



## BRIEFING PAPER

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# Poverty in the UK: statistics

By Feargal McGuinness

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Contributing Authors:

Feargal McGuinness, Economic Policy &  
Statistics section

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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. 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.

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.

So the 'relative low income' measure compares households 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 (BHC or AHC). Poverty levels tend to be higher based on income measured after housing costs, because poorer households tend to spend a higher proportion of their income on housing.

### Poverty levels in the UK, 2015/16: all individuals

		Number of people	Change on year	% of population
<b>Relative low income</b>	BHC	10.4 million	up 300,000	16%
	AHC	14.0 million	up 500,000	22%
<b>Absolute low income</b>	BHC	9.3 million	down 100,000	15%
	AHC	12.8 million	down 100,000	20%

### Poverty levels in the UK, 2015/16: children

		Number of children	Change on year	% of all children
<b>Relative low income</b>	BHC	2.7 million	up 100,000	20%
	AHC	4.0 million	up 100,000	30%
<b>Absolute low income</b>	BHC	2.3 million	unchanged	17%
	AHC	3.7 million	unchanged	27%
<b>Low income and material deprivation</b>		1.6 million	down 200,000	12%

Source: DWP, *Households below average income, 2015/16*

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

The Institute for Fiscal Studies (IFS) estimates that the proportion of people in relative low income after housing costs is likely to increase by 2% points between 2014/15 and

2021/22, to around 24%. Most of the increase is explained by earnings growth benefitting middle-income households more than poorer households (thus widening the difference between their incomes), while around a third of the projected increase is attributed to the direct impact of tax and benefit reforms implemented or announced from 2015/16 onwards.

The rate of absolute low income after housing costs is projected to stay flat to 2020/21, although the Institute for Fiscal Studies estimates the proportion of children in absolute low income will increase by around 3% points to 30% in 2021/22. All of the increase in absolute child poverty is attributed to the impact of tax and benefit reforms.

Although this note discusses income-based measures of poverty, these have been criticised by government ministers since 2010 as failing to acknowledge the root causes of poverty and resulting in skewed policy responses that try to lift those just below the poverty threshold to just above it. The [Welfare Reform and Work Act 2016](#) removed four child poverty targets previously set out in the Child Poverty Act 2010, and instead introduced statutory 'life chances' indicators relating to children in England living in workless households and educational attainment at the end of Key Stage 4 (age 16).

A policy paper published by the Department for Work and Pensions in April 2017, [Improving Lives: Helping Workless Families](#), set out seven other non-statutory indicator areas, relating to parental conflict; poor parental mental health; drug and alcohol dependency; problem debt; homelessness; early years; and youth employment.

# 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 note. 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.
- 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 (RPI) inflation.

The median is the point at which half of households have a lower income, and half have a higher income. Income is measured after taxes and benefits, and is adjusted ('equivalised') to take into account differences in household size and composition. Income can be measured before or after housing costs have been deducted (BHC or AHC).

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.

One commonly used measure is people in **relative low income** (sometimes referred to as relative poverty) – people living in households with income below 60% of median household income. Another measure is **absolute low income** (or absolute poverty) – people living in households with income below 60% of the median in some base year (2010/11), uprated for (CPI) 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 offers an indicator of inequality between low- and middle-income households. The absolute low income measure offers an indicator of the extent to which living standards of low-income households are improving over time.

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 9 of this briefing paper).

In this context, household income is measured after the effect of taxes and benefits (i.e. disposable income) and is **equivalised** to adjust for differences in household size and composition. Equivalisation is intended to account for the fact that a large household will need a

higher level of income to have the same standard of living as a smaller household.

## 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.<sup>1</sup>

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.

## 1.2 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 2015/16 use an absolute low income threshold which is updated 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.

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<sup>1</sup> A short summary of the arguments for and against deducting housing costs from household income can be found in DWP, *Households Below Average Income, 2010/11*, 11 June 2012, Appendix 2: Methodology, p266

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 updated based on inflation rates that vary with household income.<sup>2</sup> However, analysis by the Resolution Foundation suggests that during the recent period of very low inflation in 2015 and 2016, the pattern was reversed and poorer households experienced a lower rate of inflation than households with higher incomes.<sup>3</sup>

### 1.3 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. **All data in this note are taken from this source unless otherwise stated.**

The figures in HBAI are derived from the Family Resources Survey, which surveys around 20,000 households in the UK annually. The survey findings are weighted so that the profile of respondents matches that of the wider UK population, which allows estimates to be produced for the population as a whole. The survey is also designed to produce results by country and region within the UK.

Figures are published with a considerable time lag. The latest HBAI figures are for the 2015/16 financial year and were published on 16 March 2017.

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<sup>2</sup> A Adams and P Levell, *Measuring poverty when inflation varies across households*, Joseph Rowntree Foundation, 5 November 2014. Research by the Office for National Statistics (ONS) also found low-income households tend to experience higher rates of inflation than richer households: *Variation in the Inflation Experience of UK Households, 2003-2014*, 15 December 2014

<sup>3</sup> A Corlett and S Clarke, *Living Standards 2017: The past, present and possible future of UK incomes*, Resolution Foundation, 31 January 2017, Chapter 5, pp51-3

## 2. Recent trends

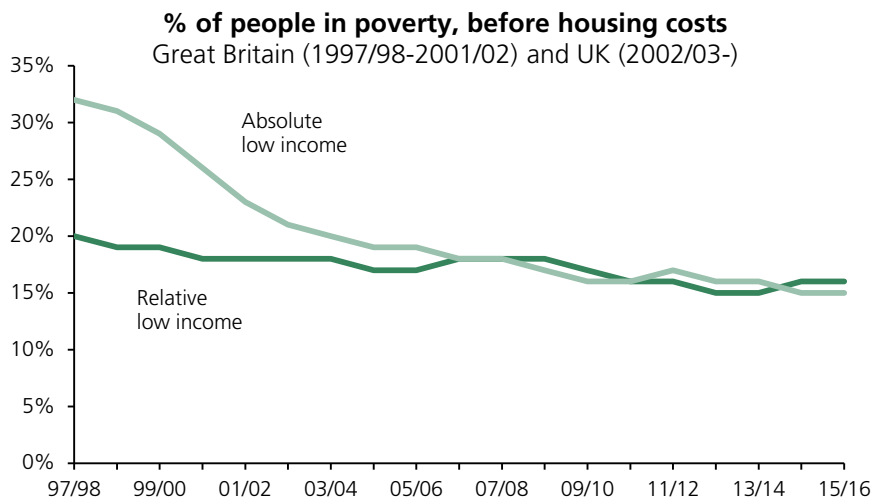
### Summary

Incomes increased above inflation for both high and low income households in 2015/16 compared to the year before, although income growth was slightly stronger for households in the top half of the income distribution. Modest real income growth for households at the bottom end of the income distribution meant there was a very slight decline in levels of absolute low income. However, incomes grew faster at the middle of the distribution than at the bottom, with the result that relative low income levels increased.

### 2.1 Whole population

In 2015/16, there were 10.4 million people in the UK in relative low income before housing costs (BHC), an increase of 300,000 compared to the previous year. 16% of the population were in relative low income BHC.

The number of people in absolute low income BHC decreased by 100,000 to 9.3 million. 15% of the population were in absolute low income BHC.

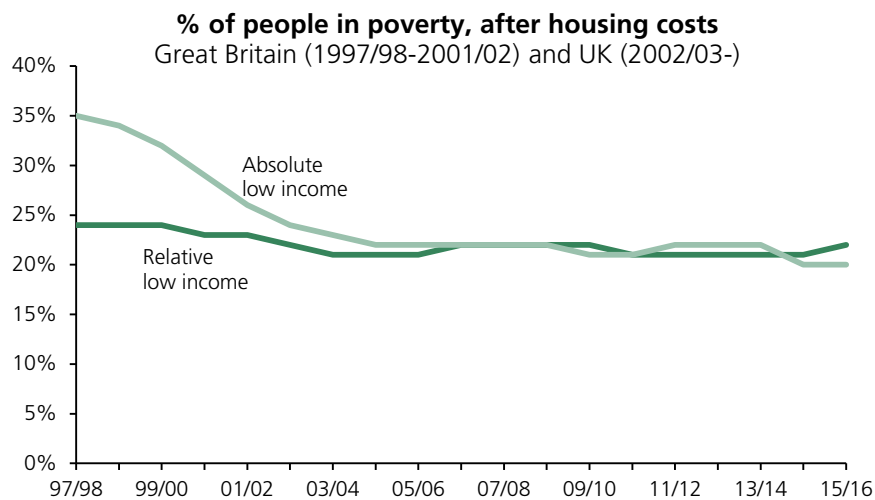


On an after housing costs (AHC) basis, 14.0 million people were in relative low income, an increase of 500,000 from the previous year. 22% of the population were in relative low income AHC.

The number of people in absolute low income AHC decreased by 100,000 to 12.8 million. The proportion of the population in absolute low income was 20%.



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Previously, the proportion of people in relative low income fell between 2009/10 and 2010/11, both on a BHC and AHC basis. This was because the decrease in real household incomes at the bottom of the income distribution was smaller than the decrease in real incomes at the middle of the distribution. DWP explains:<sup>4</sup>

... Median equivalised household income fell between 2009/10 and 2010/11, which in turn reduced the relative poverty thresholds. Individual median earnings as shown in the [Family Resources Survey] in 2010/11 were about the same as in 2009/10 in cash terms, and fell by around 4 per cent in real terms over this period because of a higher inflation rate than most past years ... This was one of the main factors leading to the reduction in median incomes.

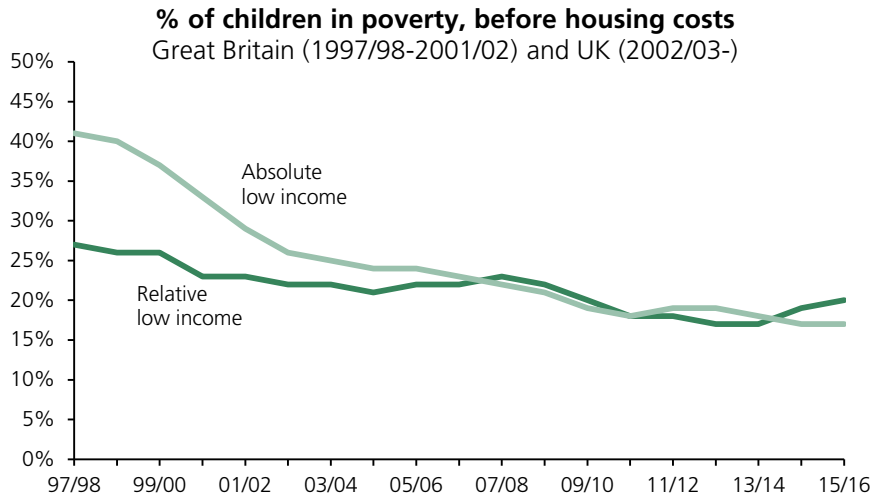
Benefit and tax credit income grew in cash terms and fell only slightly in real terms. This meant that low-income households in receipt of benefits and tax credits saw their income fall less in 2010/11 than households at the median, tending to decrease the overall rate of relative low income, Before and After Housing Costs. In turn, the groups that saw reductions in rates of relative low income were those more likely to be in households in receipt of state support, such as children, working-age adults with children and pensioners. Above indexation increases in the child element of Child Tax Credit and increases in the Basic State Pension also helped these groups.

<sup>4</sup> DWP, [Households Below Average Income, 2010/11](#), 11 June 2012, p46

## 2.2 Children

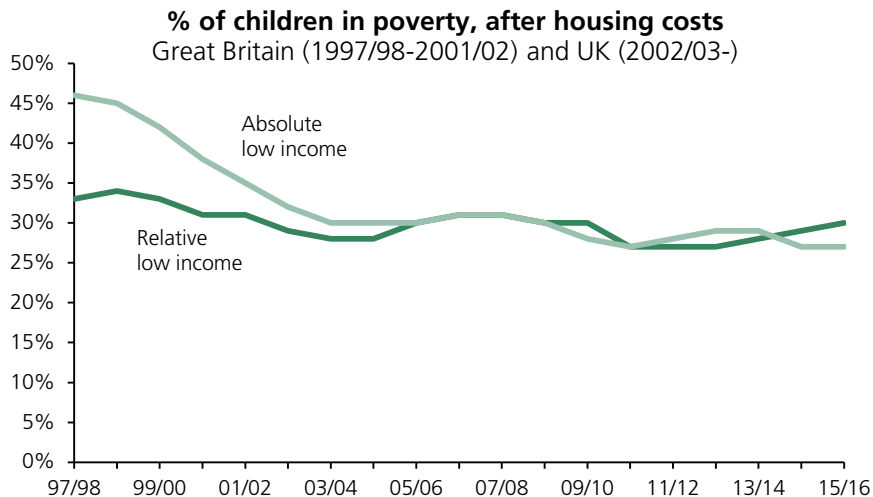
2.7 million children were in relative low income BHC in 2015/16, 100,000 more than the previous year. 20% of children were in relative low income BHC.<sup>5</sup>

The number of children in absolute low income BHC was 2.3 million, about the same as the previous year. 17% of children were in absolute low income BHC.



On an AHC basis, there were 4.0 million children in relative low income, 100,000 more than the previous year. 30% of all children were in relative low income AHC.

The number of children in absolute low income AHC was about the same as the previous year at 3.7 million, 27% of all children in the UK.



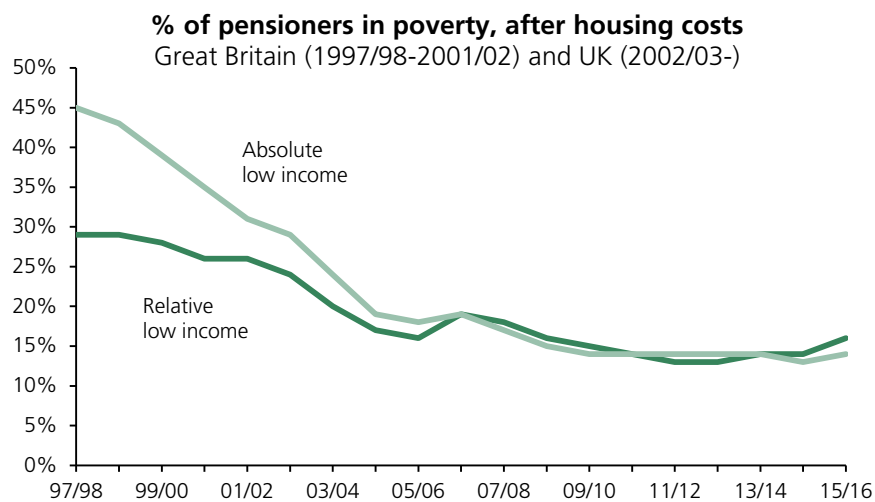
<sup>5</sup> Children are defined here as people aged under 16, or who are aged 16-19, not married or co-habiting and in full-time non-advanced education.

## 2.3 Pensioners

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).<sup>6</sup>

1.9 million pensioners were in relative low income AHC in 2015/16, an increase of 200,000 from the year before. 16% of pensioners were in relative low income AHC. (On a BHC measure, the number in relative low income increased by around 100,000 to 2.1 million, 17% of all pensioners.)

The number of pensioners in absolute low income AHC was 1.6 million in 2015/16, an increase of 100,000 from the year before. 14% of all pensioners were in absolute low income AHC. (On a BHC measure, the number in absolute low income increased by around 100,000 to 1.8 million, 15% of all pensioners.)



<sup>6</sup> Pensioners are defined as all adults above State Pension age.

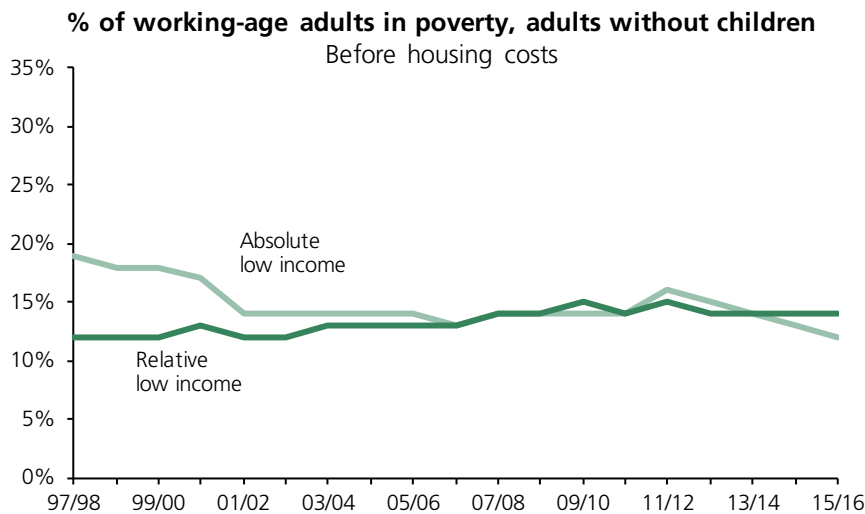
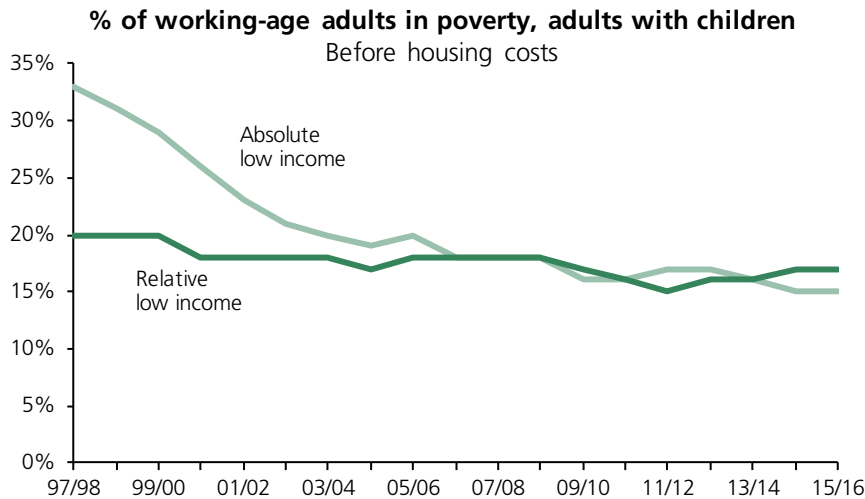
## 2.4 Working-age adults

There were 5.7 million working-age adults in relative low income BHC in 2015/16, 100,000 more than the previous year. This included around 2.3 million adults with dependent children and 3.4 million without children.

5.2 million working-age adults were in absolute low income BHC, 100,000 fewer than the previous year. Around 2.1 million adults with dependent children were in absolute low income BHC, compared to 3.0 million without dependent children.

Overall, around 15% of working-age adults were in relative low income BHC while 13% were in absolute low income.

The likelihood of being in low income varied by family status. 17% of working-age parents and 14% of working-age adults without dependent children were in relative low income BHC in 2015/16, both figures about the same as the previous year. 15% of working-age parents were in absolute low income BHC, unchanged from the previous year, while the rate of absolute low income for those without dependent children decreased slightly to 12%.



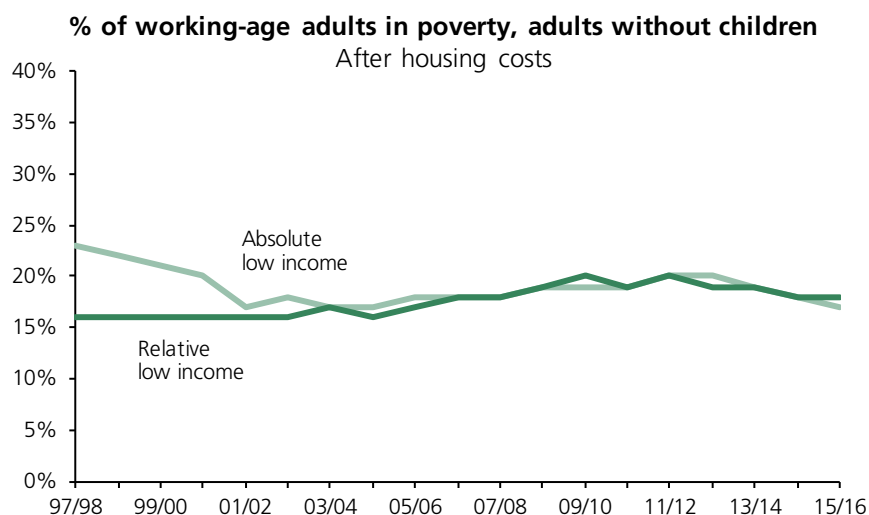
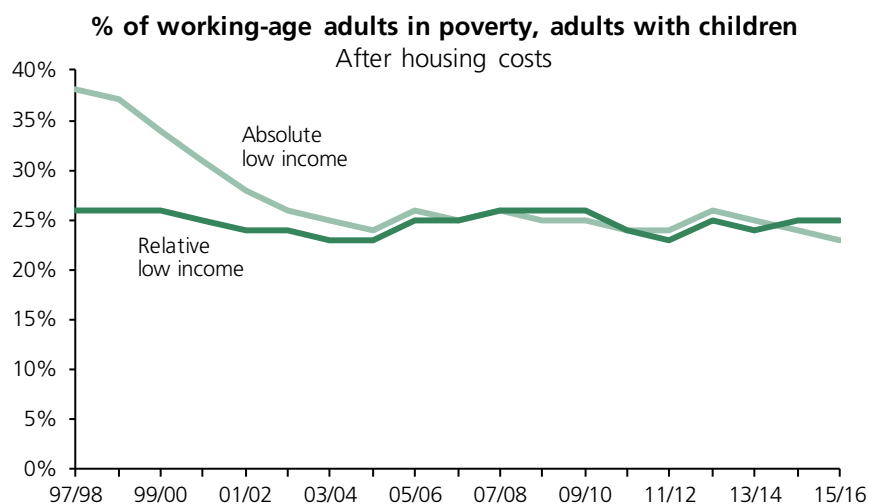
Note: figures for 1997/98 to 2001/02 are for Great Britain; figures for 2002/03 onwards are for the UK

## 13 Poverty in the UK: statistics

Based on incomes AHC, 8.0 million working-age adults were in relative low income, 100,000 more than the previous year. 7.5 million were in absolute low income AHC, down 200,000 from the previous year.

21% of working-age adults were in relative low income AHC in 2015/16: the proportion rose to 25% for those with dependent children, compared to 18% for those without dependent children.

19% of working-age adults were in absolute low income AHC: for adults with dependent children, the proportion was 23% while for those without dependent children, 17% were in absolute low income.



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

There are some notable differences in poverty trends for working-age adults with children compared to those without children since the late 1990s. Firstly, the likelihood of being in relative low income declined during the late 1990s and early 2000s for working-age adults with children, but increased for those without children. The Institute for Fiscal Studies points to the contrast in state support for families with and without children under the 1997-2010 Labour government as a reason for this difference, noting:

The increase in the generosity of state support for low-income families with children and pensioners stands in stark contrast to

the lack of priority in this area attached to the childless working-age population. Indeed, direct tax and benefit reforms under Labour had almost no net impact on poverty rates among that group.<sup>7</sup>

Poverty trends for working-age parents and non-parents diverged again after the 2008 recession. Unlike pensioners or families with children, there was no decrease in relative poverty among working-age non-parents after 2007/08. People in this group tend to draw more of their income from earnings and less from benefits than other groups and so were particularly affected by real terms falls in earnings following the recession:

Working-age non-parents were the only major demographic group not to see a fall in relative poverty between 2007–08 and 2012–13 (although there was a fall when looking just at the change between 2011–12 and 2012–13; however, this was not significant). This is a group who are, on average, more reliant on earnings and less reliant on benefits than children and pensioners, even when focusing only on low income groups. In 2012–13, benefits made up 88% of household income for the poorest 30% of pensioners, 62% for the poorest 30% of children and 38% for the poorest 30% of working-age non-parents. This helps to explain why they benefited less from the rise in benefits relative to earnings during the recession. In addition, working-age adults without dependent children are relatively likely to be young adults, and [...] adults aged under 30 saw the largest falls in wages and employment rates during the recession.<sup>8</sup>

More recently, between 2013/14 and 2014/15 the risk of relative poverty increased among families with children but this was not the case for those without children. DWP attributed this to families with children benefiting less from increases in full-time work than childless families, as well as the 1% uprating of some benefits.<sup>9</sup>

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<sup>7</sup> R Joyce and L Sibieta (2013), [An assessment of Labour's record on income inequality and poverty](#), Oxford Review of Economic Policy, vol. 29, pp. 178–202.

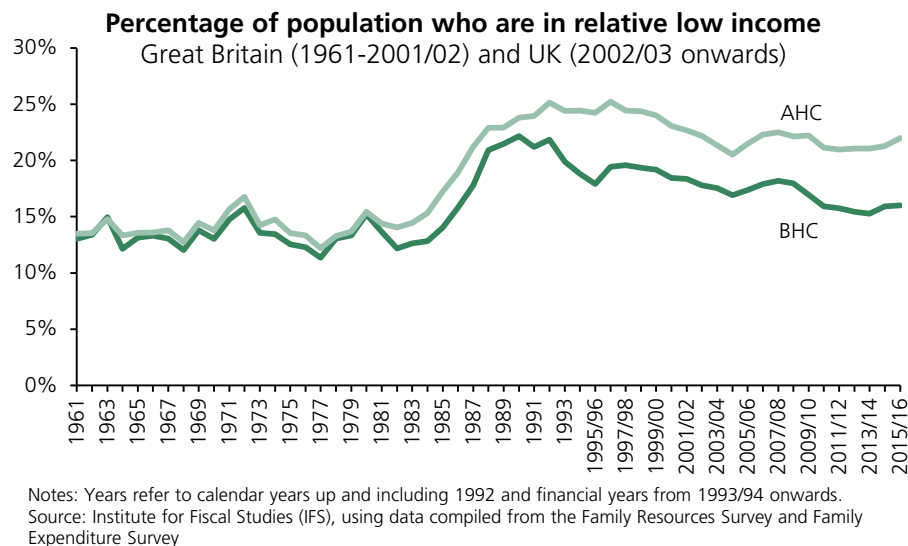
<sup>8</sup> C Belfield et al, [Living standards, poverty and inequality in the UK: 2014](#), IFS Report 96, 15 July 2014, p80

<sup>9</sup> DWP, [Households below average income: an analysis of the income distribution 1994/95 to 2014/15](#), 28 June 2016, p7

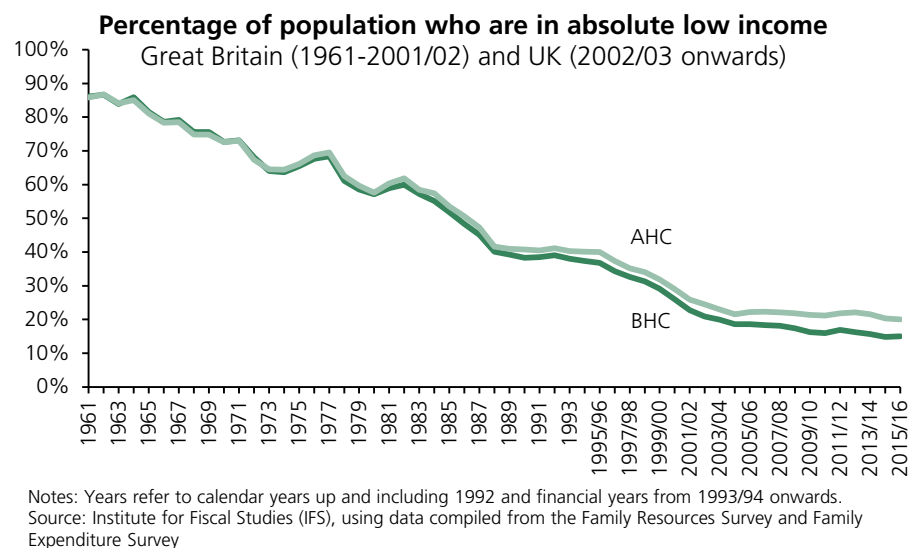
### 3. Long-run trends since 1961

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

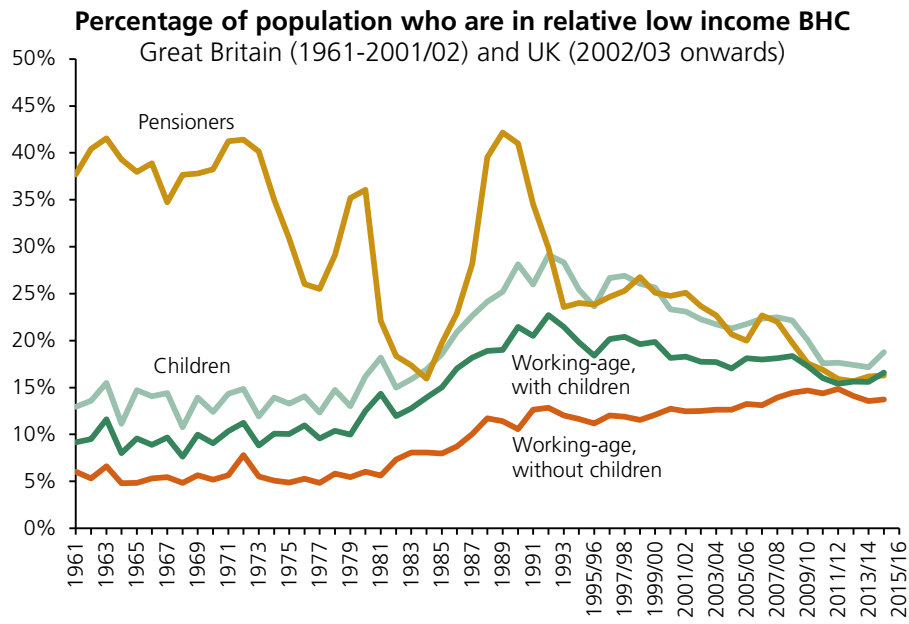
There was a large increase in the proportion of people in relative poverty during the 1980s, followed by a more gradual decline.



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.



These overall trends mask important 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 than they were 50 years ago. 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.



Notes: Data are based on household income before housing costs. Years refer to calendar years up and including 1992 and financial years from 1993/94 onwards. Source: Institute for Fiscal Studies (IFS), using data compiled from the Family Resources Survey and Family Expenditure Survey



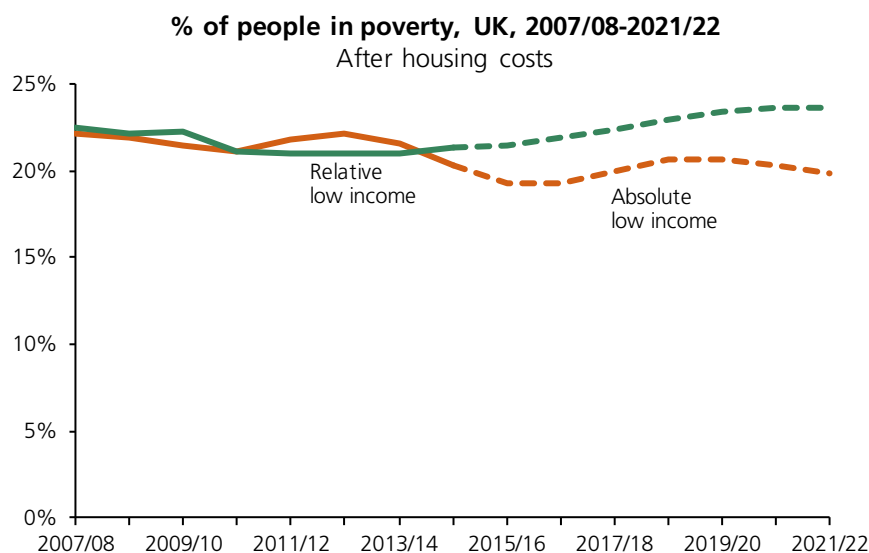
## 4. Prospects for future years

Projections produced by the Institute for Fiscal Studies (IFS) and published in March 2017 (before the latest *Households below average income* release for 2015/16) suggest a gradual increase in the share of people in relative low income after housing costs between 2014/15 and 2021/22.<sup>10</sup> The IFS projects 24% of people will be in relative low income in 2021/22, around 2% points higher than 2014/15 and similar to the rate for 1999/00.

However, this hides marked differences between groups: little change is expected in the proportion of pensioners or working-age adults without dependent children in relative low income, but a large increase in relative low income is projected for families with children.

The proportion of people in absolute low income is expected to remain broadly flat between 2015/16 and 2021/22, but again falling levels of absolute low income for pensioners and working-age adults without children contrast with a worsening picture for families with children.

The IFS analysis concentrates on changes in poverty based on incomes after housing costs (AHC), suggesting this is more informative than looking at incomes before housing costs (BHC) as discussed on [pages 26-7](#) of their report. However, the projections for relative and absolute low income for different groups are broadly similar whether we look at incomes BHC or incomes AHC.



*Solid lines are actual percentages of people in poverty, dashed lines are projections*

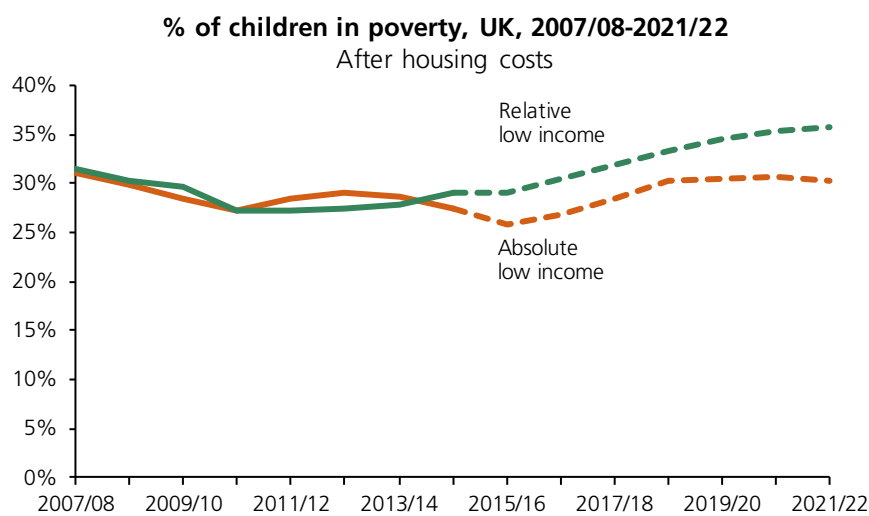
### 4.1 Children

The proportion of children in relative low income AHC is projected to increase sharply from 29% in 2014/15 to 36% in 2021/22. A similar increase is expected when incomes are measured BHC, from 19% to 27%. If the projections are correct, then the share of children in relative

<sup>10</sup> A Hood and T Waters, [Living Standards, Poverty and Inequality in the UK: 2016-17 to 2021-22](#), IFS Report R127, 2 March 2017

low income BHC in 2021/22 would return to the same level as in 1997/98, while on an AHC basis it would be at its highest level for as far back as we have consistent data (the 1960s).

The IFS identifies two main drivers of the expected increase in children in relative low income. Firstly, forecast real earnings growth (especially over the second half of the period) benefits poorer households less than it does middle-income households, since poorer households receive a smaller share of their income from earnings and a larger share from benefits. Secondly, the working-age benefits freeze (from 2016/17 to 2019/20), along with the roll-out of Universal Credit and phased introduction of the two-child limit for tax credits, represent a “substantial cut” in the real incomes of these households.



*Solid lines are actual percentages of people in poverty, dashed lines are projections*

Most of the increase in the proportion of children in relative low income can be attributed to real earnings growth benefiting middle-income households than poorer households. However, slightly less than half of the projected increase is attributable to direct tax and benefit reforms implemented, or planned to be implemented, between 2015 and 2020.

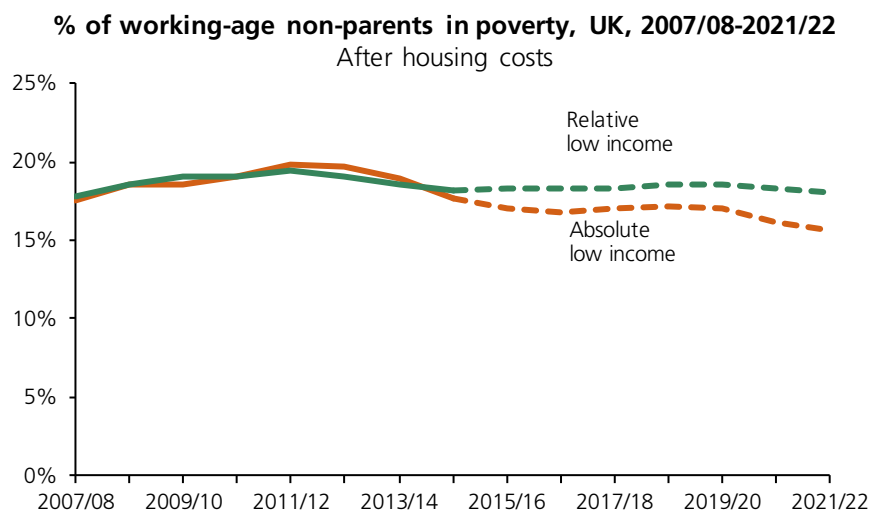
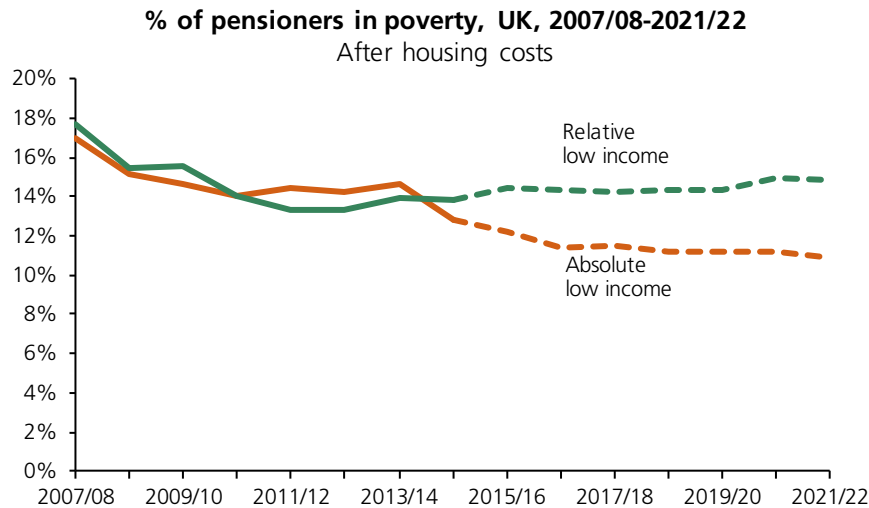
The share of children in absolute low income is estimated to increase by around 3% points on an AHC basis, from 28% in 2014/15 to 30% in 2021/22. (On a BHC basis, the proportion is projected to rise from 17% to 20%.) In this case, all of the projected increase in absolute low income is attributable to direct tax and benefit reforms.

## 4.2 Pensioners and working-age non-parents

The IFS projects little change in rates of relative low income for pensioners or working-age adults without dependent children between 2014/15 and 2021/22. In contrast to families with children, low-income households in these groups are better placed to benefit from growth in real earnings. Working-age adults without children draw a larger share of their income from earnings than families with children. For pensioners, the current pensions ‘triple lock’ means that income from the state pension is expected to increase at least in line with average earnings growth. Consequently, the gap in income between poorer

households in these groups and middle-income households is not expected to widen in the same way as for families with children, which means the rate of relative low income stays fairly steady.

As growth in real earnings lifts real household incomes for working-age non-parents and pensioners, the rate of absolute low income for both groups is expected to decline between 2014/15 and 2021/22.



*Solid lines are actual percentages of people in poverty, dashed lines are projections*

### 4.3 Limitations

The projections were produced before the publication of official poverty statistics (in the *Households below average income release*) for 2015/16. The official statistics indicated a slightly higher proportion of people in absolute low income in 2015/16 compared to the projections. Some of the difference between the official figures and the projections may be attributable to survey error.

The IFS projections are of course highly uncertain. They build on macroeconomic forecasts produced by the Office for Budget Responsibility (OBR) and demographic projections from the Office for National Statistics (ONS), which are themselves subject to uncertainty.

The projections were published on 2 March 2017 so do not take into account more recent economic and demographic forecasts, including those made by the OBR at the time of the March 2017 Budget. Nor do they take account of more recent policy announcements or any policy changes that might possibly be made following the 2017 General Election. Rather they offer an estimate of future poverty levels in a scenario where policy remains unchanged.

The projections do not account for possible behavioural responses to forthcoming tax and benefit changes. If changes lead to some individuals entering employment or increasing their earnings, actual trends may be more favourable than the projections suggest.

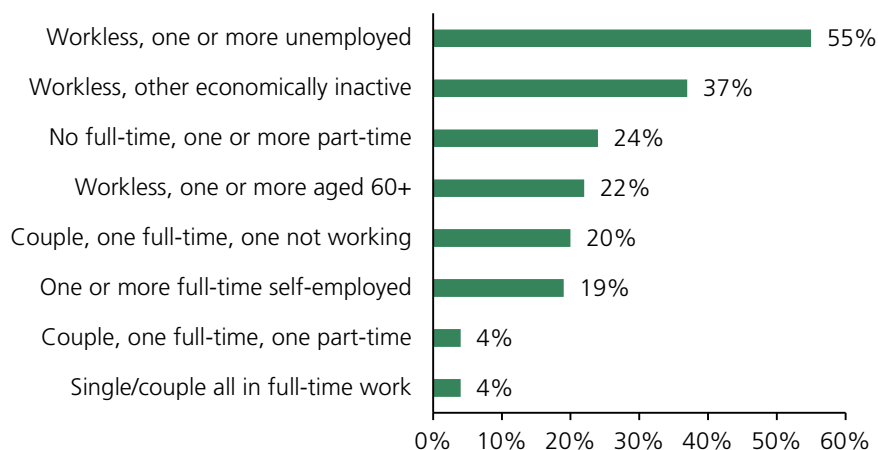
## 5. Poverty and employment

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 39% of working-age adults living in workless families were in relative low income BHC in 2015/16, compared to 10% 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 still comprise 55% of all working-age adults in relative low income – reflecting the fact there are many more working than workless households to begin with (83% of working-age adults live in families where at least one person works).

The same holds true for child poverty: 46% of children in workless families were in relative low income BHC compared to 15% 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 (67%) of children in relative low income.

**% of people (all ages) in relative low income BHC  
by economic status of adults in family: UK, 2015/16**

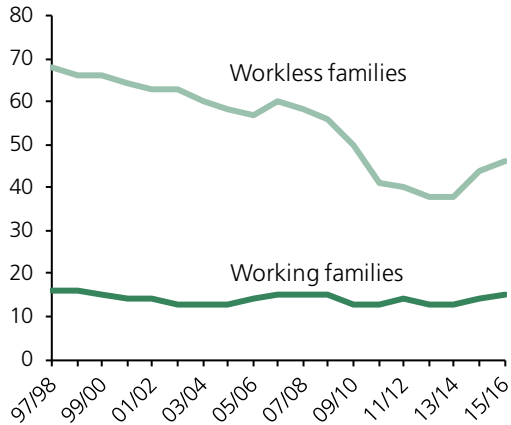


The risk of relative low income for children in workless families is lower than at the end of the 1990s. However, for families where at least one adult is in work (“working families”), the proportion of children in relative low income has remained broadly unchanged, as shown in the chart on the left below. At the same time, the population of children living in working families has increased and the population living in workless families has decreased.

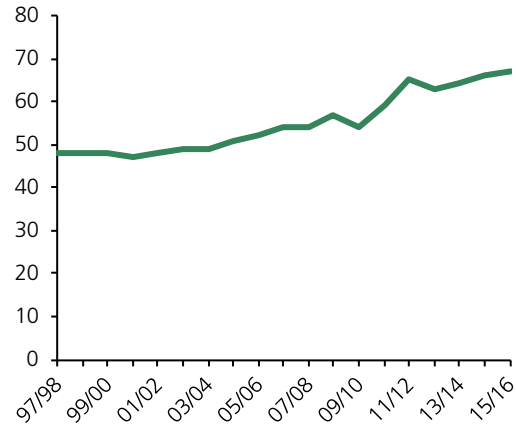
As the number of children living in workless families has reduced along with the risk of poverty for these children, children in working families have formed an increasing share of all children in poverty, as shown in the chart on the right.

The proportion of children in workless families who are in relative low income increased over the past two years from 38% in 2013/14 to 46% in 2015/16, going against the longer-term trend.

**% of children in working/workless families who are in relative poverty BHC**



**% of children in relative poverty BHC who live in working families**

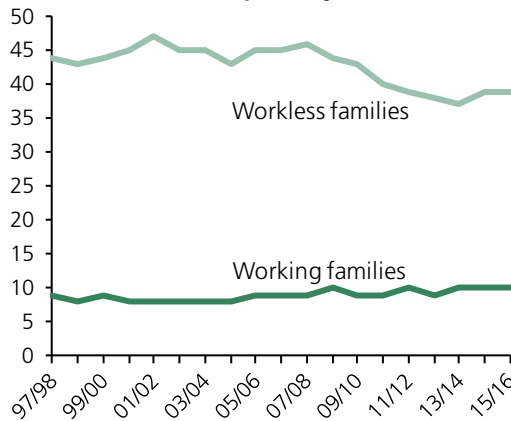


Note: figures for 1994/95 to 2001/02 are for Great Britain; figures for 2002/03 onwards are for the UK

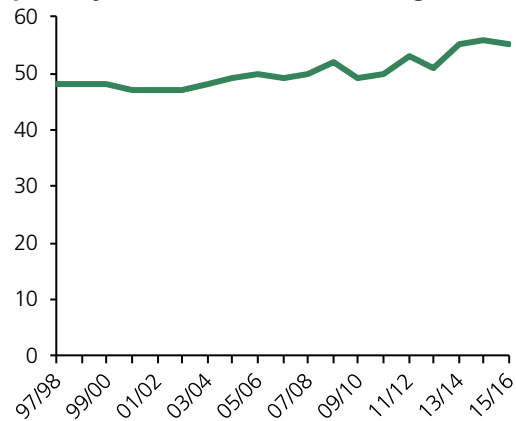
There was a sharp reduction in the proportion of children in workless families in relative low income following the 2008 recession. This reflects the fact that while real incomes from employment fell after the recession, benefit income (which is the most important income source for workless families) was more stable. However, the proportion of children in workless families in relative low income started to increase again from 2014/15.

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.

**% of working-age adults who are in relative poverty BHC**



**% of working-age adults in relative poverty BHC who live in working families**



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

## 6. Poverty dynamics

### Income Dynamics, March 2017

The discussion below does not cover a new publication, [Income Dynamics: Income movements and the persistence of low incomes](#), which was published by the Department for Work and Pensions on 16 March 2017.

The new publication provides data on persistent poverty and movements between income bands for the period 2010 to 2015. (Individuals are in “persistent low income” if they are in relative low income for at least three out of the past four years.) Key findings include:

Working-age adults had the lowest rate of persistent low income Before Housing Costs, and pensioners had the highest rate. Pensioners had the lowest rate After Housing Costs and children had the highest rate.

- This is broadly in line with single-year relative low income estimates.
- Overall, 9 per cent of individuals Before Housing Costs (BHC) and 11 per cent of individuals After Housing Costs (AHC) were in persistent low income in 2011-2015.
- 11 per cent of children BHC and 16 per cent of children AHC were in persistent low income in 2011-2015

The prevalence of persistent low income varied by country and region of the UK and by housing tenure:

In 2011-2015, Yorkshire and the Humber had the highest percentage of the population in persistent low income BHC (13 per cent). The lowest rate of persistent low income was in the South East (5 per cent).

The highest rate of persistent low income AHC was in London (15 per cent), reflecting high housing costs. The lowest rates were in Scotland and the East of England (9 per cent).

Looking at tenure types, both BHC and AHC the highest rates of persistent low incomes were in the social rented sector (17 per cent per cent BHC, 29 per cent AHC), while the lowest rate was for those buying with a mortgage BHC or owning outright AHC.

Households may move in and out of poverty from year to year. The figures presented earlier in this note are a snapshot of the number of people in poverty at one point in time, and provide no information on how long they have been living in poverty.

### 6.1 Persistent poverty

For information on the duration of poverty we need to turn to longitudinal surveys which track individuals over a number of years. Office for National Statistics (ONS) analysis of the *European Union Statistics on Income and Living Conditions* (EU-SILC) survey defines persistent income poverty as **being 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).<sup>11</sup>

In 2014, 3.9 million people in the UK were in persistent income poverty, around 6.5% of the total population. This compares to an overall

<sup>11</sup> ONS, [Persistent Poverty in the UK and EU: 2014](#), 16 May 2016

relative poverty rate of 16.8% (note this figure is not directly comparable with the estimates presented elsewhere in this paper, which are taken from DWP's *Households below average income* (HBAI) series).<sup>12</sup>

More detailed, but less up-to-date, information on persistent poverty can be found in a DWP publication *Low Income Dynamics* which uses data from the British Household Panel Survey. The most recent data are for the period 2005 to 2008 and are for Great Britain: later figures are not yet available due to a change in the survey used to collect the data.<sup>13</sup> It uses a slightly different definition of persistent poverty to the ONS analysis: someone is in persistent poverty if they have been in relative low income for at least three out of the past four years (they do not necessarily need to be in relative low income in the current year). The DWP report includes information on the characteristics of people experiencing persistent poverty:

During the period 2005-2008, for those individuals living in households in persistent low income

- Around half lived in families with children BHC, and almost two-thirds AHC.
- A larger proportion are female on both BHC and AHC bases. It is worth noting that single pensioners and single parents are predominantly female.
- Between a quarter and a third lived in workless households depending on the measure used, and just under half BHC and just over half AHC, lived in a household where one or more of the adults were employed.
- Over a third lived in social housing.
- Over two-fifths lived in families where no adults had any educational qualifications on a BHC basis, while around a third lived in such families on an AHC basis.

The above conclusions are supported when validated against figures for the bottom 20 per cent of the income distribution.<sup>14</sup>

## 6.2 How many people experience poverty?

Data from the EU-SILC survey suggest that around a third (32.5%) of the total population were in relative low income in at least one of the four years 2011-2014.

The proportion of people experiencing relative low income during this period varied by age and household composition. People aged 65 and

<sup>12</sup> The difference between EU-SILC and HBAI figures is primarily due to different definitions of disposable income. HBAI gives an estimate of 15.4% of people in relative poverty in 2012/13 (source: [Institute for Fiscal Studies](#))

<sup>13</sup> Data on poverty dynamics were previously obtained from the British Household Panel Survey, but this was replaced in 2009 by the Understanding Society survey. However, DWP has announced that it plans to publish new results from the Understanding Society survey in February/March 2017 and is currently [seeking feedback](#) on what should be included in the new publication.

<sup>14</sup> DWP, *Low-Income Dynamics: 1991-2008 (Great Britain)*, September 2010, page 18. The definition of persistent poverty used in *Low-Income Dynamics* is slightly different from the EU-SILC definition: it counts individuals who spend three or more years out of any four-year period in relative low income.



over were more likely than younger age groups to have been in relative low income in at least one out of the four years. Single parent and single adult households were more likely to have experienced relative low income than households with two or more adults.<sup>15</sup>

### 6.3 Poverty entry and exit rates

EU-SILC data suggest that between 2011 and 2014, around half of the population who were in relative low income in one year were no longer in relative low income the next year (the poverty “exit rate” averaged 50% over the period). Of those who were not in relative low income in the first year, around 7% were in relative low income in the next (the poverty “entry rate”). The exit rate is much higher than the entry rate because there are many fewer people in poverty than there are people not in poverty.<sup>16</sup>

DWP analysis reports the following figures for **child poverty**. Data are based on the Understanding Society survey and refer to the period 2009/10-2011/12:<sup>17</sup>

Around one in 14 (seven per cent) children initially not in poverty had moved into poverty in the next year. Nearly two in five (38 per cent) poor children had moved out of poverty by the following year. The poverty exit rate is higher than the entry rate because at any one time there are much fewer children in poverty than out of poverty. The *number* of children who move into poverty is actually very similar to the number who move out of poverty.

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. This includes analysis by family type and by whether members of the household are in employment.

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

- DWP, *Child poverty transitions: exploring the routes into and out of poverty 2009 to 2012*, June 2015
- 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, *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 9-11)

<sup>15</sup> ONS, [Persistent Poverty in the UK and EU: 2014](#), 16 May 2016

<sup>16</sup> Ibid

<sup>17</sup> DWP, [Child poverty transitions: exploring the routes into and out of poverty 2009 to 2012](#), 25 June 2015, p12

## 6.4 Drivers of poverty

A DWP [Evidence Review](#) (published January 2014) investigated the extent to which different factors contribute to people's chances of exiting or remaining in relative low income. The Review considered firstly the factors which make it harder for families with children 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 were 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. (Chapter 4 of the Review discusses each factor in detail.)

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:<sup>18</sup>

*Table 1: Relative influence of factors on length of child poverty spell*

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

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:

*Table 2: Relative influence of factors on future poverty*

Factor	Certainty	Strength	Coverage
Educational Attainment	High	High	High
Parental Qualifications	High	Medium	High
Childhood Poverty	Medium	Medium	High
Home Learning Environment	Medium	Medium	High
Non-Cognitive Development	Medium	Medium	High
Parental Ill Health and Disability	Medium	Medium	Medium
Child Ill Health	High	Medium	Low
Long-term Worklessness & Low Earnings	Medium	Low	High
Family Size	Medium	Low	Medium
Neighbourhood	Medium	Low	Medium
Family Instability	Medium	Low	Medium
Drug & Alcohol Dependency	Low	High	Low
Housing	Low	Low	Medium
Debt	Low	Low	Medium

<sup>18</sup> 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

## 6.5 Government indicators of disadvantage affecting families and children

The Government set out various indicators across nine areas 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*.<sup>19</sup>

Six parental indicator areas track worklessness and “associated disadvantages”:

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

A further 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.<sup>20</sup>

DWP analysis published alongside the policy paper looked in depth at characteristics and outcomes for children living in families where no parent is in work, as well as for children experiencing other kinds of disadvantage reflected in the indicators.<sup>21</sup>

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<sup>19</sup> DWP, *Improving Lives: Helping Workless Families*, 4 April 2017

<sup>20</sup> 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).

<sup>21</sup> DWP, *Improving Lives: Helping Workless Families – Analysis and Research Pack*, 4 April 2017

## 7. Regional poverty data

The proportion of individuals in relative low income BHC was highest in Wales and Northern Ireland (20%) over the three year period 2013/14 to 2015/16 and was lowest in the South East of England (12%). On an AHC basis, the proportion is highest in London (27%). Many more 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 note](#).

**% of population (all ages) in relative low income, 2013/14-2015/16**



Poverty estimates by country and region are subject to greater sampling variability than estimates for the UK as a whole, since the number of households surveyed is smaller. Therefore the regional estimates are presented as three year averages so that the figures are less volatile.

### Individuals living in relative low income by region

Three year averages, 2013/14-2015/16

	All people				Children			
	Number (millions)		Percentage		Number (millions)		Percentage	
	BHC	AHC	BHC	AHC	BHC	AHC	BHC	AHC
North East	0.5	0.6	18%	22%	0.1	0.1	20%	28%
North West	1.3	1.6	18%	22%	0.3	0.5	21%	30%
Yorkshire & Humber	1.0	1.2	18%	22%	0.3	0.3	22%	29%
East Midlands	0.8	0.9	18%	21%	0.2	0.3	21%	29%
West Midlands	1.1	1.3	19%	24%	0.3	0.4	23%	33%
East of England	0.8	1.1	14%	19%	0.2	0.3	16%	25%
London	1.2	2.3	14%	27%	0.3	0.7	17%	37%
South East	1.0	1.5	12%	18%	0.2	0.5	13%	25%
South West	0.7	1.0	14%	19%	0.2	0.3	17%	26%
Wales	0.6	0.7	20%	23%	0.1	0.2	20%	30%
Scotland	0.8	1.0	15%	19%	0.2	0.2	17%	23%
Northern Ireland	0.4	0.4	20%	20%	0.1	0.1	23%	26%
<b>United Kingdom</b>	<b>9.7</b>	<b>13.2</b>	<b>16%</b>	<b>21%</b>	<b>2.5</b>	<b>3.9</b>	<b>19%</b>	<b>29%</b>

Source: DWP, *Households Below Average Income, 2015/16*, Tables 3.17 and 3.18ts, 4.16 and 4.17ts

## 8. Constituency and local area data – child poverty

### 8.1 HMRC estimates

Estimates of child poverty by local area are published by HM Revenue & Customs (HMRC), based on benefits and tax credits data. The HMRC measure is based (in part) on a relative poverty threshold, rather than an absolute threshold: children are counted as being in low income if they are living in a family in receipt of out-of-work benefits, or the family is in receipt of tax credits and has a reported income (before housing costs) less than 60% of median income.

Estimates of poverty among other groups (e.g. pensioners, working-age adults) are not available at a sub-regional level.

#### Changes in poverty levels

On the HMRC measure, almost all constituencies (643 out of 650) saw an increase in the number of children in low income between 2013 and 2014, despite falls in the number of families in receipt of out-of-work benefits. Stronger growth in incomes for middle-income families compared to those on lower incomes meant more families in receipt of tax credits fell below the threshold of 60% of median income.

Looking between 2010 and 2014, the picture is more mixed. The number of children in low income decreased in the majority of constituencies (370 out of 650). Although there was a rise in the number of families in receipt of tax credits with income below 60% of the median, this was more than offset by a fall in the number of families receiving out-of-work benefits.

However, these constituency statistics need to be interpreted with caution: the HMRC measure is known to overestimate child poverty levels in families in receipt of out-of-work benefits, since all these families are assumed to be in poverty. In turn, it underestimates child poverty in families where members are in work compared to DWP's *Households below average income* report (which is the primary source for data on poverty at the national and regional level). Although these effects roughly balance each other at the national level, the number of children in poverty may be over- or underestimated at the constituency level.

#### Data for individual constituencies

The map on page 30 shows the estimated proportion of children in low income in August 2014 (the latest period for which data are available).

Constituency estimates at August 2014 are published on the Library's [Constituency Profiles](#) site. Figures for August each year back to 2006 are available via the following links: [2014](#); [2013](#); [2012](#); [2011](#); [2010 and previous](#).

## 8.2 End Child Poverty estimates

The Centre for Research in Social Policy at Loughborough University has also calculated estimates of child poverty by constituency for the End Child Poverty coalition, as published on the [End Child Poverty website](#). An [interactive map](#) shows the estimated number and proportion of children in relative low income (after housing costs) by constituency.<sup>22</sup>

These estimates attempt to update the HMRC figures to October-December 2015 by supplementing them with other data, while also attempting to rectify reported biases in the HMRC methodology (namely, that the HMRC measure overestimates poverty levels among families in receipt of out-of-work benefits and underestimates poverty levels among families where at least one member is in work). In some cases, these data adjustments can produce estimates that are rather different to the original figures published by HMRC.<sup>23</sup>

End Child Poverty publishes estimates of the number of children in relative low income both when household income is measured before housing costs have been deducted and when income is measured after deducting housing costs. HMRC provides estimates on a before housing costs basis only.

## 8.3 Interpreting these estimates

Differences in methodology mean the HMRC estimates are not directly comparable with the headline national and regional poverty estimates published in DWP's *Households below average income* (HBAI) report and presented elsewhere in this paper. The End Child Poverty figures are based on the HMRC estimates, but the estimates are adjusted so that they at least sum to regional totals as provided in HBAI.

While the figures in HBAI are based on incomes data collected via a household survey, the HMRC figures show the proportion of children who are:

- a. living in families in receipt of out-of-work means-tested benefits; or
- b. living in families in receipt of tax credits where their reported income (before housing costs) is less than 60% of median income.

Therefore, the HMRC measure overestimates child poverty levels in families in receipt of out-of-work benefits (since all these families are assumed to be in poverty) and in turn underestimates child poverty in families where members are in work compared to HBAI. At the national level, these effects roughly balance each other so that two sources give a similar estimate of the total number of children in relative low income. However, the two effects may not balance at the constituency or even

<sup>22</sup> <http://www.endchildpoverty.org.uk/poverty-in-your-area-2016/> [accessed 14 November 2016]

<sup>23</sup> A methodology note gives more details as to how the estimates are constructed: Donald Hirsch and Laura Valadez, [Local indicators of child poverty – developing a new technique for estimation](#), Centre for Research in Social Policy, Loughborough University, July 2014

at the regional level, so the HMRC estimates could potentially be considerably higher or lower than the actual number of children in relative low income. (The End Child Poverty figures scale the HMRC estimates so they match regional data on children in relative low income living in working or workless families from HBAI, so that the End Child Poverty estimates are at least consistent with HBAI at the regional level.)

Other differences between the HMRC and HBAI estimates are explained in a HMRC commentary:

The Children in low-income families measure attempts to create a proxy for the HBAI measure in order to enable local analysis of the variation in the proportion of children who live in families with a low income. However, it is not precisely equivalent for the following main reasons:-

- The relative low-income measure in HBAI is based on data from the Family Resources Survey, whereas this measure uses administrative data from DWP and HMRC.
- This measure captures a number of children in families in receipt of out-of-work benefits where their income will be above the 60 per cent low-income threshold. The HBAI measure would not include these children.
- In contrast, this measure does not include children in low-income families that do not claim Child Tax Credit or Working Tax Credit. The HBAI measure includes these children. However, this is assumed to be a small impact.
- Income is measured slightly differently across the two measures. For the Children in Low-Income Families Local Measure, the incomes are restricted to taxable incomes plus tax credits and child benefit rather than all sources of income (see Section 5 for more details).
- The Children in Low-Income Families Local Measure is based on families, whereas HBAI is based on households.
- The time period covered is different. The national measure published in HBAI is on a financial year basis - 2014/15 is the latest year available. The Children in Low-Income Families Local Measure is a snapshot at 31st August 2014.

In summary, this measure should not be used to obtain a definitive measure of children in low income in any given area. However, this measure can reliably be used to explore variations in low income across the UK.<sup>24</sup>

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<sup>24</sup> HM Revenue & Customs, [Commentary accompanying the Children in Low-Income Families Measure](#), 30 September 2016

# Child poverty by constituency, August 2014: HMRC estimates

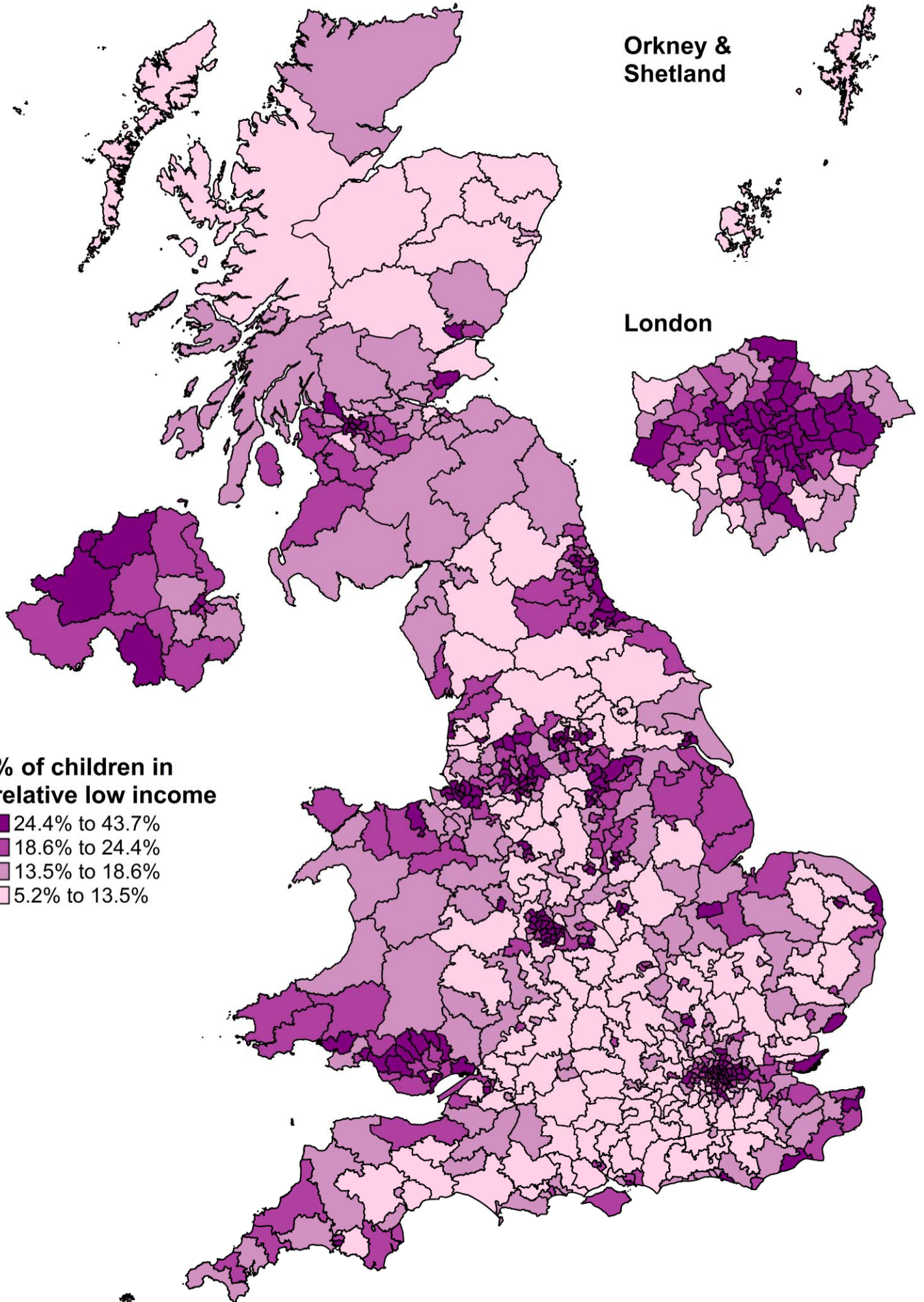
% of children in relative low income before housing costs (25% bands)

Orkney & Shetland

London

## % of children in relative low income

- 24.4% to 43.7%
- 18.6% to 24.4%
- 13.5% to 18.6%
- 5.2% to 13.5%





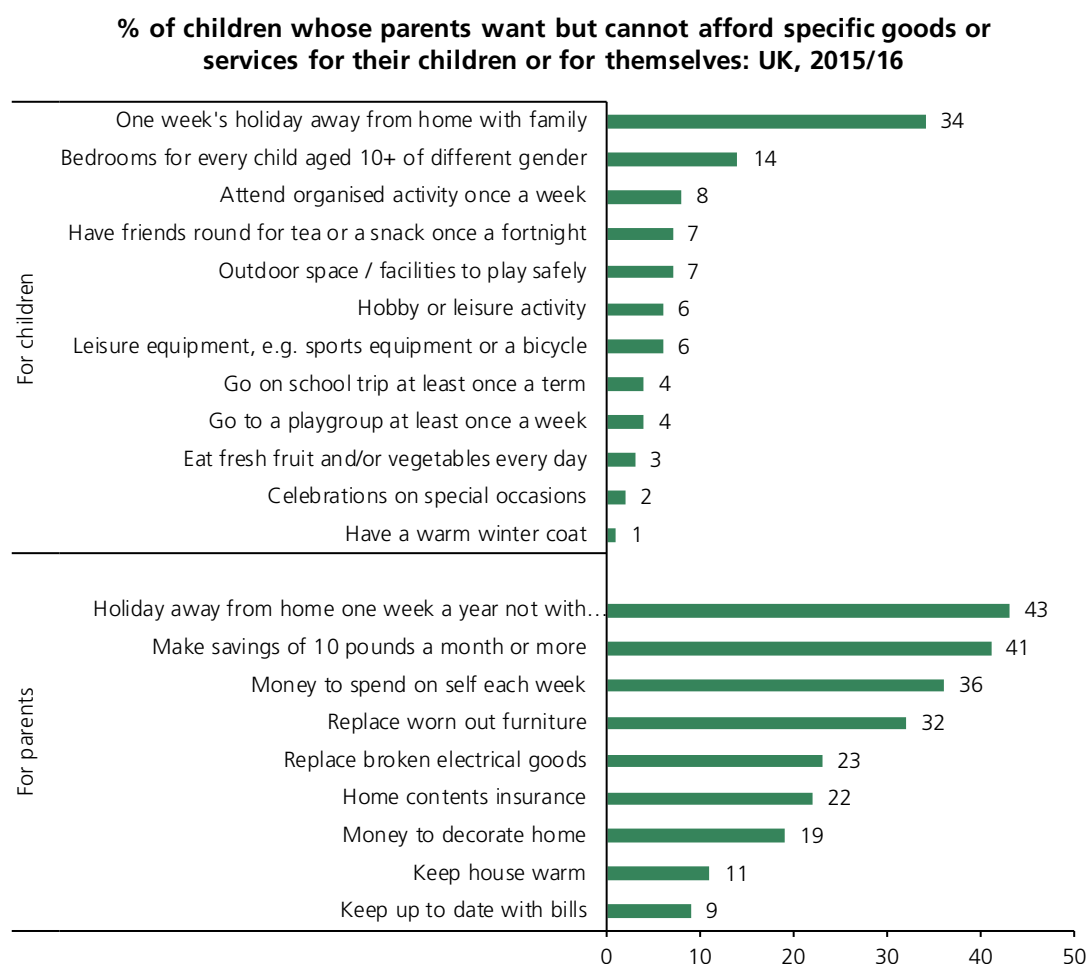
## 9. Material deprivation

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.

DWP's *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.<sup>25</sup> Also included are figures for pensioners experiencing material deprivation, for either financial or non-financial reasons.

1.6 million **children** were in *low income and material deprivation* in 2015/16, 12% of children in the UK. The number and proportion remained roughly the same between 2010/11 and 2014/15 before falling slightly in 2015/16. Figures for years 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 in low income) lacking key goods or services:



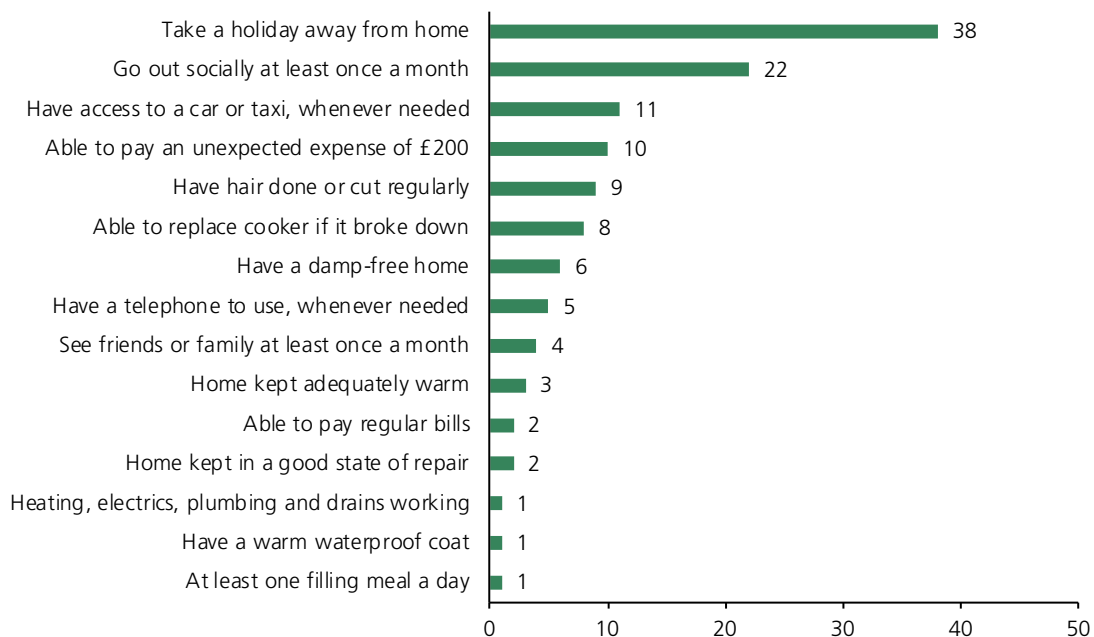
Source: DWP, *Households below average income, 2015/16*, Tables 4.7 and 4.8db

<sup>25</sup> Library Research Paper 04/23, [Poverty: Measures and Targets](#), provides background information on the development of the combined low income and material deprivation measure.

800,000 pensioners aged 65 and over were in material deprivation (but not necessarily low income) in 2015/16, 8% of pensioners in the UK. This is slightly lower than 2014/15 and is down from 10% in 2009/10.

For pensioners, the material deprivation measure includes items lacking for reasons other than financial considerations (for example, because of ill health).

**% of pensioners who do not have access to specific goods or services:  
UK, 2015/16**



Source: DWP *Households below average income, 2015/16*, Table 6.11 db

## 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. In the *Family Resources Survey*, from which the poverty estimates are derived, respondents are asked 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 are 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](#).

## 10. 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. This obviously involves some judgement about what constitutes minimum needs. 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 Up-rating 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. The research 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.<sup>26</sup>

The 2016 report compares MIS for certain household types against equivalised median incomes. When income is measured BHC, the MIS is higher than the relative low income threshold (60% of median income) for each household type. Based on income AHC, the MIS is higher than the relative low income threshold for three out of four household types, the exception being pensioner couples:<sup>27</sup>

### Minimum Income Standards (MIS) for 2016 compared with threshold for relative low income in 2015/16: UK, £ per week

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

	Single, working age	Couple, pensioner	Couple, 2 children	Lone parent, 1 child
<b>Before housing costs</b>				
Relative low income threshold	193	288	403	251
MIS excluding childcare and council tax	271	333	524	366
<i>% difference</i>	41%	16%	30%	46%
<b>After housing costs</b>				
Relative low income threshold	144	248	347	193
MIS excluding childcare, council tax, water rates and rent	178	240	422	270
<i>% difference</i>	24%	-3%	22%	40%

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 et al, *A Minimum Income Standard for the UK in 2016*, Joseph Rowntree Foundation, 1 July 2015; DWP *Households below average income, 2015/16*, 16 March 2017, Table 2.4ts

<sup>26</sup> A Davis, K Hill, D Hirsch and M Padley, [A Minimum Income Standard for the UK in 2016](#), Joseph Rowntree Foundation, 20 July 2016

<sup>27</sup> 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.

Research for the Joseph Rowntree Foundation, conducted by the Centre for Research in Social Policy at Loughborough University, indicates there was a large increase in the number of people living in households with income below the annual Minimum Income Standard between 2008/09 and 2014/15. 19 million people had income below the MIS in 2014/15, compared to 15 million in 2008/09. The number of people with household incomes substantially below the MIS (less than 75% of the MIS) also increased, from 9 million to 11 million:

In 2014/15, 30% of all individuals were in households with incomes below MIS, an increase of a fifth since 2008/09. The number of people below MIS increased from 15 million to just over 19 million, representing 4 million more people with household incomes insufficient to afford the things that the public thinks are needed to meet material needs and participate in society.

Over the same six-year period, the proportion of people with household incomes below 75% of MIS rose from 15 to 17.5%, and their numbers rose from 9 million to 11 million. This represents 2 million additional people whose incomes are well below what is needed and who face a high risk of material deprivation.

These increases in numbers below MIS and below 75% of MIS occurred in the first half of the period analysed here (2008/09 to 2011/2012). In the following three years, the risk of low income levelled off, but with no sign that the small growth in general incomes over that later period reduced the numbers on low incomes.

The risk of having household income below MIS is three times as high for children as for pensioners – 45% compared to 15% – while working-age adults sit between these two groups, at 30%. The average shortfall of those below MIS – that is, how far individuals are below the MIS threshold on average – is also considerably lower for pensioners than for other groups. However, all three groups have seen the risk of falling below MIS and below 75% of MIS increase substantially since 2008/09.

Some groups, notably single pensioners and people in lone parent families, were continuing to see an increase in the risk of low income in 2014/15. Others, notably single people in work, had seen a reversal of the earlier increase, due in particular to a healthier job market.

For the population as a whole and for each demographic group, the rise in the proportion below MIS contrasts with a steady or falling proportion reported as being below 60% of median income, the conventional 'relative income poverty' indicator. This is because for much of this period median income fell, but the cost of a minimum acceptable living standard rose, relative to the Consumer Prices Index (CPI).<sup>28</sup>

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<sup>28</sup> M Padley, D Hirsch and L Valadez, [\*Households below a Minimum Income Standard: 2008/09-2014/15\*](#), Joseph Rowntree Foundation, 15 February 2017

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