Poverty in the UK

Literature review focussing on the problems of disadvantaged areas

LSE Housing and Communities
Outline Evidence

CASEreport 95
1. Defining poverty

- Key overarching idea
  - Whether able to participate in society

- Need to understand how far below poverty line someone is

- Defined as below half of average income or 60% of median income

- Accepted by the EU (European Union) and OECD (Organisation for Economic Co-operation and Development) – comparable over time and across countries

- Poor when a person’s standard of living is so far below society’s that they can’t participate in society

- Child Poverty Act (2009) uses 60% of median
  - Commits to ensuring that less than 10% of children are in poverty by 2020

- Three main approaches or measures
  - Fixed, minimum poverty line
  - Low income and non-income measure (Breadline Britain)
  - Persistence of poverty in three of last four years

Sources:
Hills, J. (2004) *Inequality and the state*
MacInnes, T. et al. (2014) ‘Monitoring poverty and social exclusion’
2. Defining poor areas

- Areas with 40% working-age adults out of work
- Areas with multiple deprivation
  - Poor educational attainment and low skills
  - Poor health
  - High crime
  - Poor environment
  - High levels of vandalism, disorder, anti-social behaviour
  - Low incomes and high benefit dependency
- Areas with high level of renting
  - Social housing estates
  - Council estates and former council transferred estate
  - Council estates with high right-to-buy private lets
  - Mixed tenures, older areas with fast-growing private rented sector
- Old, decayed former industrial areas of terraced housing
  - Normally former working-class areas
  - Often high levels of owner occupation
  - High turnover and above average empty homes
  - Growing share of private renting
- Urban areas in poorer cities and regions
  - With concentrations of people out of work

Sources:
Power, A. et al. (2010) *Phoenix cities: the fall and rise of great industrial cities*
3. Below the Breadline (2014)

- By 2014, 1% of Britons owned the same as much as 54% of the total population owned together
- In 2013–14, 20.2 million meals were given to the food poor
- Since 2005, food prices rose 44%
- Between 2010–13, energy prices rose 37%
- More than half a million children live in food poor families
  - 3 ½ million children live in poverty – one third of all children
- 17 London boroughs have an average rent of more than half of average earnings in that borough
- Low-wage earners receive lower real wages now than in 2007–08
- More in-work households rely on in-work benefit top-ups today than in 2007
- The minimum wage will rise 3% to £6.50 per hour in October 2015. The Living Wage is £7.65 (£9.15 in London)
- 5.8 million are paid below the Living Wage
  - 21% of the workforce
- Top 100 companies pay CEOs £4.25m per year
  - Pay rise last year of 10%
- Half of Jobseeker’s Allowance claims are made within six months of getting work
  - Many new jobs are temporary, insecure, part-time or zero-hours

Source: Cooper, N. et al. (2014) ‘Below the breadline: the relentless rise of food poverty in Britain’
3. Below the Breadline (2014)

- 346,000 households are affected by the ‘bedroom tax’
- 1.4 million families since April 2014 pay on average £154 council tax per year
- They were previously deemed too poor to pay council tax
- Since October 2012 more than 1 million benefit sanctions have been applied – 20% on the disabled
- Sanctions are applied in ways that don’t help the labour market and don’t improve job access
- Of the 25% of sanctioned claimants who ask for reconsideration, 58% are successful and have sanctions withdrawn
- The abolition of the Social Fund has removed emergency recourse for those on extreme low incomes
  - Made local authority responsible
  - Local authorities have reduced funds and impose tighter criteria
  - The current government plan is to scrap the emergency fund altogether
- There was a fivefold increase in food bank users in Scotland in the 12 months to April 2014
- In Wales, 711,000 meals were given out in 2013–14 (population 3 million) and 639,000 in Scotland (population 5 million)

Source: Cooper, N. et al. (2014) ‘Below the breadline: the relentless rise of food poverty in Britain’
4. Growth in inequality and concentrated poverty

- Low-income people are concentrated in poor areas – the 20% poorest areas experience far more problems than the rest.
- Concentrated problems are more acute for the poorest 10%.
- Government efforts to solve or reduce these problems have some impact, but the gap remains stubbornly wide.
- The problem of unequal areas is endemic given unequal incomes, skills, background, access to jobs, etc.
- But it poses a serious threat to social order – hence the riots in 2011, 2000 and earlier.
- Area problems impose major costs on society and government due to:
  - Levels of unemployment, particularly youth unemployment.
  - Dependence on housing benefit.
  - Level of children in care, offending rates, youth vandalism, lone parenthood, etc.
  - Governments all over Europe target action on deprived areas to reduce these problems because of the risks and costs.

Sources:
5. Poverty among young people today

• Of the 9 million young people aged 14–24 living in the UK, approximately 30% are living in poverty. This includes 1.9 million young people with an income considerably below the poverty threshold (below 60% of median income)

• There are even more serious concentrations of child poverty at a local level. In 100 local wards, 50–70% of children are growing up in poverty

• Poverty among young people is highest in London at 38%, but the proportion of young adults in London claiming an out-of-work benefit is lower than much of the North of England. Estimates of poverty at the local area suggest that it is highest in the Welsh Valleys, in major cities across England and in some coastal towns

• Among children aged 14 and over, 8% do not have local access to outdoor space in which to play and 9% lack leisure equipment because of cost

• Poverty among 16-19 year olds is now the highest of any age group and has risen from 27% (2002-3) to 34% (2012-13) of all young people in that age group. 21-24 years olds had the next highest poverty share – 29% (2011-13) compared with 23% (2002-3) (MOPSI, 2014)

Sources:
End Child Poverty (2012) ‘Child poverty map of the UK’
6a. A modern history of poverty in the UK

In contrast to the Thatcher and Major Conservative governments, the first two New Labour Governments gave a renewed focus to poverty alleviation with some effect. Reinforcing routes back to work and area-based interventions contributed to a decline in absolute poverty.

Source: Glennerster, H. et al. (2004) ‘One hundred years of poverty and policy’
6b. Challenges for tackling poverty in the UK

- Persistently high rates of economic inactivity and jobless households of working age
- Low benefit levels for those out of work and without children – the ‘poverty gap’ is greatest for single adults without children
- Low wages of many women who work part-time
- Below average achievement rates in secondary schools in disadvantaged localities
- High rates of poverty among particular groups, such as those from certain ethnic minorities and those living with disabilities
- Failure to take up the income guaranteed by the ‘guarantee credit’ in Pension Credit among poor pensioners

Types of poverty prevention

- **Prevention or reduction** in the risk of entering an undesirable state
- **Promotion** of escape
- **Protection** from the impact of a set-back
- **Propulsion** away from poverty by reinforcing exit routes

Extra support for struggling pupils

‘Welfare to work’

Unemployment benefit

Working tax credits

Source: Glennerster, H. et al. (2004) ‘One hundred years of poverty and policy’

The rise in UK social spending (1921–2001)

- What were the achievements and challenges of the last Labour government 1997–2009?
- Key question – what difference did government action make to poverty:
  - child poverty
  - education and opportunity
  - work, pay conditions
  - vulnerable and disadvantaged groups, e.g., ethnic minorities
  - poor areas and communities
- Poor areas were targeted with special programmes to increase people’s chances
- National evaluations clearly show the positive impact on poor conditions of targeted action
- They also show that the 80 poorest local authority areas suffered far more disadvantage than average and were still significantly behind in spite of improvements

8. How to improve poor areas through funded interventions

The 10-year New Deal for Communities (NDC) programme was launched in 1998 with the aim of transforming 39 deprived neighbourhoods in England spending £50m per area over 10 years. It offers a number of important lessons for tackling poverty through area-based interventions (ABIs).

1. Set realistic targets. ABIs are likely to have relatively small impact

2. Choose locations based on:
   - level of deprivation
   - opportunity for change

3. Place-related interventions have higher impact than people-related interventions

4. Reduction in social housing is associated with positive outcomes - often due to displacement

5. Timeframes should be driven by desired outcomes

6. In order to sustain the change, legacy and succession should be planned from an early stage

7. Expectation management is needed as residents often have inflated views of the potential impact of ABIs

Lessons for tackling poverty through area regeneration

9. Bringing up children in poor areas

- This study collects the experiences of 200 families over 10 years living in 4 highly deprived areas.
- Study starts from the premise that core parenting is more difficult where area conditions are worse.
- Evidence from repeat interviews with 50 families in four areas – two in east London and two in the North.
- Findings show families in these areas face:
  - On average four times the level of problems.
  - Crime, poor environment, school problems, youth disorder, fear and insecurity.
  - High turnover of residents and high inflow of newcomers.
  - Poor reputation and negative image.
- But families usually like the areas and find them friendly:
  - Have strong local networks and support.
  - Are hopeful for their children’s future.
  - Want more local, more responsive, face-to-face services and more local supervision.
- Families need safe play areas and want:
  - A chance for their children to let off steam.
  - Access to sport free or for minimal cost.
  - More sport in schools.

10a. Poverty and poor areas – UK’s rich and poor ‘still live in different worlds despite the welfare state’

• There is a geographical relationship between poverty, affluence and area

• Poor people with the greatest need for health care, education, jobs, housing and transport continue to have the worst access to opportunities and quality services 60 years after the founding of the welfare state. For example:
  • There are higher numbers of practising, qualified medical practitioners living and working in areas where rates of illness are lower
  • There is an ‘inverse education law’ in which areas with the highest proportions of young people with no qualifications tend to have the fewest teachers
  • Well-qualified people living outside London and the South East accept lower-status jobs simply because higher-status jobs are less available in poorer regions
  • Some households have more cars than average, while others don’t have any at all. The two groups of households tend to live in very different places

10b. Poverty and poor areas – mapping child poverty

- Child poverty is highest in larger towns and cities
- In 2013, a high proportion of local authorities with high levels of child poverty were located in London
- The highest area outside London was Manchester, on 39%, with Birmingham, on 37%, close behind
- Child poverty appears to be a mainly urban phenomenon. Almost all of the darkest coloured areas are cities or large towns
- As well as the large cities, the coastal areas of England in particular have high levels of child poverty. The North East, as a whole, faces serious child poverty. Everywhere from Scarborough to Gateshead has more than one in four children in poverty

Source: MacInnes, T. et al. (2014) ‘Monitoring poverty and social exclusion’
10c. Poverty and poor areas – ethnic minorities

- Regional location and size of settlement plays a role in how poverty is distributed
- Cities, especially in the North and West, have high concentrations of poor areas
- Because ethnic minorities are more concentrated in cities which generally have higher poverty levels, they are more at risk of living in poverty
- Areas with greater concentrations of minority ethnic groups tend to be more deprived – and minority ethnic groups tend to be disproportionately poor when they live in those areas
- Living in deprived areas affects ethnic minorities more than other groups of the population
- Living in deprived areas has a more negative effect on job prospects for both men and women of ethnic minority background than on the white population
- Many factors contribute to negative job prospects (besides possible discrimination), including local labour markets, stage in the lifecycle, childcare duties, length of time in the UK and qualifications


Health inequalities constitute a social injustice and reducing them should be viewed alongside economic growth as a measure of the UK’s success. The Marmot Review examined their scale, causes, effects and possible interventions.

The lower a person’s social position, the worse their health:
• In England, every year, health inequalities result in the loss of 1.3 and 2.5 million extra years of life
• On average, those living in the poorest areas in England will die seven years earlier than those living in the richest neighbourhoods

Social and economic inequalities drive health inequality. These factors include:
• Early child development and education
• Employment and work
• Housing
• Standards of living

There are ways to help:
• Give every child the best start in life
• Develop healthy and sustainable places and communities
• Create fair employment and decent work for all
• Ensure a healthy standard of living for all
• Strengthen the role and impact of health provision

Health inequalities result in major economic losses to the UK, including:
• Productivity losses - £31–33 billion per year
• Reduced tax revenue and higher welfare payments - £20–32 billion per year
• Increased treatment costs - £5.5 billion per year

11b. Marmot Review – deprived areas, minorities and health inequalities

Groups facing social exclusion tend to have poorer health

- In inner London, the relationship between the spatial distribution of social deprivation and mortality is the same now as a century ago.
- In 2001–2003, men and women living in the nation’s most deprived fifth of areas had lives that were 4 years shorter than the national average.
- Some ethnic minority groups experience poorer health than average. For example, coronary heart disease and diabetes are five times higher among South Asians, and three times higher among African and the Afro-Caribbean populations than the general population.
- Only 11% of Bangladeshis report doing the recommended amount of physical activity, compared with 25% in the general population.

Health inequalities are driven by a number of factors and as a result require a multi-pronged approach to intervention:

- Diets
- Transport
- Climate change
- Green spaces
- The built environment

Actions
- The cost of ensuring a nutritious and sustainable diet should be reflected in setting the minimum wage and benefit levels.
- Increasing the number of areas with a 20 mph speed limit promotes walking and cycling.
- Investment in green spaces in deprived areas encourages physical activity.
- Planning developments should demonstrate their positive impact on health.
- Increased accountability – the NHS should report regulatory measures to reduce health inequalities.

## 11c. Marmot Review - links between unequal areas and health inequalities

<table>
<thead>
<tr>
<th>Issue</th>
<th>Link to health inequality</th>
<th>Recommended intervention</th>
</tr>
</thead>
</table>
| Green Infrastructure       | • Green spaces link directly to physical activity: reducing the risk of heart disease; cutting the risk of premature death by 20–30%; improving general well-being  
  • Residents that live ‘near nature’ in poor areas cope better                                                                                                           | • Ensure there is a park or small supervised, overlooked play area within a four-minute walk of every family home  
  • Develop a new push on growing your own food                                                                                                                                 |
| Housing                    | • Poor housing conditions such as damp and cold cause problems for health, but generally conditions are improving  
  • Poor quality private renting causes problems but so does concentrated poverty in social housing                                                                 | • Funding and regulatory mechanisms should be put in place to enable households across all tenures to upgrade their homes                                                                                                                                 |
| Density                    | • Overcrowding affects only a small proportion of households, but creates high pressures for those that are overcrowded  
  • Noise affects one third of households. It is worse in high-density, deprived rented housing areas                                                                 | • Consideration of public health implications should be included within the planning process                                                                                                                                 |
| Community facilities        | • Community facilities and meeting points are generally beneficial  
  • Social contact between neighbours is low in traffic-bound residential streets, and higher in quieter streets                                                                 | • Ensure that village/community halls exist in every community  
  • Special efforts are needed to include minorities in community activities  
  • Reduce volume and speed of traffic                                                                                                                                 |
| and sociability            |                                                                                                                                                                                                                           |                                                                                                                                                                                                                           |
| Crime and anti-social      | • Children and young people in disadvantaged areas often lack space for “letting off steam”  
  • The ‘broken windows theory’ (that small crimes and anti-social behaviour when neglected can generate more crime) is generally accepted  
  • Parents restrict children’s participation due to safety and security concerns                                                                                   | • Improve level of street activity by making areas more ‘walkable’ – e.g., maintaining footpaths, cycle paths, and street lighting  
  • Increase street supervision, e.g. wardens  
  • Increase organised activities and facilities for children and young people                                                                                      |
| behaviour                  |                                                                                                                                                                                                                           |                                                                                                                                                                                                                           |


### Health
- NHS buildings programme
- Extra doctors and nurses
- Big increase in drugs, clinical supplies
- Reduced waiting times
- Overall volume of health ‘inputs’ up 86 percentage points
- Satisfaction with NHS up from 36% to 71%

### Education
- 48,000 more teachers, 133,000 more teaching assistants
- Fewer pupils per teacher
- One fifth of secondary schools refurbished, big ICT (information and communications technologies) expansion
- Wraparound care
- Excellence in Cities, City Challenge

### Early years
- Free early education for all 3 and 4 year olds
- 3,500 Sure Start children’s centres
- Full-day places in centre-based childcare tripled
- New Early Years curriculum and professional training

### Neighbourhood renewal
- A new national strategy
- Neighbourhood management, policing
- New nurseries, play areas, schools and health centres
- 90% of social homes raised to decent standard

- Public spending under Labour went up by 60% and from 39.5% to 47.4% of GDP (gross domestic product)
- Extra spending went mainly on services. Level of access and quality in public services improved
- Poor neighbourhoods had better facilities, less crime and less vacant housing
- Benefits and tax credits for pensioners and families with children accounted for most of the increased spending after 1996–97

13. Work and welfare reform – survey of 200 social housing tenants across the South West

The Coalition’s Welfare Reform programme has affected many social housing tenants based on survey evidence

Many social housing tenants are not working – less than 2 in 5 work full-time

Social housing tenants often face barriers to working

### Benefit change affecting majority of 200 social housing tenants

<table>
<thead>
<tr>
<th>Benefit change</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Tax</td>
<td>64</td>
</tr>
<tr>
<td>Housing Benefit size criterion</td>
<td>43</td>
</tr>
<tr>
<td>Disability Reassessment</td>
<td>3</td>
</tr>
<tr>
<td>Benefit cap</td>
<td>1</td>
</tr>
<tr>
<td>Other, e.g. sanctions</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total affected by changes</strong></td>
<td>123</td>
</tr>
</tbody>
</table>

Most are now struggling financially and feel worse off in 2014 compared to two years earlier

<table>
<thead>
<tr>
<th>Comparison with two years ago, are you:</th>
<th>Comfortable</th>
<th>Just managing</th>
<th>Struggling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compared with two years ago, are you:</td>
<td>10</td>
<td>80</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td>5%</td>
<td>40%</td>
<td>55%</td>
</tr>
<tr>
<td></td>
<td>Better off</td>
<td>Same</td>
<td>Worse off</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>52</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>14%</td>
<td>26%</td>
<td>60%</td>
</tr>
</tbody>
</table>

14. Social policy in a cold climate – what happened under the Coalition government

Tackling the deficit
- 77% of deficit reductions to come from spending cuts, 23% from new taxes
- Benefits changes protected for pensioners, but not for families with children (see ‘tax benefits’ chart)
- The income tax threshold was raised and the top rate of tax cut

Health and social care
- Maintained spend on the NHS - in cash, though not in needs terms
- Major health reforms including decentralisation, competition and outcomes
- Minimum care standards, inspection and quality regulation revised and strengthened
- Less community adult social care (see ‘falling number’ chart)

Education
- School spending protected: total expenditure went up from £46.1bn in 2009–10 to £46.6bn in 2013–14 – a rise of 1%
- By 2014, 57% of secondary schools and one in 10 primary schools became Academies
- 2014 GCSE attainment fell, and socio-economic gaps opened up for lower attainers

Early years
- Tax-benefit reforms hit families with children under five harder than any other household type
- Nursery entitlement for 3 and 4 year olds rose between 2010 and 2014
- Early Intervention Foundation established
- Spend on childcare and Sure Start services fell by a quarter between 2009–10 and 2012–13, from £2,508 to £1,867

15. Inequality, tax and benefits

People pay in and benefit at different ages
• It is a myth that the population divides into those who benefit from the welfare state and those who pay into it – ‘skivers’ and ‘strivers’
• All citizens – rich and poor – rely on the welfare state throughout their lifetimes, not just a small ‘welfare-dependent’ minority
• Health, education, pensions are for all

Uneven distribution of wealth in the UK 2012-13
• All households in the wealthiest tenth have more than 70 times the wealth of anyone in the bottom tenth
• The total wealth of all those in the top tenth was 1000 times the total wealth of all those in the bottom tenth
• Absolute differences in wealth levels have increased substantially over the last 15 years
• Overall, income inequalities leapt in the 1980s, but then steadied. They dropped sharply in 2010 before stabilising up to the latest figure for 2013 – before recent welfare cuts took effect

16. Financial difficulty and debt in East London

- Rising costs and falling incomes make managing essential bills difficult for people on low incomes
- People struggle under the multiple pressures of juggling bills, avoiding arrears, debt and financial uncertainty
- The biggest costs are rent, energy bills, childcare and food. Childcare costs are a barrier to women working and cause some to give up their jobs. Low pay does not always cover the costs
- Most parents think their children face better prospects than they have themselves, in spite of bigger barriers to work
- Many people receiving benefits see them as a ‘cushion’ to help them cover basic costs they otherwise couldn’t meet
- People hate failing to pay bills. Small reductions in income and benefits squeeze low incomes, making it hard to meet even the most basic needs
- The loss of bridging support affects many:
  - e.g., frontline face-to-face advice, reductions in children’s and youth activities, restricted hours for GP surgeries, hostile attitudes in Job Centres, closure of day centres, lunch clubs, etc
- Low-income areas have compounding problems of crime, litter, reduced services, overcrowding, poor quality insecure housing, and community divisions
- Generally people want to stay in the areas where they live and are motivated to make their lives work
- Private renting causes instability, arrears, evictions, poor conditions, high turnover
- Community networks, social and family supports, foster resilience in people who are struggling
- Most people turn to family and close friends for help when they hit trouble
- Voluntary, community and faith-based support offer direct advice and practical help such as food, clothes, furniture. These activities help to make poor areas work better

17. Conclusion – what does the evidence on poverty and inequality show?

- Poverty is often concentrated in distinct areas
- Poverty affects children and families – working and non-working households
  - Those in work are as likely to be on benefits as those out of work if they are in low-paid, low-skilled jobs
- Efforts targeted at poor areas, working households and communities help to make a difference – but do not close the gap
- Cuts in benefits and tax changes are causing most hardship and poverty for the bottom 40%
- Young people (14–24) have high levels of poverty
  - This is worse if they don’t live at home
  - Young people aged 17-25 experience 3 times the level of unemployment compared with the average
- 60% of working age social housing tenants don’t work
  - This group suffered severe benefit cuts
- Welfare cuts have not reduced the budget deficit and have had a minor impact on getting people off benefits
18. Further reading

Cooper, N. and Dumpleton, S. (2013) ‘Walking the breadline: the scandal of food poverty in 21st century Britain’


Social Policy in a Cold Climate (2015) LSE Centre for Analysis of Social Exclusion team
19. References


Cooper, N., Purcell, S. and Jackson, R. (2014) Below the breadline: the relentless rise of food poverty in Britain, Church Action on Poverty, Trussell Trust, Oxfam


