-income households have already started to borrow more money, including from high-cost lenders, as the cost of living rose in 2022. Therefore the proportion of low-income households who consider debt to be a heavy burden is likely to rise as more households struggle to balance tight incomes with repayments for new and existing debt.

How does this interact with other sections?

Increases in the cost of living will affect people's ability to build up, and sustain, household savings and increase their risk of getting into problem debt. This may mean that they struggle to afford essential products and services, including housing, energy and food. Furthermore, the stress caused by low savings and debt may contribute to mental health issues, with people who are behind on bills or low levels of savings more likely than more financially resilient people to report indicators of mental distress.

Food insecurity

Why is this important?

Many people in the UK struggle to have enough food. Even more struggle to afford food that is nutritious – food that meets dietary needs and food preferences for an active and healthy life. The banner of food insecurity covers a wide range of circumstances where there is a lack of access to sufficient, varied food, or a risk of this. Apart from basic nutrition, food security is linked to economic stability and long-term health.

For children, severe food insecurity has been linked to chronic health conditions like asthma and depression. A diet lacking in calories, protein, vitamins and minerals will impede a child's physical, cognitive and emotional development. Adults in food-insecure households have higher rates of developing chronic diseases such as arthritis, asthma, diabetes and mental health issues, as well as lower life expectancy. For a pregnant woman, it can lead to higher risk of low birthweight, pre-term delivery and slow cognitive development for her baby.

What's the headline story in the latest data?

Official food insecurity data

We now have two years of data from the Family Resources Survey (FRS) on food insecurity. The second year of data (from 2020/21) shows that 2.4 million people in poverty in the UK had a low or very low food security status, meaning they are unable to access enough, varied and/or nutritious quality food. Therefore, almost 1 in 5 (18%) people living in poverty were food insecure. In comparison, only 3% of people not in poverty had a low or very low food security status. This highlights the strong relationship between food insecurity and poverty. The data also shows us that 27% of households in receipt of Universal Credit were food insecure.

The food security status of individuals in households in poverty 2020/21

Household food security status	(%)	In poverty after housing costs (AHC) (millions)
High food security	73	9.7
Marginal food security	9	1.3
Low food security	8	1.1
Very low food security	10	1.3
Food secure	82	10.9
Food insecure	18	2.4
All	100	13.3

Source: Households Below Average Income, 2020/21, DWP

Note: Shared households are excluded from household food security tables. Figures may not sum due to rounding.

Food security questions in the Family Resources Survey

The respondent is read three statements and asked if the statement was ‘often true‘, ‘sometimes true’ or ‘never true’ for the last 30 days.

1. [I or we] worried whether our food would run out before [I or we] got money to buy more.
2. The food that [I or we] bought just didn’t last, and [I or we] didn’t have money to get more.
3. [I or we] couldn’t afford to eat balanced meals.

Unless all three questions are answered as being ‘never true’ the respondent is then asked the following questions.

4. Did you (or other adults in your household) skip or cut meals because there wasn’t enough money for food? How many days did this happen?
5. Did you (or other adults in your household) ever eat less than you felt you should because there wasn’t enough money for food?
6. Were you (or other adults in your household) ever hungry but didn’t eat because there wasn’t enough money for food?
7. Did you (or other adults in your household) lose weight because there wasn’t enough money for food?
8. Did you (or other adults in your household) ever not eat for a whole day because there wasn’t enough money for food? How many days did this happen?

From the questions, a 10-point household score is generated. One point is scored for each ‘positive’ answer, that is answers of ‘often true’, ‘sometimes true’, ‘yes’, (with an additional point if ‘three days or more’ is selected for the second part of questions 4 and 8).

High food security (score = 0): the household has no problem, or anxiety about, consistently accessing adequate food.

Marginal food security (score = 1 or 2): the household had problems at times, or anxiety about, accessing adequate food, but the quality, variety and quantity of their food intake were not substantially reduced.

Low food security (score = 3 to 5): the household reduced the quality, variety, and desirability of their diets, but the quantity of food intake and normal eating patterns were not substantially disrupted.

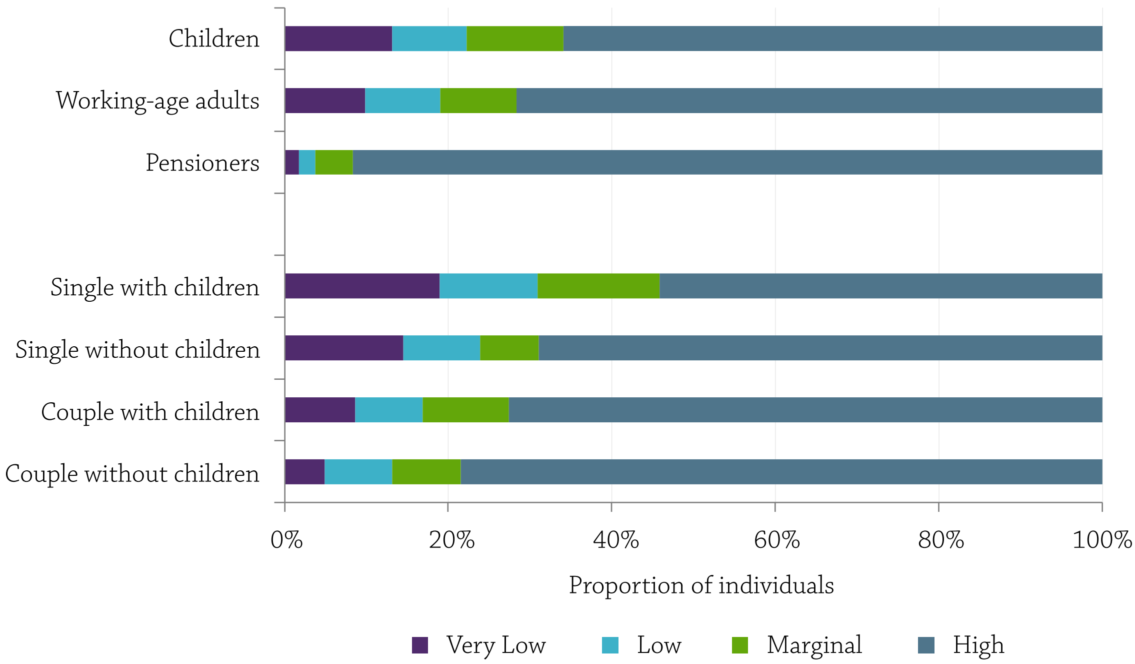
Very low food security (score = 6 to 10): at times during the last 30 days, eating patterns of one or more household members were disrupted and food intake reduced because the household lacked money and other resources for food.

Food secure are those households with a high or marginal food security status.

Food insecure are those households with a low or very low food security.

Of the broad groups of people in poverty, children in poverty were the most likely to be suffering from food insecurity. In 2020/21, around 22% of children in poverty live in a household with low or very low food security status, compared with 19% of working-age adults in poverty. Pensioners in poverty are the least likely age group to be food insecure. Only 4% of pensioners in poverty were suffering from food insecurity in 2020/21. When we look at the data by family type, people in lone-parent families in poverty were the most likely to be suffering from food insecurity (31%). Of all the family types they were also the most likely to report marginal food security. Single adults without children were the second most common family type to have a low or very low food security.

Among households in poverty children and people living in lone-parent families have a higher risk of experiencing food insecurity



Source: Households Below Average Income, 2020/21, DWP

Note: Shared households are excluded from household food security tables.

Understanding Society data (Bramley et al, 2021) collected during the pandemic in mid-2020 showed that, as well as lone-parent families being most at risk of food insecurity and pensioners being most protected, having a low income, being young, being unemployed, living alone, living in social housing, having 'poor' self-reported health and identifying as an ethnic minority were significant predictors of food insecurity (controlling for other factors). The sample size of the FRS in 2020/21 makes analysis by ethnicity difficult, but published tables show that households that were most likely to be food insecure had a Black head of household (21% of which were food insecure). Where the head of the household was white, the proportion of food insecure households was 6%. The households most likely to be food secure had an Indian head of household (4% food insecure).

More up-to-date data

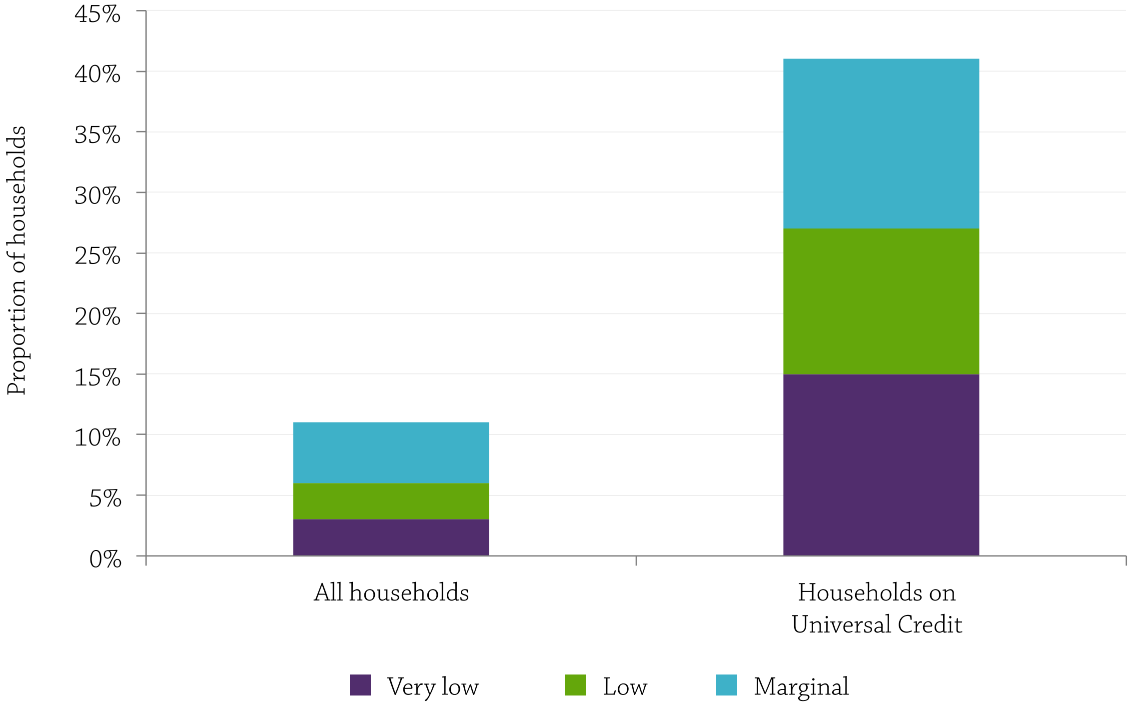
There are other data sources that looks at food insecurity, using a different definition of food security than that used in the official food security data. These range from polling JRF has commissioned to statistics on the numbers of food bank users.

JRF's cost of living tracker found that in the 30 days before being surveyed (in October to November 2022), family members in 6 in 10 (61%) of all low-income families had either cut down on or skipped meals, or went hungry because there was not enough money for food. That is 3.5 million low-income households going without the food they need and is equivalent to all the households living in London. The proportion of households in the bottom income quintile experiencing food insecurity rose by 9 percentage points (from 52% to 61%) between May/June 2022 and October/November 2022, while it remained stable for those in the second income quintile (37% and 36%).

What is also deeply worrying about these survey results is the degree of overlap between going without enough food and warmth. Among those unable to heat their home adequately between June and October/November 2022 more than three-quarters (79%) also reported either going hungry or cutting down on meals because there wasn't enough money for food in the previous 30 days. Overall, that means one in four (27%) low-income households were going without enough food and were unable to keep their homes warm.

In 2020/21, food insecurity levels in households on Universal Credit (UC) were four-and-a-half times as high (27%) as the average household (7%). Since then, we have seen that UC recipients facing deductions are much more likely to be going hungry. 77% of UC recipients with deductions went hungry in the last 30 days before they were surveyed for JRF's cost of living tracker in October to November 2022, compared with 57% without deductions, while 31% of UC recipients with deductions visited a food bank compared with 20% without deductions.

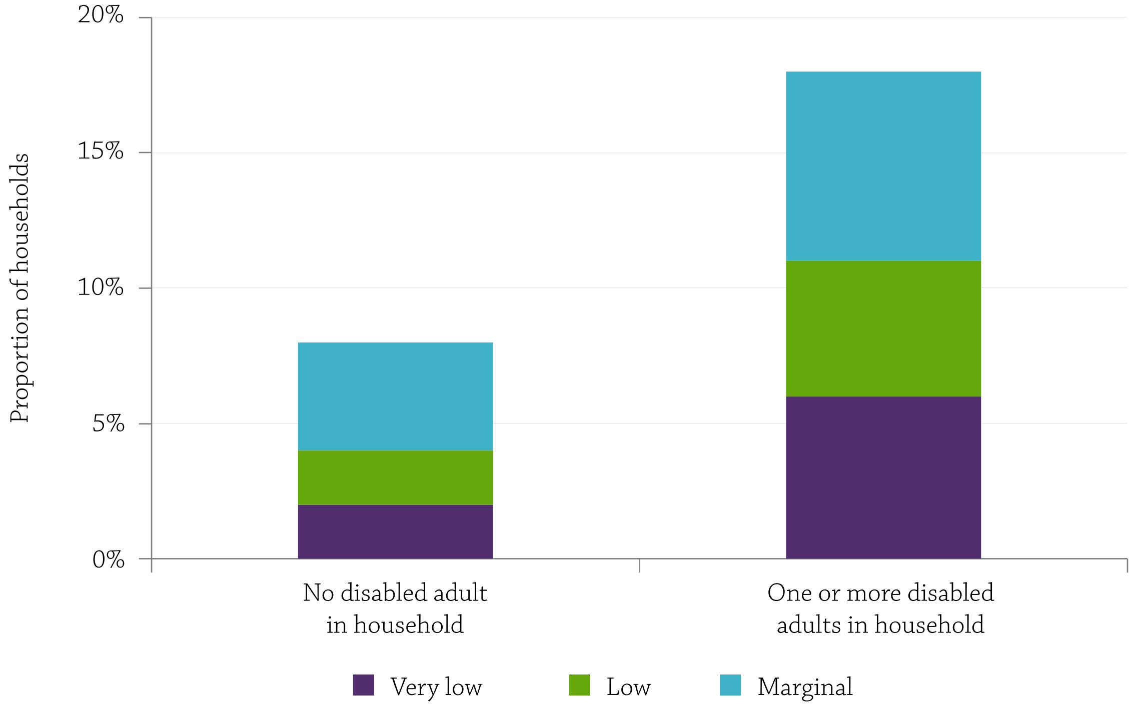
People living in households that receive Universal Credit are almost four times as likely to experience food insecurity than all households across the UK



Source: Family Resources Survey, 2020/21

Food bank referral statistics from The Trussell Trust show that for the first time outside of the Covid-19 pandemic year (2020/21) food banks in The Trussell Trust network distributed more than 2.1 million food parcels in 2021/22. Their latest mid-year statistics tell us that they are on course to match or exceed that number this year with 1.3 million food parcels distributed in April to September alone (The Trussell Trust, 2022a). The referral statistics also tell us that 6 in 10 (62%) of working-age people referred to a food bank in early 2020 were disabled (as defined by the Equality Act 2010). This is more than three times greater than the proportion of working-age adults who were disabled in 2017–19 in the general population (19%). Furthermore, in 2020/21, people living in a household with someone who was disabled were more than two and a half times as likely to experience food insecurity as those in a household where no one was disabled (11% compared with 4%).

People living in a household where someone is disabled are more than twice as likely to experience food insecurity than those who do not



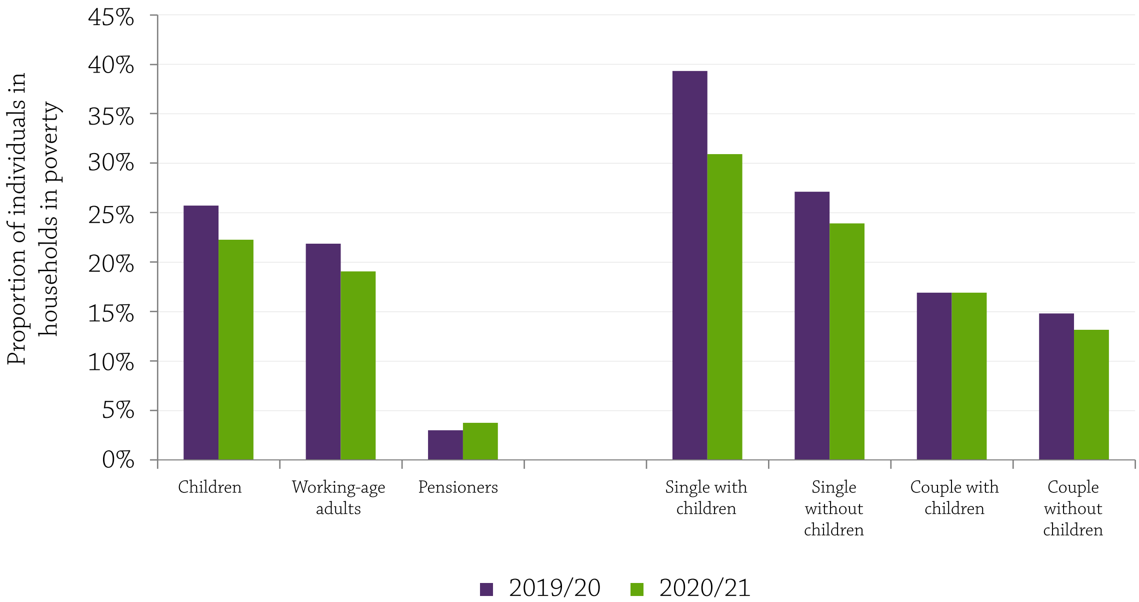
Source: Family Resources Survey, 2020/21

JRF's cost of living tracker included the same food security questions as those asked in the FRS to get a better indication of more recent trends. Although the two surveys were carried out in different ways and have different approaches to collecting income data (making results not directly comparable) the difference in the picture we see is stark. In autumn 2022 JRF's cost of living tracker found that 61% of working-age families in the bottom 20% of the income distribution reported either cutting down or skipping meals or going hungry in the last 30 days, compared with 14% of households with a total gross weekly income under £200 in the 2020/21 FRS before record inflation caused food costs to soar. The difference is so marked it is unlikely to be due to differences in data collection alone. These findings also mirror the work of others, such as The Food Foundation which has tracked a huge jump in levels of food insecurity since the start of 2021 (The Food Foundation, 2022).

How has this changed over time?

The second year of data available from the FRS on food security allows us to make our first comparison of food insecurity data for households in poverty. As the FRS data accumulates each year, vulnerability in the population can be monitored over time. This data will also open new possibilities for testing the impacts of policy changes on food insecurity. Overall patterns of food insecurity remained the same – in 2020/21 children in poverty were still the most likely to be living in a household suffering from food insecurity, followed by working-age adults then pensioners. People in single-parent families in poverty were also still the most likely to be food insecure, followed by people in single households with no children, couples with children and then couples without children.

Among households in poverty, children and people living in single adult families were more likely to experience food insecurity in both 2019/20 and 2020/21



Source: Households Below Average Income, 2020/21, DWP

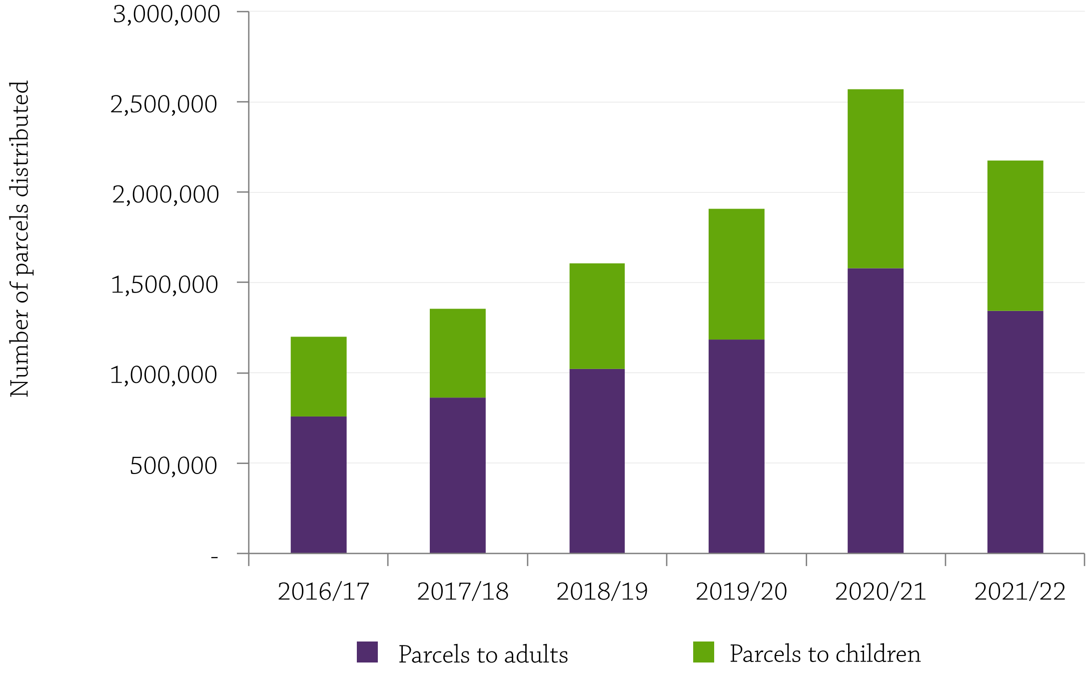
Note: Shared households are excluded from household food security tables.

Although the data may not be directly comparable with other data sources, more recent indicators seem to point to a substantial increase in food insecurity. Food bank statistics can also be used to assess change in the number of people unable to access enough food. Over time there has been a rapid growth in the number of charitable food banks and the quantity of emergency food parcels they distribute. Destitution, which means that people cannot afford to buy the absolute essentials that we all need to eat, stay warm and dry, and keep clean, drives the need for food banks in the UK. Ahead of the pandemic destitution was rising (Fitzpatrick et al, 2021), poverty was deepening, and all manner of warning lights were flashing, including food bank use (Schmuecker et al, 2022).

The 2.1 million food parcels distributed by food banks in The Trussell Trust network in 2020/21 was higher than the number distributed in any of the five years before the pandemic (The Trussell Trust, 2022b). It was an 81% increase from the same period five years ago and a 14% increase from 2019/20. The previous year (2020/21), when more than 2.5 million parcels were distributed, is a clear outlier driven by the economic and social upheaval caused by the Covid-19 pandemic. Although the level of support distributed by food banks in The Trussell Trust network has fallen in 2021/22, it is important to recognise that 2020/21 was an unprecedented year in which many people newly found themselves in crisis as a result of the pandemic.

The figures indicate that children continue to be more likely to need support than adults when looking at the support given out by food banks in this period. Two in five (38%) food parcels were distributed for children in 2021–22, despite people aged 0–16 making up just 20% of the UK population.

The Trussell Trust network distributed more emergency food parcels in 2021/22 than in any year before the Covid-19 pandemic



Source: Trussell Trust data briefing on end-of-year statistics relating to use of food banks: April 2021–March 2022

There is significant variation across local authorities and the nations and regions of the UK in the recorded change in the number of food parcels distributed in 2021/22. For example, there have been decreases in the number of parcels distributed in Scotland (-17%) and Wales (-4%) when compared with the same period in 2019/20. However, need in these areas remains concerningly high with almost 200,000 parcels distributed last year in Scotland alone.

What are the future prospects?

Despite the evidence on the severity and scale of food insecurity in the UK, there continues to be a lack of government leadership and no strategy for addressing it directly. Unless people receive sufficient income, they will continue to struggle to have access to good quality and enough food.

The aftermath of the Covid-19 pandemic followed by a cost of living crisis has threatened the food security of millions of people even further. Reduced incomes, increased unemployment and higher food prices have greatly reduced access to food for those affected. There are key design features of the social security system that directly lead to higher food insecurity and have contributed to the rise in food bank use. Having to wait five weeks for the first Universal Credit payment, deductions to Universal Credit to pay off debts and arrears, low Local Housing Allowance rates and Local Housing Allowance caps relative to housing costs, the ‘bedroom tax’, and the structure and process of the Personal Independence Payment assessment all contribute to this (Bramley et al, 2021).

The decision to uprate benefits and the benefits cap in line with inflation in April 2023 will go some way to help low-income families receiving benefits to cover the increased cost of living, including higher food costs. However, as benefit rates are currently at a historic low, many low-income households will continue to struggle to afford to feed their families. As the economic fallout following Covid-19 takes time to resolve and people's resources continue to be eroded by the biggest cost of living crisis in a generation, greater numbers are likely to be food insecure and end up needing food banks to survive. Latest JRF research from October 2022 (Earwaker, 2022b) highlights that more families are falling under the heavy burden of debt, arrears and hunger, with further government action needed this winter.

How does this section interact with other sections?

Food security and insecurity is closely linked to poverty, the quality and quantity of secure jobs and to the cost of living – higher food prices have greatly reduced access to food for the people who are struggling the most. People in poverty are already more likely to have poor physical and mental health, and their health problems are exacerbated by an inadequate diet. Food insecurity is also linked to cognitive ability making it harder, for example, for children to concentrate at school, leading to poorer educational attainment.

Health and poverty

Why is this important?

The circular relationship between health, income and deprivation is long established. Poorer health generally reduces the possibility of better life outcomes and opportunities. It can restrict employment prospects, reduce earnings and bring additional living costs associated with long-term illness and disability that must somehow be met. In turn, this can lead to living in deprivation, low income and poverty. Those who find themselves living in poverty or in deprived areas with one or more ill-health conditions endure reduced access to health-promoting services or assets such as better housing. All people living in poverty, whether with or without ill-health conditions, suffer extra stresses on day-to-day decisions that can cause or exasperate poor health, closing the poor health-poverty loop.

In this year's report, health and poverty takes on a greater significance due to it covering the period when the UK was in the grip of the Coronavirus pandemic. With everyone facing a heightened risk to their health, those at the lowest end of the income distribution faced a greater risk still.

What's the headline story in the latest data?

In every UK nation the rate of deaths caused by Covid-19 was higher in the most deprived areas than in the least deprived. For England and Scotland, the death rate from Covid-19 in the most deprived areas was at least twice that in the least deprived areas. The pattern of death rates was very similar across each nation. As an area's level of deprivation increased, so did its number of deaths from Covid-19.

Beyond the Covid-19 pandemic, the health inequalities driving mortality rates persist. Females and males born in the most deprived areas of the UK live shorter lives, on average, than females and males born in the least deprived areas.

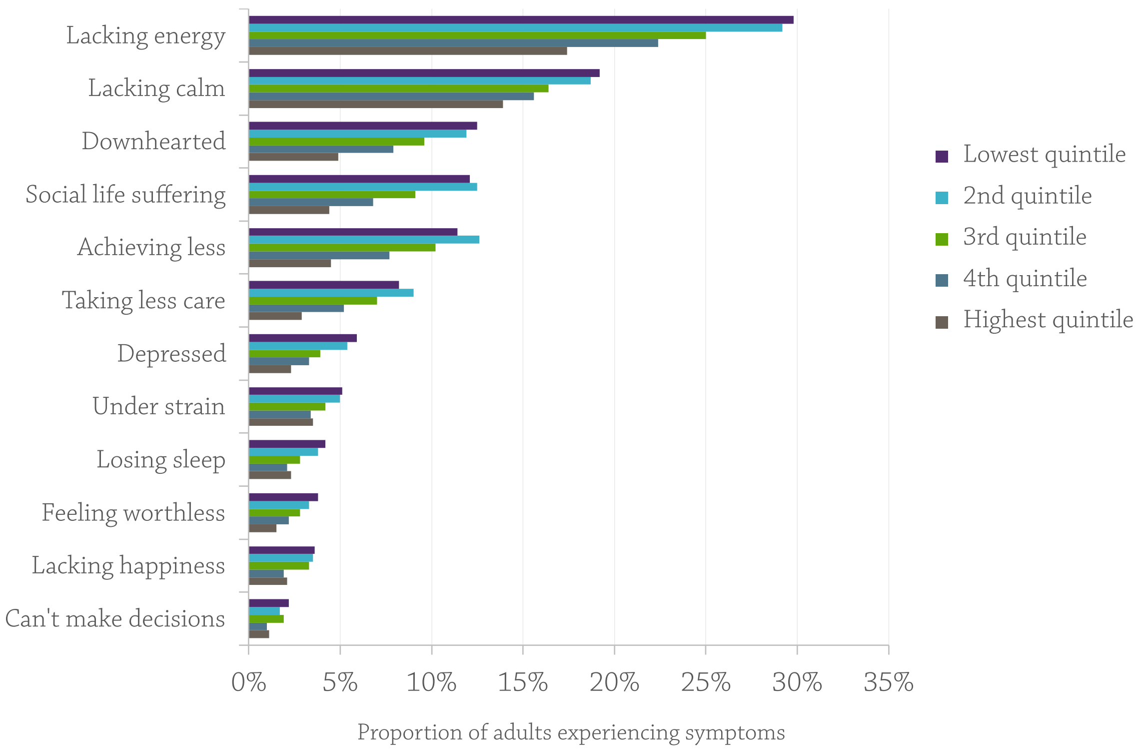
Among working-age adults, people living in poverty are more likely to suffer from poor health; 16–34-year-olds in poverty are 1.5 times as likely to be in poor health (23% compared with 16%) than those not in poverty. The difference is even greater for 35–49-year-olds (34% compared with 18%) and 50–64-year-olds (28% compared with 43%). The gap decreases for older age groups; 44% of people aged 65 and over in poverty are in bad health compared to 40% of those not in poverty. These differences are probably driven by multiple factors, including availability and uptake of health screening, or the longer life expectancy of higher-income households who may nevertheless have health issues towards the end of their life.

Percentage of adults living in less than good health by poverty status

	In poverty (%)	Not in poverty (%)
16–34 years old	23	16
35–49 years old	34	18
50–64 years old	43	28
65 plus	44	40

These patterns are also seen in mental health outcomes. Individuals in the lowest household income quintile (calculated before housing costs) are more likely to experience symptoms of anxiety than those with higher household incomes. For example, 4% of people in the poorest fifth of households report losing sleep compared with 2% of those in the richest quintile; 30% report lacking energy compared with 17% in the richest quintile and 6% report feelings of depression compared with 2% in the richest quintile (Clark and Wenham, 2022).

The lower a person's income, the more likely they are to experience a symptom of anxiety



Source: JRF analysis of Understanding Society, 2019/20

The impact of Covid-19 on mortality by deprivation quintile

England

Out of all the UK nations, England (with Northern Ireland) experienced the highest Covid-19 mortality rate for people living in its most deprived areas. Between March 2020 and April 2021, the rate of deaths due to Covid-19 was 2.2 times higher in the most deprived areas of England than in the least deprived areas (ONS,2021a). Of all UK nations, only Scotland has seen a greater disparity in Covid-19 mortality rates between the most and least deprived areas, but Scotland had lower mortality rates compared with England.

Wales

Like all UK nations, people living in the most deprived areas of Wales were more likely to die due to Covid-19 than those in the least deprived areas. The rate of deaths due to Covid-19 was almost two times higher in the most than the least deprived areas. However, the mortality rate for the most deprived quintile was lower than in England and Northern Ireland, but higher than in Scotland.

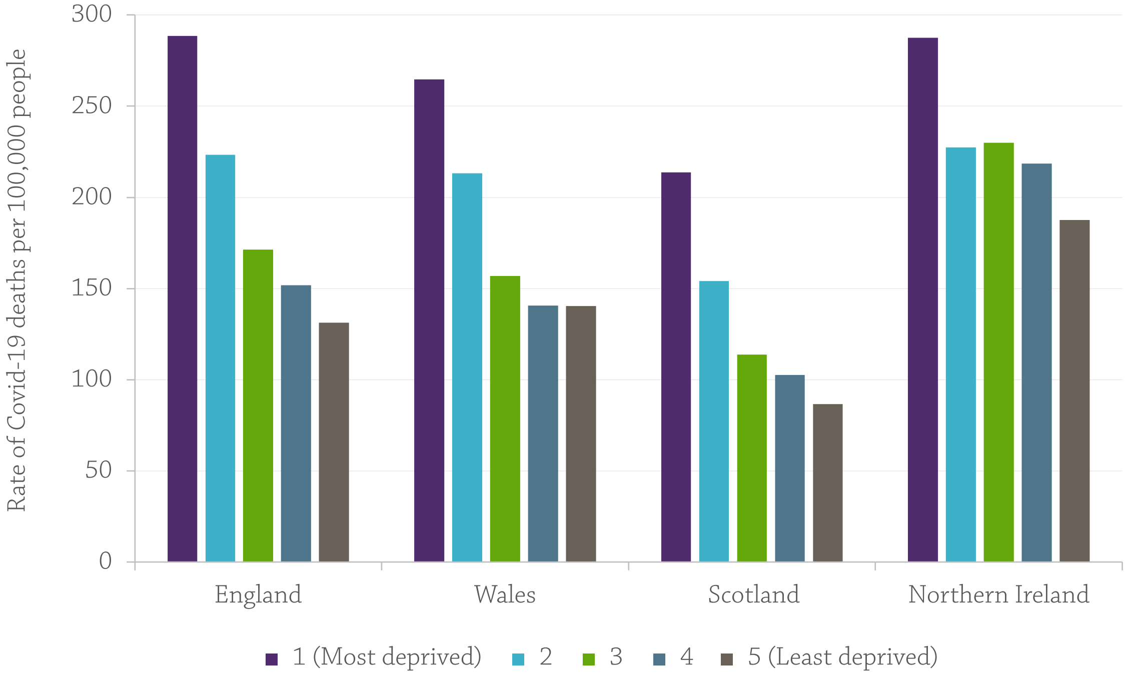
Scotland

Scotland has the lowest mortality rate per 100,000 people for every degree of deprivation across the UK, but it has also had the highest disparity in mortality rate between its least and most deprived areas of all UK nations (2.5 times higher) (NRS, 2022a).

Northern Ireland

Northern Ireland has the lowest disparity in Covid-19 mortality rates between its least and most deprived areas with rates only 1.5 times higher. However, this is mainly due to higher mortality rates for less deprived quintiles, as the mortality rate of the lowest quintile is among the highest across all countries (NISRA, 2021).

Across all nations of the UK, the rate of deaths due to Covid-19 was higher in more deprived areas



Source: Office for National Statistics, National Records Scotland, Northern Ireland Statistics Research Agency

Note: Time periods differ, see references for individual nations for exact periods; England IMD deciles averaged to create comparable quintiles.

Why might these inequalities exist?

These inequalities are probably driven by both short-term and long-term factors that increased the risk of exposure to the virus in the most deprived areas of the UK. People in the most deprived areas of the UK are less likely to be in jobs that can be carried out remotely and were often more likely to have been designated as key workers during the pandemic. This meant that they had more public interactions and greater exposure to the virus when much of the country was in lockdown.

Pre-pandemic inequalities also increased the risk of Covid-19 transmission and Covid-19 death rates. Specifically, deprived areas tend to be more urban, with higher population density, and have greater rates of overcrowding. Self-isolating when infected or living with someone with Covid-19 in these conditions would have been much harder than for those living in less crowded conditions.

Pre-existing medical conditions also caused increased vulnerability to Covid-19. Socio-economically disadvantaged areas tend to have higher rates of people living with conditions linked with greater risk of deaths from Covid-19. These include respiratory disease, obesity and heart diseases. These conditions were already a driver of pre-pandemic health inequalities. Paired with Covid-19, they increased these inequalities even further.

People from disadvantaged backgrounds also face an increased risk of exposure to more severe versions of diseases and weakened resilience caused by chronic exposure to the social determinants of poor health (McGowan and Bambra, 2022). During the Covid-19 pandemic, both unequal medical treatment (related to hospital care and access to respirators or antiviral medication) and differences in vaccine uptake have been considered as additional drivers of the worse outcomes experienced by people from disadvantaged backgrounds (Dolby et al, 2022).

Beyond the Coronavirus pandemic

The pandemic alone did not cause health inequalities. It simply intensified the differences in outcomes that already existed across the UK and highlighted them more starkly.

Health inequalities exist from birth and continue through an individual's life. In 2018/20, females born in the 10% least deprived areas in England were expected to live, on average, eight years more than females born in the 10% most deprived areas (ONS, 2021b). The gap for males is even greater (10 years). In Scotland, these differences are more pronounced; male life expectancy in the most deprived areas is 13.7 years less than in the least deprived areas while the gap in female life expectancy is 10.5 years (NRS, 2022b).

In Wales and Northern Ireland, data comparing the 20% most and least deprived areas also shows gaps in life expectancy. These gaps are smaller than those in England and Scotland, though this is probably due – at least in part – to the larger groups compared. In Wales, female life expectancy in the least deprived 20% of areas was 6.3 years longer than in the most deprived areas, and male life expectancy was 7.5 years longer. In Northern Ireland, the female life expectancy gap between the least and most deprived 20% of areas is 5 years and the male life expectancy gap is 6.9 years (NISRA, 2022).

The same pattern emerges when comparing the healthy life expectancy of people in the most and least deprived areas of England. On average, a female living in the least deprived areas will spend 85% of their life in good health, compared with 71% for a female living in the most deprived areas. Given the shorter life expectancy of women from deprived areas, this equates to 18 years less lived in good health. For a male, this gap is 19 years; a male born in the most deprived areas will live in good health for just 66% of their life compared with 82% for those in the least deprived area (ONS, 2021b).

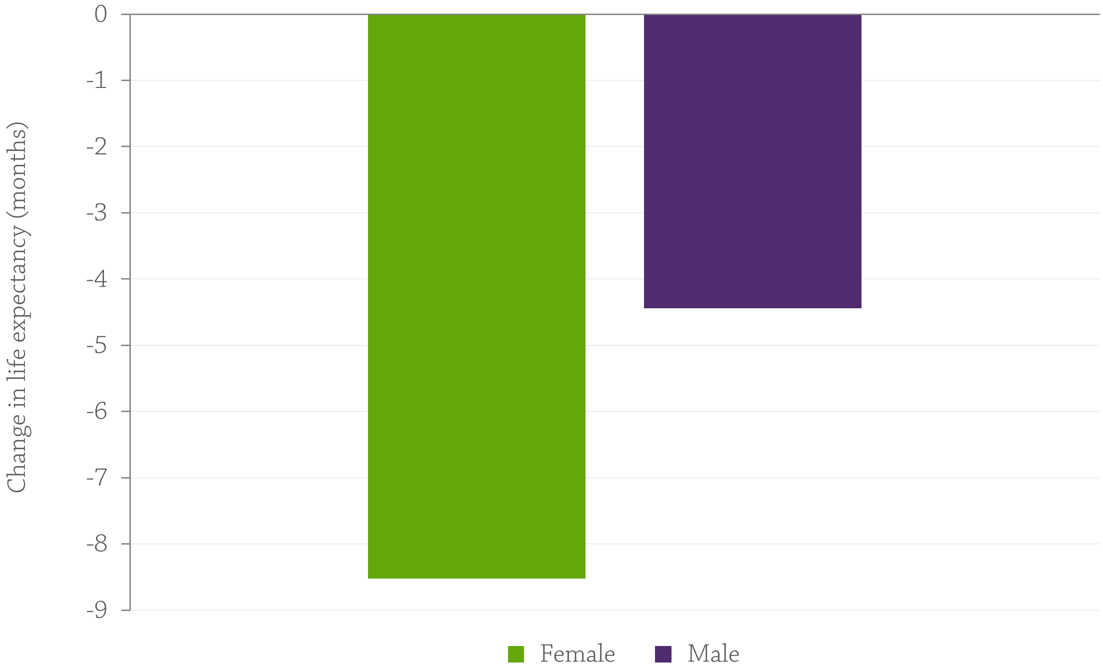
In Scotland, the gaps in healthy life expectancy are once again larger; a female living in the least deprived area of Scotland will live 85% of their life in good health, compared with 65% in the most deprived areas while a male in the least deprived areas will spend 85% of their life in good health compared with 68% in the most deprived areas. This means that both men and women in the most deprived areas of Scotland are expected to have 24 fewer years in good health than their counterparts in the least deprived areas (NRS, 2022c).

When comparing the 20% most and least deprived areas in Wales and Northern Ireland, the healthy life expectancy gap is 13.4 years for males and 16.9 years for females in Wales and 11.8 years for males and 14.9 years for females in Northern Ireland (NISRA, 2022).

How has this changed over time?

Since life expectancy by level of deprivation was first reported in 2011, the life expectancy for those living in the most deprived areas of England has never been lower. This is the case for both females and males. In 2018–20 females were expected to live, on average, for nine fewer months and males for four fewer months than they had been in 2011/13. In contrast, the life expectancy of both men and women living in less deprived areas increased over the same period (ONS 2022a).

Those born in the most deprived areas of England between 2018–2020 will live around half a year less compared with those born between 2011–13



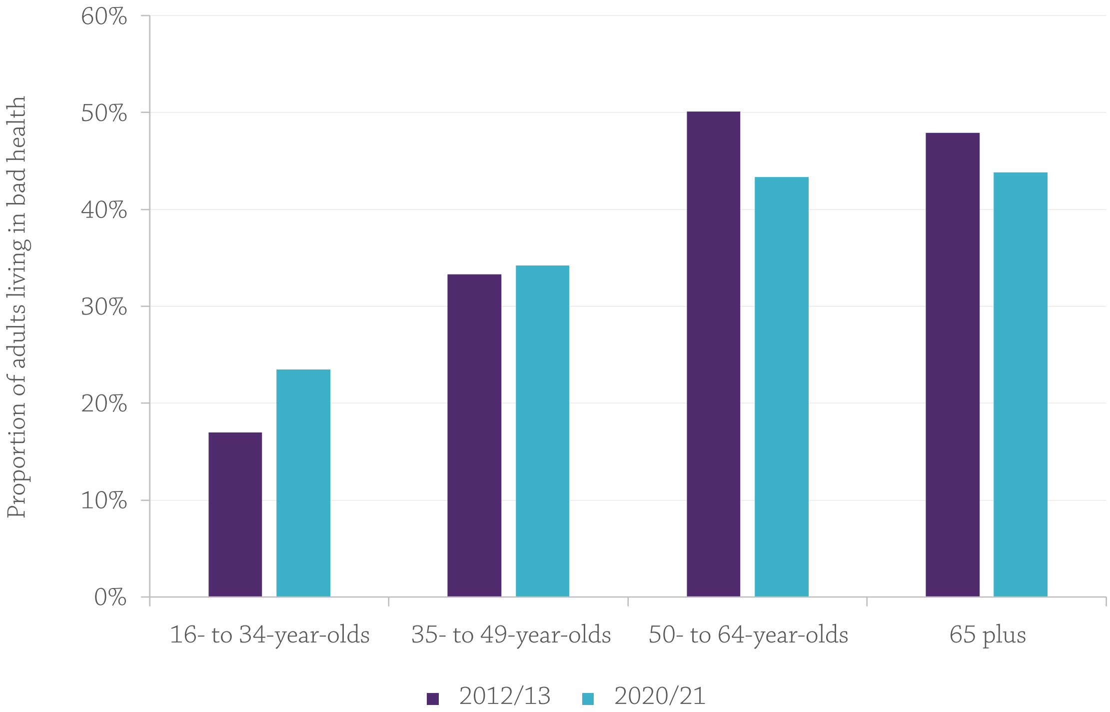
Source: JRF analysis of ONS Health state life expectancies by Index of Multiple Deprivation (IMD 2015 and IMD 2019): England, all ages

In Scotland, data on life expectancy by deprivation is only available over a shorter time period. Here, male life expectancy in the most deprived areas fell by 13 months and female life expectancy fell by 12 months between 2013/15 and 2018/20. In Wales, where data is only available to compare the 20% most and least deprived areas, male life expectancy in the most deprived areas has fallen by four months and female life expectancy by nine months since 2011/13 (Public Health Wales Observatory, 2022).

Although the proportion of life lived in good health has increased, this is not necessarily reflecting an improvement in healthy life expectancy. As reported above, overall life expectancy is falling for people from the most disadvantaged backgrounds. Any increase in the proportion of life lived in good health for this group may therefore be, in part, a consequence of healthy life expectancy stagnating.

Since 2012/13, when this data was first collected, rates of poor health have remained stable, or improved, for most people. People aged 35 to 49 living in poverty were as likely to report less than good health in 2020/21 as they had been eight years earlier, with these rating falling for people living in poverty who were aged 50 or older. However, the opposite is true for people living in poverty aged 16 to 34. In 2012/13, 17% of this youngest age group reported living in less than good health. By 2020/21, this figure was 24%. This is in line with findings from the ONS on the deteriorating physical and mental health of young people.

16- to 34-year-olds living in poverty are the only age group to have seen their rate of living in less than good health increase



Source: Households Below Average Income, 2020/21, DWP

What are the future prospects?

The findings presented here show worrying trends of growing poor health. The pre-existing inequalities that led to disparities in health across the UK will not disappear without government intervention. This is truer than ever, as health inequalities deepened during the Covid-19 pandemic. Without specific policies aimed at improving public health through prevention, intervention and treatment of all health conditions and other causes of ill-health such as overcrowding and poor housing, further decreases in life and healthy-life expectancy must be expected.

As poverty causes ill-health, reducing levels of poverty will also have a positive impact on health outcomes. Any exposure to poverty in childhood is associated with worse health outcomes in adolescence and into adulthood (Lai et al, 2019) and the potential impact is greater for children in persistent poverty. This is particularly worrying given the impact of the cost of living crisis on living standards and years of chronically high poverty levels.

How does this section interact with other sections?

The most obvious link is with disability, but health could be considered to have a relationship with all other areas of this report. For example, we know that people from ethnic minorities have higher rates of poverty and are more likely to live in deprived areas, and we know people living in those states face greater risk of poor health. Many people struggling with poor health face loss of earnings through employment and indeed may be unable to work, leading them to interact with the benefit system. As well as impacts on wellbeing, those in poor health may also have increased living costs and children suffering with poor health will see an impact on their education.

Education and poverty

Why is this important?

School helps us learn the essential skills we need to interact with the world around us, for example paying bills or reading a bus timetable. Too many children are leaving school without these skills, including being unable to confidently read and use numbers. Schools also provide emotional support for many children and families and are anchors to communities and systems of support.

Educational qualifications are needed for much employment and higher qualifications are related to higher pay and lower levels of poverty. Attainment gaps between the most and least advantaged children are found from early years (Blanden and Machin, 2017) through to graduate outcomes across the UK (Office for Students, 2020).

Education is a devolved power so education varies across the four nations in the UK; outcomes are therefore not directly comparable. In most cases schools and governments do not collect information on the incomes of parents so we use other information that is available to identify when children might be growing up in a household in poverty or low/lower incomes. In this section we mainly use free schools meals (FSM) data. Students are eligible for free school meals if their parents receive social security support for low incomes. In Scotland the government uses the Scottish Index of Multiple Deprivation which measures the level of deprivation in someone's neighbourhood rather than within the individual family (Scottish Government, 2020). At some points we use parent occupational status. Lower occupational status is associated with lower incomes and is therefore used as an alternative measure when no other data is available.

What's the headline story in the latest data?

Because education systems vary greatly between countries of the United Kingdom differences in attainment gaps between countries are not comparable. It is clear, though, that large attainment gaps between more and less disadvantaged children are common across all countries.

Primary and secondary education

Even at a young age there is a gap in young people's educational attainment by parental income level, and this continues throughout the different stages of a child's education. The Millennium Cohort Study found that children born in the UK at the start of the new millennium had lower attainment in cognitive tests in their early years if their parents had lower incomes. The gap in vocabulary development between children in the richest and poorest families (top and bottom 20% of household incomes) was, on average, 10 months at age three and 15 months at age five (Blanden and Machin, 2017).

At age 11 there is a 23 percentage point gap in the proportion of children reaching expected levels at Key Stage 2 (KS2) in England. The Department for Education notes that there has been a widening in the attainment gap at KS2 level for children in England since 2021. This is because attainment for disadvantaged pupils has fallen further than for children not known to be disadvantaged, increasing the disadvantage attainment gap. In Scotland, at the end of primary school, there is a 24 percentage point gap in literacy and 23 percentage point gap in numeracy between children from the most and least deprived neighbourhoods (based on the Scottish Index of Multiple Deprivation). There is no primary school data currently available for Northern Ireland or Wales.

Attainment in England

2021/22		Disadvantaged (%)	Not known to be in disadvantage (%)	Attainment gap
Aged 11	Proportion of pupils reaching expected standards in reading, writing and maths at KS2	43	66	23 percentage points
Aged 16	Percentage of pupils achieving grades five or above in English and mathematics GCSEs	30	57	27 percentage points

Note: Disadvantaged pupils are ordinarily defined as: those who were registered as eligible for free school meals at any point in the last six years; children looked after by a local authority or have left local authority care in England and Wales through adoption, a special guardianship order, a residence order or a child arrangements order.

Attainment in Scotland

2021/22		Most deprived 20% of areas (%)	Least deprived 20% of areas (%)	Attainment gap
Aged 11	Percentage of primary 7 achieving literacy	56	80	24 percentage points
	Percentage of primary 7 achieving numeracy	62	85	23 percentage points
Aged 16–18	One or more at SCQF at level five on leaving school	78	96	18 percentage points

Attainment in Wales

2021/22		FSM (%)	Non-FSM (%)	Attainment gap
Aged 16	Percentage of GCSE entries awarded A*–C	53	80	27 percentage points

Note: teacher assessment of KS2 is no longer published by FSM status (Welsh Government, 2019).

Attainment in Northern Ireland

2021/22		FSM (%)	Non-FSM (%)	Attainment gap
Aged 16	Proportion of pupils achieving at least five GCSEs A*–C (or equivalents) including GCSE English and maths	60	84	24 percentage points

Note: primary attainment by FSM is not regularly published in Northern Ireland.

Attainment gaps persist across primary and secondary education. In Northern Ireland, there is a gap of 24 percentage points between children getting FSM and those not in attaining five passes at GCSE level including maths and English. In Wales, there is a 27 percentage point gap in the GCSE entries awarded an A*–C grade. In England, just 3 in 10 disadvantaged young people get a pass at GCSE in both English and maths compared with nearly 6 in 10 young people not known to be disadvantaged. In Scotland, the gap between children in the most and least deprived neighbourhoods seems smaller (18 percentage points) but the level being measured is lower at just one qualification at Level 5.

Across education systems we also know that intersectional attainment gaps exist with attainment among children in low-income families also varying by ethnicity, gender and whether they have any additional support needs (Shaw et al, 2016; Strand, 2021).

Higher education

In the UK, half the students studying for a first undergraduate degree have parents who are in professional or managerial occupations. In 2020/21, only 43% of the working-age population were in professional and managerial occupations, suggesting that young people who have one or more parent working at this level are more likely to attend university than those with parents in other occupations. Around one in five entrants to higher education from the UK have a parent working in a routine or semi-routine occupation. One per cent of young people starting a degree in 2020/21 have a parent who is long-term unemployed or never worked (this could be due to a range of reasons including disability and caring responsibilities).

Proportion of higher education first degree undergraduate enrolments by highest parental occupational status in the UK 2020/21

	(%)
Higher managerial and professional occupations	24
Lower managerial and professional occupations	26
Intermediate occupations	14
Small employers and own account workers	8
Lower supervisory and technical occupations	6
Semi-routine occupations	13
Routine occupations	9
Long-term unemployed or never worked	1

Source: Higher Education Statistics Agency

We know that people with higher qualifications are less at risk of living in poverty. Just over 1 in 10 working-age adults with an undergraduate degree or above are living in poverty compared with more than 4 in 10 working-age adults with no qualifications.

In 2020 the gross weekly pay for working adults aged 16 to 64 with no qualifications (or who did not know what their qualifications were) was £346 a week. This increases to £423 a week for someone with a qualification below degree level and to £750 a week for someone with a higher degree.

How has this changed over time?

As each of the UK's education systems are distinct and have made changes to their structure, examinations and measurements of success, it is difficult to track comparable changes over time. However, we can be certain that there has consistently been a gap between the least and most disadvantaged children across all nations, that this is not new and that this will not close in the near future with current rates of progress. The Organization for Economic Cooperation and Development's Programme for International Student Assessment measured students' reading ability in 2018. It showed little improvement in the socio-economic reading attainment gap in the UK between 2009 and 2018.

In 2020, students in each UK education system did not sit normal exams due to the Covid-19 pandemic, and instead teachers evaluated their work. This means that the latest year of data is not directly comparable. In England, a higher proportion of both disadvantaged and not known to be disadvantaged students achieved a grade five or above in GCSE English and maths in 2020/21, when teachers assessed grades, than in previous years when traditional exams were taken. In 2021/22 the proportion returned to levels similar to 2019/20 for students not known to be from a disadvantaged background while it fell below that level for disadvantaged students. This means that the attainment gap widened slightly in 2021/22.[7]

In Scotland the results from teacher evaluation instead of typical exams reduced the attainment gap at Level 5 from 21 percentage points to 18 percentage points. Before this, the gap between young people in the most and least deprived neighbourhoods achieving one pass narrowed between 2009/10 and 2016/17 as attainment of children from deprived neighbourhoods increased, but had remained stable since then.

In Wales the attainment gap in A*–C grades awarded at GCSE level has remained relatively constant since 2016/17, at around 27 percentage points. However, in 2019/20 the gap spiked to 35 percentage points as students not in receipt of free school meals saw attainment rise.

In Northern Ireland since 2005/06, attainment at GCSE level for young people getting FSM has improved in line with those not getting FSM, however, this means that the attainment gap has remained relatively stable. In the most recent year, this gap had fallen slightly from 29 percentage points in 2018/19 to 24 points in 2020/21.

What are the future prospects?

Research shows that the impact of the Covid-19 pandemic has generally widened the attainment gap between the most and least disadvantaged pupils in the UK. This is due to a range of factors including the digital divide, home learning environments and potentially deepening poverty over the pandemic.

The challenges faced due to the cost of living crisis by families with children is likely to affect young people's learning and attainment. As families cut back on essentials as they struggle to keep up with rising costs, the number of children attending school hungry is likely to rise, affecting their ability to take part and engage at school. Taking part fully in school, from having the right school uniform to attending school trips, also comes with costs that a growing number of families will struggle to cover as the cost of essentials rise (CPAG, 2022). Parental stress and worry is also known to have a negative impact on young people's ability to learn in school, and this is likely to increase as a growing number of families worry about making ends meet.

How does this interact with other areas?

Education is an important driver of future poverty as it affects employment outcomes and earnings. It can also help to lessen poverty among future generations by ensuring parents have the essential skills needed to support their children and have access to services.

Annexes

Annexes

Annex 1: Poverty definitions

Being in poverty is when your resources are well below what is enough to meet your minimum needs, including taking part in society. There are a several ways of measuring this. Headline measures include:

- Relative poverty after housing costs (AHC), that is where someone's household income is below 60% of the middle household's income, adjusted for family size and composition. This looks at whether the incomes of poorer households are catching up with average incomes.
- The Social Metrics Commission's (SMC) core measure of poverty, which is low material resources compared with inescapable costs including housing costs. This looks beyond income at all material resources, assesses extra costs, including those due to disability and childcare, and includes people sleeping rough. It also uses a smoothed poverty line to avoid potentially misleading year-on-year changes.
- Absolute poverty AHC, that is where someone's household income is below a fixed line based on an inflation-adjusted 2010/11 poverty line (set at 60% of median AHC income in 2010/11). This looks at whether the incomes of poorer households are increasing faster than inflation.

One important thing to note is that these measures are based on household income and vary in how sensitive they are to changes in the cost of living and high inflation. Of these measures, absolute poverty is most directly affected by immediate changes in the cost of living, as the poverty line rises with inflation. Relative poverty and the SMC measures are less sensitive to changes in the cost of living, with changes in both determined by how incomes of poorer households compare with those with higher incomes. Material deprivation measures, which are based on whether families say they are unable to access or afford a range of particular goods and activities, are also useful measures during periods where prices are rising quickly.

In this report, when we use the term poverty we are using the relative poverty rate AHC to measure poverty unless otherwise stated. As can be seen in JRF's UK Poverty 2020/21 report (JRF, 2021), analysis shows that all measures agree on some of the key groups who have higher rates of poverty, including children, people in families not containing full-time workers, people in lone-parent families, people in families containing a disabled person, people in families with three or more children, people in rented accommodation, and people in households headed by someone of non-white ethnicity (particularly those of Pakistani, Bangladeshi or Black ethnicity).

The relative poverty after housing costs thresholds and median household incomes for various family types are given in the table below.

Poverty lines for different family types and thresholds in 2020/21

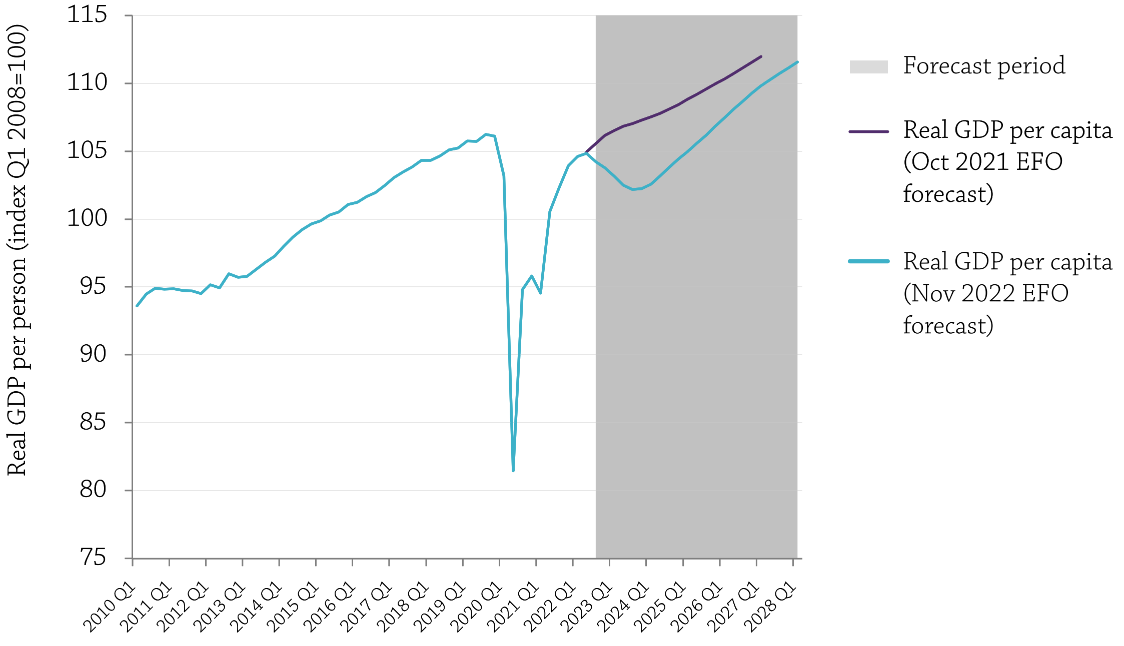
Household type	Median income		Poverty threshold (60% of median)		Deep poverty threshold (50% of median)		Very deep poverty threshold (40% of median)	
	Weekly	Annual	Weekly	Annual	Weekly	Annual	Weekly	Annual
Lone parent with two children, one 14 or over and one under 14	£566	£29,500	£340	£17,700	£283	£14,800	£226	£11,800
Couple with two children, one 14 or over and one under 14	£764	£39,800	£458	£23,900	£382	£19,900	£306	£15,900
Adult, no children	£274	£14,300	£164	£8,600	£137	£7,100	£109	£5,700
Couple with no children	£472	£24,600	£283	£14,800	£236	£12,300	£189	£9,800

Annex 2: Macro economy

In looking at how poverty is changing, it is important to consider the performance of the wider macro economy. The health of the economy will have a bearing on lots of the factors affecting poverty levels. This includes tax revenues paying for public services and state support including social security, the performance of the labour market in terms of the number of jobs available, and how inflation is changing the cost of living. This annex draws on the Office for Budget Responsibility's (OBR) latest Economic and Fiscal Outlook report and compares this to what it expected the prospects for the future were in the Economic and Fiscal Outlook report immediately before our last assessment of prospects for poverty in the United Kingdom (OBR, 2022). Since our last report there has been severe economic headwinds ranging from the war in Ukraine which has massively increased energy costs, as well as having a large knock-on effect on the price of other goods and services, to political instability here in the UK. The cumulative effect of this will be to worsen the macro-economic picture since the last report.

While only giving a partial picture, how the UK's gross domestic product (GDP) per head is changing is an important measure of the health of the economy. We knew this showed a big coronavirus-related fall between the last quarter of 2019 and second quarter of 2020. Because of subsequent coronavirus-related measures put in place, as well as long-term damage to the economy, in the October 2021 Economic and Fiscal Outlook report, GDP per head was not forecast to rise above its pre-coronavirus level until some time during 2022. Unfortunately, future prospects have worsened since then, with the OBR's assessment being that the United Kingdom is currently in recession, and GDP per head is expected to continue to fall until the middle of 2023. It is not expected to return to the level it had achieved at the end of 2019 until the second half of 2025.

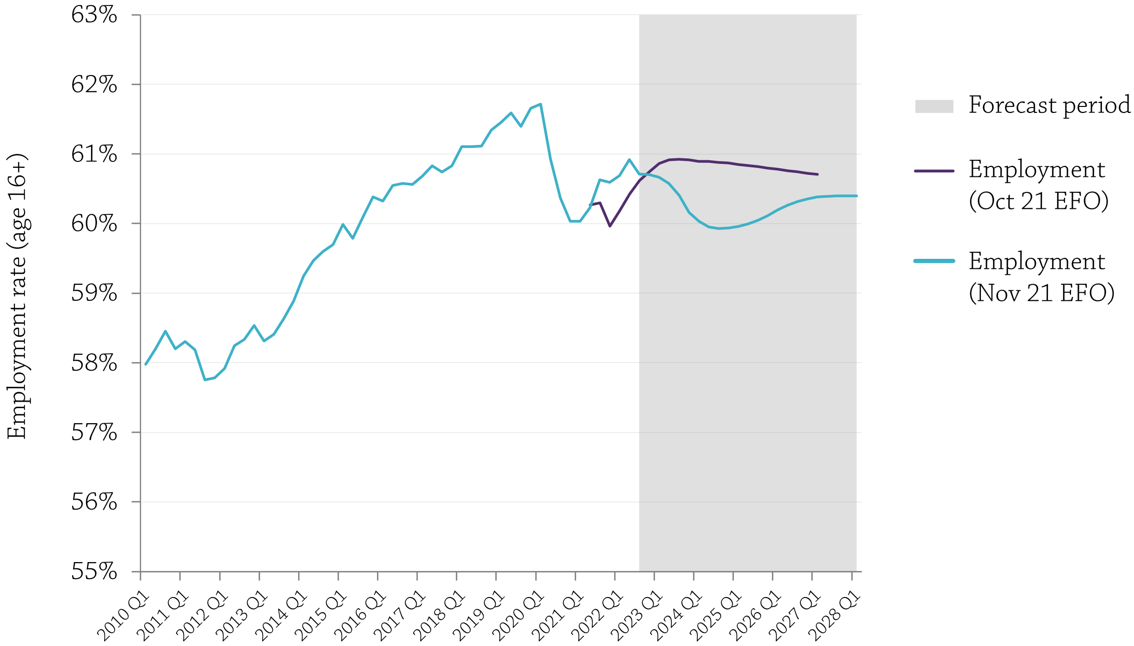
Real GDP per head fell during the pandemic and rose immediately afterwards but is now falling again and will take many years to reach its pre-pandemic level



Source: OBR: Economic and Fiscal Outlook October 2021

The coronavirus-related reduction in GDP contributed to reduced employment, with the proportion of the 16+ population in employment falling by almost 2 percentage points between the start and end of 2020 (equating to a decrease of 800,000 in employment). The period from Q1 2021 to Q2 2022 saw a recovery in the labour market with an increase in the employment rate of 1 percentage point, which was a bigger improvement than the OBR forecast in October 2021, in part due to it over-estimating the effect of the withdrawal of the Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme on unemployment. However, the medium-term forecast has worsened as part of the current recession, with employment expected to fall back to 60% by the start of 2024 and still be below its current level at the start of 2028.

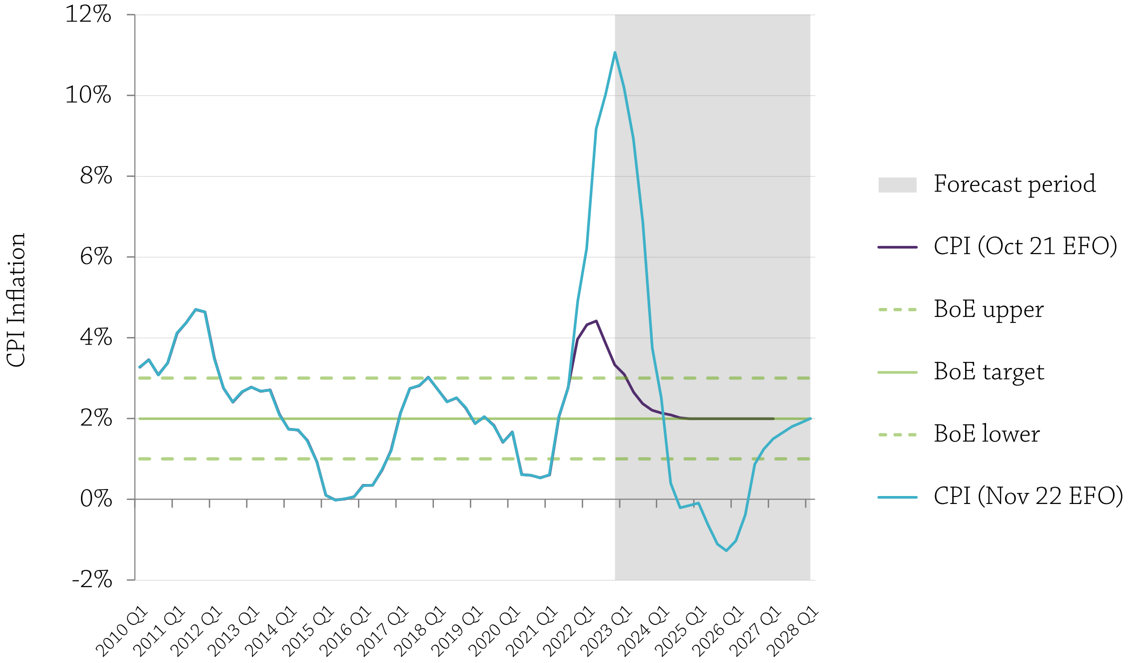
Employment fell during the coronavirus pandemic then rose until mid-2022, but is expected to fall from then until early 2024



Source: OBR: Economic and Fiscal Outlook October 2021

Inflation is where the worsening picture since our last report is most vividly seen. Inflation as measured by the Consumer Price Index remained low through to the start of 2021 but rose rapidly over the course of 2021 and is not forecast to peak until late-2022 at a level of around 11% – a level not seen for around 40 years. The OBR then forecast rapidly falling inflation during 2023 and early 2024, with CPI forecast to be negative during 2024 and 2025 (indicating falling prices overall), before returning to within the margins around the Bank of England target CPI inflation rate in 2027.

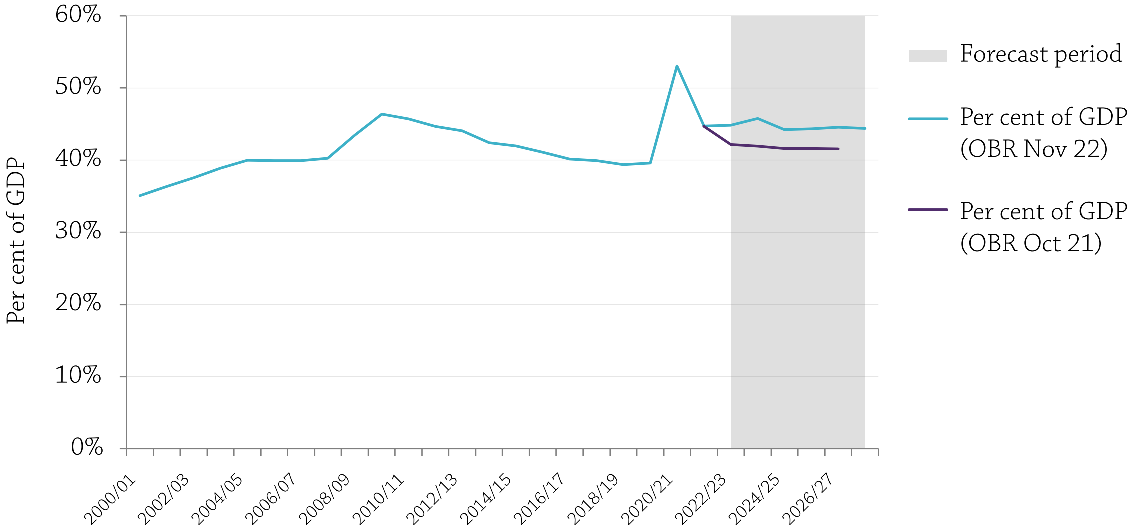
Inflation was low at the start of the pandemic, but since then has risen very rapidly to levels last seen 40 years ago



Source: OBR: Economic and Fiscal Outlook October 2021

The pandemic massively increased public spending as a proportion of GDP to over half, the highest level since the Second World War. This was due to both increased pandemic-related public spending and a falling GDP. As shown earlier, GDP is forecast to fall in future years to levels lower than those forecast in October 2021. This means that, while public spending has fallen as pandemic-related spending decreased, the proportion is forecast to settle at around 44.5% of GDP. This is higher than the level of around 40% seen before the financial crisis and 41.5% which was the level forecast in October 2021. Much of the increase is due to increased debt interest, as well as increased spending on the National Health Service.

Public spending as a proportion of GDP increased during the pandemic before falling subsequently, but is expected to settle above the pre-pandemic level



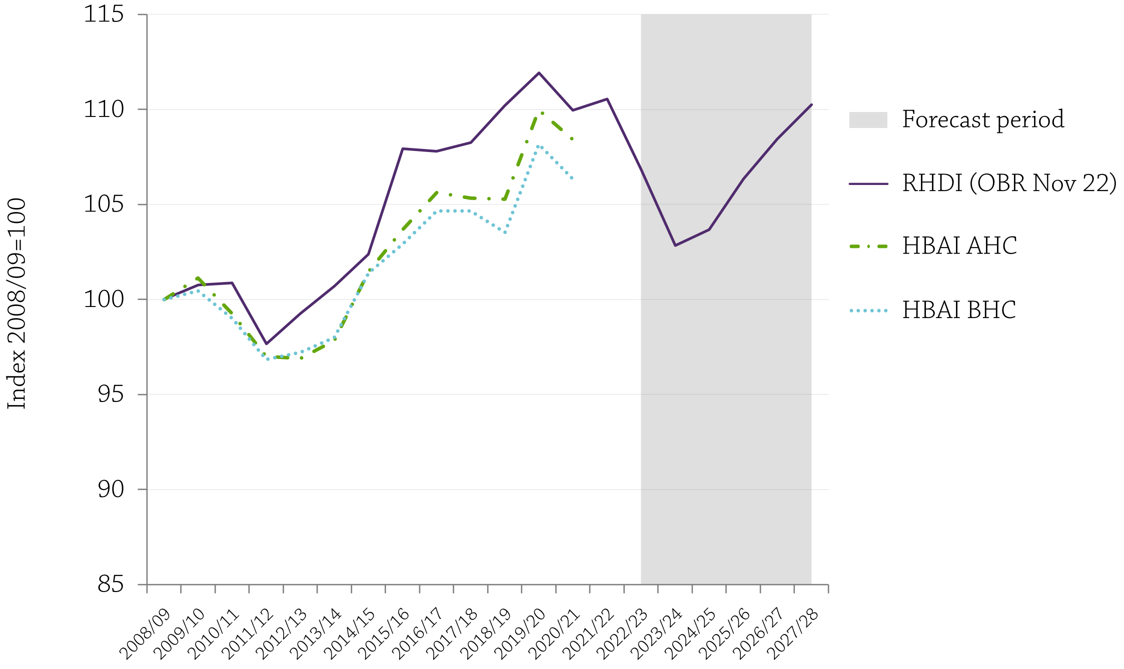
Source: OBR: Economic and Fiscal Outlook October 2021

Annex 3: Average incomes and inequality

A good measure of changes in overall living standards is how average incomes have moved over time. Incomes tend to grow over time as the gross domestic product of a country increases. Looking at how average incomes change also helps to understand changes in poverty, as the measure we use in this report is based on a threshold of 60% of median equivalised household income after housing costs have been deducted, so the poverty line increases when average incomes increase.

The chart below shows how average incomes have changed since 2008/09 according to three measures: equivalised median income after housing costs have been deducted (the threshold used for our poverty statistics), equivalised median income before housing costs and real household disposable income (RHDI) per head, which is a national accounts derived dataset which includes the money households have to spend on consumption, or to save and invest, after taxes, National Insurance, pension contributions and interest have been paid. This data also includes incomes of non-profit institutions that provide goods or services to households including charities, trade unions and religious organisations. Therefore changes in the series may not be solely due to changes in household incomes, but it is a useful indicator of future household income prospects.[8]

Real household disposable income is expected to fall dramatically between 2021/22 and 2023/24 and is forecast to still be below its pre-pandemic level in 2027/28



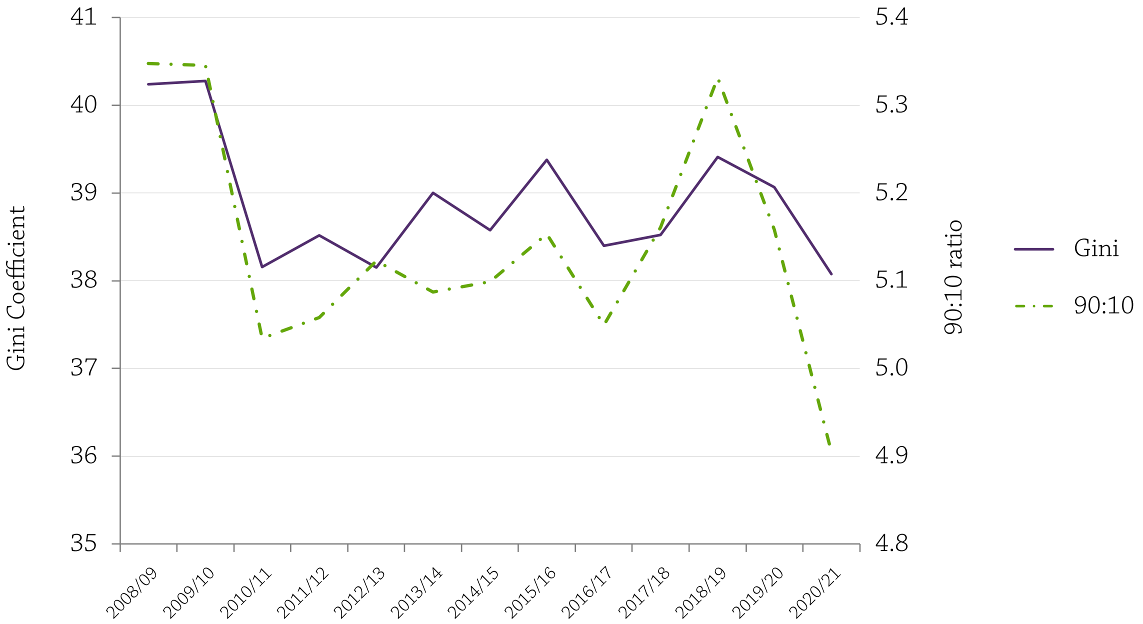
Source: Households Below Average Income, 2020/21, DWP & OBR: Economic and Fiscal Outlook October 2021

The income measures based on households below average income (HBAI) series follow a similar pattern to the national accounts RHDI index, with a fall in average incomes between 2009/10 and 2011/12 following the financial crisis, before a period of broadly growing incomes to 2019/20. The coronavirus pandemic stalled this growth, with the HBAI series showing a fall between 2019/20 and 2020/21. The RHDI series shows a large fall between 2021/22 and 2023/24, with incomes still below their 2019/20 level in 2027/28.

Two of the most commonly used measures of income inequality are the Gini Coefficient and the 90:10 ratio. The Gini Coefficient shows how incomes are distributed across all individuals. It ranges from zero (when everybody has identical incomes) to 100% (when all income goes to only one person). The 90:10 ratio is the average (median) income of the top 20% (quintile five) divided by the average income of the bottom 20% (quintile one). The chart below shows that income inequality fell following the financial crisis (between 2009/10 and 2010/11) but shows a very slightly increasing trend from then up to 2019/20.

There were relatively large falls in 2020/21, probably due in part to increased income from benefits during the coronavirus pandemic that supported the incomes of the poorest compared with those in the middle of the distribution who saw falling incomes. The Gini Coefficient in 2020/21 was around 2012/13 levels, while the 90:10 ratio was around its 2005/06 level (not shown on chart). The future trend in inequality is uncertain – the Autumn Statement measures were broadly progressive, with benefits being uprated as usual. Much will depend on how the recession that we are now entering plays out. However, what is clear is that it is likely that most people will see falling living standards for a period.

Income inequality fell in 2020/21, probably due to coronavirus-related payments protecting the incomes of poorer households



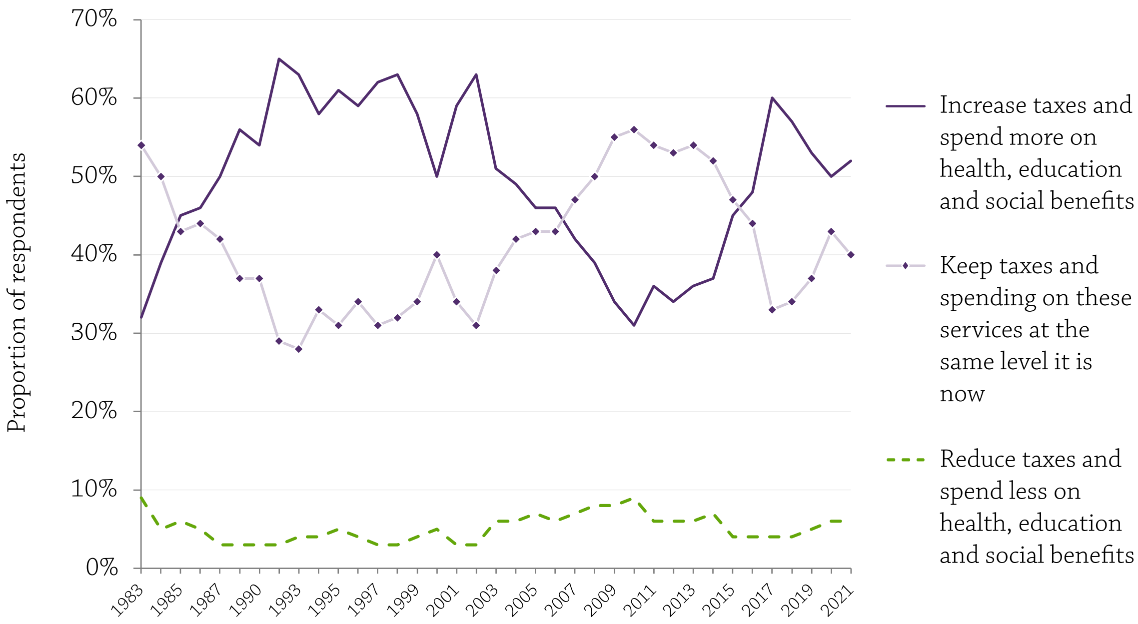
Source: Households Below Average Income, 2020/21, DWP.

Annex 4: Public attitudes to poverty

It should be a fundamental responsibility of government to provide an adequate social security safety net and support for those out-of-work regardless of public attitudes. Nonetheless, as the British public continues to become more supportive of the UK Government helping those in need rather than weakening the safety net, public opinion provides an additional case for strengthening the support available to those out-of-work or claiming social security.

The British Social Attitudes Survey has looked at public attitudes on a wide range of topics, including government spending, social security and employment, since 1983. Data from the latest wave of the survey, conducted in 2021, found that the public continues to become increasingly supportive of government action to help people in need (Curtice, 2022). Attitudes towards government tax and spending on health, education and social benefits have become more favourable over the past decade. At least half of the British public has agreed that these should be increased since 2017, while only around 1 in 20 people supported cuts to tax and spending throughout this period.

Since 2017, the majority of the British public has agreed that the government should increase tax and spending on health, education and social benefits

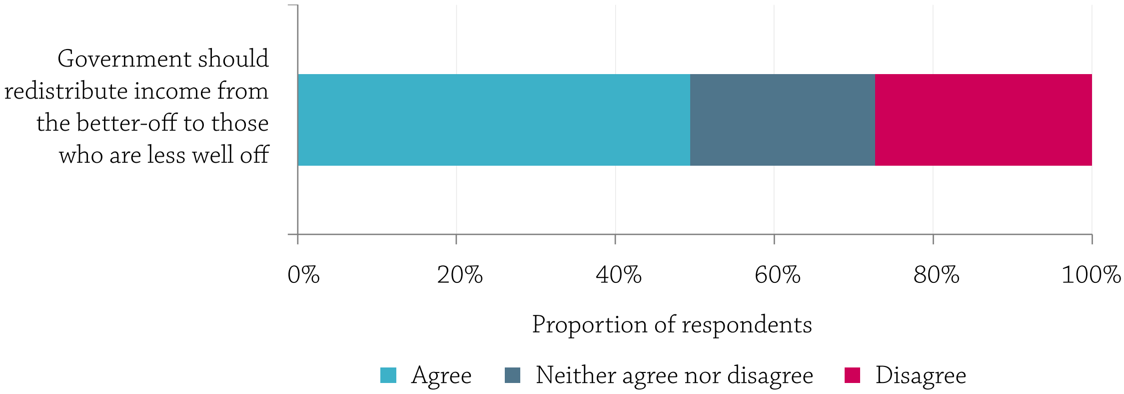


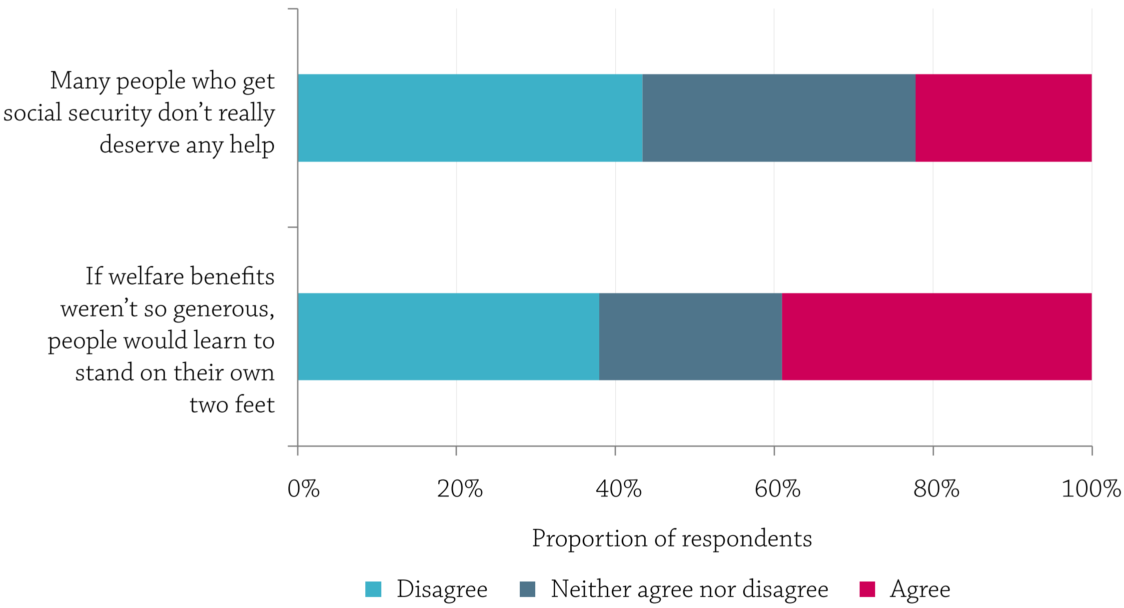
Source: British Social Attitudes survey, 1983–2021

There has also been a smaller, but still notable, increase in the proportion of people who agree that the government should redistribute income from the better-off to those who are less well off over the course of the last decade; in 2021 almost half of respondents (49%) agreed with this statement, compared with 37% 10 years earlier. Support for government redistribution in the latest BSA was at its highest level since 1994.

The British public has also become more sympathetic to people receiving social security and benefits. Between 2007 and 2015, more than half of respondents to the BSA agreed that 'if welfare benefits weren't so generous, people would learn to stand on their own two feet'. In 2017, this fell to under 40% for the first time in 17 years, with similar numbers of people agreeing and disagreeing with this statement in 2021 (39% agreed and 38% disagreed). There has been a bigger change in people's attitudes to how much people on social security deserve help. Since 2012, the proportion of people who disagree with the statement that 'many people who get social security don't really deserve any help' has risen from just under 3 out of 10 people to just over 4 out of 10 people. In the 2021 BSA, people were almost twice as likely to disagree as to agree with this statement (43% compared with 22%). Over the same period, people have also become more likely to disagree with the statement that 'Most people on the dole are fiddling in one way or another'.

Almost half the British public agrees that the government should redistribute income from the better off to those who are less well off, and around 4 out of 10 have sympathetic attitudes to people receiving social security and benefits





Source: British Social Attitudes survey, 1983–2021

YouGov polling (2022) has also found sympathetic attitudes towards people receiving benefits; since June 2019, a majority of people polled have consistently said that either all/almost all or the majority of people who receive benefits are genuinely in need and deserving of help, with only around 1 in 10 believing that a minority or hardly any/none deserve help.

As high inflation and the increased cost of living across the UK has led to increasing pressures on low-income families, public opinion has continued to be in favour of a benefits system that supports their financial needs as costs continue to rise. According to polling by YouGov for JRF in October 2022, the majority of the public agreed that benefits should go up in line with inflation, with only 7% of people saying that they should not go up at all.

Support for additional support for low-income households through the social security and benefits systems comes after increased levels of government spending during the pandemic. While trends over time from the BSA suggest that support for tax and spending on health, education and social benefits increased as government spending was cut through the 2010s, the British public continues to support increases in benefit rates and the strengthening of the social security safety to protect those most in need.

Annex 5: Note on data quality in the 2020/21 Family Resources Survey

The majority of findings in this report come from data collected in the Family Resources Survey (FRS) in 2020/21 and the Household Below Average Income (HBAI) data that was generated from this. These datasets are the UK's official source of poverty estimates. They are used to estimate current levels of poverty across the UK and if, and how, the poverty rate has changed over time. Previous UK Poverty reports have drawn extensively on figures made available by the Department of Work and Pensions from these datasets.

Like all activities that required face-to-face contact during the Covid-19 pandemic, the lockdown restrictions introduced in March 2020 meant that face-to-face interviewing for the FRS had to be halted. This was replaced with telephone interviews for all data collected for the 2020/21 FRS. While this facilitated the collection of important information about households across the UK during a time of much economic and social disruption, the speed of the change to the survey mode did not allow for any testing to take place to investigate any potential impact on response rates, sample quality or unobservable bias. Therefore figures for this year are subject to additional uncertainty and may not be strictly comparable with previous years.

Changes to the survey mode in 2020/21 affected the size and composition of the sample of respondents from whom data was collected. This was particularly the case in the first half of the survey year, when changes to the fieldwork approach were first made. The achieved sample size for the 2020/21 FRS was just over 10,000 households, compared with between 19,000 and 20,000 households in previous years. While different approaches (such as knock to nudge) were introduced in the second half of the year in some nations to increase response rates, it is not clear what additional biases these could have brought to the sample.

It is known, however, that the achieved sample of the 2020/21 FRS was older, more affluent and less likely to have children than in previous years. Working-age respondents were also more likely to hold a university degree than in the population as a whole. There were also notable changes in the estimates of the number of disabled people across the UK from the survey. These differences (a 2 percentage point increase in the proportion of working-age adults reporting being disabled coupled with a 4 percentage point decline among pension-age people) are believed to have been driven, at least in some part, by sample bias.

To address these concerns about the data collected in the FRS, the grossing regime used for the FRS and HBIA data was changed. This included weighting the sample by respondents' interview month to ensure the sample was balanced across the year (sample sizes were smaller at the beginning of the survey year, as the pandemic took hold), which was particularly important given fluctuations to household incomes over the course of the year. Responses were also weighted by respondents' level of education due to low response rates among young people with education levels below degree level, as well as age, gender and region for the sample overall.

The impact of the Covid-19 pandemic was particularly relevant for many parts of the FRS that are used to calculate HBAI estimates. This included changes in household composition (including a decrease in the number of childless single adults living with other childless single adults), as well as changes in income (from earnings or benefits), employment, hours worked or the amount of support received from the Coronavirus Job Retention Scheme or the Self Employment Income Support Scheme throughout the year. Although the undercounting of benefits has been a long-term problem in such surveys, the DWP's quality assurance process of the 2020/21 FRS data found inconsistent undercounting of the number of people receiving Universal Credit throughout the year. This will have affected low-income estimates most directly and, for example, is believed to be one of the drivers of lower than expected low-income rates in data collected in the first half of the year.

This is why it is recommended that analysis of small sub-groups of respondents within the data is carried out with caution. For this report, it is worth noting that the DWP has flagged child low-income rates broken down by further by other characteristics as a particular area of concern. Therefore, the DWP has not published the full range of detailed breakdowns that have previously been part of its FRS report, or made the data available on Stat Xplore for additional breakdowns of results. In addition, neither the Scottish Government, the Welsh Government nor the Northern Ireland Statistics and Research Agency published poverty statistics for the three-year period 2018–21 due to the underlying weaknesses in the data. Similarly, we decided not to publish our usual analysis of the figures in Poverty in Scotland 2022 (Birt et al, 2022) as the sub-sample of data for Scotland alone was not considered reliable enough to offer reliable insights into any trend over time.

The DWP has conducted extensive quality assurance on the 2020/21 dataset, including assessments that found that item response accuracy was very similar to previous survey years. It has also made the raw data available for additional analysis through the UK Data Service. Therefore this report includes findings from breakdowns of smaller sub-groups within the data. This allows us to offer insights into differences in experiences of poverty during the Covid-19 pandemic between different groups of people within the data, and to place these results in context with longer-term trends seen from previous years' data. In previous UK Poverty reports, analysis of breakdowns for small sub-groups of people were conducted using results from three years' worth of data to ensure more robust findings. This approach has been replicated again for breakdowns by region and by ethnicity, which – as in previous years – facilitates the report of findings from these small samples of respondents within the data. Furthermore, no results are reported when the unweighted base of any group analysed is under 100 respondents.

While there are some concerns about the quality of the data available for analysis, and particularly for analysis broken down for smaller groups within the population, we still consider analysis of this data to offer valuable insights into poverty in the UK during the first year of the Covid-19 pandemic. While some findings need to be treated with more caution than in previous reports based on FRS and HBAI data, it is important to better understand people's risk and experience of poverty during the pandemic, even though at times it may be difficult to distinguish between changes in findings that are driven by real world changes and potential issues with data collection during the pandemic. Analysis of the 2021/22 data will offer some insights into the extent to which any results of analysis using the 2020/21 data were driven by methodological changes. However, given that the first year of the Covid-19 pandemic brought economic disruption across the UK and an expansion of the social security system to help support people across the country, analysis of the 2020/21 data with its flaws offers an invaluable opportunity to investigate key factors linked to the causes and consequences of poverty in the UK.

Notes

1 Figures do not sum, due to rounding each separately.

2 Excludes children who are not in full-time work or education or training as they are classified as working age adults.

3 See https://researchbriefings.files.parliament.uk/documents/CBP-9090/CBP-9090.pdf for a comprehensive list of changes. These include among others: the benefit cap, the high income child benefit charge, localisation of Council Tax support, reforms to ESA, the under-occupation deduction (commonly known as the bedroom tax), changes to the calculation of local housing allowances, introduction of Personal Independence Payments, abolishing the Social Fund, turning Support for Mortgage Interest into a loan, introducing the two-child limit for certain benefits, introducing Universal Credit, changes to uprating including a benefits freeze.

4 JRF analysis of the Quarterly Labour Force Survey April–July 2022.

5 Liquid savings are made up of money in current and savings accounts, ISAs, national savings certificates/bonds, UK shares and UK gilts.

6 Calculated from equivalised net household income before housing costs.

7 The Department for Education states that due to all GCSEs in England having been reformed and using the new 9 to 1 grading system (rather than A*–G), year on year comparisons will be limited until these qualifications are consistently included from 2020 onwards. However, results for 2020 and 2021 are not comparable with earlier years due to the cancellation of exams (due to Covid-19) and the changes to the way GCSE grades were awarded and results for 2022 are not comparable with previous years due to the changes relating to grading assessments.

8 Figure 1 at www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/alternativemeasuresofrealhouseholdsdisposableincomeandthesavingratio/apriltojune2018 shows the difference made by inclusion of non-profit institutions serving households is relatively small.

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The Joseph Rowntree Foundation is working with governments, businesses, communities, charities and individuals to solve UK poverty. This report provides a comprehensive, independent and authoritative overview of UK poverty in 2022, which we hope will make more people want to solve poverty, understand it and take action.

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