POVERTY: THE FACTS
6TH EDITION
SUMMARY AND UPDATE

"Every single child should be brought up in a world where they can dream dreams, nurture ambitions and have hope for the future."
Gordon Brown, Foreword

Poverty: the facts is CPAG’s flagship policy publication. It provides the clearest and most comprehensive picture of poverty in the UK today, and what we can do about it.

POVERTY IN THE UK
The UK remains one of the richest countries in the world. Yet a substantial number of UK citizens live in poverty. Their household resources, particularly their cash incomes, are too small to allow them the standard of living that most people in the UK consider acceptable.

One in five people in the UK live in relative income poverty. By 2022, the Institute for Fiscal Studies projects that over five million children will live in relative income poverty.

WHAT IS POVERTY?
Poverty is going without the necessities of life; inequality refers to the gap where some people have less than others.

Living in poverty means having insufficient money or other resources to meet your basic needs month on month, year on year.

British sociologist Peter Townsend defined poverty as lacking the resources to meet those basic needs, including social participation, which others take for granted. As well as income, savings and property, a person’s needs can also be met by public services, like education, housing and healthcare.

MEASURING POVERTY BASED ON INCOME
One in five households in the UK have an income below the poverty line, after their housing costs are taken into account.

30 per cent of children live in households below the poverty line (after housing costs). This is almost double the poverty rate (16 per cent) for pensioners.

In the 1970s and 1980s, income inequality in the UK widened rapidly and the gap has remained wide since. Nearly all the increases in our national income have gone to people in the upper half of our income distribution, leaving the top fifth between five and six times better off than the bottom fifth.

Calculating poverty after housing costs gives a more accurate measure of how much families have to live on.

% CHILDREN LIVING IN POVERTY

DESTITUTION
LACKING FOOD
LACKING FUEL
LACKING CLOTHING
LACKING SHELTER

POVERTY
STRUGGLE TO PAY FOR ESSENTIALS AND TO PARTICIPATE IN SOCIETY

INEQUALITY
SOME HAVING A LOT LESS THAN OTHERS

THE POVERTY LINE IS 60% OF MEDIAN INCOME

14.3m PEOPLE LIVE IN HOUSEHOLDS BELOW THE POVERTY LINE
POVERTY AND COSTS

In 2017, the additional basic cost of a child, from birth to age 18, was £75,436 for a couple family and £102,627 for a lone-parent family. If housing and childcare costs are added these rise to £155,142 and £187,120 respectively.

A couple with two children, both parents working full time on the minimum wage, only has 87 per cent of the income required to meet the family’s minimum needs.

In London, the poverty rate doubles when housing costs are taken into account (from 14 per cent to 28 per cent).

WHO IS AT RISK OF POVERTY?

Families with children face higher risks of poverty because of the extra costs of children and because of the effect on parents’ working hours. Children’s benefits do not fully compensate.

Pensioner poverty (at 16 per cent) has fallen as a result of increases in benefits to pensioners, the growth of private pension incomes and rising pensioner employment.

The overall number (3 million) of women who are low paid is still much higher than the overall number (1.9 million) of men who are low paid.

Scotland has a lower poverty rate (at 19 per cent) than England (22 per cent), Wales (24 per cent) and Northern Ireland (20 per cent).

CHILD POVERTY IN THE UK

Lone parents face a higher risk of poverty due to a lack of an additional earner, low rates of maintenance payments, gender inequality in employment and pay, and childcare costs. Children living in lone-parent families have a material deprivation rate (at 40 per cent) more than three times that of children living in two-parent families (13 per cent).

Larger families are at higher risk. A quarter of children in households with one or two dependent children are in poverty (25 per cent and 26 per cent respectively) but this increases to 42 per cent in families with three or more children.

Children from Black and minority ethnic groups are more likely to be in poverty: 43 per cent are now in poverty, compared with 26 per cent of children in White British families.
THE DYNAMICS OF POVERTY

The effects of poverty are more profound when people live in poverty for longer, or fall deeper into poverty. The UK has a high rate of entries into, and exits from, poverty.

Children, lone parents, disabled people and people in households in which no one works are more likely to experience poverty, to remain in poverty for longer and to experience deeper poverty, than others.

In 2015, 7.3 per cent of the UK population, or approximately 4.6 million people, were living in persistent poverty (having been in poverty for three out of the last four years).

POVERTY ACROSS THE WORLD

UK child poverty rates are around the average among European Union countries. Scandinavian countries have lower rates, and some Mediterranean and former Soviet Bloc countries higher rates. The United States, the richest country in the world, has the highest rate among developed nations.

The UK’s initial child poverty rate - before taking into account the effect of social security transfers - is, however, among the very highest in Europe. Only one country, Ireland, is higher. This is driven mainly by large disparities in wages in the UK compared with other European countries.

This means that the UK’s tax and benefits system works exceptionally hard to reduce very high initial poverty rates to near the European average.

THE CAUSES OF POVERTY

Long-term deterioration of the terms of employment for workers in the lowest-paid 20 per cent of the UK labour market has been a major, possibly the major, cause of enduring poverty in the UK.

Since 2006, there has been a 60 per cent rise in the number of people moving repeatedly between work and unemployment.

Between 1975 and 2014, the real hourly wages of middle-income full-time employees doubled. The best paid saw their real wages rise by up to 189 per cent, while wages below the middle typically rose by only about 80 per cent. The wage difference is even wider for part-time workers.

In-work benefits, such as universal credit, are currently insufficient to overcome these labour market effects and keep people out of poverty.

THE EFFECTS OF POVERTY

In the most deprived areas, boys can expect to live 19 fewer years of their lives in ‘good’ health, and girls 20 fewer years, than children in the least deprived areas.

The Millennium Cohort Study shows that poor children brought up in poverty are 20 per cent behind other children in their cognitive development when they start primary school, and are four times more likely to develop a mental health problem by the age of 11.

Children who have lived in persistent poverty during their first seven years have cognitive development scores on average 20 per cent below those of children who have never experienced poverty.

Gifted children from the most deprived families begin school on a par with gifted children facing least deprivation, but their performance falls away by the age of 16.
WHAT IS POVERTY LIKE?
People who are not working overwhelmingly want to work, but face barriers to employment. Principally these are ill-health and childcare, but also caring responsibilities for family members.

Parents worry about the impact poverty has on their children, particularly that they may be bullied. Children living in poverty frequently report feeling excluded and embarrassed, citing it as a ‘key source of unhappiness’, and worry about their parents in turn.

People living in poverty are more likely to live in disadvantaged neighbourhoods, and in overcrowded or unsuitable housing. All areas of a child’s life are adversely affected by poverty; home, school, friendships and more. The most visible aspect is that they do not have what their friends have.

WHAT SHOULD BE DONE?

Benefits must reflect need - a fundamental principle of the UK’s welfare state.

- Rather than freezing their value until 2021, annual benefit and tax credit rates should rise each year in the same way that UK pensioners’ benefits do.
- Child benefit must rise by at least £5 per week for each child to make up for inflation since 2010 - otherwise it will have lost 23 per cent of its real value by 2020.
- The two-child limit on tax credits and universal credit will plunge a further 200,000 children into poverty. Abolish it and restore child payments, including higher amounts for disabled children.
- The £20,000 a year benefit cap should be abolished as it denies the needs of large families or those in high-rent areas. Families earning £20,000 from work are already entitled to additional support through benefits and tax credits to maintain a decent standard of living.

The administration of the benefits system must be improved. Delays, over-zealous application of sanctions, and outright errors leave increasing numbers of claimants destitute and unable to feed themselves and their families.

- The waiting period for a first payment of universal credit should be reduced to two weeks.
- There should be rapid access to hardship payments, benefit advances, and other local welfare assistance.
- Officials should work on the presumption that claimants behave honestly, issuing fair warnings – a ‘yellow card’ – rather than imposing sanctions for minor mistakes.
- Staffing levels should be restored to allow advice and support so claimants can understand and meet requirements, and funding for independent advice is needed at both national and local level.
- Government plans to ‘test and learn’; so they need to act upon the early warnings evident in the roll-out of universal credit. This should be prioritised over the completion date, which has already slipped from 2017 to 2022.

Housing and childcare remain the most expensive items in the budgets of working families with small children. Childcare costs have risen 42 per cent since 2008, twice the rate of inflation. A new national childcare strategy should include:

- a high quality, fully-funded model of the 30-hour free entitlement to childcare available to all families, regardless of employment status;
- universal childcare places available for all two-year-olds;
- increased support for children’s centres; and
- comprehensive, 8am to 6pm out-of-school and holiday wraparound childcare though extended schools.

We must end the growing impermanence of paid work. The UK has relatively high employment rates, but an unstable labour market, putting UK households at high risk of moving in and out of in-work poverty.

- Part-time and ‘zero hour’ contracts, temporary jobs and spurious forms of self-employment currently evade employment protection laws and contribute to these risks.
- To slow the flow in and out of permanent low-wage work we need to ground workers in better-paid, permanent jobs, which would reduce the numbers in poverty at any one time.
- 200,000 children would be kept from poverty in working families by reducing the taper rate of universal credit to 55 per cent.
- Attention needs to be paid to second earners, now essential to seeing families out of poverty. About 400,000 children would be protected from poverty by restoring universal credit work allowances and then extending them to second earners. This would allow families to keep more of their earnings and escape poverty sooner through work.

More than anything, as a nation we need to recommit to ending poverty, as a national priority.

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