

Living standards, poverty and inequality 2016

Chris Belfield
Jonathan Cribb
Andrew Hood
Robert Joyce

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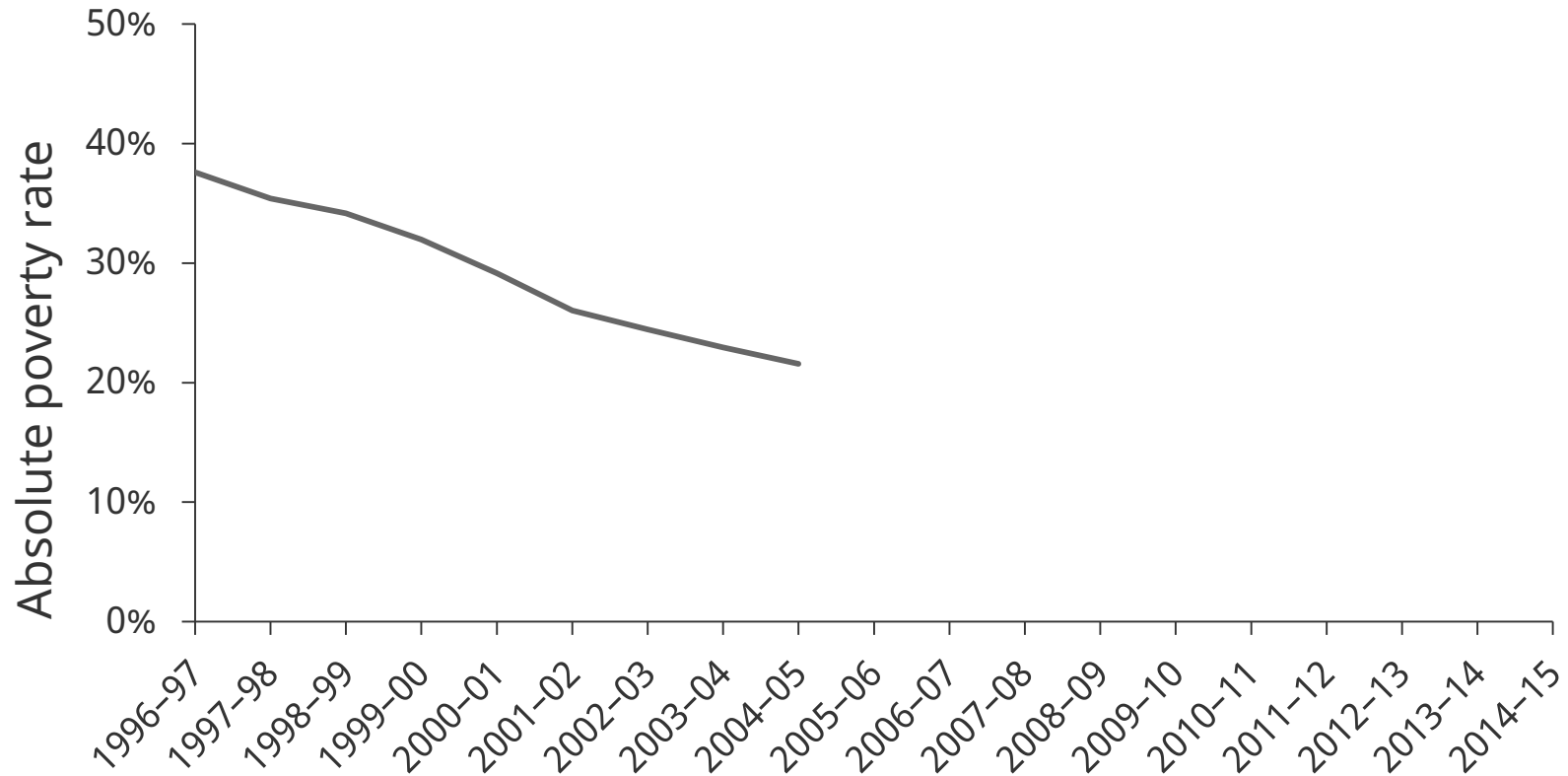
Poverty

Robert Joyce

Measuring poverty

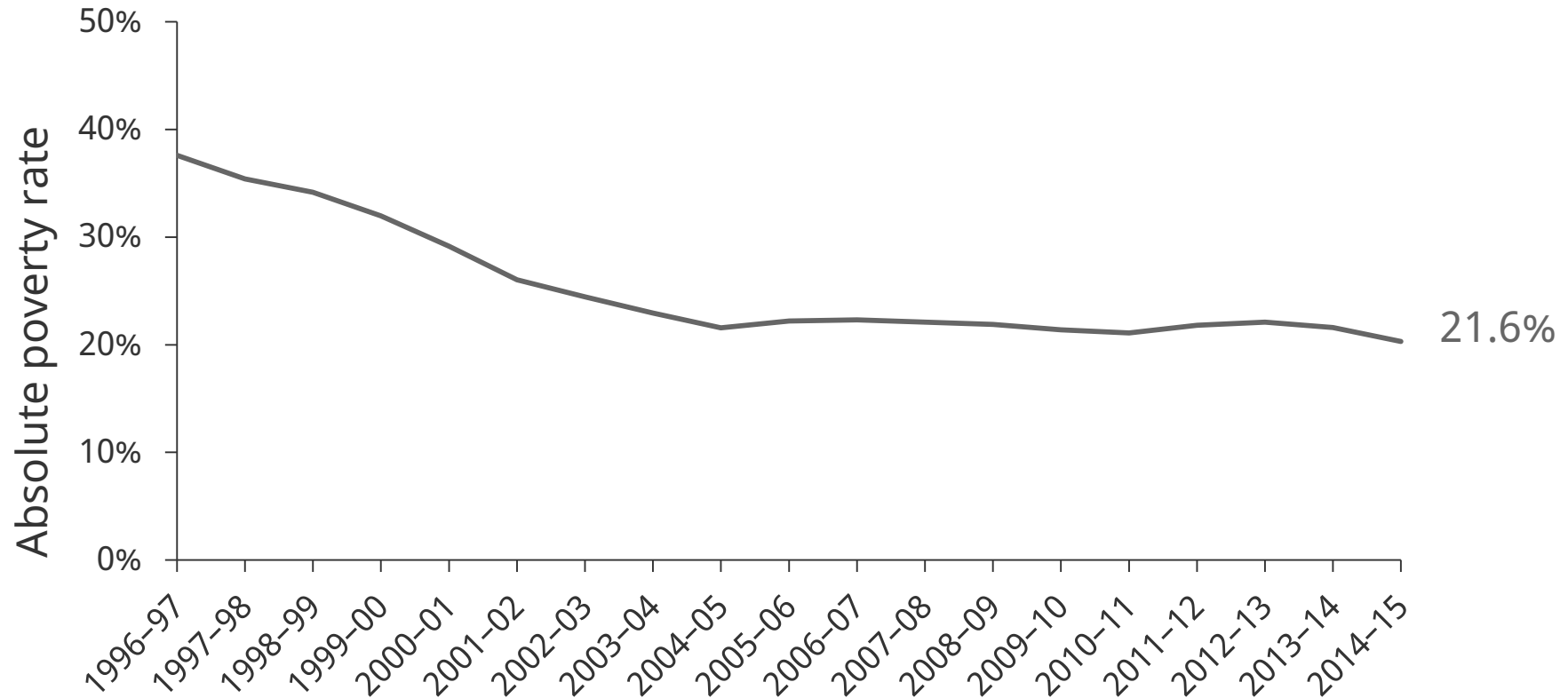
- Absolute income poverty (fixed poverty line)
 - poverty line is 60% of the 2010-11 median in real terms (CPI adjusted)
- Relative income poverty (moving poverty line)
 - poverty line is 60% of the contemporary median income
- Can be measured before or after housing costs (BHC or AHC)
- We are going to focus on absolute AHC poverty
- Families with children are asked whether can afford certain items
 - ‘materially deprived’ if unable to afford a certain (weighted) number

Absolute poverty (GB)



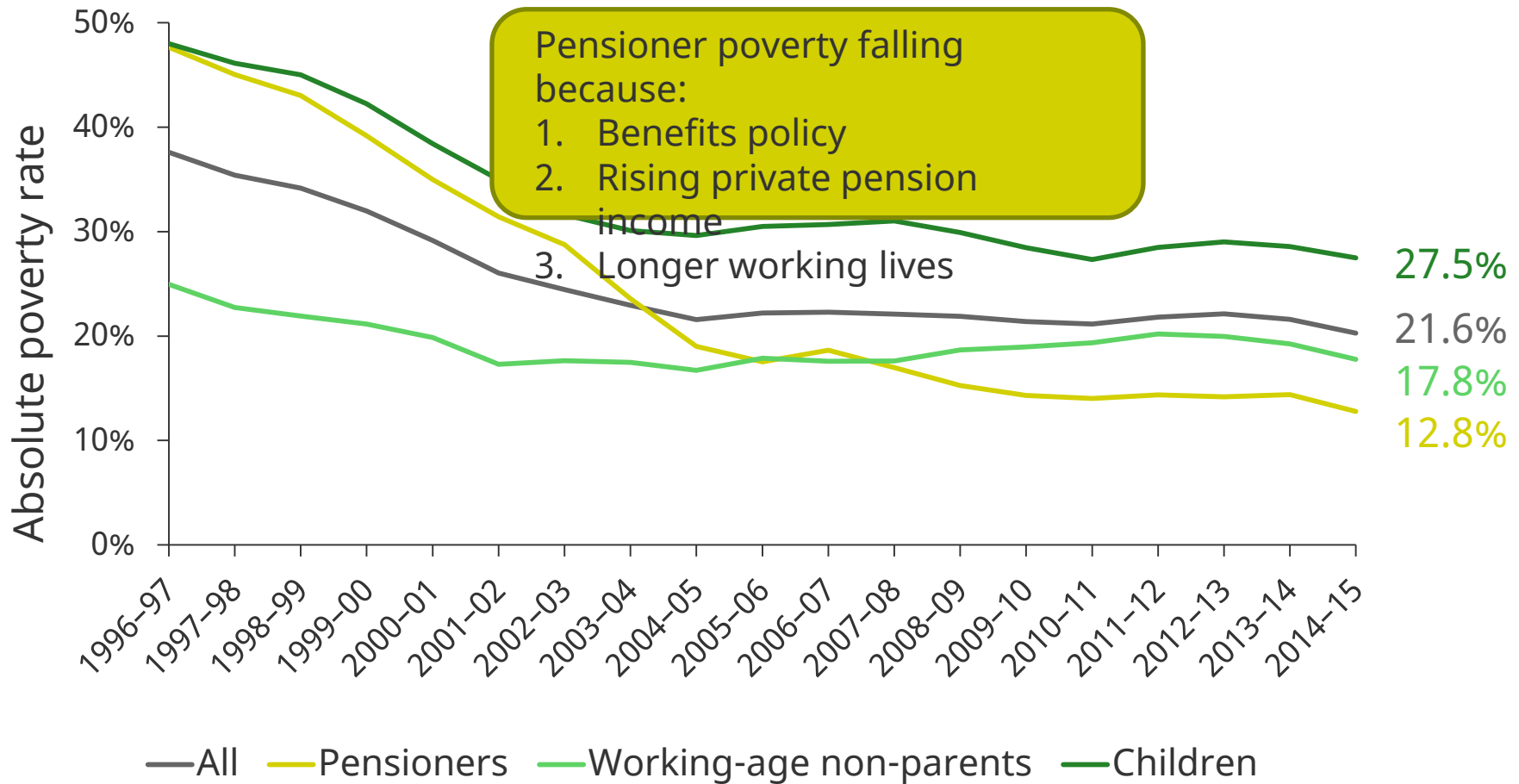
Source: Figure 5.1 of *Living Standards, Inequality and Poverty in the UK: 2016*

Absolute poverty (GB)



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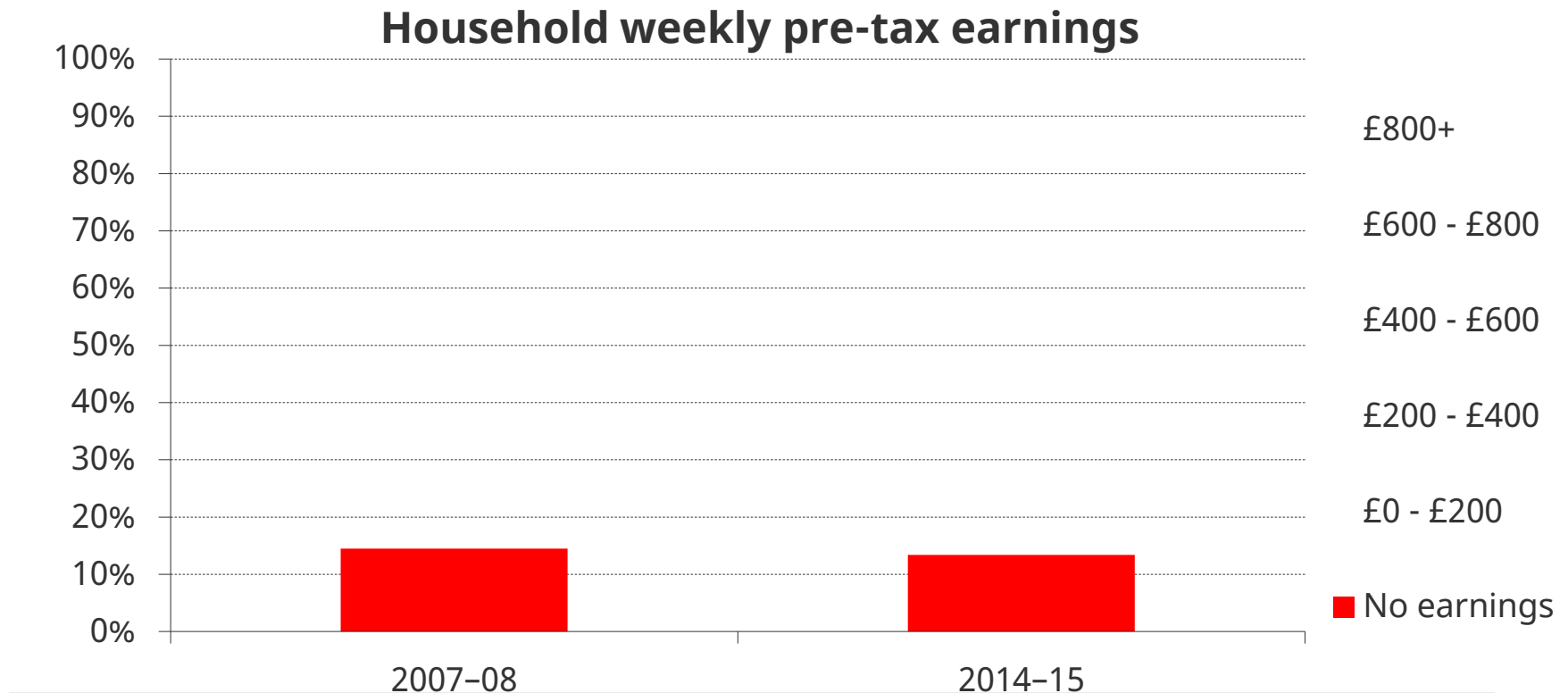
Absolute poverty (GB)



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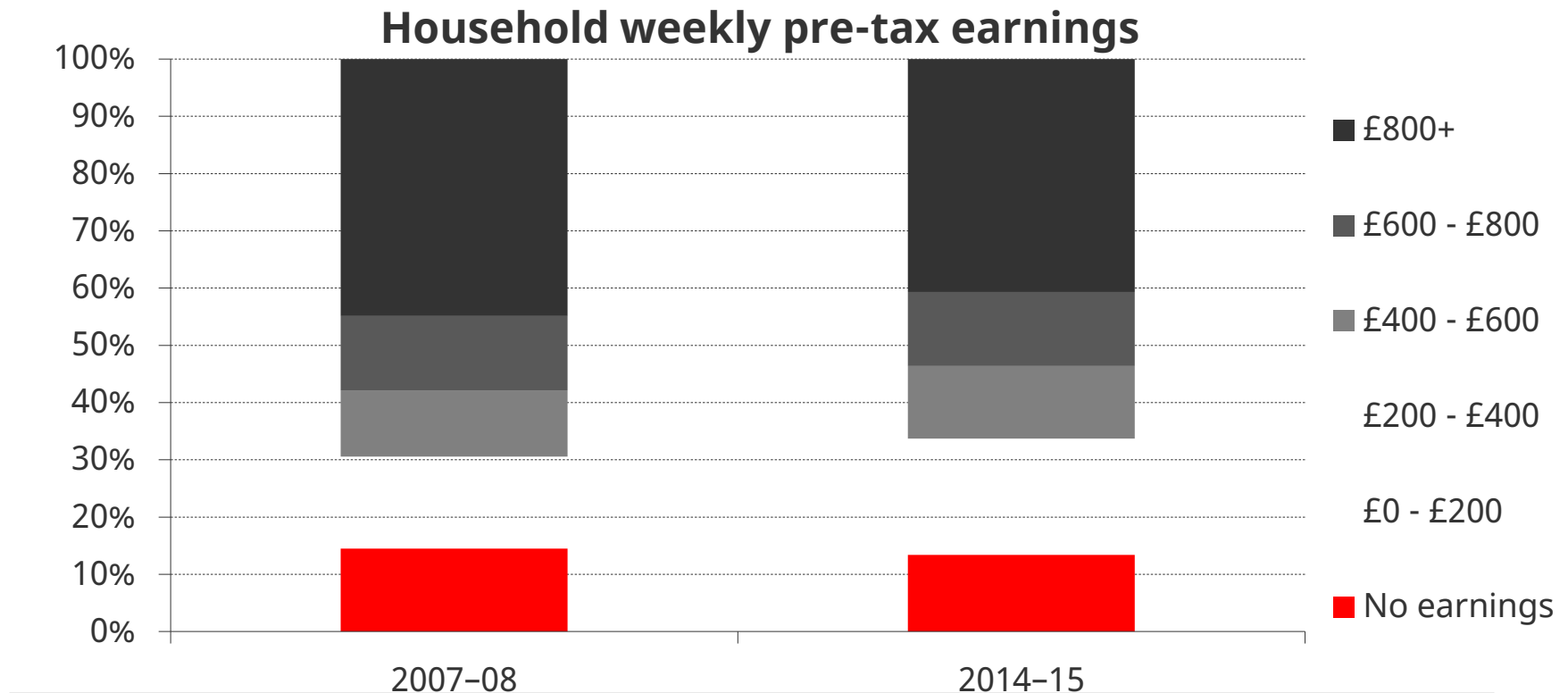
Work and poverty since the recession

- Lower worklessness more than offset by lower pay



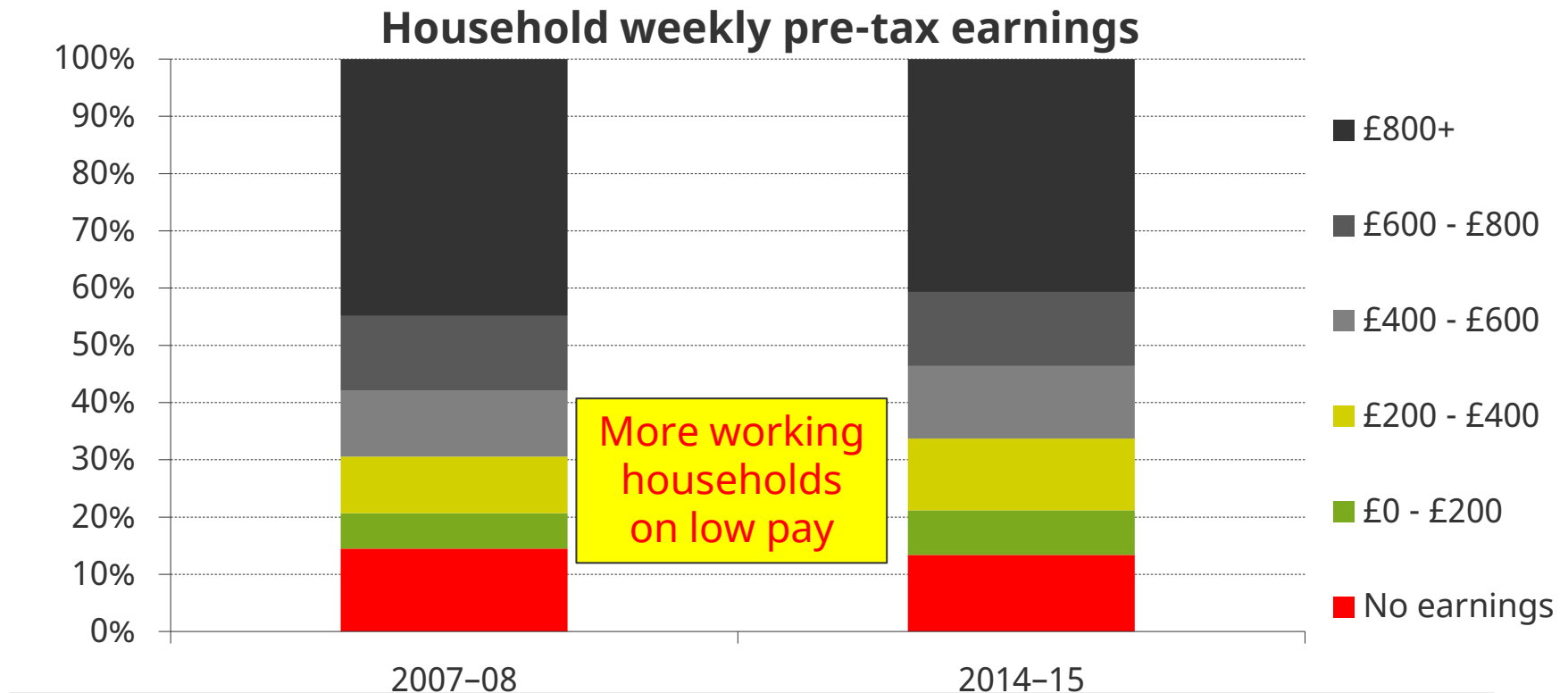
Work and poverty since the recession

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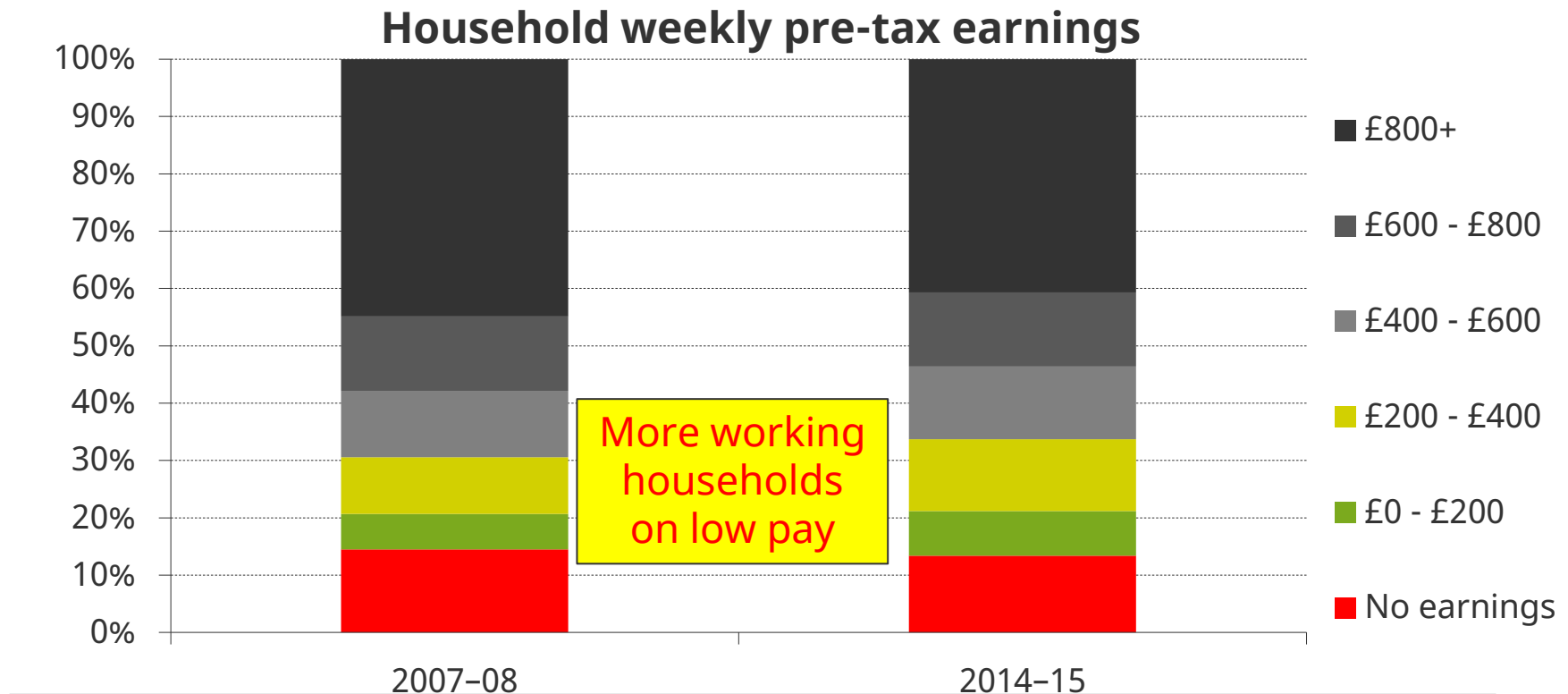
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Work and poverty since the recession

- Lower worklessness more than offset by lower pay: net effect has been to **increase non-pensioner poverty by 1.6 ppts**



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- But at given earnings levels, poverty lower than before (benefit rises between 2007-08 and 2009-10)

Poverty rate by weekly household earnings

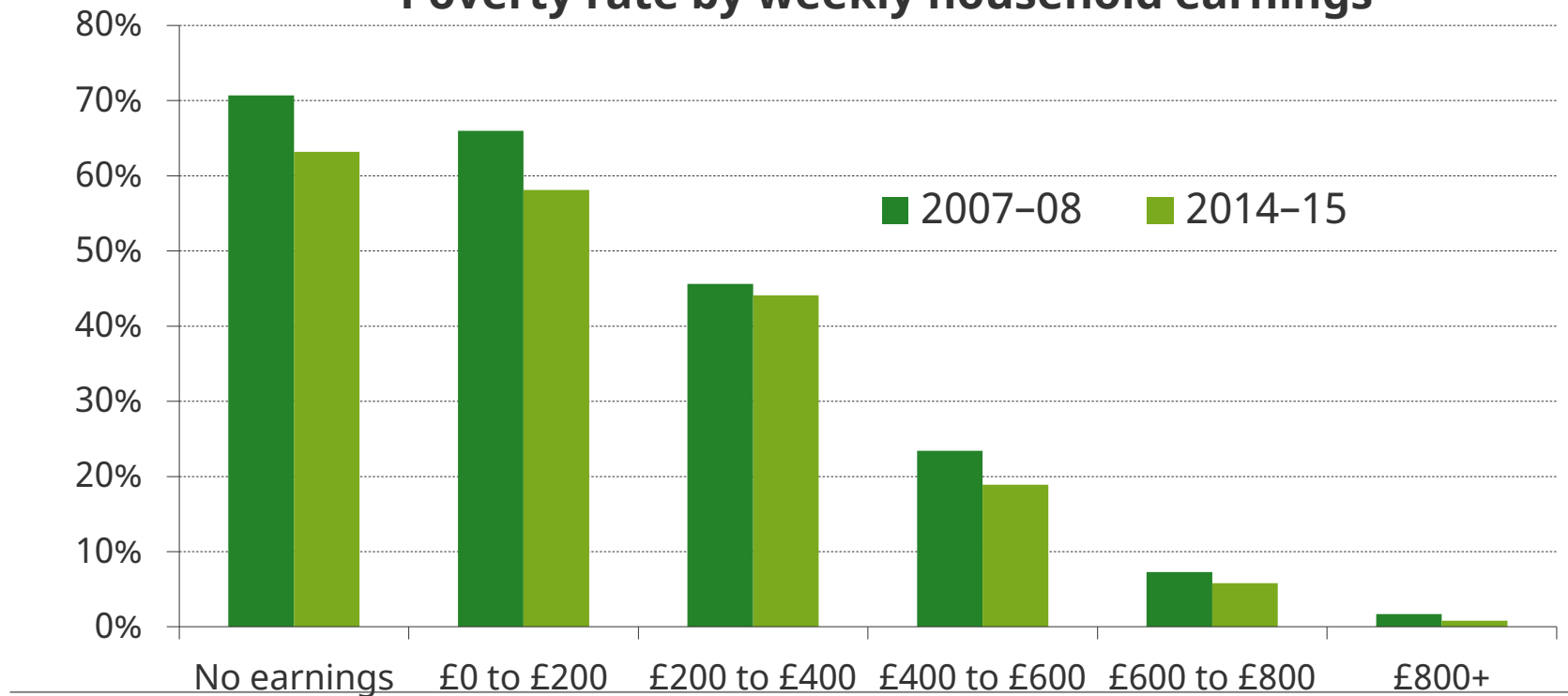


Work and poverty since the recession

- Lower worklessness more than offset by lower pay: net effect has been to **increase non-pensioner poverty by 1.6ppts**
- But at given earnings levels, poverty lower than before (benefit rises between 2007-08 and 2009-10): **reduces non-pensioner poverty by 2.9ppts**

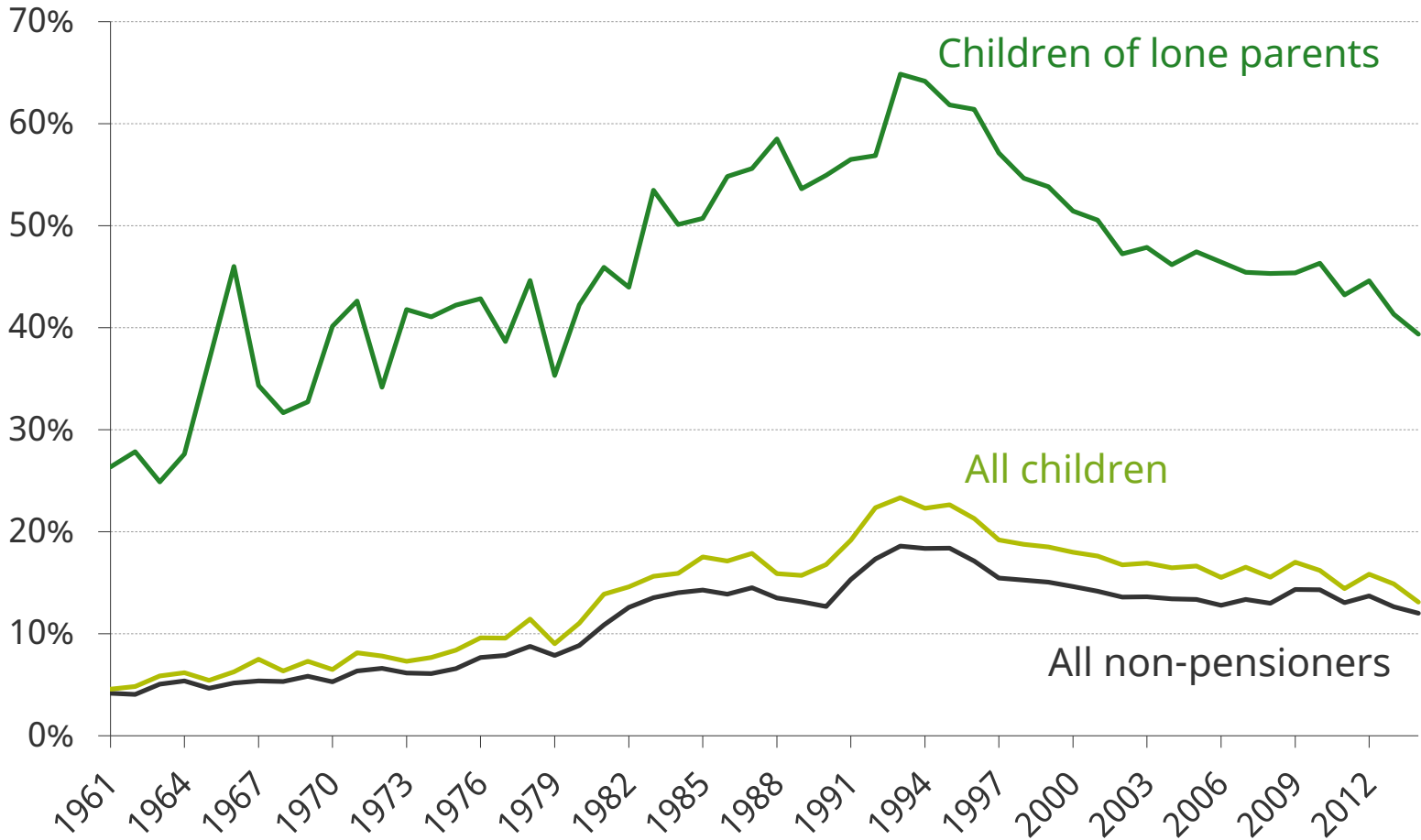
2.9ppts

Poverty rate by weekly household earnings



The worklessness problem continues to shrink

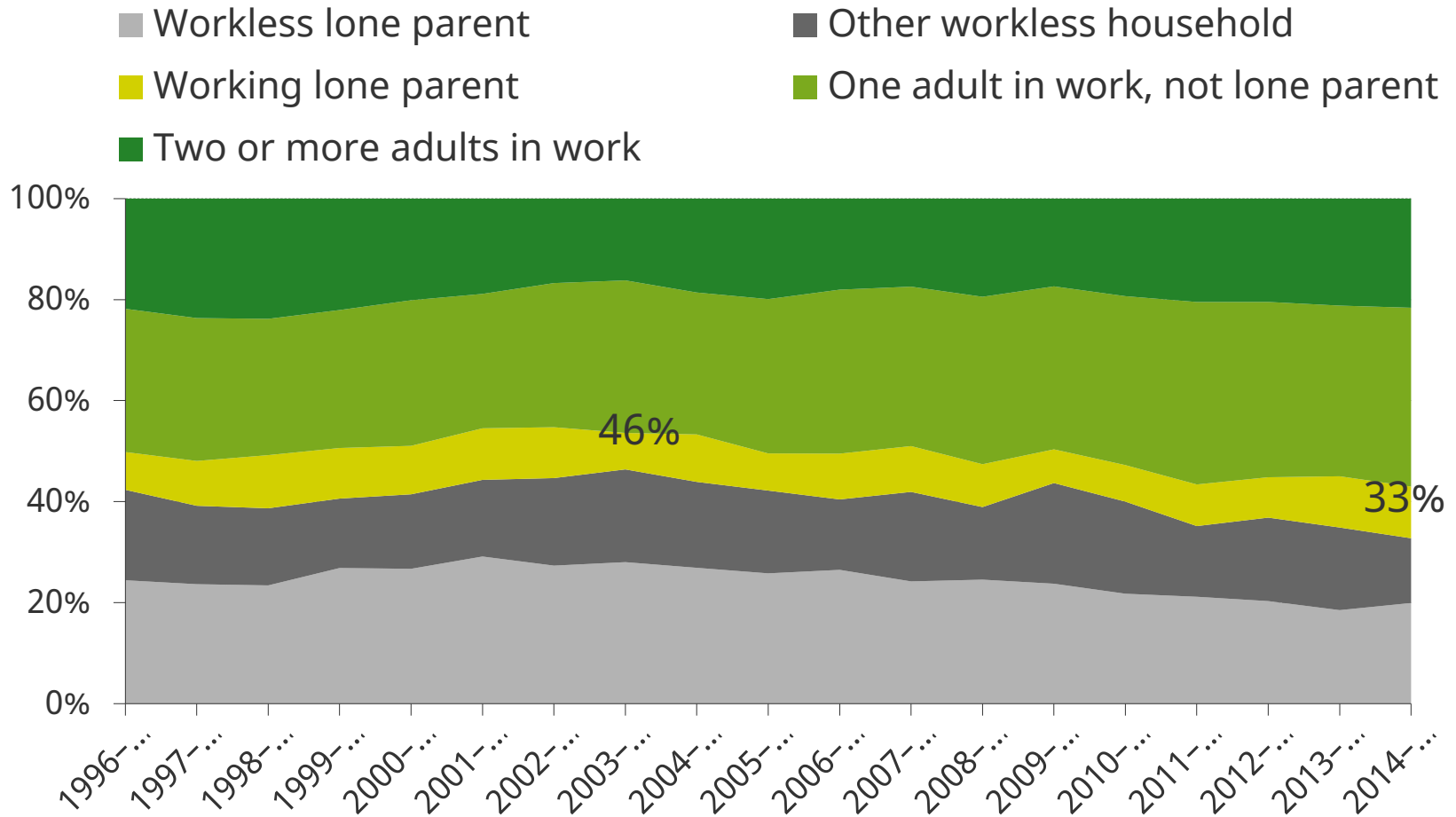
Proportion of individuals in a workless household



Source: Figure 5.6 of *Living Standards, Inequality and Poverty in the UK: 2016*

Child poverty less and less about worklessness...

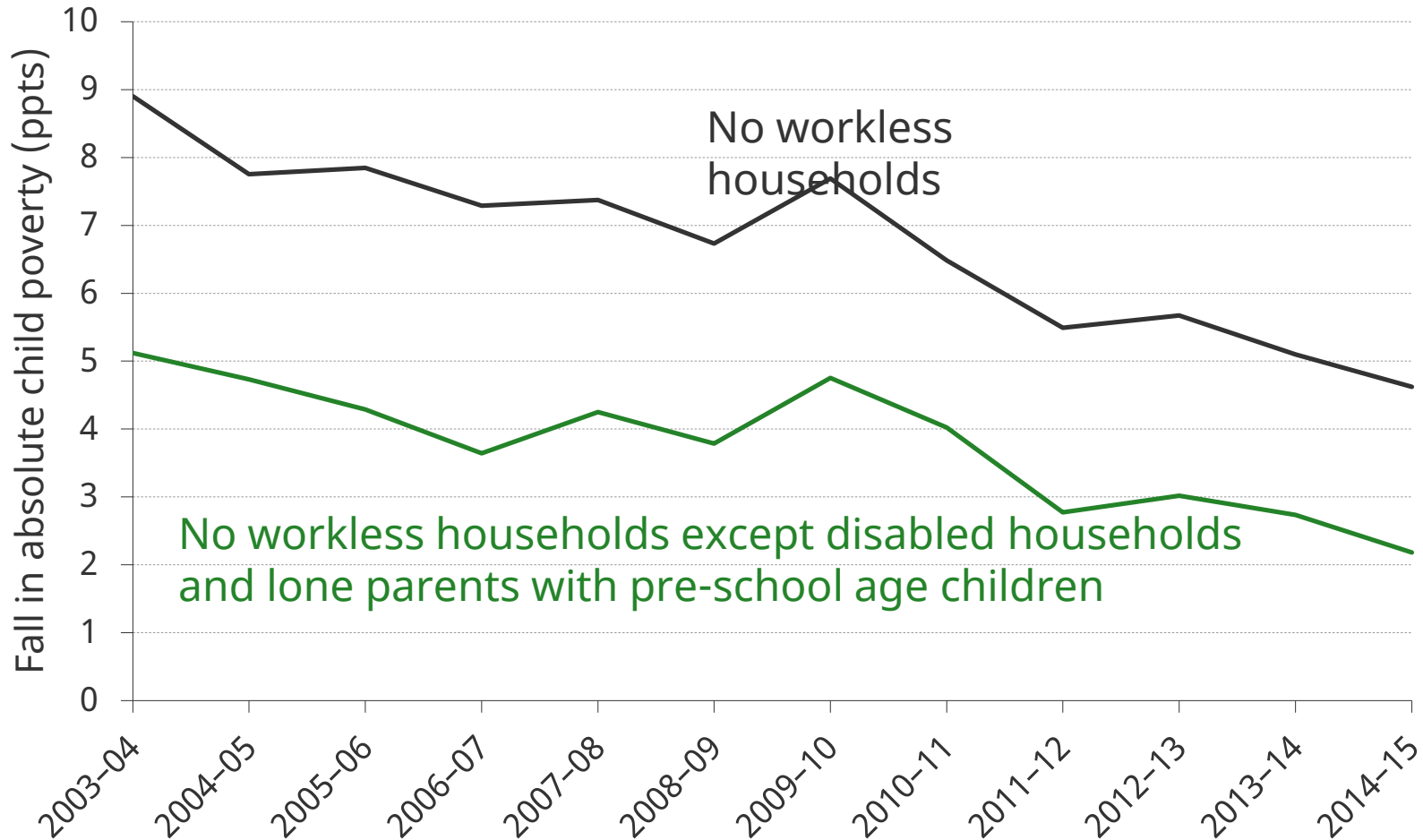
Composition of children in income poverty



Source: Figure 5.9 of *Living Standards, Inequality and Poverty in the UK: 2016*

...so increasingly little scope to reduce income poverty by reducing worklessness

Fall in absolute child poverty under hypothetical scenarios



Source: Figure 5.10 of *Living Standards, Inequality and Poverty in the UK:*

2016

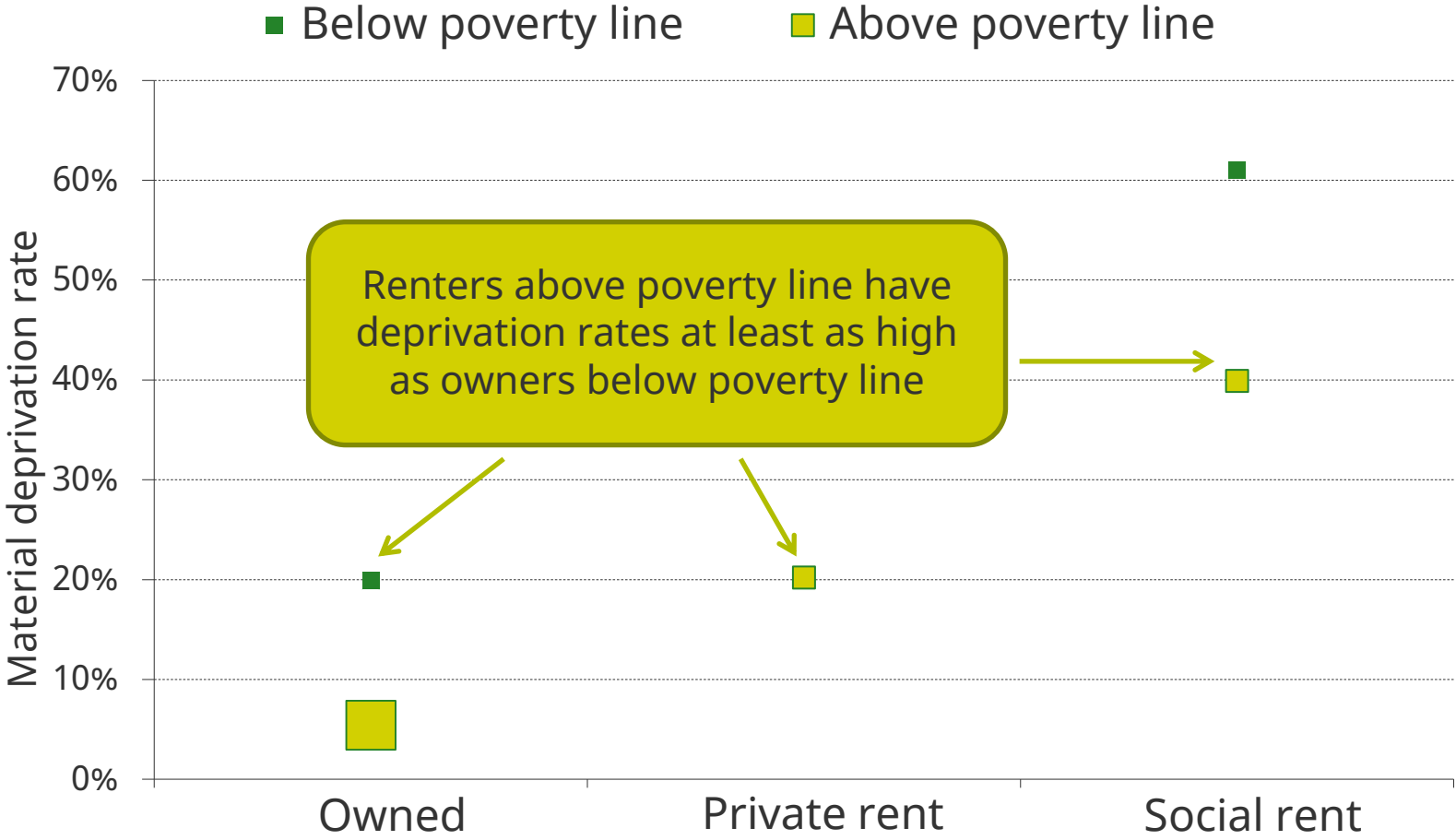
Household worklessness and tackling poverty



- Government has put household worklessness front and centre of its life chances agenda
- But for the purpose of raising incomes this looks increasingly narrow
- Abolishing all household worklessness now would reduce income poverty among children from 28% to no less than 23%
 - For good reasons (low worklessness) and bad (more in-work poverty)
- Scope for more focus in this context on skills/productivity, hours of work, and second earners

Income poverty doesn't tell us everything

Material deprivation by housing tenure in families with children

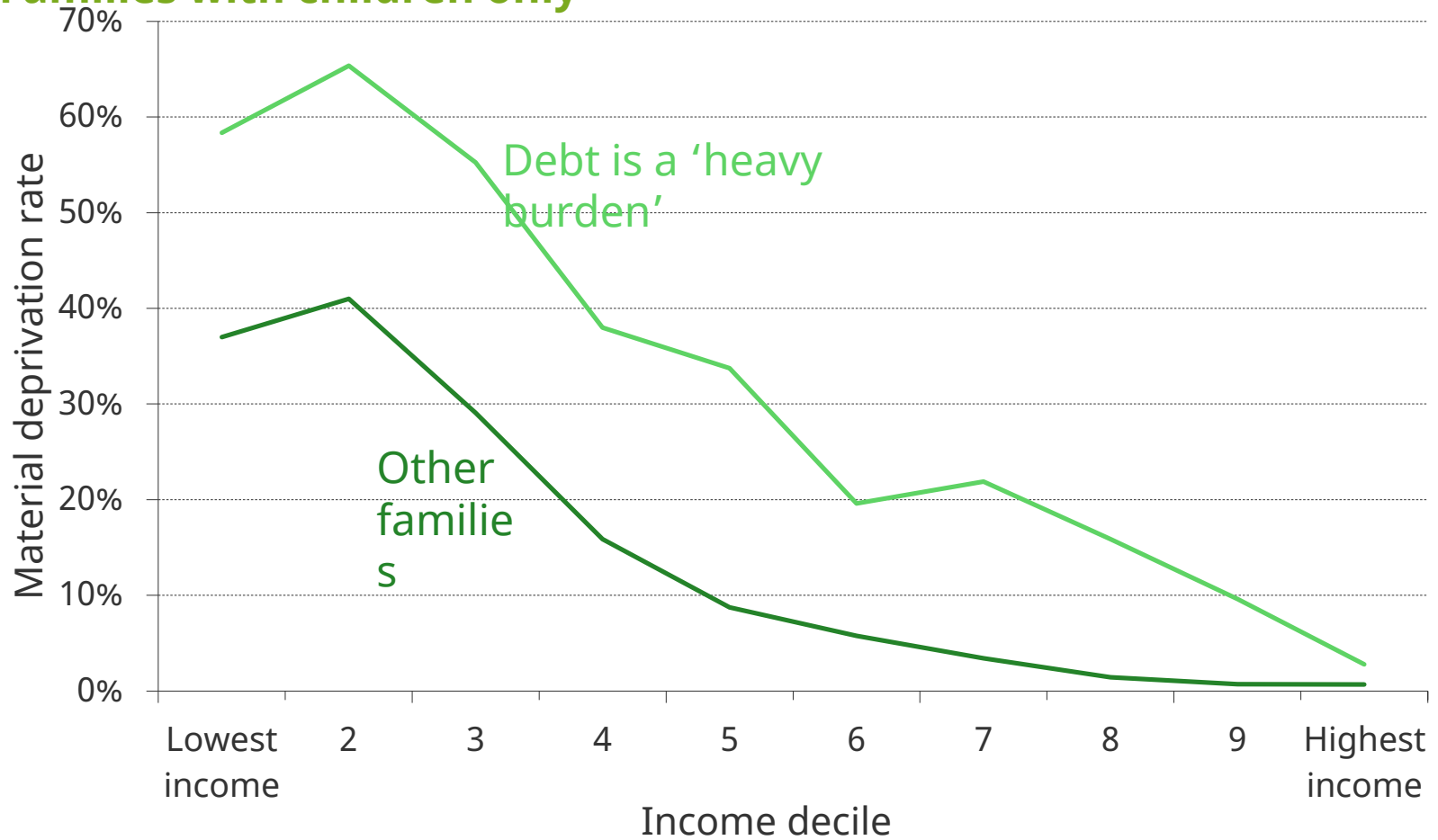


Source: Figure 5.12 of *Living Standards, Inequality and Poverty in the UK:*

2016

Material deprivation by whether debt is a 'heavy burden'

Families with children only



Source: Figure 5.14 of *Living Standards, Inequality and Poverty in the UK:*

2016

Conclusions

- Trends in pensioner poverty continue to be relatively favourable
 - Partly due to policy choices; partly due to deeper underlying changes
- For working-age poverty, story mixed since recession
 - Strong employment growth; fewer workless households
 - Weak earnings growth for those in work
- Scope for falling household worklessness to help low-income households is declining
 - Important for policy to be oriented towards today's problems
- Identifying households with lowest living standards is a challenge
 - Shouldn't be forgotten, alongside focus on 'causes' and 'life chances'