



Library Note

Causes of Poverty in the United Kingdom

This House of Lords Library briefing has been prepared in advance of a debate that is scheduled to take place in the House on 14 July 2016 on the following motion:

Lord Bird to move that this House takes note of the case for tackling the causes of poverty in the United Kingdom.

Identifying and dealing with the causes of poverty is a highly complex issue which is open to interpretation, which in turn influences suggested approaches to tackling the causes of poverty. This briefing therefore necessarily considers the lack of a universally agreed definition of poverty and the resulting different measures conventionally used to gauge poverty rates; summarises government policy in recent years in relation to the causes of poverty; and presents statistics on poverty rates in the United Kingdom. It does not provide an overview of possible policy solutions, but points to relevant further reading on this subject.

In May 2016, the Office for National Statistics published a release on the subject of [persistent poverty in the UK and EU](#). The release set out the following main points:

- In 2014, 6.5 percent of the UK population were in persistent poverty, equivalent to approximately 3.9 million people. Persistent poverty is defined as experiencing relative low income in the current year, as well as at least two out of the three preceding years.
- Based on the latest data, the UK has the third-lowest persistent poverty rate in the EU, but the overall poverty rate for 2014, at 16.8 percent, was the twelfth highest.
- The persistent poverty rate for women was 1.5 percentage points higher than for men in 2014 in the UK.
- Single-person households were more likely to experience persistent poverty than households with two adults.
- Between 2011 and 2014, almost a third (32.5 percent) of the UK population experienced poverty at least once.
- 43 percent of people who left education without any formal qualifications experienced poverty at least once between 2011 and 2014, twice the percentage of those with a degree or higher.

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1. Introduction

On 29 June 2016, Lord Bird (Crossbench) asked an oral question in the House of Lords on the subject of preventing the underlying causes of poverty in the United Kingdom. Lord Freud, Minister of State at the Department for Work and Pensions, responded on behalf of the Government as follows:

The Government have set out a new life chances approach which will include a set of indicators to measure progress in tackling the root causes of poverty, such as worklessness, educational attainment and family stability.¹

During his supplementary question, Lord Bird stated that he would continue to ask the House—“how do we begin the process of dismantling poverty?”, and asked “when will the Government and the House get behind the idea that we need a different form of intervention in poverty in order to begin to dismantle it?”² A full transcript of the oral question can be found in Appendix 1.

Identifying and dealing with the causes of poverty is a highly complex issue which is open to interpretation, which in turn influences suggested approaches to tackling the causes of poverty. This briefing therefore necessarily considers the lack of a universally agreed definition of poverty and the resulting different measures conventionally used to gauge poverty rates; summarises government policy in recent years in relation to the causes of poverty; and presents statistics on poverty rates in the United Kingdom. It does not provide an overview of possible policy solutions, but points to relevant further reading on this subject.

2. Definitions and Measures

2.1 Definitions

There is no single definition of poverty. Baroness Lister of Burtersett (Labour), Emeritus Professor of Social Policy at Loughborough University, commented on the lack of a standard understanding of poverty in her textbook on the subject:

Socio-economic structural and cultural contexts shape the experiences and understandings of poverty [...] This means that there is no single concept of poverty that stands outside history and culture. It is a construction of specific societies. Moreover, different groups within a society may construct it in different ways. Because of the moral imperative of poverty and its implications for the distribution of resources both within and between societies, it is a political concept. As such it is highly contested.³

¹ [HL Hansard, 29 June 2016, cols 1559–60.](#)

² [HL Hansard, 29 June 2016, col 1560.](#)

³ Ruth Lister, *Poverty*, 2004, p 3. Baroness Lister continued: “A fairly narrowly focused definition best underpins measures designed to estimate the incidence of poverty. However, on its own, it would represent but a thin portrayal of the reality of poverty. Hence the importance of a focus on broader conceptualisations [...] Definitions of poverty carry implicit explanations for its existence and incidence. These tend to locate the causes of poverty in either the individual or collective agency on the one hand or to luck or fate on the other. Individual agency-based explanations focus on what people in poverty do or do not do and on the cumulative impact of their actions at a systemic level [...] the relationship between structure and agency has been a key theme in the exposition of various aspects of the meaning of poverty”, p 177.

Paul Spicker, Emeritus Professor of Public Policy at Robert Gordon University, has stated that ‘poverty’ may refer to:

- **Material conditions:** needing goods and services, multiple deprivation, or a low standard of living.
- **Economic position:** low income, limited resources, inequality or low social class.
- **Social position** of the poor, through lack of entitlement, dependency or social exclusion.⁴

Government Definition

In November 2015, Lord Stoddart of Swindon (Independent Labour) asked the Government for its definition of poverty. Lord Freud, Minister of State at the Department for Work and Pensions, provided the following answer in response:

Poverty is complex and affects different people in different ways throughout their lives. As such, the Government does not have one recognised definition, or measure, of poverty which applies to [every] stage of someone’s life. Our focus is on ensuring we have measures which drive the right approaches to tackling the root causes of poverty.⁵

The Conservative Party manifesto published ahead of the 2015 general election stated that these “root causes” were “entrenched worklessness, family breakdown, problem debt, and drug and alcohol dependency”.⁶

2.2 Measures

The Joseph Rowntree Foundation (JRF) has stated that there is “no single best measure of poverty”, adding that it is a “complex problem that needs a range of measures telling us different things”.⁷ Measures which the JRF use to measure poverty include:

- **Relative poverty:** where households have less than 60 percent of contemporary median income.
- **Material deprivation:** where people can’t afford certain essential items and activities.
- **Absolute poverty:** where households have less than 60 percent of the median income in 2010/11, uprated by inflation.
- **Educational attainment gaps** between those on Free School Meals and the rest.

⁴ Paul Spicker, ‘[An Introduction to Social Policy: Poverty](#)’, 17 March 2016.

⁵ House of Lords, [Written Question: Poverty](#), 7 December 2015, HL3820.

⁶ Conservative Party, [Conservative Party Manifesto 2015](#), April 2015, p 28.

⁷ Joseph Rowntree Foundation, [About Poverty](#), accessed 5 July 2016.

- **Overcrowded homes and homelessness.**
- **Unemployment and low pay.**⁸

The JRF added that “income in these measures is usually assessed after income tax, council tax and national insurance have been paid and including social security benefits. Income poverty measures can be looked at before (BHC) or after (AHC) housing costs (these include rent or mortgage interest, water rates and buildings insurance)”.⁹

Professor Spicker has commented on the “two main models” of representing poverty—relative and absolute poverty—as follows:

- **Absolute poverty** is based on subsistence, a minimum standard needed to live. Seebohm Rowntree’s research identified a ‘poverty line’ on the basis of minimum needs. The [United Nations] Copenhagen Declaration defines absolute poverty as a “condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services”.
- **Relative poverty** is based on a comparison of poor people with others in society. [Professor] Peter Townsend defines poverty as “the absence or inadequacy of those diets, amenities, standards, services and activities which are common or customary in society”.

Poverty, like all need, is defined in terms of the society where it takes place: what people can eat, and where they can live, depend on the society they live in. That does not mean that it is based only on a comparison with others in the same society; there are some countries where most people are poor. Beyond that, social and political relationships—like problems of gender or relationships to authority—are an integral part of the experience of poverty. These issues occur in many different societies, in poorer and richer countries alike, but they can only be understood in their social context.¹⁰

3. Government Policy

3.1 Labour Government

In March 1999, the then Prime Minister Tony Blair announced a commitment to end child poverty by 2020.¹¹ Later, in 2008, his successor Gordon Brown announced his Government’s intention to enshrine the 2020 child poverty target in law.¹² The Child Poverty Bill introduced

⁸ Joseph Rowntree Foundation, ‘[About Poverty](#)’, accessed 5 July 2016.

⁹ *ibid.*

¹⁰ Paul Spicker, ‘[An Introduction to Social Policy: Poverty](#)’, 17 March 2016. Seebohm Rowntree was a sociological researcher who published a study of poverty in York in 1901, and coined the term ‘poverty line’. Rowntree Society, ‘[Seebohm Rowntree and Poverty](#)’, accessed 7 July 2016.

¹¹ BBC News, ‘[Pledge to Eliminate Child Poverty](#)’, 18 March 1999.

¹² Maria Ahmed, ‘[Gordon Brown: Labour Will Legislate to End Child Poverty by 2020](#)’, Community Care, 23 September 2008.

in the 2008–09 session and carried over to the 2009–10 session received cross-party support, although there was a disputation with regards to focus with the Conservative Party arguing that the child poverty targets set out in the Bill should concentrate on “tackling the causes rather than the symptoms of poverty”.¹³

The Child Poverty Act 2010 received royal assent on 25 March of that year. The purpose of the Act was to “define success in eradicating child poverty and create a framework to monitor progress at a national and local level”.¹⁴ The Act set out four child poverty targets for 2020:

- **Relative poverty:** to reduce the proportion of children who live in relative low income (in families with incomes below 60 percent of the median, before housing costs) to less than 10 percent.
- **Combined low income and material deprivation:** to reduce the proportion of children who live in material deprivation and have a low income (below 70 percent of the median, before housing costs) to less than 5 percent.
- **Persistent poverty:** to reduce the proportion of children that experience long periods of relative poverty, with the specific target to be set by December 2014.
- **Absolute poverty:** to reduce the proportion of children who live below an income threshold fixed in real terms to less than 5 percent.¹⁵

The Act established the Child Poverty Commission, which would “provide advice that the Secretary of State, the Scottish Ministers and relevant Northern Ireland department must have regard to when preparing their respective child poverty strategies”.¹⁶

3.2 Coalition Government

The Welfare Reform Act 2012 amended the Child Poverty Act 2010 to expand the remit of the Child Poverty Commission to provide advice on, and monitor progress towards improving, social mobility. The new Social Mobility and Child Poverty Commission, chaired by Alan Milburn, former Labour Chief Secretary to the Treasury and Secretary of State for Health, published its first annual *State of the Nation* report in October 2013. It concluded that the 2020 child poverty target was likely to be missed by a considerable margin, and that progress on social mobility could be undermined by the twin problems of youth unemployment and falling living standards.¹⁷

Following a consultation, the Coalition Government published its second Child Poverty Strategy, covering the period 2014–2017, on 26 June 2014. The document set out the Government’s plans for “reducing child poverty and the root causes of poverty”, including “unemployment”, “low earnings” and “educational failure”.¹⁸

¹³ [HL Hansard, 5 January 2010, col 24.](#)

¹⁴ [Child Poverty Act: Explanatory Notes](#), 25 March 2010, p 2.

¹⁵ House of Commons Library, [Child Poverty Act 2010: A Short Guide](#), 4 July 2014, p 5.

¹⁶ [Child Poverty Act: Explanatory Notes](#), 25 March 2010, p 2.

¹⁷ House of Commons Library, [Child Poverty Act 2010: A Short Guide](#), 4 July 2014, p 1.

¹⁸ Department for Education, [Policy Paper: Child Poverty Strategy 2014 to 2017](#), 26 June 2014.

The Coalition Government summarised its policy on poverty and social justice as follows:

Poverty, as measured by a household's income relative to the national average, is often a symptom of deeper, more complex problems. Many of these problems are passed on from one generation to the next.

For example, there are almost 300,000 households in the UK where none of the adults has ever worked, and 300,000 children have parents with serious drug problems. Children in families affected by these problems have reduced chances of success in their own lives.

We want to make a real and lasting difference, to help people change the course of their lives. To do this, we need to deal with the problems that cause people to end up living in poverty, rather than dealing with people's incomes in isolation [...]

Our strategy includes action to:

- Help troubled families turn their lives around
- Improve mental health
- Reduce child poverty and make sure that children are properly supported so that they complete their education
- Make work pay, and help people to find and stay in work
- Help people recover and become independent if things have gone wrong
- Work with the voluntary, public and private sectors to deal more effectively with complex problems [...]

In the Coalition Agreement we said we will maintain the goal of ending child poverty in the UK by 2020. The Government believes that the focus on income over recent decades has ignored the root causes of poverty, and in doing so has allowed social problems to deepen and become entrenched.

The Government's new approach to reducing poverty in all its forms is not about income poverty alone. [Social Justice: Transforming Lives](#) explains the Government's plans for giving individuals and families facing multiple disadvantages the support and tools they need to turn their lives around.¹⁹

¹⁹ Department for Education and Department for Work and Pensions, '[Policy Paper: 2010 to 2015 Government Policy—Poverty and Social Justice](#)', 8 May 2015.

3.3 Conservative Government

The Conservative Party manifesto published ahead of the 2015 general election stated the following in respect of tackling poverty:

We will work to eliminate child poverty and introduce better measures to drive real change in children's lives, by recognising the root causes of poverty: entrenched worklessness, family breakdown, problem debt, and drug and alcohol dependency.²⁰

To this end, the Welfare Reform and Work Act 2016, which received royal assent on 16 March of this year, amended the Child Poverty Act 2010 to become the Life Chances Act 2010 and introduced new measures of worklessness and educational attainment. It also removed the measures and targets in place since 2010. The Explanatory Notes to the Act explained:

The Child Poverty Act 2010 placed a duty on the Secretary of State to meet a set of UK-wide targets by the end of the financial year 2020/21 (and every year thereafter) relating to four income-based measures of child poverty.

On 1 July 2015, the Secretary of State [for Work and Pensions—then Mr Iain Duncan Smith] announced to Parliament that the Government would bring forward legislation to remove the measures and targets in the Child Poverty Act 2010, as well as the other duties and provisions. This Act introduces a duty to report on measures of worklessness and educational attainment.

The Life Chances sections in the Act remove most of the legal duties and measures set out in the Child Poverty Act 2010 (cited as the Life Chances Act 2010) and places a new duty on the Secretary of State to report annually on measures of children in workless households in England and the educational attainment of children in England at the end of Key Stage 4. Key Stage 4 is the term for the two years of school education normally known as Year 10 and 11, when pupils are aged between 14 and 16.²¹

A press release published by the Department for Work and Pensions on 1 July 2015 set out the Government's rationale for replacing the measures set out in the Child Poverty Act 2010:

The current child poverty measure—defined as 60 percent of median income—is considered to be deeply flawed and a poor test of whether children's lives are genuinely improving.

This was shown when the number of children in poverty went down significantly as the economy shrank during the recent recession, when in reality there was little change to those children's lives.

The Government will bring forward legislation to correct that with new measures focused on levels of work within a family and improvements in education attainment, two key areas in terms of improving social mobility [...]

²⁰ Conservative Party, [Conservative Party Manifesto 2015](#), April 2015, p 28.

²¹ [Welfare Reform and Work Act 2016: Explanatory Notes](#), March 2016, pp 6–7.

The Government will also develop a range of other measures and indicators of root causes of poverty, including family breakdown, debt and addiction, setting these out in a children's life chances strategy.²²

Life Chances Strategy

On 11 January 2016, Prime Minister David Cameron delivered a speech in which he explained how the Government would “transform the life chances of the poorest in our country and offer every child who has had a difficult start the promise of a brighter future”.²³ During his speech, Mr Cameron mentioned long-term issues associated with poverty in the UK, emphasised the importance of supporting individuals to work and stated that the Government would, in the spring, “publish our life chances strategy setting out a comprehensive plan to fight disadvantage and extend opportunity”. Mr Cameron set out a number of areas the Government was focusing on, including the Troubled Families Initiative and increasing free childcare entitlement for working families, before discussing further policies to tackle poverty under four headings:

- Families and the Early Years (including Help to Save and further support for families).
- Education (including the introduction of Ebacc (English Baccalaureate) and building upon the National Citizen Service).
- Opportunity (including mentoring, a new cultural citizens programme and the “transformation” of housing estates).
- Treatment and support (including action on mental health and addiction).²⁴

On 11 May 2016, the House of Lords debated the Government's proposed life chances strategy. Speaking on behalf of the Government during that debate, Baroness Altmann, Minister of State at the Department for Work and Pensions, restated the Government's case and provided information on non-statutory measures set to be introduced:

When we talk about life chances, what we mean is a relentless focus—an all-out assault, as the Prime Minister calls it—on tackling the root causes of poverty in Britain today. It is about ensuring that every individual, no matter what their background, is able to realise their potential. Some people are held back by deep-rooted social problems. The life chances strategy will set out our comprehensive plan to tackle disadvantage and extend opportunity, as announced by the Prime Minister in his speech of 11 January. The strategy will describe how we are working across government to break down some of these barriers to opportunity and to transform people's lives. This will be a cross-government initiative [...]

Our life chances strategy will include a wider set of non-statutory measures on the root causes of disadvantage, including problem debt and drug and alcohol dependency. These non-statutory measures will work alongside the statutory life chances measures in the

²² Department for Work and Pensions, [‘Press Release: Government to Strengthen Child Poverty Measure’](#), 1 July 2015.

²³ Prime Minister's Office, [‘Speech: Prime Minister's Speech on Life Chances’](#), 11 January 2016.

²⁴ *ibid.*

Welfare Reform and Work Act [2016—on worklessness and educational attainment] and will help us to drive real action on the deep-rooted and complex social problems that so many disadvantaged people face.²⁵

On 4 July 2016, the Cabinet Office launched an £80 million life chances fund to support Social Impact Bonds (SIB), which the Government has stated will help “tackle entrenched social issues, improving people’s life chances by looking at local solutions for local problems to bring better life chances to individuals”.²⁶ The Cabinet Office has stated that the fund is also expected to support a new academic centre to “understand and measure new approaches for the public sector to commission services” and is structured around the following six themes: drug and alcohol dependency; children’s services; early years; young people; older people’s services; and healthy lives.

On 27 June 2016, it was reported that the Government had postponed publication of its life chances strategy following the result of the referendum on the UK’s continued membership of the European Union.²⁷ No official confirmation that this is the case has been forthcoming to date.

4. Statistics

Recent statistics on poverty rates in the UK are set out below.

4.1 Office for National Statistics

In May 2016, the Office for National Statistics published the most recent edition of its ‘Persistent Poverty in the UK and EU’ series.²⁸ The main points in the release were set out as follows:

- In 2014, 6.5 percent of the UK population were in persistent poverty, equivalent to approximately 3.9 million people. Persistent poverty is defined as experiencing relative low income in the current year, as well as at least 2 out of the 3 preceding years.
- Based on the latest data, the UK has the third-lowest persistent poverty rate in the EU, but the overall poverty rate for 2014, at 16.8 percent, was the twelfth highest.
- The persistent poverty rate for women was 1.5 percentage points higher than for men in 2014 in the UK.
- Single-person households were more likely to experience persistent poverty than households with 2 adults.
- Between 2011 and 2014, almost a third (32.5 percent) of the UK population experienced poverty at least once.

²⁵ [HL Hansard, 11 May 2016, cols 1769–71.](#)

²⁶ Cabinet Office, ‘[Press Release: £80 Million Boost for Life Chances Fund to Transform Lives](#)’, 4 July 2016.

²⁷ Neil Puffett, ‘[Life Chances Strategy Shelved After Brexit Vote](#)’, *Children and Young People Now*, 27 June 2016.

²⁸ Office for National Statistics, ‘[Persistent Poverty in the UK and EU: 2014](#)’, 16 May 2016. The release includes a number of charts and graphs which illustrate the main points summarised below.

- 43 percent of people who left education without any formal qualifications experienced poverty at least once between 2011 and 2014, twice the percentage of those with a degree or higher.²⁹

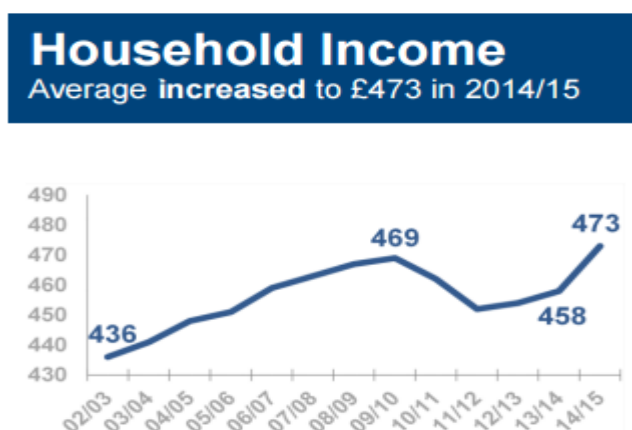
4.2 Department for Work and Pensions

The Households Below Average Income (HBAI) statistical series, published by the Department for Work and Pensions, provides official estimates on living standards in UK households, as determined by disposable income. The series presents information on the number and percentage of people living in low-income households, and changes in income patterns over time.³⁰ Estimates are based on the Family Resources Survey, which the DWP describes as a “representative survey of around 20,000 households in the UK”.³¹

The most recent HBAI statistical release, published on 28 June 2016, presents information on living standards in the UK based on household income measures for the 2014–15 financial year. The “main stories” in the release were set out as follows:

- Average (median) incomes have increased to levels above those observed before the 2008–09 UK economic recession for the first time, and are at historic highs.
- Following increases in incomes across the distribution, income inequality is unchanged in 2014–15, and there are some decreases in absolute low income levels.
- Relative low income levels are generally in line with long term trends across the population, although there have been increases [not statistically significant] for children.³²

These findings were accompanied by the following charts and tables:



(Average (median) household net disposable income before housing costs increased in real terms (CPI) from 2013–14 to an historic high).

²⁹ Office for National Statistics, ‘[Persistent Poverty in the UK and EU: 2014](#)’, 16 May 2016.

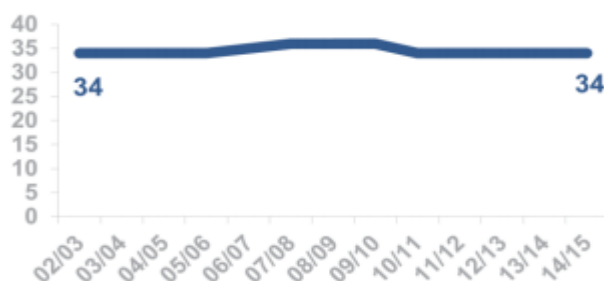
³⁰ Department for Work and Pensions, ‘[Collection: Households Below Average Income \(HBAI\) Statistics](#)’, 28 June 2016.

³¹ Department for Work and Pensions, ‘[National Statistics: Households Below Average Income—1994/95 to 2014/15](#)’, 28 June 2016.

³² Department for Work and Pensions, ‘[Households Below Average Income: An Analysis of the UK Income Distribution: 1994/95–2014/15](#)’, 28 June 2016, p 1.

Income Inequality

Gini measure unchanged in 2014/15



(The Gini coefficient, ranging from 0 percent (low) to 100 percent (high), measures incomes inequality. This measure remained flat in 2014–15 at 34 percent, consistent with long term trends).

Low Income Measures

Headline measures are mixed in 2014/15

| | Relative Low Income | Absolute Low Income |
|-----------------------------|-----------------------------|-----------------------------|
| <u>Before</u> Housing Costs | 16% (+1%*) | 15% (-1%*) |
| <u>After</u> Housing Costs | 21% (0%*) | 20% (-1%) |

(The proportion of individuals in low income against the headline ‘60 percent of median’ threshold shows small increases [not statistically significant] in relative measures but decreases in absolute terms (percentage point change from 2013–14). * Not statistically significant).

Further information on the findings in the release can be found in Appendix 2.

4.3 Social Mobility and Child Poverty Commission

The most recent *State of the Nation* report published by the Social Mobility and Child Poverty Commission (now the Social Mobility Commission), predates the changes to the Commission’s name and remit introduced by the Welfare Reform and Work Act 2016. The report, dated December 2015, stated the following in respect of child poverty:

Child poverty in Britain is about average for the EU, although it is significantly higher than in the Netherlands, Denmark or France. Fortunately, child poverty in the UK has been on a downward trend since the early 1990s. At its highest level in 1992, nearly three in 10 children were in relative poverty. On the same measure, fewer than two in 10 children are in poverty today. Yet there are still 2.3 million children living below the current statutory child poverty line [in force when the report was published but removed by the Welfare Reform and Work Act 2016]. These numbers hide the day-to-

day tragedy of child poverty, from the effects of low-quality and insecure housing, through a lack of new, quality clothes that other children take for granted, to unhappy and anxious early years. Child poverty imposes a lasting burden. When doors to opportunity are closed off early in life, the chance to do well as an adult is much reduced. Progress in reducing child poverty has been welcome, but it must not be allowed to grind to a halt—or worse, reverse and undo years of improvements. If we are to achieve a One Nation Britain, first, today's level of child poverty must be reduced—and then eradicated for good.³³

The report noted the following information at the beginning of its section on tackling low pay and in-work poverty:

- 1.5 million children are in poverty because their working parents do not earn enough to secure a basic standard of living.
- The risk of absolute poverty for working families after housing costs has increased over the last decade.
- 20.5 percent of UK full-time employees are in low paid jobs, compared to an OECD average of 17.1 percent.
- Four out of 10 children in working poor households live in families where parents might reasonably be expected to enter work or work more hours.³⁴

The report also noted the following information at the beginning of its section on reducing persistent poverty:

- Over one million children live in persistent poverty. This is caused by a complex range of interrelated factors.
- Families in persistent poverty are often struggling with the combined effects of having relatively few skills; a disability or ill health; and high living costs.³⁵

5. Further Information

- House of Commons Library, [Poverty in the UK: Statistics](#), 30 June 2016
- House of Commons Library, [Income Inequality in the UK](#), 4 July 2016
- Office for National Statistics, '[Article: Persistent Poverty in the UK and EU—2014](#)', 16 May 2016
- Department for Work and Pensions, '[National Statistics: Households Below Average Income—1994/95 to 2014/15](#)', 28 June 2016

³³ Social Mobility and Child Poverty Commission, [State of the Nation 2015: Social Mobility and Child Poverty in Great Britain](#), 17 December 2015, p 111.

³⁴ *ibid*, p 119.

³⁵ *ibid*, p 145.

- Institute for Fiscal Studies, [Living Standards, Poverty and Inequality in the UK: 2015–16 to 2020–21](#), 2 March 2016
- Social Mobility and Child Poverty Commission, [State of the Nation 2015: Social Mobility and Child Poverty in Great Britain](#), 17 December 2015
- Ipsos MORI and Joseph Rowntree Foundation, [Poverty in the UK: The Public's View](#), 6 November 2014
- Royal Geographical Society, [The Causes of Poverty in the UK: Kate Wareing, Oxfam UK](#), 24 July 2015 (video)
- Joseph Rowntree Foundation, [Tackling the Systemic Causes of Poverty](#), 18 June 2015
- Joseph Rowntree Foundation, [A UK Without Poverty](#), 14 September 2014
- Joseph Rowntree Foundation, [Reducing Poverty in the UK: A Collection of Evidence Reviews](#), August 2014
- The Children's Society, [Child Poverty](#), accessed 7 July 2016
- Child Poverty Action Group, [What Causes Poverty](#), accessed 7 July 2016
- Centre for Social Justice, [Social Breakdown and Poverty](#), accessed 7 July 2016
- Full Fact UK, [Poverty in the UK: A Guide to the Facts and Figures](#), 9 February 2016

Appendix I: Oral Question on Poverty—29 June 2016

Poverty—Question

Asked by Lord Bird:

To ask Her Majesty's Government what long-term plans they have, and what action they intend to take in this Parliament, to prevent the underlying causes of poverty in the United Kingdom.

The Minister of State, Department for Work and Pensions (Lord Freud) (Con): The Government have set out a new life chances approach which will include a set of indicators to measure progress in tackling the root causes of poverty, such as worklessness, educational attainment and family stability.

Lord Bird (CB): My Lords, I think I may go down in history as the person who asked only one question of this House—how do we begin the process of dismantling poverty? When we have a situation where 34 percent of all the money received by the Chancellor of the Exchequer is spent on and around poverty; when we spend 12 percent of our budget on education and yet we fail 30 percent of our children in school, who then become 70 percent of the prison population, who then become 50 percent of the people who use A&E as a drop-in place, when will the Government and the House get behind the idea that we need a different form of intervention in poverty in order to begin to dismantle it? We are pussyfooting around. We are not dismantling poverty in the way that it should be done. Let us be honest and accept that keeping people in poverty is incredibly expensive.

Lord Freud: We are trying to move away from the income transfer approaches that we have seen for some time, to try to handle the fundamental causes of poverty. I agree with the noble Lord that that is where the effort has got to go. It is difficult, but that is the only real way to tackle this problem.

Lord Morris of Handsworth (Lab): My Lords, does the Minister agree that one measure of national poverty is the number of people using food banks? Can he therefore provide a report to this House saying whether that number has gone up or down since the general election?

Lord Freud: We do not collect those figures. There have been figures: I believe that the Trussell Trust put out some not so long ago, which showed those figures, from its perspective, flattening out. There has also been quite a lot of research on food banks, and the APPG did a very good piece of work, which showed that what drives people to this emergency support provided by the community—which one welcomes—is a very complex matter.

Baroness Manzoor (LD): My Lords, no one chooses to be poor, but of course there are many people in the UK who experience poverty. We are moving into a global era when there is greater emphasis on technology, automation and robotics, and we need to upskill our workforce. What is the Government's strategy to ensure that those who are trapped in poverty are given the skills needed to be able to contribute in that area? As we move forward, the gap between those who have and those who have not will get greater.

Lord Freud: There is a huge amount of work being done on the educational side, which is where this has to start—but clearly there is an element of remediation and later support

beyond the school years. That is where, for instance, the apprenticeship programme, which is growing quite steeply, is really important.

Lord Shinkwin (Con): My Lords, as someone who welcomes the Prime Minister's commitment to social justice and improving life chances, and believes that he will leave a significant legacy to his successor, may I ask my noble friend what plans the Government have to help the most needy and vulnerable benefit recipients in future?

Lord Freud: One of the most valuable things I got from this House was during the passage of the Welfare Reform Act 2012, when we debated what to do for the most vulnerable in the context of UC [Universal Credit]. That led to the creation of universal support, whereby we join up with local authorities to try to provide services that join together. We have done that now for two of the barriers people face, in budgeting and in digital competence, and we are now exploring how to expand that approach, which shares information, data and support in relation to other barriers. We have some trials going on at the moment, one in Croydon and one in the London Bridge area, on how to do that most effectively.

Lord Sutherland of Houndwood (CB): My Lords, one of the Government's more successful innovations in dealing with the long-term implications of poverty has been the introduction of the pupil premium. I have to tell the Minister, from conversations I have had with headmasters in some of the most benefited schools in this area, that they are concerned that changes in the rules about how entitlement to benefit is calculated in future will affect very directly the input into schools through this rather good innovation. Any reassurances that can be given, now or in writing, would be appreciated.

Lord Freud: That is one of the topics that I and the Schools Minister are talking about. We now have, as a potential option for future use, far more specific measures of real levels of poverty in universal credit which we can use to record poverty, rather than the much cruder measures that we used in the legacy system.

Baroness Sherlock (Lab): My Lords, if the Minister wants to measure poverty he could perhaps look at the official figures that came out this week. They show that while average household incomes are finally back to their pre-crash levels, child poverty has actually gone up by 200,000. It is the first rise for a decade, the largest single rise in one year since 1996, and even more of those poor kids are in working families. Ministers were warned by people around this House that this would be a consequence of government policy but the Minister kept telling us that we were crying wolf. I have rarely been sorrier to be wrong. But now that the warning signs are clear, what will the Government do about it? We have not yet had the effect of the cut in universal credit help or benefits for large families. Will he please urge his new Secretary of State, if he genuinely wants a one-nation country, to go back and reverse that catastrophic decision to cut help for working families on universal credit?

Lord Freud: Regrettably, the cry of wolf is wrong in this case. As the noble Baroness knows perfectly well, these statistics are fairly odd on a year-by-year basis. We have had quite a substantial rise in the median income, so the relative figure has gone down—although, I am told, it is genuinely not statistically significant. At the same time, there has been a decline in the number of children living in absolute poverty, with 100,000 fewer. These figures can be pretty odd, and this is another good example of it.

[\(HL Hansard, 29 June 2016, cols 1559–62\)](#)

Appendix 2: Department for Work and Pensions Statistics

The most recent Households Below Average Income (HBAI) statistical release, published by the Department for Work and Pensions, provides official estimates on living standards in UK households, as determined by disposable income. The release included main findings, broken down by the following headings.³⁶

Overall Income Distribution

The release stated that in 2014–15, just under two-thirds of individuals had a household income less than the national mean average (£581 per week). It added that because large numbers of individuals with relatively high incomes results in a “skewed or non-symmetric distribution”, median income (£473 per week) is the “standard measure of average income as changes in the mean can be driven by extreme values. The median represents the income of the individual in the middle of the distribution”. It further added that there were a “large number of individuals with household incomes around the 60 percent of median income mark (£284 per week)”. The release explained that those falling below this line are considered to have relative low income.

Low Income Indicators

The release stated that the percentages of individuals in relative and absolute low income in 2014–15 were, overall, “broadly stable” except for a statistically significant fall in the proportion in absolute low income after housing costs. This was broken down as follows:

- The percentage of individuals in relative low income has been broadly stable in recent years at around 16 percent BHC [Before Housing Costs] and 21 percent AHC [After Housing Costs].
- Following a period of stability, absolute low income has fallen in 2014–15 by 1 percentage point to 15 percent BHC (not statistically significant) and by 1 percentage point to 20 percent AHC (this change is statistically significant).
- Patterns over the past twenty years show how year-on-year changes tend to be relatively modest, with longer term patterns emerging only slowly over time.

Children in Low Income Households

The release noted that the percentage of children in relative low income before housing costs “increased by 2 percentage points to 19 percent (not statistically significant) in 2014–15”. It added that the percentages of children in absolute low income and in combined low income and material deprivation, however, “remained unchanged at 17 percent and 13 percent respectively”. The release posited that this was “most likely due to families with children benefiting less from increases in full-time work than childless families, as well as the 1 percent uprating of some benefits”.

The release further noted that children were at higher risk of living in “both relative and absolute low income than the overall UK population”. It commented that this result “holds over the past 20 years and is true on both a before and after housing costs basis”.

³⁶ Department for Work and Pensions, [Households Below Average Income: An Analysis of the UK Income Distribution: 1994/95–2014/15](#), 28 June 2016, pp 3–11.

Working Age Adults in Low Income Households

The release recorded that the percentage of working age adults in relative low income before housing costs and after housing costs was “unchanged in 2014–15 at 15 percent and 21 percent respectively”. It added that percentages in absolute low income fell, however, “by 1 percentage point to 14 percent before housing costs (not statistically significant) and 20 percent after housing costs (change is statistically significant)”. These patterns were “consistent with long term trends which show a stable series for headline low income measures for working age adults”.

According to the release, those with “higher levels of employment have fared better—for those adults in working families the risk of relative low income before housing costs is unchanged in 2014–15 at 10 percent; whereas for those in workless families there is a 2 percentage point increase (not statistically significant) to 39 percent”. It added that, “at a high level, this is most likely because both employment rates and earned income have increased in 2014–15, but income from many state benefits has fallen in real terms from 2013–14”. It noted that 2014–15 was the second of three years where benefits were uprated by 1 percent.

Low Income and Working Pattern for Working Age Adults

The release stated that in 2014–15:

- 6.3 million adults were in workless families. 2.5 million (39 percent) were in relative low income before housing costs.
- 31.6 million adults were in working families. 3.1 million (10 percent) were in relative low income before housing costs.

It noted that, “as such, whilst over half of those working age adults in relative low income are living in working families; those in working families are far less likely to be in relative low income”.

Pensioners in Low Income Households

The release stated that the percentage of pensioners in relative low income after housing costs was “unchanged between 2013–14 and 2014–15”. However, the percentage of pensioners in absolute low income after housing costs “decreased by 2 percentage points to 13 percent (this change is statistically significant) and the percentage in material deprivation decreased by 1 percentage point to 8 percent (not statistically significant)”. It posited that this was “most likely due to the ‘Triple Lock’ uprating of [the] Basic State Pension, and of most other benefits by CPI”.

The release further stated that pensioners were at “lower risk of living in both relative and absolute low income after housing costs than the overall UK population”. It posited that this result “holds from around 2004–05 onwards and follows significant declines in low income levels for pensioners over the past 20 years”.

Disability

The release noted that there was “no strong relationship between trends for those with and without disabled family members, suggesting that different factors affect the income of these households”. On this point, it added: “we know, for example, that working age adults with disabilities are less likely to be in employment, and that disability is more prevalent amongst pensioners”.

However, the release stated that on “both relative and absolute measures, those living in a family with a disabled member are more likely to be in low income than non-disabled families”.

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