Department for Work & Pensions

Research and analysis

Low income poverty projections for children, FYE 2025 to FYE 2031, February 2026

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Summary

This analysis provides the Government's current best estimate of the future low income poverty trends for children based on the policy position after Budget 2025.

It is estimated that there will be 4.2 million children in relative low income after housing costs (AHC) in the final year of parliament (FYE 2030). This is projected to represent a reduction of 500,000 children in relative low income after housing costs across the Parliament (between FYE 2025 and FYE 2030).

Projections of low income poverty trends are not a forecast, they are a projection under a specific set of assumptions and are subject to a high degree of uncertainty. They should only be used to provide an indication of future trend.

Methodology

The Department for Work and Pensions' Policy Simulation Model (PSM) is used to estimate future trends in low income poverty. The PSM is a static microsimulation model[footnote 1] based on a snapshot of the UK population from the Family Resources Survey (FRS), currently for the financial years ending (FYE) 2022, 2023 and 2024. It uses caseload forecasts alongside benefit rules and economic assumptions to simulate results such as poverty levels for each year, currently up to and including FYE 2031, for the United Kingdom.

Calibration to benefit caseload data means the PSM better models benefit income compared to survey estimates, as published in Households Below Average Income (HBAI), because the FRS underreports benefit receipt. This means that the modelled estimates of poverty levels can systematically differ from survey data. We therefore apply the changes to poverty levels year on year produced by the PSM to the most recent HBAI data to estimate the poverty levels. This better reflects the estimated low income poverty trends but means that any sampling and measurement error in the FYE 2024 HBAI data will affect the projected levels.

To project future low income poverty trends, the base PSM methodology has been modified to better model the impact of changing caseloads as a result of the Move to Universal Credit. This involves changing the grossing regime so that working-age income-related benefit caseload forecasts are held at their base level (FYE 2024 outturn) and adjusting the caseloads at the sample level using standard Move to UC assumptions and take-up adjustments to match the overall UC forecast. This ensures alignment with the UC caseload forecast but prevents the grossing regime from artificially distorting the income distribution and ensures the projections are sensitive to economic and policy factors.

The methodology used to produce these projections has been developed in consultation with an external Expert Advisory Group.

This projections analysis uses a model consistent with the policy position immediately after Budget 2025 and OBR's economic and caseload forecasts in November 2025. Previously published analysis (published here Low

income poverty projections for children, FYE 2025 to FYE 2030, November 2025 - GOV.UK) used a model consistent with the OBR's economic and caseload forecasts in March 2025 with modifications to model the policies announced since Spring Statement 2025 including the removal of the two child limit.

Both sets of projections show a large drop in the number of children in poverty between FYE 2026 and FYE 2027 due to the removal of the two child limit. The updated projections show slightly fewer children in poverty in the final years of the scorecard period. The factors contributing to this are complex and include the freezing of tax thresholds which reduce inequality and increases in non income related disability benefit caseload forecasts which lead to increases in the weighting of families with higher incomes compared to lower income families without disability benefits.

Poverty projections are not a forecast, they are an estimate of future trends in low-income poverty levels under a very specific set of assumptions. The model relies on multiple assumptions about the economy and benefit caseloads which are subject to a high degree of uncertainty. Routine updates at each fiscal event, for example to the OBR economic assumptions, can materially change projected poverty rates, even without policy changes. Projections should therefore be interpreted as the best currently available estimate rather than a precise forecast of future poverty rates.

Poverty projections are presented for four measures of poverty: both relative and absolute low income and both before and after housing costs.

Further information on the methodology behind the low income measures can be found here How low income is measured in households below average income statistics - GOV.UK (www.gov.uk) and here Household below average income series: quality and methodology information report FYE 2024 - GOV.UK (www.gov.uk).

Estimates are rounded to the nearest 100,000 children and the nearest whole percentage point for consistency with published HBAI low income poverty rates and due to uncertainties inherent in the modelling approach.

Figures for FYE 2025 are based on projections because the most recent available HBAI data is for FYE 2024.

Low income projections for children

It is estimated that there will be 4.2 million children in relative low income after housing costs in the final year of parliament (FYE 2030). This is projected to represent a reduction of 500,000 children in relative low income after housing costs between FYE 2025 and FYE 2030. This is expected to be the largest reduction in the number of children in relative low income AHC over a Parliament since comparable records began in the 1990s[footnote 2].

Table 1a: Relative low income AHC projections for children (UK)

	HBAI	Projection	Projection	Projection	Projection	Project
	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 20
Number	4.5 million	4.6 million	4.8 million	4.3 million	4.3 million	4.2 milli
Proportion	31%	32%	33%	30%	29%	29%

Table 1b: Projected change in relative low income AHC levels for children over the Parliament (FYE 2025 to FYE 2030, UK)

Difference between FYE 2025 and FYE 2030 (relative AHC, children)	
Number	-500,000
Percentage point	-3ppt

Table 2a: Relative low income BHC projections for children (UK)

	HBAI	Projection	Projection	Projection	Projection	Project
	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 20
Number	3.4 million	3.6 million	3.6 million	3.3 million	3.2 million	3.2 milli
Proportion	23%	25%	25%	23%	22%	22%

Table 2b: Projected change in relative low income BHC levels for children over the Parliament (FYE 2025 to FYE 2030, UK)

Difference between FYE 2025 and FYE 2030 (relative BHC, children)	
Number	-400,000
Percentage point	-3ppt

Table 3a: Absolute low income AHC projections for children (UK)

	HBAI	Projection	Projection	Projection	Projection	Project
	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 20
Number	3.9 million	3.8 million	3.8 million	3.4 million	3.4 million	3.4 milli
Proportion	26%	26%	26%	24%	24%	24%

Table 3b: Projected change in absolute low income AHC levels for children over the Parliament (FYE 2025 to FYE 2030, UK)

Difference between FYE 2025 and FYE 2030 (absolute AHC, children)	
Number	-400,000
Percentage point	-2ppt

Table 4a: Absolute low income BHC projections for children (UK)

	HBAI	Projection	Projection	Projection	Projection	Project
	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 20
Number	2.9 million	2.9 million	2.9 million	2.6 million	2.6 million	2.6 milli

Proportion	20%	20%	20%	18%	18%	18%

Table 4b: Projected change in absolute low income BHC levels for children over the Parliament (FYE 2025 to FYE 2030, UK)

Difference between FYE 2025 and FYE 2030 (absolute BHC, children)	
Number	-400,000
Percentage point	-2ppt

1. A static microsimulation model is a modelling approach which uses micro-level observations, in this case from survey data, to simulate other states of the world including future states. ↩
2. Using HBAI data from the financial years of the Parliaments starting from May 1997, the largest reduction in child poverty over a Parliament was under the 1997 to 2001 Labour Government, which oversaw a reduction of 300,000 children in relative low income after housing costs (between FYE 1998 and FYE 2002). ↩

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