

PRE-BUDGET BRIEFING 2020: LEGATUM INSTITUTE

To level up the country, the Budget must pave the way for a comprehensive anti-poverty strategy

This briefing presents original analysis from the Legatum Institute on the scale and nature of poverty in the UK. It provides insights which can be used to both inform preparations for the Chancellor's first Budget and provide a baseline against which progress on the Government's levelling-up agenda can be judged.

The Government needs a comprehensive anti-poverty strategy: Tackling poverty right across the UK will be central to levelling up the country. Doing so will require the Government to develop and implement a comprehensive cross-departmental anti-poverty strategy. This should seek to:

- Improve a family's ability to earn their own income, including by supporting them to increase their hours of work;
- Reduce cost pressures of housing in high cost areas;
- Improve mental health, support family stability, and increase skills, particularly for the 18% of people in poverty in families where no adult has formal qualifications;
- Improve financial resilience for those on low incomes; and
- Improve the incomes and experiences of those furthest below the poverty line, even if that means they do not manage to immediately move above the poverty line.

The briefing is based on the ground-breaking poverty measure of the Social Metrics Commission (SMC). The Department for Work and Pensions is currently developing Experimental Statistics based on this approach.

Commentary

UK poverty is a significant long-term issue: More than one in five people in the UK (22%) live in families in poverty. This has hardly changed over the last 20 years.

Poverty is not spread equally across the UK: London has the highest rate of poverty in the UK (28%) while the South East and South West have the lowest rate (both 18%). Of those in poverty in London, 41% are more than 50% below the poverty line, compared to 23% of those in poverty in the North East.

People in poverty suffer a resilience gap that entrenches and worsens their experiences of poverty: For example, they are more likely to have poor mental and physical health, to be living on their own, and to experience worklessness and indebtedness.

Poverty across the UK

- There are 14.3 million people in poverty in the UK. This includes 8.3 million working-age adults; 4.6 million children; and 1.3 million pension-age adults.
- Nearly half (48%) of people in poverty – totaling 6.8 million people – live in a family where someone is disabled.
- A third (31%) of people in poverty – 4.5 million people – are more than 50% below the poverty line.
- Just under half (49%) of those in poverty – 7 million people – are in persistent poverty, meaning they are in poverty now and have also been in poverty for at least two of the previous three years.
- The poverty rate for people living in families where all adults work full time is just 10%, compared to 58% where all adults work part time and 70% in workless families.

Poverty across the UK's regions and countries

- At 28% of the population, London has the highest rate of poverty of all regions and countries in the UK.
- The lowest rates of poverty can be found in the South East and South West of England, both 18%.

Figure 1: Poverty rates in regions and countries across the UK

	Poverty rate (all) (%)
London	28
North East	25
West Midlands	25
North West	24
Wales	24
Yorkshire and the Humber	22
East Midlands	21
Northern Ireland	20
Scotland	20
East Of England	19
South East	18
South West	18
UK	22



Source: SMC analysis of Family Resources Survey, 2017/18

Notes: To ensure sufficient sample sizes, analysis is presented as three-year averages.

Table 1 shows the total number of people in poverty in each region and country. For example, 2.5 million people in poverty live in London, 1.7 million in the North West and 1 million in Scotland.

Table 1: Poverty rates by region and country, 2017/18

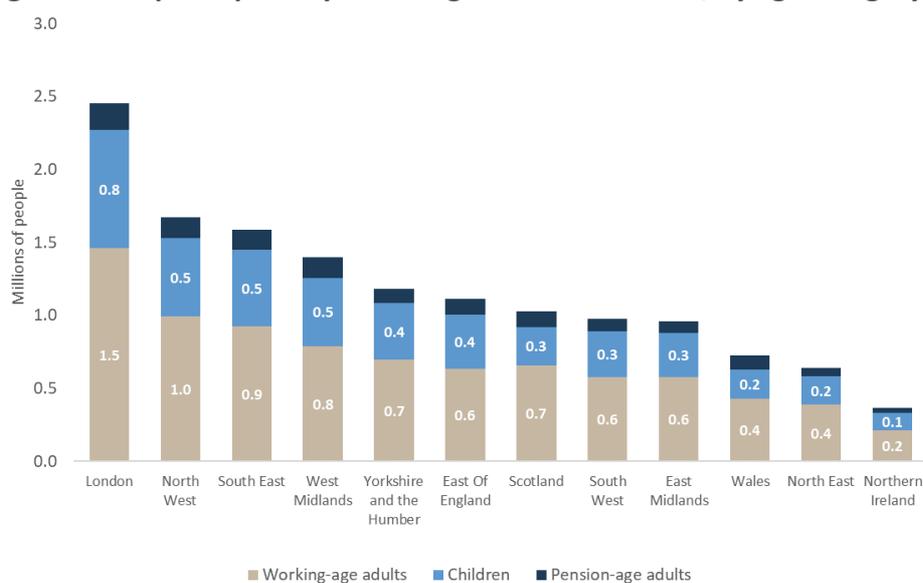
	All (millions)	All (%)	Working-age adults (%)	Children (%)	Pension-age adults (%)
London	2.5	28	26	41	18
North East	0.6	25	25	37	11
West Midlands	1.4	25	24	37	13
North West	1.7	24	23	36	11
Wales	0.7	24	24	32	15
Yorkshire and the Humber	1.2	22	22	34	10
East Midlands	1.0	21	21	31	9
Northern Ireland	0.4	20	20	27	11
Scotland	1.0	20	20	27	10
East Of England	1.1	19	18	29	9
South East	1.6	18	18	28	8
South West	1.0	18	18	29	7
UK	14.3	22	21	34	11

Source: SMC analysis of Family Resources Survey, 2017/18

Notes: To ensure sufficient sample sizes, analysis is presented as three-year averages.

Figure 2 breaks down the number of people in poverty, by age categories. For example, it shows that there are 700,000 working-age adults and 400,000 children in poverty in Yorkshire and the Humber.

Figure 2: People in poverty in UK regions and countries, by age category



Source: SMC analysis of Family Resources Survey, 2017/18

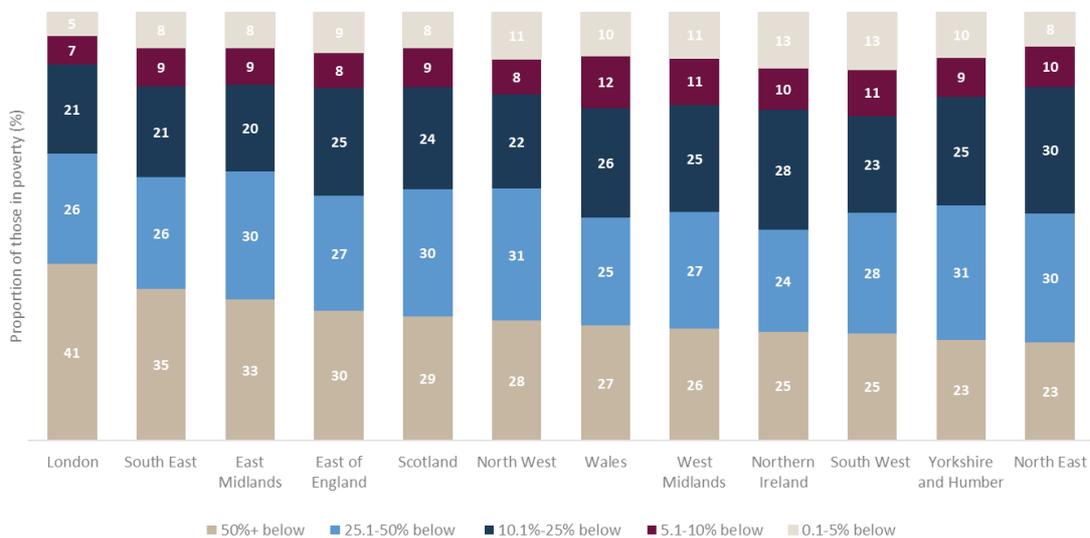
Notes: To ensure sufficient sample sizes, analysis is presented as three-year averages.

POVERTY DEPTH

Figure 3 shows the depth of poverty for those in poverty in each region and country of the UK. It shows, that (apart from London), the proportions of people in poverty in each region that are more than 25.1% below the poverty line are broadly even (ranging between 53% and 59%), but that within that, the proportion of people living in families that are more than 50% below the poverty line varies significantly more.

- Four in ten people (41%) in poverty in London are more than 50% below the poverty line.
- 35% of people in poverty in the South East and 33% of people in poverty in the East Midlands are more than 50% below the poverty line.
- Just 23% of people living in the North East are more than 50% below the poverty line.

Figure 3: Composition of poverty, by poverty depth and regions and countries, 2017/18



Source: SMC analysis of Family Resources Survey, 2017/18.

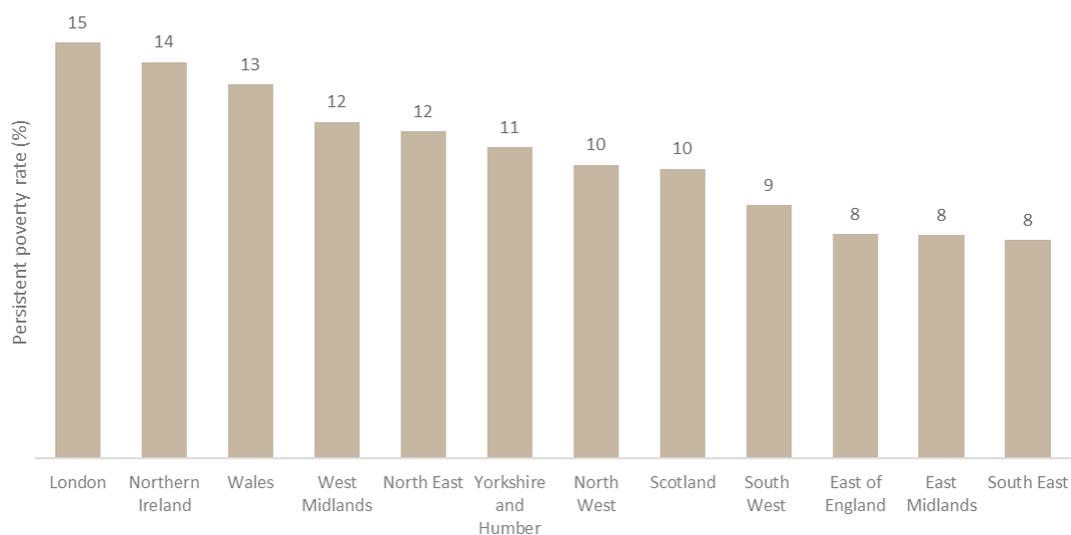
Notes: To ensure sufficient sample sizes, analysis is presented as three-year averages.

POVERTY PERSISTENCE

Persistent poverty is where a family is in poverty today and has also been in poverty for at least two of the previous three years. Figure 4 shows how the rate of persistent poverty varies across UK regions and countries.

It shows that the South East, East Midlands, and East of England have the lowest rates of persistent poverty (8% of the population of each region). London has the highest rates of persistent poverty; 15% of Londoners are living in families that are in persistent poverty.

Figure 4: Persistent poverty in UK regions and countries, 2016/17



Source: SMC analysis of Understanding Society (2013/14-2016/17)

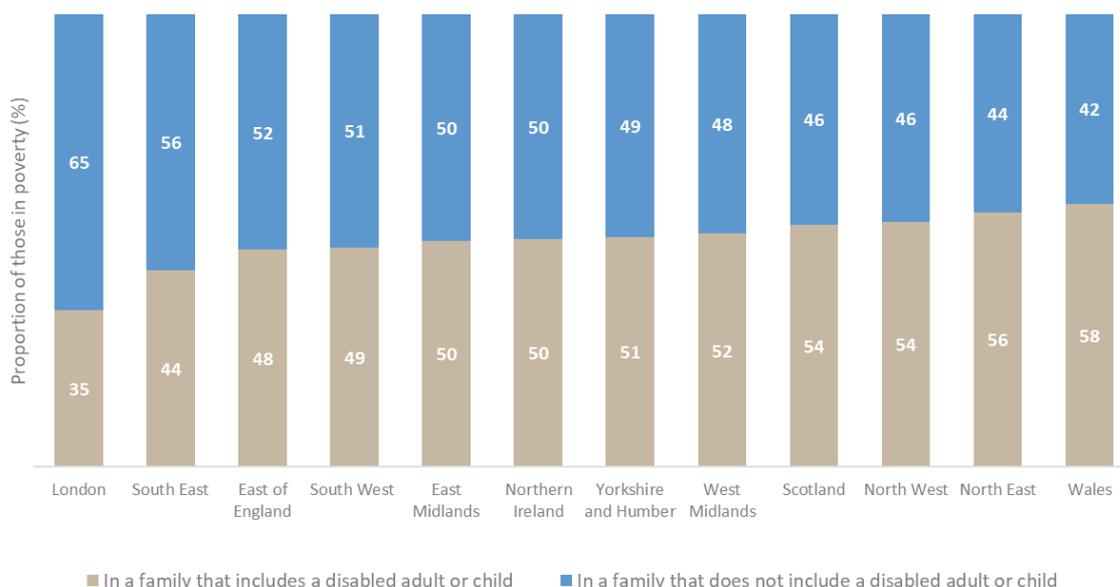
LIVED EXPERIENCE INDICATORS

The SMC's Lived Experience Indicators provide insights into the resilience gap people in poverty face compared to those not in poverty. Across a range of areas, the Indicators show that people in poverty experience disadvantage and factors that limit their ability to move out of poverty and avoid future poverty. For example:

- A third (34%) of people in poverty live in families where an adult has poor self-reported mental health. This compares to 24% of people who are not in poverty.
- One in five (18%) people in poverty live in a family where no one has any formal qualifications. This compares to 9% of those not in poverty.
- One in five (20%) people in poverty are in lone-parent families. This compared to just 5% of those who are not in poverty.
- Over two thirds (69%) of people in poverty live in families where no adult saves, compared to 38% of those in families not in poverty.

Significant resilience gaps are even more apparent amongst those living in families in the deeper levels of poverty. They also vary across the UK. For example, Figure 5 shows the proportion of people in poverty in each UK region and country who live in a family that includes a disabled person.

Figure 5 Composition of poverty in each UK region and country by whether family includes a disabled person



Source: SMC analysis of Family Resources Survey, 2017/18

Notes: To ensure sufficient sample sizes, analysis is presented as three-year averages

ANNEX: THE SOCIAL METRICS COMMISSION'S MEASURE OF POVERTY

The Social Metrics Commission (SMC) was established in 2016, as a response to the fact that the UK no longer has official poverty measures agreed and used by Government. It is hosted by the Legatum Institute and is dedicated to helping policymakers understand and take action to tackle poverty and build prosperity. Its membership includes people from across the political spectrum as well as poverty and measurement experts. The Commission's primary goals have been to develop new poverty metrics for the UK which both:

- Have long-term political support; and
- Effectively identify both those who are in poverty and their experiences of poverty.

The SMC's landmark report in 2018 outlined a new approach to measuring poverty. As well as looking at incomes, this approach allows us to account for a range of inescapable costs that reduce people's spending power, and the positive impact of people's liquid assets on alleviating immediate poverty. These inescapable costs include rent or mortgage payments, childcare and the extra costs of disability. Liquid assets include savings, stocks and shares. The measure also takes account of overcrowding in accommodation. As well as a more accurate reflection of a family's ability to make ends meet, the SMC's poverty measure tracks:

- The degree to which a family is below the poverty line
- The length of time that a family is below the poverty line
- The experience of living in poverty.

Following the 2018 report, and an update in 2019, the Commission's approach received support from across the political spectrum and from a wide range of experts and people involved in taking action to tackle poverty.

In the summer of 2019, the Government committed to establishing Experimental Statistics for poverty based on the SMC's approach; this is the first step to developing new national statistics on poverty.

Data used in this briefing:

Understanding Society: University of Essex, Institute for Social and Economic Research. (2018). Understanding Society: Waves 1-8, 2009-2017: Special License Access, School Codes. [data collection]. 6th Edition. UK Data Service. SN: 7182, <http://doi.org/10.5255/UKDA-SN-7182-5>

Family Resources Survey: Department for Work and Pensions, Office for National Statistics, NatCen Social Research. (2019). Family Resources Survey, 2017-2018. [data collection]. UK Data Service. SN: 8460, <http://doi.org/10.5255/UKDA-SN-8460-1>. Department for Work and Pensions. (2019). Households Below Average Income, 1994/95-2017/18. [data collection]. 12th Edition. UK Data Service. SN: 5828, <http://doi.org/10.5255/UKDA-SN-5828-10>.

Summary methodology

This briefing follows the methodology proposed by the Social Metrics Commission in its landmark 2018 report. Details of the approach can be found here: <http://socialmetricscommission.org.uk>