Poverty in the UK: statistics

By Brigid Francis-Devine

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Summary

This note sets out information on the levels and rates of poverty in the UK, including historical trends and forecasts for future years, as well as poverty by employment status, tenure, ethnic group, disability, region and constituency.

The focus here is on poverty defined in terms of disposable household income, although poverty may be defined in different ways and there is no single, universally accepted definition.

Measuring poverty

Various poverty measures based on disposable household income are in common use and the trend can look quite different depending on the measure used. Two commonly used measures are:

- people in relative low income – living in households with income below 60% of the median in that year.
- people in absolute low income – living in households with income below 60% of (inflation-adjusted) median income in some base year, usually 2010/11.

The ‘relative low income’ measure compares the households with the lowest incomes against the rest of the population in that year, while the ‘absolute low income’ measure looks at whether living standards at the bottom of the distribution are improving over time. A low income measure can also be combined with an assessment of whether households have access to key goods and services, for a measure of low income and material deprivation.

Income can be measured before or after housing costs are deducted, and poverty calculated based on these different definitions of income (BHC = before housing costs, AHC = after housing costs). Poverty levels are generally higher based on income measured after housing costs, because poorer households tend to spend a higher proportion of their income on housing.

The extent of poverty

More than one in six people in the UK are in relative low income before housing costs (BHC), rising to more than one in five once we account for housing costs (AHC).
Relative low income in the UK in 2019/20
11.7 million people (18%) are in relative low income BHC and 14.5 million AHC (22%).
This includes 3.2 million children (23%) in relative low income BHC and 4.3 million AHC (31%).

The % of all people in relative low income has been reasonably flat in the past few years...

...but the % of children in relative low income has mostly been slowly increasing

Source: DWP, Households Below Average Income, 2019/20

Overall, levels of relative low income have been fairly steady over the past few years, but this varies between population groups: the proportion of children and pensioners in relative low income is higher than it was five years ago. The share of people in absolute low income has also remained reasonably stable over the last five years. This indicates that both living standards for the poorest households and the gap between them and middle-income households has remained about the same.

Absolute low income in the UK in 2019/20
9.2 million people (14%) are in absolute low income BHC and 11.7 million AHC (18%).
This includes 2.4 million children (17%) in absolute low income BHC and 3.5 million AHC (25%).

The % of all people in absolute low income has been fairly steady over the past few years...

...as has the % of children in absolute low income

Source: DWP, Households Below Average Income, 2019/20

Over the longer-term, there has been a reduction in poverty rates since the late 1990s for children, pensioners and working-age parents. However, for working-age adults without dependent children the likelihood of being in relative low income has increased.

Other ways of thinking about poverty
This note discusses income-based measures of poverty, but there is debate about whether this serves as a relevant measure of poverty. The Social Metrics Commission (SMC) proposed a new measure based on the extent to which someone’s resources meet their needs. This accounts for differences among households such as costs of childcare and disability, savings and access to assets.

The SMC also provides detailed analysis of the nature of poverty including characteristics that impact the experience of poverty, using SMC poverty numbers, such as experiences of community, family finances, health, and labour market opportunity.
1. Definitions, measurement and sources

**Defining poverty: Relative and absolute low income**

There are various ways of defining poverty and no single definition is universally accepted. In the UK, the headline measures are based on household income and so these are the focus of this paper. In particular, two commonly used measures are:

- An individual is in **relative low income** (or relative poverty) if they are living in a household with income below 60% of median household income in that year. This measure essentially looks at inequality between low- and middle-income households.

- An individual is in **absolute low income** (or absolute poverty) if they are living in households with income below 60% of the 2010/11 median, uprated for inflation. By using an income threshold that is fixed in time, this measure looks at how living standards of low-income households are changing over time.

Income can be measured before or after housing costs have been deducted (BHC or AHC). Poverty levels are generally higher when household incomes are measured AHC, as households at the lower end of the income distribution tend to spend a larger share of their income on housing than higher-income households.

Official poverty estimates for the UK are published by the Department for Work and Pensions (DWP) in its annual *Households below average income* (HBAI) publication.

1.1 Relative and absolute low income

The headline poverty measures used in the UK count the number of individuals falling below a threshold of household disposable income. This threshold can vary from year to year in line with average incomes or may be held constant in real terms (i.e. after adjusting for inflation).

One commonly used measure is people in **relative low income** (sometimes referred to as relative poverty). This counts people living in households with income below 60% of median household income.

Another measure is **absolute low income** (or absolute poverty), which counts people living in households with income below 60% of the median in some base year (usually 2010/11), uprated for inflation.

The median is the point at which half of households have a lower income, and half have a higher income. In simple terms, the relative low income measure looks at inequality between low- and middle-income households. The absolute low income measure on the other hand indicates the extent to which living standards of low-income households are improving over time, although it does not take into account changes in what is commonly perceived as an acceptable standard of living.

However, income will not always reflect the extent to which a family can afford necessities. Therefore a low income threshold may be combined with some assessment of whether households are able to access key goods and services for a measure of **low income and material deprivation** (see section 12 of this briefing paper).
What do we mean by income?

Individuals and households can obtain income from a range of sources. These include earnings from employment, cash benefits (for example the State Pension, housing benefit, tax credits, etc), investments, private pensions and other forms of income. Some of this income may be taxed.

In the context of poverty statistics, we generally look at household income measured after adding on benefits and after deducting direct taxes (that is, disposable income) as a guide to the resources available to the household.

Household income is likely to be more informative than individual income in this context, since we may expect income to be shared between household members. Certain forms of income are also determined by household composition – for example, tax credit awards or child benefit payments.

However, a larger household is likely to need a higher level of income in order to enjoy the same standard of living as a smaller household. Therefore, to better enable comparisons of living standards, the statistics on household income are ‘equivalised’ to adjust for differences in household size and composition.

Equivalisation means that the income threshold below which someone is considered to be in poverty differs by household type. Suppose a family with children has the same (unequivalised) disposable income as a single person: it is possible for the family to be counted as being in poverty even if the single person is not, because they have to make their income stretch across all household members.

The standard of living afforded by a given level of income will of course depend on the price of goods and services, so when making comparisons between years we adjust incomes for inflation (to obtain ‘real’ incomes).

1.2 Housing costs

Household income may be measured before or after housing costs are deducted (BHC or AHC). Both measures are commonly used, although in some cases one measure may be more appropriate than the other.

A BHC measure acknowledges that some households may choose to spend more on housing in order to enjoy a better quality of accommodation. On the other hand, variations in housing costs may not always reflect differences in the quality of accommodation (for example, geographical differences mean two households could face very different costs for a comparable standard of housing). In this case, an AHC measure is arguably more illuminating.¹

Poverty levels are generally higher when household incomes are measured AHC, as households at the lower end of the income distribution tend to spend a larger share of their income on housing than higher-income households.

1.3 Absolute low income and inflation

An individual is in absolute low income if their household income is below 60% of the median in some base year, adjusted for inflation. DWP’s Households below average income (HBAI) publication uses 2010/11 as the base year in order to measure absolute low income. This briefing paper follows HBAI and also uses 2010/11 as its base year.

The number and percentage of people in absolute low income depends on how you adjust for inflation. The official poverty statistics presented in the HBAI report for 2019/20 use an absolute low income threshold uprated based on the Consumer Prices Index (CPI) measure of inflation.

Editions of HBAI before 2014/15 used the Retail Prices Index (RPI) measure, which tends to show a higher rate of inflation than the CPI. This affected the estimated number and proportion of people counted as being in absolute low income. Annex 4 of the HBAI Quality and Methodology Information Report for 2014/15 compares the trend in absolute low income under both CPI and RPI.

Variations in the inflation experiences of households
Regardless of the choice of inflation index, the absolute low income measure does not account for differences in households’ experiences of inflation. Households with different levels of income will have different spending patterns, meaning the cost of living may rise more quickly for some households than for others.

Research funded by the Joseph Rowntree Foundation and conducted by the Institute for Fiscal Studies found that low-income households experienced a higher average annual rate of inflation than richer households over the period 2002/03 to 2013/14. The research estimates that the proportion of people in absolute low income would have been 0.5% points higher in 2013/14 if the threshold was uprated based on inflation rates that vary with household income. More recent data from the Office for National Statistics indicates that higher-income households experienced (if anything) a slightly higher rate of inflation than lower-income households during much of 2017, 2018 and 2019.

1.4 Production of poverty statistics
Official figures for the number of people in relative and absolute low income are published by the Department for Work and Pensions (DWP) in its annual Households below average income (HBAI) publication. The latest figures are for 2019/20 and were published on 25 March 2021.

The figures in HBAI are largely derived from the Family Resources Survey, which surveys over 19,000 households in the UK annually. Survey findings are weighted to produce estimates for the whole UK population. All data in this briefing come from this source unless otherwise stated.

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3 Office for National Statistics, CPIH-consistent inflation rate estimates for UK household groups: 2005 to 2019, 19 February 2020. The May 2020 version of this release was cancelled to allow the ONS to focus on coronavirus statistics.

4 The data for ‘very rich’ households is adjusted using data from HMRC’s Survey of Personal Incomes.
2. Recent trends

2.1 Whole population

<table>
<thead>
<tr>
<th></th>
<th>Relative poverty</th>
<th>Absolute poverty</th>
</tr>
</thead>
</table>
|                          | number (millions) | number (millions) |%
| Before housing costs    | 11.7             | 9.2              | 18% 14% |
| After housing costs     | 14.5             | 11.7             | 22% 18% |


In 2019/20, relative poverty remained at a similar level to the previous year before housing and after housing costs.

Absolute poverty before housing costs stayed at a similar level to the previous year, while absolute poverty after housing costs decreased by 1.12 million.
2.2 Children

<table>
<thead>
<tr>
<th>Poverty - children</th>
<th>Relative poverty</th>
<th>Absolute poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>number (millions)</td>
<td>%</td>
</tr>
<tr>
<td>Before housing costs</td>
<td>3.2</td>
<td>23%</td>
</tr>
<tr>
<td>After housing costs</td>
<td>4.3</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: DWP, Households Below Average Income, 2019/20

Relative child poverty increased by 400,000 from the previous year before housing costs and stayed at a similar level after housing costs.

Source: DWP, Households Below Average Income, 2019/20

Absolute child poverty was at a similar level to the previous year, before and after housing costs.
2.3 Pensioners

### Poverty - pensioners

<table>
<thead>
<tr>
<th></th>
<th>Relative poverty</th>
<th>Absolute poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>number (millions)</td>
<td>%</td>
</tr>
<tr>
<td>Before housing costs</td>
<td>2.2</td>
<td>19%</td>
</tr>
<tr>
<td>After housing costs</td>
<td>2.1</td>
<td>18%</td>
</tr>
</tbody>
</table>

When analysing pensioner incomes, it is often more useful to look at incomes AHC, since around three-quarters of pensioners own their homes (otherwise we may get a misleading impression of the relative living standards of pensioners who do not own their home and so incur significantly higher housing costs). Pensioners are defined as all adults above State Pension age.

Relative poverty among pensioners stayed at a similar level to previous year after housing costs.

### Percentage of pensioners in relative low income

<table>
<thead>
<tr>
<th>Year</th>
<th>BHC</th>
<th>AHC</th>
</tr>
</thead>
<tbody>
<tr>
<td>97/98</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>99/00</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>01/02</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>03/04</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>05/06</td>
<td>10%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: DWP, Households Below Average Income, 2019/20

Absolute poverty among pensioners also stayed at a similar level to the previous year after housing costs.
2.4 Working-age adults

<table>
<thead>
<tr>
<th></th>
<th>Relative poverty</th>
<th>Absolute poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>number (millions)</td>
<td></td>
</tr>
<tr>
<td>Before housing costs</td>
<td>6.3</td>
<td>16%</td>
</tr>
<tr>
<td>After housing costs</td>
<td>8.1</td>
<td>20%</td>
</tr>
</tbody>
</table>

Relative poverty among working age adults stayed at a similar level to the previous year before and after housing costs.

The likelihood of being in low income varies by family status. 18% of adults with dependent children ("working-age parents") were in relative low income BHC, slightly higher than the previous year (17%). The proportion of working-age adults without children in relative low income BHC remained about the same at 14%. Over the longer term, the trend in poverty rates for those with children has contrasted with the trend for those without children, as discussed below.

After housing costs, the relative poverty rate was higher for working-age parents at 25%, compared to 18% for working-age adults without dependent children.
Percentage of working-age adults in relative low income

**Adults with children**

- AHC
- BHC

**Adults without children**

- AHC
- BHC

Note: figures for 1997/98 to 2001/02 are for Great Britain; figures for 2002/03 onwards are for the UK.

Absolute poverty among working-age adults stayed at a similar level to the previous year before housing costs and decreased by around 800,000 after housing costs. Before housing costs, the rate was 14% for working-age parents and 12% for those without children. The rate of absolute low income after housing costs was 20% for working-age parents and 15% for those without children.

Note: figures for 1997/98 to 2001/02 are for Great Britain; figures for 2002/03 onwards are for the UK.

Source: DWP, Households Below Average Income, 2019/20

2.5 Under-reporting of benefit income is likely to inflate poverty estimates

Poverty levels may be somewhat lower than stated in the official statistics once we make adjustment for households under-reporting the amount they receive in benefits.
Estimates of relative and absolute low income are obtained from the Family Resources Survey, which surveys over 19,000 households in the UK each year. Although this is recognised as the best source of data on the distribution of household incomes in the UK, it does not perfectly record all income received by a household. In particular, the survey underestimates the total amount of benefit income received by households compared to administrative data on what the government actually pays out in benefits.\(^5\)

Analysis by the Resolution Foundation indicates that benefit income as recorded in the Family Resources Survey in 2016/17 only came to 82% of actual government expenditure on benefits for private households in the UK. This left an unexplained gap of £37 billion compared to government expenditure, or around 4% of total disposable income reported in the survey. The gap has increased from around 2% of total disposable income at the start of the 2000s.\(^6\)

The under-reporting of benefit income is likely to have the greatest impact on income estimates for households at the lower end of the income distribution, since these households tend to draw a larger share of their total income from benefits. If this is indeed the case, then incomes across the bottom half of the distribution will be higher relative to median income than is reported in the Family Resources Survey. That would mean official estimates for the proportion of people in relative low income are overstated.

**How do poverty estimates change when we factor in the missing benefit income?**

There is no easy way to correct the survey data so that it balances with the administrative data on benefit expenditure, because we cannot know which households in the survey are under-reporting their income from benefits. Nevertheless, estimates from the Resolution Foundation suggest that once we adjust for the ‘missing’ benefit income in the Family Resources Survey then 18% of people were in relative low income AHC in 2016/17, compared to an estimate of 22% based on the unadjusted survey data.\(^7\)

<table>
<thead>
<tr>
<th>% of people in relative low income after housing costs, GB, 2016/17:</th>
<th>Estimate adjusted for missing benefit income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline estimate (unadjusted)</td>
<td></td>
</tr>
<tr>
<td>All people</td>
<td>22%</td>
</tr>
<tr>
<td>Children</td>
<td>30%</td>
</tr>
<tr>
<td>Working-age adults</td>
<td>21%</td>
</tr>
<tr>
<td>Pensioners</td>
<td>16%</td>
</tr>
</tbody>
</table>


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\(^5\) Adam Corlett, *Improving our understanding of UK poverty will require better data*, Resolution Foundation, 6 January 2021


\(^7\) Ibid, p65.
After adjusting for the missing benefit income, poverty levels are estimated to be lower in every year since 1994/95. What is more, the adjusted data suggest that poverty levels fell more quickly during the 2000s than is indicated by the unadjusted data.
3. Long-run trends since 1961

This section briefly summarises poverty trends over the long-run (since the 1960s) using data compiled by the Institute for Fiscal Studies (IFS).

There was a large increase in the proportion of people in relative poverty during the 1980s, followed by a more gradual decline.

Notes: Years refer to calendar years up and including 1992 and financial years from 1993/94 onwards.
Source: Institute for Fiscal Studies, using data compiled from the Family Resources Survey and Family Expenditure Survey; DWP

The proportion of people in absolute low income, on the other hand, has greatly reduced over the past fifty years because over most of this period growth in incomes outstripped inflation.

Source: DWP, Households Below Average Income, 2019/20
These overall trends mask marked differences between groups. The proportion of pensioners in poverty is much lower now than during the 1960s, but poverty rates for children and working-age adults are higher. Poverty rates for children, pensioners and working-age adults converged after the economic downturn in 2008 and are currently much closer than has historically been the case.

**Percentage of population in relative low income, BHC**

Great Britain (1961-2001/02) and UK (2002/02-)

- Pensioners
- Children
- Working-age, with children
- Working-age, without children

Notes: Years refer to calendar years up and including 1992 and financial years from 1993/94 onwards.

Source: Institute for Fiscal Studies, using data compiled from the Family Resources Survey and Family Expenditure Survey; DWP
4. Poverty outlook – impact of coronavirus

4.1 Coronavirus

Official data on poverty during the coronavirus pandemic will not be available until 2022. While it is too soon to measure the effects of coronavirus on poverty, early analysis suggests that poverty will increase over the next few years, and that low income households are particularly vulnerable to the economic effects of the pandemic.

Relative poverty probably fell during the first lockdown

The Joseph Rowntree Foundation suggest that there might have been a reduction in relative poverty during the first lockdown, for two reasons: median incomes are likely to have fallen due to furloughed workers receiving 80% of their pay and job loss among low paid workers, pushing down the relative poverty line; and an increase in benefits like the £20 Universal Credit uplift increased the incomes of households who were already not working.³ The Resolution Foundation estimates that relative poverty fell by 1.1 percentage points from 2019/20 to 2020/21. This reduction is likely to be reversed however, if benefit increases are withdrawn and unemployment continues to increase, as discussed later in this section.⁹ The diagram below from the Joseph Rowntree Foundation breaks down the impact of the coronavirus in three phases.

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³ Joseph Rowntree Foundation, UK Poverty 2020/21, 13 January 2021
⁹ Resolution Foundation, The Living Standards Outlook 2021, 18 January 2021
Some groups have been more affected than others

The Joseph Rowntree Foundation finds that the following groups – who are already more likely than average to be in poverty – have borne the brunt of the economic impacts of the pandemic:\(^{10}\)

- Low paid workers: median wages in the sectors shut down by the pandemic are among the lowest in the economy,\(^ {11}\) and low paid workers are less likely to be able to work from home.\(^ {12}\) This means low-paid workers are more likely to have lost their jobs or been furloughed.
- Part-time workers

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\(^{10}\) Joseph Rowntree Foundation, [UK Poverty 2020/21](https://www.jrf.org.uk/our-work/research/topics/poverty-enquiry), 13 January 2021, p20

\(^{11}\) ONS, [Annual Survey of Hours and Earnings](https://www.ons.gov.uk), 2020.

\(^{12}\) ONS, [Households Below Average Income 2018/2019](https://www.ons.gov.uk), 26 March 2020, Table 3.2db.
• Minority ethnic groups: workers from minority ethnic groups make up a larger than average proportion of the jobs in sectors vulnerable to the coronavirus pandemic.\(^{13}\)

• Lone parents: lone parents are mostly women and are more reliant on local jobs, and more likely to have struggled with childcare during lockdown.

• Private renters and social renters: private renters have higher housing costs and social renters tend to have lower incomes.

• People living in areas of the UK where there were already higher levels of unemployment, poverty and deprivation.

Library briefing paper Coronavirus: Impact on the labour market, provides more information and up to date statistics on groups most affected by the coronavirus pandemic.

**Poverty is set to increase**

Poverty is set to increase over the coming years: the size of this increase depends on the £20 benefits uplift.

In the Spring Budget 2021, the Government extended the £20 a week uplift to Universal Credit and Working Tax Credit to September 2021. The Joseph Rowntree Foundation estimates that if the scheme ends in September, at the same time as the Coronavirus Job Retention Scheme is withdrawn, 500,000 extra people, including 200,000 children will be pulled into poverty.

The Resolution Foundation poverty projections assume the £20 per week boost is removed and finds that relative poverty will rise by 1.2 million people in 2021/22, then remain relatively flat until 2024-25. Even if the uplift continues, the Resolution Foundation project that poverty would still rise in 2021/22, driven by the rise in unemployment. The chart below shows the Resolution Foundations projections for relative poverty after housing costs in different scenarios.

![Figure 19: Relative poverty is set for its largest single-year rise since 1987 in 2021-22](image)


\(^{13}\) Library analysis of the Annual Population Survey 2018/19, using IFS definition of vulnerable sectors.
The Resolution Foundation estimates that child poverty fell by 2.2 percentage points in 2020-21 and expect it to rise by 2.7 percentage points (around 400,000 extra children) in the following year. Over the course of the Parliament they expect child poverty to have risen from 30.9% to 33.7% (one in three children). If the benefits uplift is made permanent, they still expect child poverty to grow slightly, to 31.4 per cent by 2024-25.\textsuperscript{14} The chart below shows the Resolution Foundations projections for relative child poverty after housing costs in different scenarios.

\textbf{FIGURE 20: One-in-three children will be in poverty by 2024-25}

Proportion of children living in relative poverty: UK, 1975 to 2024-25

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure20}
\caption{One-in-three children will be in poverty by 2024-25}
\end{figure}

NOTES: Poverty rates are calculated using incomes after housing costs. SOURCE: RF analysis of DWP and IFS; Households Below Average Income; RF forecast.


\textsuperscript{14} Resolution Foundation, \textit{The Living Standards Outlook 2021}, 18 January 2021
5. Poverty dynamics

Households may move in and out of poverty from year to year. The figures presented earlier in this paper are a snapshot of the number of people in poverty at one point in time and do not tell us how many people are entering or exiting poverty each year, or for how long someone experiences poverty. For information on the duration of poverty we need to turn to surveys which track individuals over a number of years.

5.1 Persistent poverty

An individual is defined as being in persistent low income if they have been in relative low income for at least three out of the past four years.\(^{15}\)

Between 2015 and 2019, 9% of individuals were in persistent low income before housing costs (BHC) and 13% were in persistent low income after housing costs (AHC), based on data from the Understanding Society survey.\(^{16}\)

- On an AHC basis, children were most likely, and working-age adults and pensioners were least likely to experience persistent low income compared to other population groups, as shown in the table below.
- On a BHC basis, children and pensioners were most likely and working-age adults were least likely to experience persistent low income. Since most pensioners own their own homes, their housing costs tend to be lower than for other groups.

<table>
<thead>
<tr>
<th></th>
<th>Persistent low income</th>
<th>Compared to % of people in relative low income, 18/19*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BHC</td>
<td>AHC</td>
</tr>
<tr>
<td>All individuals</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Children</td>
<td>12%</td>
<td>19%</td>
</tr>
<tr>
<td>Working-age adults</td>
<td>8%</td>
<td>11%</td>
</tr>
<tr>
<td>Pensioners</td>
<td>12%</td>
<td>11%</td>
</tr>
</tbody>
</table>

* These figures are not the HBAI estimates for the proportion of people in relative low income; rather they are provided here for comparative purposes only. HBAI estimates for relative low income are collected via the Family Resources Survey and are set out in section 2.

Source: DWP, Income Dynamics, Tables 1 and M.9 (based on Understanding Society survey)

These statistics are collected via the Understanding Society survey, which gives a slightly lower estimate for the proportion of people in relative low income in 2018/19 than the Family Resources Survey (the main source of statistics on relative and absolute low income).\(^{17}\)

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\(^{15}\) This was the definition used in the Child Poverty Act 2010, which set targets (later removed by the Welfare Reform and Work Act 2016) for reducing child poverty as counted using four different poverty measures, including persistent low income.

\(^{16}\) Figures are published in DWP, Income Dynamics, 2010 to 2019, 25 March 2021.

\(^{17}\) The methodologies of these surveys differ. DWP, Income Dynamics: income movements and the persistence of low income, 2010 to 2019, 25 March 2021, outlines the methodology of Understanding Society.
Who experiences persistent low income?

The likelihood that an individual is in persistent low income varied according to the employment status of the family and housing tenure, among other factors. Rates of persistent low income were particularly high for the following groups (based on people’s circumstances at the start of the four year period 2015/16 to 2018/19):  

- 18% of individuals living in families where no adults worked were in persistent low income BHC and 21% AHC.  
- 19% of individuals in social rented accommodation were in persistent low income BHC and 32% AHC.  
- Although the proportion of people in private rented accommodation in persistent low income BHC (12%) was similar to the average for the total population, the proportion increased to 25% based on incomes AHC.  
- 19% of adults with no qualifications were in persistent low income BHC and 22% AHC.  
- Levels of persistent low income were higher in households where the head of household was from certain ethnic groups: 15% of people from a Black/ African/ Caribbean/ Black British background were in persistent low income BHC and 25% AHC. For people from an Asian / Asian British background, the proportions were at 17% BHC and 22% AHC.  
- 22% of children in lone parent families were in persistent low income BHC and 35% AHC.

The rate of persistent low income for families with children and pensioners decreased from the start of the 1990s. However, the rate has increased for single working-age people without children. This is similar to the trends in the proportion of people in relative low income in any one year, as discussed in section 3 of this briefing paper.

Other estimates: EU-SILC survey

The figures above are taken from DWP’s Income Dynamics publication, which is based on the Understanding Society survey. This survey has been running since 2010 and replaced the older British Household Panel Survey. Data from the older survey were formerly published in a DWP release, Low Income Dynamics, and ended in 2008. It is not directly comparable with the Income Dynamics series.

Current data on persistent low income is also collected through the European Union Statistics on Income and Living Conditions (EU-SILC) survey. This source similarly indicates around 8.6% of the UK population were in persistent low income BHC in 2018, although it defines income slightly differently to Understanding Society and uses a different definition for persistent low income. Specifically, the EU-SILC survey counts someone as in persistent low income if they are in relative low income in the current year and in at least two out of the three preceding years, based on household income before housing costs.

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18 For some individuals, their circumstances will have changed over this period. For example, the group of individuals living in families where no one was in work in 2012/13 will include individuals who were working in subsequent years.
19 DWP, Income Dynamics, 2010 to 2019, 25 March 2021, Table 2.1 and DWP, Low-Income Dynamics: 1991-2008 (Great Britain), September 2010, Table 8.1.
20 The last release was published in September 2010 and provided statistics for four year periods from 1991-1994 up to 2005-2008.
22 In the Understanding Society figures, an individual may be counted as in persistent low income even if they are not in relative low income in the current year.
5.2 How many people experience poverty?

Data from the EU-SILC survey suggest that around 16% of the total population were in relative low income BHC in at least one of the four years from 2015 to 2018.23

Previous ONS analysis showed that people aged 65 and over were more likely than younger age groups to have been in relative low income in at least one of the four years 2011 to 2014. Single parent and single adult households were more likely to have experienced relative low income than households with two or more adults.24

5.3 Poverty entry and exit rates

Understanding Society provides estimates of the proportion of people entering and exiting low income between one year and the next. It uses a strict definition of entry and exit so that the estimates “only include ‘clear’ transitions” into and out of low income. Thus, only people who move from having an income above the relative low income threshold to having an income at least 10% below the threshold in the following year are counted as entering poverty. Similarly, for someone to be counted as exiting poverty, they must go from having an income below the threshold to having an income at least 10% above the following year’s threshold. Figures refer to income before housing costs.25

- On this basis, around a third of the population (33%) in relative low income in 2017/18 were no longer in relative low income in 2018/19 (the “exit rate”).
- Of those people not in relative low income in 2017/18, around 5% were in relative low income in 2018/19 (the “entry rate”).

The exit rate is calculated as a percentage of the population in relative low income while the entry rate is calculated as a percentage of the population not in relative low income. Since there are many fewer people in poverty than there are people not in poverty, the exit rate is much higher than the entry rate. ONS analysis of the EU-SILC survey reports higher poverty entry and exit rates, in part because it does not use as strict a definition of entry and exit. Instead, if someone moves from below the relative low income threshold in one year to just above the threshold in the next, then that is counted as an exit and similarly for entries. Based on this source, between 2016 and 2017:26

- Around a third of the population (42%) who were in relative low income in one year were no longer in relative low income the next year.
- Of those who were not in relative low income in the first year, around 9% were in relative low income in the next.

Figures refer to incomes BHC. Older data for the proportions of people entering and exiting poverty over the period 1991-2008 can be found in the DWP Low-Income Dynamics publication.

5.4 Factors associated with entering or exiting poverty

Several reports discuss the reasons or events associated with people entering or exiting poverty. These include:

23 Eurostat, *Income and Living Conditions* database, *Distribution of population by number of years spent in poverty within a four-year period*, Table ilc_li5.
24 ONS, *Persistent Poverty in the UK and EU: 2017*, 6 June 2019
26 ONS, *Persistent Poverty in the UK and EU: 2017*, 6 June 2019
• DWP, An evidence review of the drivers of child poverty for families in poverty now and for poor children growing up to be poor adults, January 2014 (discussed further below)
• ONS, Persistent poverty in the UK and EU: 2017, 6 June 2019
• Conor D’Arcy and David Finch, The Great Escape? Low pay and progression in the UK’s labour market, Resolution Foundation report for the Social Mobility Commission, October 2017
• DWP, Child poverty transitions: exploring the routes into and out of poverty 2009 to 2012, June 2015
• ONS, Poverty and employment transitions in the UK and EU: 2007-2012, March 2015
• J Nelson, K Martin and G Featherstone, What Works in Supporting Children and Young People to Overcome Persistent Poverty? A Review of UK and International Literature, Office of the First Minister and Deputy First Minister (OFMDFM) of Northern Ireland, May 2013
• DWP, Low-Income Dynamics: 1991-2008 (Great Britain), September 2010 (in particular see Tables 10.1 and 11.1)

In particular, the DWP Evidence Review in 2014 investigated the extent to which different factors contribute to children’s chances of exiting or remaining in relative low income. The Review considered firstly the factors which make it harder for families currently in poverty to exit it in the short term, and secondly the factors which increase children’s chances of being in poverty as adults.

The relative importance of various factors was assessed by considering their (i) Certainty – does the factor have an effect?; (ii) Strength – how big is the effect?; (iii) Coverage – how many children are affected? These are summarised in the tables below, although individual factors are discussed in depth in Chapter 4 of the Review.²⁷

The Review found that the most important factors standing in the way of families exiting poverty now were those factors contributing to a lack of sufficient income from parental employment:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Certainty</th>
<th>Strength</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Worklessness &amp; Low Earnings</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Parental Qualifications</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Family Instability</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Family Size</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Parental Ill Health and Disability</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Drug &amp; Alcohol Dependency</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Child Ill Health</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Housing</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Debt</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Neighbourhood</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Educational Attainment</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Non-Cognitive Development</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Home Learning Environment</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Although educational attainment does not have a bearing on poverty in the short term, it was identified as the main driver that causes poor children to become poor adults:

²⁷ HM Government, An evidence review of the drivers of child poverty for families in poverty now and for poor children growing up to be poor adults, Cm 8781, January 2014, pp6-8
5.5 Government indicators of disadvantage affecting families and children

The Government set out various indicators to be used “to track progress in tackling the disadvantages that affect families’ and children’s lives” in an April 2017 policy paper, *Improving Lives: Helping Workless Families*.

The indicators fall into nine areas. Six parental indicator areas track worklessness and “associated disadvantages”:

- parental worklessness
- parental conflict
- poor parental mental health
- drug and alcohol dependency
- problem debt
- homelessness

Three indicator areas look at outcomes for children and young people:

- early years
- educational attainment
- youth employment

Statutory “life chances” indicators relating to children in workless households in England and educational attainment of children at the end of Key Stage 4 in England, as introduced by the Welfare Reform and Work Act 2017, come under the parental worklessness and educational attainment indicator areas respectively.  

Data on each indicator is published as part of a DWP evidence base for the *Improving Lives: Helping Workless Families* publication. A detailed Analysis and Research Pack looks in depth at the characteristics and outcomes for children living in families where no parent is in work and for children experiencing the other kinds of disadvantage reflected in the indicators. It also provides a concise summary of research literature on the relevance of and associations between different indicators.

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28 For further background information on these statutory indicators, see the Library briefing paper prepared for Second Reading of the *Child Poverty in the UK (Target for Reduction) Bill, 2016-17* (1 February 2017).
6. Poverty and employment

People living in workless families are much more likely to be in poverty than people living in families where at least one person works. Around 40% of working-age adults living in workless families were in relative low income BHC in 2019/20, compared to 11% in families where at least one adult was in work.

Nevertheless, working-age adults living in families where at least one person is in work make up the majority (58%) of all working-age adults in relative low income. This reflects the fact there are many more working than workless households to begin with: 84% of working-age adults live in families where at least one person works.

The same holds true for child poverty: 53% of children in workless families were in relative low income BHC compared to 19% in families where at least one person works. But since there are many more working than workless families, children living in working families comprise the majority (73%) of children in relative low income.

The risk of relative low income for children in workless families is lower than at the end of the 1990s, as shown in the chart on the left below. Following the 2008 recession, there was a sharp reduction in the proportion of children in workless families in relative low income. Although real incomes from employment fell after the recession, benefit income (which is the most important income source for workless families) was more stable. However, the past few years have seen a clear break from the longer-term trend as the proportion of children in workless families who are in relative low income increased from 37% in 2013/14 to 53% in 2019/20.

For families where at least one adult is in work (“working families”), the proportion of children in relative low income has remained broadly similar over the past twenty years.

During this period, the total population of children living in working families has increased and the population living in workless families has decreased. As the total number of children living
in workless families has decreased along with the risk of poverty for these children, children in working families have formed an increasing share of all children in poverty. This is shown in the chart on the right.

![Chart showing % of children in working/workless families who are in relative poverty BHC and % of children in relative poverty BHC who live in working families over time.](image)

Note: figures for 1994/95 to 2001/02 are for Great Britain; figures for 2002/03 onwards are for the UK

Source: DWP, Households Below Average Income, 2019/20

Looking at the working-age adult population, the share of individuals in poverty who live in working families has also increased over the past decade, but changes are more muted than for children. The risk of poverty for individuals in both working and workless families remained fairly steady until the 2008 recession. After 2008, there was a reduction in the proportion of working-age adults in workless families who were in relative poverty.

![Chart showing % of working-age adults who are in relative poverty BHC and % of working-age adults in relative poverty BHC who live in working families over time.](image)

Note: figures for 1994/95 to 2001/02 are for Great Britain; figures for 2002/03 onwards are for the UK

Source: DWP, Households Below Average Income, 2019/20
7. Poverty and housing tenure

People living in social rented or private rented accommodation are more likely to be in relative low income after housing costs (AHC) than people who own their home. Around 46% of people in the social rented sector and 33% of people in the private rented sector were in relative low income AHC in 2019/20.

Low housing costs for people who own their homes outright means that fewer owner occupiers are counted as being in poverty based on incomes AHC than incomes before housing costs (BHC). 30

Percentage of people (all ages) in relative low income
By housing tenure, UK, 2019/20

<table>
<thead>
<tr>
<th></th>
<th>Before housing costs</th>
<th>After housing costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social rented</td>
<td>32%</td>
<td>46%</td>
</tr>
<tr>
<td>Private rented</td>
<td>19%</td>
<td>33%</td>
</tr>
<tr>
<td>Owned outright</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Buying with mortgage</td>
<td>10%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: DWP, Households Below Average Income, 2019/20

56% of children living in the social rented sector and 47% of children living in the private rented sector were in relative low income AHC in 2019/20.

% of children in relative low income, by housing tenure
UK, 2019/20

<table>
<thead>
<tr>
<th></th>
<th>Before housing costs</th>
<th>After housing costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social rented</td>
<td>40%</td>
<td>56%</td>
</tr>
<tr>
<td>Private rented</td>
<td>28%</td>
<td>47%</td>
</tr>
<tr>
<td>Owned outright</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Buying with mortgage</td>
<td>13%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: DWP, Households Below Average Income, 2019/20

Although the proportion of owner occupiers in relative low income AHC is much smaller than the proportion of private or social renters, people who own their own home still formed over a third of people (and over a quarter of all children) in relative low income AHC in 2019/20. This is because the overall population who are owner occupiers is larger than the population living in the private or social rented sectors.

30 Housing costs include mortgage interest payments but exclude mortgage capital repayments.
The rate of relative low income within each sector is lower than it was at the end of the 1990s, as shown in the first of the charts below.\(^{31}\) However, over the same period the private rented sector has greatly increased in size, with the result that a higher share of all poor people is now living in the private rented sector. Around 12.9 million people in the UK were living in private rented housing in 2018/19, up from 5.0 million in 1997/98.\(^{32}\) This can be attributed to a fall in the proportion of households who own their own home, but also to reduced availability of social rented accommodation for poorer households.\(^{33}\) As the overall size of the private rented sector has grown, the number of people in relative low income AHC living in the private rented sector has increased from 2.1 million to 4.8 million.

30% of all people in relative low income AHC lived in the private rented sector in 2019/20, slightly lower than the proportion who were owner occupiers or in the social rented sector. This compares to 15% of people in relative low income AHC renting privately in 1997/98.

Source: Library analysis of DWP Households Below Average Income 2018/19 microdata

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\(^{32}\) Estimates based on *Households below average income* microdata and Stat Xplore analysis.

...but as the total private rented sector has grown, so has the number of poor people who are private renters

% of people in relative low income AHC who live in different tenure types

Source: Library analysis of DWP Households Below Average Income 2018/19 microdata
8. Poverty and disability

Poverty rates are higher among families where at least one member is disabled, compared to families where no one is disabled. In 2019/20:

- The proportion of people in relative low income before housing costs (BHC) was 23% for families where someone is disabled, compared to 15% for people living in families where no one is disabled.
- The rate of relative low income after housing costs (AHC) was 27% for families where someone is disabled, compared to 19% for those where no one is disabled.

People living in families where someone is disabled comprised around 44% of the population in relative low income BHC and 42% AHC in 2018/19. This compares to 34% of people across the total UK population living in families where someone is disabled.

However, these figures take no account of the additional living costs that people with disabilities might face. If we could take these costs into account then it is very likely that more disabled people would be counted as living in poverty, but this is complicated by the fact that costs vary widely both in nature and level. Nevertheless, the main measure of income used to calculate the relative low income threshold does include benefits paid as a contribution towards the extra costs of disability: Disability Living Allowance (DLA), Attendance Allowance (AA) and Personal Independence Payment (PIP). Around 10% of the total UK population live in families in receipt of disability benefits. Excluding these benefits from income means more families with a disabled member are counted as being in relative low income:

Using this adjusted measure of income, then people living in families where someone is disabled made up around 48% of the total population in relative low income BHC and 46% AHC.

Poverty rates are higher for children living in families where someone is disabled than for the population as a whole. Based on income excluding disability benefits, the rate of relative low income for children living in families where someone is disabled was 31% BHC and 39% AHC. Children in families with a disabled member were more than twice as likely to experience low income and material deprivation (20%) than children in families where no one is disabled (8%). Section 12 provides further information on material deprivation measures.
9. Poverty and ethnic group

Relative poverty rates are highest for people in households where the head of the household is from the Pakistani or Bangladeshi ethnic groups and lowest for those from White ethnic groups.

Measured before housing costs, people in households where the head of the household was from the Pakistani ethnic group experienced the highest poverty rate before housing costs, at 41% (26 percentage points higher than households where the head is from White ethnic groups), during the period 2017/18-2019/20.

After housing costs, people in households where the head of the household was from the Bangladeshi ethnic group experienced the highest poverty rate, at 55% (35 percentage points higher than households where the head is from White ethnic groups).

27% of people in households where the head of the household was from a Black ethnic group were in poverty before housing costs, and 40% were in poverty after housing costs.

<table>
<thead>
<tr>
<th>Percentage of people in relative low income, 2017/18 to 2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>By ethnic group of the head of household</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Before housing costs</td>
</tr>
<tr>
<td>White</td>
</tr>
<tr>
<td>Indian</td>
</tr>
<tr>
<td>Mixed/ Multiple ethnic groups</td>
</tr>
<tr>
<td>Other Asian background</td>
</tr>
<tr>
<td>Chinese</td>
</tr>
<tr>
<td>Other ethnic group</td>
</tr>
<tr>
<td>Black/ African/ Caribbean/ British</td>
</tr>
<tr>
<td>Bangladeshi</td>
</tr>
<tr>
<td>Pakistani</td>
</tr>
<tr>
<td>After housing costs</td>
</tr>
<tr>
<td>White</td>
</tr>
<tr>
<td>Indian</td>
</tr>
<tr>
<td>Mixed/ Multiple ethnic groups</td>
</tr>
<tr>
<td>Other Asian background</td>
</tr>
<tr>
<td>Chinese</td>
</tr>
<tr>
<td>Other ethnic group</td>
</tr>
<tr>
<td>Black/ African/ Caribbean/ British</td>
</tr>
<tr>
<td>Bangladeshi</td>
</tr>
<tr>
<td>Pakistani</td>
</tr>
</tbody>
</table>


Child poverty

46% of children in households where the head of the household was from the Pakistani ethnic group were in poverty in the period 2017/18-2019/20, and 68% of children in households where the head of the household was from the Bangladeshi ethnic group were in poverty after housing costs in the same period.

32% of children in households where the head of the household was from a Black ethnic group were in poverty before housing costs, and 48% were in poverty after housing costs.
A Scottish Government report points out that the age profiles of ethnic groups may influence poverty levels. The average age of a head of household from a White ethnic group was higher than for other ethnic groups and older people have a lower poverty rate, so this age profile may partly explain the difference between ethnic groups. However, this cannot explain the entire gap between groups. 34

The Runnymede Trust’s report The Colour of Money finds that higher poverty rates among minority ethnic groups is due to lower wages, higher unemployment rates, higher rates of part-time working, higher housing costs in England’s large cities (especially London), slightly larger household size, and the relatively low levels of benefits paid, particularly following the application of the ‘benefit cap’. 35

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10. Regional poverty data

10.1 Relative low income

The proportion of individuals in relative low income BHC was highest in the West Midlands, Yorkshire and Humber, and the North East (all 21%) over the three year period 2017/18 to 2019/20 and was lowest in the South East, South West, and East of England (14%). On an AHC basis, the proportion is lowest in Northern Ireland and highest in London (27%). A much higher proportion of people in London are counted as being in poverty based on incomes AHC owing to the high cost of housing relative to other parts of the UK. Data on poverty trends by region are published alongside this briefing paper.

Source: DWP, Households Below Average Income, 2019/20

![Percentage of people in relative low income, 2017/18 to 2019/20](source: DWP, Households Below Average Income, 2019/20)
Persistent low income

The prevalence of persistent low income also varies by region. As discussed in section 5.1, someone is in persistent low income if they have been in relative low income for three out of the past four years.

On a BHC basis, Yorkshire and the Humber and the North East had the highest rate of persistent low income (12%) and the South East had the lowest rate (7%) during the period 2015/16 to 2018/19.

On an AHC basis, London had the highest rate (16%).
% of people (all ages) in persistent low income by region/country
2015 to 2019

Before housing costs

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>South East</td>
<td>7%</td>
</tr>
<tr>
<td>East</td>
<td>8%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>8%</td>
</tr>
<tr>
<td>North West</td>
<td>9%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>9%</td>
</tr>
<tr>
<td>London</td>
<td>9%</td>
</tr>
<tr>
<td>England</td>
<td>9%</td>
</tr>
<tr>
<td>Scotland</td>
<td>9%</td>
</tr>
<tr>
<td>South West</td>
<td>10%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>10%</td>
</tr>
<tr>
<td>Wales</td>
<td>10%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>11%</td>
</tr>
<tr>
<td>North East</td>
<td>12%</td>
</tr>
<tr>
<td>Yorkshire &amp; Humber</td>
<td>12%</td>
</tr>
</tbody>
</table>

After housing costs

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Ireland</td>
<td>9%</td>
</tr>
<tr>
<td>South East</td>
<td>10%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>10%</td>
</tr>
<tr>
<td>East</td>
<td>12%</td>
</tr>
<tr>
<td>Wales</td>
<td>12%</td>
</tr>
<tr>
<td>Scotland</td>
<td>12%</td>
</tr>
<tr>
<td>South West</td>
<td>13%</td>
</tr>
<tr>
<td>North West</td>
<td>13%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>13%</td>
</tr>
<tr>
<td>England</td>
<td>13%</td>
</tr>
<tr>
<td>Yorkshire &amp; Humber</td>
<td>13%</td>
</tr>
<tr>
<td>North East</td>
<td>15%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>15%</td>
</tr>
<tr>
<td>London</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: DWP, Households Below Average Income, 2019/20
11. Constituency and local area data – child poverty

The key source for poverty statistics for the UK is the annual Households below average income (HBAI) report, published by the Department for Work and Pensions and based on data from the Family Resources Survey, but this only provides data at the national and regional level. Other estimates for child poverty by local area have been published by HMRC and DWP, and End Child Poverty.

Both the HMRC and End Child Poverty figures attempt to measure the proportion of children falling under an income threshold that is broadly analogous to the “relative low income” threshold in HBAI. Both sets of estimates are based on benefits data, at least in part.

11.1 End Child Poverty estimates

The End Child Poverty figures are calculated by academics at the Centre for Research in Social Policy at Loughborough University.

They have recently changed their methodology, to account for complications in estimation that come with the introduction of Universal Credit. They have developed a ‘small area estimation’ approach, using the Office for National Statistics’ Labour Force Survey along with administrative data to consider the relationship between the risk of poverty for households in the survey and the socioeconomic and demographic characteristics of their area. In other words, these are credible estimates of relative low income child poverty in each area but may not be accurate for each area.

Estimates for 2018/19 are published on the End Child Poverty website – with figures for local authorities, constituencies and wards, AHC and BHC.

An interactive map shows the estimated number and proportion of children in relative low income AHC by constituency.

11.2 HMRC estimates

Previous HMRC figures were derived from benefits and tax credits data. Specifically, they show the proportion of children living in families in receipt of out of work means-tested benefits or living in families in receipt of tax credits with reported income less than 60% of the median.

At a national level, these figures overestimated poverty in families in receipt of out-of-work benefits, since all of these families are assumed to be in poverty, and underestimated poverty in families where someone is in work compared to the official figures from HBAI.

Contrary to the trend indicated in HBAI, these suggest the total number of children in low-income families falling over recent years. The fact the figures are moving in the opposite direction from the official HBAI figures gives further reason to think they may not be a reliable indicator for local areas.

37 For more details as to how the estimates are constructed, see Juliet Stone et al, Local indicators of child poverty-explanatory note, Centre for Research in Social Policy, Loughborough University, April 2019.

38 Note that constituency figures for Scotland are based on Scottish (rather than Westminster) parliamentary constituencies.
In March 2020 HMRC and DWP released new experimental statistics on child poverty at a local level which are calibrated to and match the 3-year average HBAI estimates at regional level for Great Britain, and these were updated to include Northern Ireland in March 2021.\(^{39}\) A family must have claimed Universal Credit, Tax Credits, or Housing Benefit at any point in the year to be classed as low income in these statistics. Because of the way they are produced, local totals should be considered estimates.

The constituencies with the highest and lowest child poverty rates are in the table below.\(^{40}\)

### Constituencies with the highest and lowest child poverty rates

<table>
<thead>
<tr>
<th>Highest child poverty rates</th>
<th>Lowest child poverty rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham, Hodge Hill</td>
<td>53%</td>
</tr>
<tr>
<td>Birmingham, Ladywood</td>
<td>50%</td>
</tr>
<tr>
<td>Bradford West</td>
<td>49%</td>
</tr>
<tr>
<td>Bradford East</td>
<td>47%</td>
</tr>
<tr>
<td>Birmingham, Hall Green</td>
<td>46%</td>
</tr>
<tr>
<td>Middlesbrough</td>
<td>44%</td>
</tr>
<tr>
<td>Glasgow Central</td>
<td>43%</td>
</tr>
<tr>
<td>Oldham West and Royton</td>
<td>42%</td>
</tr>
<tr>
<td>Blackburn</td>
<td>41%</td>
</tr>
<tr>
<td>Bolton South East</td>
<td>41%</td>
</tr>
<tr>
<td>Newcastle upon Tyne Central</td>
<td>41%</td>
</tr>
<tr>
<td>Manchester, Gorton</td>
<td>41%</td>
</tr>
</tbody>
</table>


Child poverty levels for each constituency can be found in the excel table attached, and child poverty rates can be seen in the map on the next page.

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\(^{40}\) Child poverty rates are calculated using population aged 0-15 as denominators.
Percentage of children aged 0-15 in relative poverty before housing costs, 2019/20
12. Material deprivation

Poverty may be defined in other ways besides having a low household income. Another approach is to consider if a household is materially deprived, meaning they lack the ability to access key goods or services.\textsuperscript{41}

DWP’s \textit{Households below average income} report includes data on children experiencing both low income and material deprivation, where ‘low income’ means a household income below 70\% of the median.\textsuperscript{42} Also included are figures for pensioners experiencing material deprivation, for either financial or non-financial reasons.

1.7 million \textbf{children} were in \textit{low income and material deprivation} in 2019/20, 12\% of children in the UK. The proportion has decreased slightly from around 13\% in 2014/15, having remained roughly the same between 2010/11 and 2014/15. Figures prior to 2010/11 were based on a different set of deprivation indicators and are not comparable.

The chart shows the proportion of all children (not just those with low household incomes) lacking key goods or services:

\begin{itemize}
\item \textsuperscript{41} For more information about food banks and government food insecurity indicators, see Library Briefing Paper 8585, \textit{Food banks in the UK}.
\item \textsuperscript{42} Library Research Paper 04/23, \textit{Poverty, Measures and Targets}, provides background information on the development of the combined low income and material deprivation measure.
\end{itemize}
700,000 pensioners aged 65 and over experienced material deprivation (but not necessarily low income) in 2019/20, 6% of pensioners in the UK. This is the same as the previous year but down from 10% in 2009/10.

For pensioners, the material deprivation measure includes items lacking for non-financial reasons (for example, because of ill health).
**Percentage of pensioners who do not have access to specific goods or services: UK, 2019/20**

- Have a warm waterproof coat: 1%
- At least one filling meal a day: 1%
- Heating, electrics, plumbing and drains working: 1%
- Able to pay regular bills: 2%
- Home kept adequately warm: 2%
- Home kept in a good state of repair: 3%
- Have a telephone to use, whenever needed: 4%
- Have a damp-free home: 5%
- See friends or family at least once a month: 5%
- Able to replace cooker if it broke down: 7%
- Have access to a car or taxi, whenever needed: 7%
- Have hair done or cut regularly: 7%
- Able to pay an unexpected expense of £200: 8%
- Go out socially at least once a month: 18%
- Take a holiday away from home: 36%


**Methodology**

21 indicators are used to assess material deprivation among families with children, covering access to different goods and services. The indicators were selected using various analytical techniques to determine the best discriminators between those families that are deprived and those that are not. The *Family Resources Survey* asks respondents whether they have each item and, if not, whether this is because they do not want them or cannot afford them. The questions are reviewed regularly to ensure they remain relevant.

A different suite of 15 indicators is used to assess material deprivation for pensioners. In this case, material deprivation extends to items lacking for either financial or non-financial reasons; for example, respondents are asked whether they lack the item due to reasons such as health/disability, if it is too much trouble or tiring, or if they have no one to help them or do the activity with.

The deprivation indicators are attributed different weights and respondents are counted as in material deprivation when they score above a certain threshold. Further details of the methodology can be found in the HBAI *Quality and Methodology Information Report.*
13. Social Metrics Commission

The Social Metrics Commission (SMC) is an independent and non-partisan Commission formed to develop a new approach to poverty measurement. It includes, among others, Commissioners from the Legatum Foundation, the IFS, the LSE, Joseph Rowntree foundation, and Calouste Gulbenkian Trust.

The SMC proposed a new measure of poverty, based on the extent to which someone’s resources meet their needs. This accounts for differences among households such as costs of childcare and disability, savings and access to assets. It also includes groups previously omitted from poverty statistics, like those living on the streets and those just above the low income threshold but in overcrowded housing. In 2020, the DWP concluded that this approach could form the basis of a new measure of poverty, so planned to publish experimental statistics. This project has been paused due to the coronavirus pandemic.

The trends in the SMC measure are similar to relative poverty measured after housing costs (AHC), though the SMC measure is lower for pensioner poverty and people in families where someone is disabled, and higher for poverty among children and people in families where someone is disabled than the official statistics.

![Social Metrics Commission versus HBAI statistics](image)

Source: Social Metrics Commission 2020

13.1 Lived experience of poverty

The SMC also provides detailed analysis of the nature of poverty including characteristics that impact the experience of poverty, using SMC poverty numbers, such as experiences of community, family finances, health, and labour market opportunity. The data below is from the HBAI.

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44 DWP, Development of a new measure of poverty: statistical notice, 3 February 2021
45 The Lived Experience Indicators use data from a range of survey years as not all questions are asked every year.
Community
The table below suggests that while people above and below the SMC poverty line are similarly worried about being affected by crime, more people below the SMC poverty line feel unsafe walking home at night.

Factors which impact the experience of poverty: community
Based on the SMC poverty line: one or more adults in a family

<table>
<thead>
<tr>
<th>Factor</th>
<th>People in poverty</th>
<th>People not in poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feels unsafe walking alone at night</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>Worries about being affected by crime</td>
<td>40</td>
<td>30</td>
</tr>
<tr>
<td>Does not like living in current neighbourhood</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Spends time caring for someone</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Perceives local services as poor</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Doesn’t trust people in their neighbourhood</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Social Metrics Commission 2020

Family finances
This table shows that poverty is associated with being behind on bills, low savings, and material deprivation.

Factors which impact experience of poverty: family finances
Based on the SMC poverty line

<table>
<thead>
<tr>
<th>Factor</th>
<th>People in poverty</th>
<th>People not in poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family is behind in paying bills</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>In a family reporting material deprivation</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>One or more adults in family with low income satisfaction</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>No adult in family saves</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Social Metrics Commission 2020
Health
People in poverty are more likely to have poor physical and mental health, and low life and health satisfaction. Half of people in poverty are in a family which includes a disabled person.

Factors which impact experience of poverty: health
Based on the SMC poverty line: one or more adults in a family

Labour market opportunity
Families in poverty are more likely to have no member with formal qualifications and no adult member with a qualification equal to or above 5a*-c GCSEs.

Factors which impact experience of poverty: labour market opportunity
Based on the SMC poverty line

Source: Social Metrics Commission 2020
13.2 Depth of poverty

The SMC also provides a breakdown of poverty statistics by how far families are below the poverty line.

An increasingly large proportion of the UK is experiencing the very deepest level of poverty. The proportion of people living 50% or more below the poverty line is 7% in 2018/19, compared to 5% in 2000/01.

The proportion at all other depths of poverty has remained stable or fallen over the same time period.

Source: Social Metrics Commission 2020
14. Minimum Income Standards

Another way of looking at poverty is to consider what income a family needs to meet some minimum acceptable standard of living, known as the “budget standards” approach. Successive governments have argued there is no single, objective way of determining what constitutes a minimum acceptable income for a particular person or family, although independent researchers have made a number of attempts. Section 2 of Library Research Paper 13/1, *Welfare Benefits Uprating Bill, 2013*, gives an overview of the debate.

One such attempt is a major annual research project funded by the Joseph Rowntree Foundation, which estimates Minimum Income Standards (MIS) for different household types in the UK. This involves in-depth consultation with members of the public, combined with expert knowledge, to identify the level of income required to meet a minimum acceptable standard of living: “having what you need in order to have the opportunities and choices necessary to participate in society.” The first findings were published in 2008 and are updated each year.46

For most household types, the MIS is well above the relative low income threshold. This suggests that even if someone is not counted as being in relative low income, their income may still be too low for them to have what is considered a minimum acceptable standard of living.

**Minimum Income Standards (MIS) for 2020 compared with threshold for relative low income in 2019/20: UK, £ per week**

*Threshold for relative low income is 60% of median income*

<table>
<thead>
<tr>
<th></th>
<th>Single, working age</th>
<th>Couple, pensioner</th>
<th>Couple, 2 children</th>
<th>Lone parent, 2 children</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before housing costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relative low income threshold</td>
<td>£220</td>
<td>£328</td>
<td>£459</td>
<td>£285</td>
</tr>
<tr>
<td>MIS excluding childcare and council tax</td>
<td>£303</td>
<td>£379</td>
<td>£559</td>
<td>£467</td>
</tr>
<tr>
<td>% difference</td>
<td>38%</td>
<td>16%</td>
<td>22%</td>
<td>64%</td>
</tr>
<tr>
<td><strong>After housing costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relative low income threshold</td>
<td>£166</td>
<td>£285</td>
<td>£399</td>
<td>£279</td>
</tr>
<tr>
<td>MIS excluding childcare, council tax, water rates, rent</td>
<td>£203</td>
<td>£287</td>
<td>£456</td>
<td>£365</td>
</tr>
<tr>
<td>% difference</td>
<td>22%</td>
<td>1%</td>
<td>14%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Note: income figures are equivalised to take account of household needs, which means that the median is higher for larger households. The figures for families with children assume that all children are aged under 14 years.

Source: A Davis, D Hirsch, M Padley and C Shepherd, *A Minimum Income Standard for the United Kingdom 2020*, 8 July 2020; DWP *Households Below Average Income 2019/20*, Table 2.2db

When income is measured BHC, the MIS is higher than the relative low income threshold (based on figures for 2019/20) for each of the four household types in the above table. Based on

income AHC, the MIS is similar to the relative low income threshold for pensioner couples but is considerably higher for the other three household types in the table. The 2015 MIS report suggests that “the more meaningful comparison is between net MIS budgets and income after housing costs” given the difficulty in quantifying the ‘minimum’ cost of housing.

**Number of people with income below the standard**

19.6 million people had income below the MIS in 2018/19, up from 16.2 million in 2008/09. The share of the population with income below the MIS increased from 27% to 30%. More people also had an income substantially below the MIS (less than 75% of the MIS), up from 10.1 million in 2008/09 to 11.9 million in 2018/19.

Children are much more likely to have income below the MIS than older age groups: 42.3% of children lived in households with income below the MIS, compared to 29.1% of working-age adults and 18.2% of pensioners. For all groups, the likelihood of having income below the MIS has increased since 2008/09.

**How has the standard changed over time?**

The increase in the number of people with income below the MIS occurred between 2008/09 and 2013/14, with the number falling back slightly in the following two years to 2015/16 and remaining stable in 2017/18, before increasing again in 2018/19. The same was true of the number of people with income below 75% of the MIS. However, the proportion of people in relative low income has followed a different pattern, decreasing between 2008/09 and 2013/14 but then increasing again (both before and after housing costs).

These contrasting trends can be explained by the fact that the relative low income threshold is set with reference to median income, which is not the case for the MIS. After adjusting for inflation, median income was lower in 2013/14 than in 2008/09, which pushed down the threshold below which someone is counted as in relative low income. Meanwhile the income required to meet a minimum acceptable standard of living, as measured by the MIS, increased. So, while fewer people were below the relative low income threshold, more people were below the MIS threshold. Since 2013/14, the situation has reversed as median incomes have increased faster than the MIS.

The main reason why the MIS has increased faster than CPI inflation since 2008 is likely to be a rise in the prices of goods and services required for a minimum acceptable standard of living. (Some of the increase is also due to changes in what goods and services are included in the MIS calculation.) The CPI looks at average spending patterns across all households, but the MIS looks at the cost of a collection of more basic goods and services and does not include ‘luxury’ items. Thus, the MIS puts more weight on certain items that have risen significantly faster than the overall CPI since 2008, including public transport, domestic fuel and food. The relative low income threshold on the other hand does not bear any relation to prices.

Another difference between the MIS and the relative low income measure is how they account for household size and composition. The proportion of people in relative low income is measured with reference to equivalised household incomes, in order to compare living standards between households of different sizes or compositions. The equivalisation process uses a standard scale to compare between households of different sizes. For the MIS, however, annual income requirements for each household type are calculated separately so

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there is no fixed ratio that relates the MIS for a single adult, say, to that for a couple household. The MIS calculation also distinguishes between pensioner and non-pensioner households. Compared to the MIS research, the standard equivalisation scales in the official statistics “underestimate the relative cost of each additional child and also underestimate the cost of a lone parent family compared to a couple family”.  

50  Ibid, p43.
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