

# UK Poverty 2017

This is the first report to assess the progress the UK is making in reducing poverty rates and tackling the underlying drivers of poverty since the publication of JRF's Strategy to Solve Poverty in 2016. The report examines how UK poverty has changed over the last 20 years, as well as more recent developments.

**JRF Analysis Unit – Helen Barnard**, Head of Analysis

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## Key Finding

Over the last 20 years the UK has seen very significant falls in poverty among children and pensioners. Twenty years ago a third of children lived in poverty; this fell to 27% in 2011/12. In 1994/95, 28% of pensioners lived in poverty, falling to 13% in 2011/12. This progress is now at risk of reversing: poverty rates for both groups have started to rise again, to 16% for pensioners and 30% for children.

## Conclusions

- Three factors led to falling poverty: increased support through benefits and tax credits; rising employment; and containing the impact of rising rents through housing benefit and increased home ownership. All are now under question:
  - The continued rise in employment is no longer reducing poverty.
  - State support for low-income families through benefits and tax credits is falling in real terms.
  - Rising rents, less help for low-income renters and falling home ownership leave more people struggling to meet the cost of housing.

# Background

This research examines trends in poverty over the last 20 years. It presents analysis of the main factors driving these trends, including changes in employment, skills and pay and state support for working-age families and pensioners. The report also explores aspects of life which are closely linked to poverty – the quality and security of housing, mental and physical health and relationships within families and more widely. Finally, it examines trends in factors which have a strong impact on the prospects of future poverty: education and financial resilience.

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## Key points

- Poverty among children and pensioners has risen in the last few years. 30% of children and 16% of pensioners now live in poverty.
- One in eight workers live in poverty – 3.7 million.
- 47% of working-age adults on low incomes spend more than a third of their income (including Housing Benefit) on housing costs. More than a third of working-age adults receiving Housing Benefit now have to top it up out of their other income to cover their rent<sup>1</sup>.
- 30% of people living in a family with a disabled member live in poverty, compared to 19% of those who do not.
- Nearly a quarter of adults in the poorest fifth of the population experience depression or anxiety.
- More than one in 10 working-age adults in the poorest two fifths, and around one in six pensioners in the poorest fifth, are socially isolated.
- 20% of those in the poorest fifth have 'problem debt'. 70% of people in work are not contributing to a pension.

## Working-age poverty

Poverty rates are consistently highest among children and their parents. The groups with highest poverty are lone parent families and families with three or more children. Poverty rates fell significantly for these groups over the last 20 years. In 1994/95, 58% of lone parents lived in poverty, falling to 41% in 2010/11 before rising again to 46% in 2015/16. In 1994/95, 45% of children in families with three or more children lived in poverty, falling to 32% by 2012/13 before rising again to 39% in 2015/16. Poverty among families with children is rising, largely due to reductions in the support offered by benefits and tax credits. Tax cuts and minimum wage rises are beneficial for some, but for many low-income families, the gains are far outweighed by reductions in the more targeted support given by the benefit and tax credit system. 3.7 million workers live in poverty. Of the 12 million working-age adults and children in poverty, 8 million live in families where at least one person is in work.

Poverty rates among couples without children have always been low and have changed very little with around one in ten in poverty throughout. Levels of poverty among single people without children have also been fairly steady – around a quarter were in poverty in 1994/95, rising to 28% in 2009/10 and falling back to a quarter by 2015/16.

Increasing costs for essential goods and services have exacerbated the financial pressures faced by families on low incomes. 47% of working-age adults in the poorest fifth of the population now spend more than a third of their income (including Housing Benefit) on housing costs; up from 39% in 1994/95. Since 2003, overall inflation has been higher for people on low incomes than for those who are better off.

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<sup>1</sup> Working-age adults in receipt of income support, income-related employment and support allowance, income-based jobseeker's allowance or guaranteed part of Pension Credit.

## Pensioner poverty

In 1994/95, pensioners had the highest rates of poverty in the UK apart from children. Nearly three in ten pensioners lived in poverty; by 2011/12, this had fallen to only 13%, driven mainly by falls in poverty among single pensioners. More recently, however, pensioner poverty has started to increase again, reaching 16% in 2015/16.

The main falls in the pensioner poverty rate happened among single pensioners between 1998/99 to 2004/05. This was driven by increased state support for low-income pensioners through the Pension Credit Guarantee (previously the Minimum Income Guarantee) and rising home ownership which reduced the proportion having to meet rising rents. In the past few years these drivers have become weaker. The Pension Credit Guarantee has failed to keep up with prices. Housing costs for those pensioners still renting have risen.

## Housing, health and relationships

The proportion of homes which do not meet minimum standards of covering safety, state of repair, facilities and thermal comfort has fallen over time but those on low incomes remain more likely to live in these houses than those who are better off. In England, just over one in five of people in the poorest fifth of the population live in 'non-decent' homes.

Disability is strongly linked to poverty – 30% of people in families with disabled members live in poverty, compared to 19% of those who do not. More broadly, adults in the poorest fifth of the population experience worse physical and mental health than those who are better off. Nearly a quarter of adults in the poorest fifth of the population experience depression and anxiety – more than twice as many as those in the richest two fifths of the population. The proportion of those in the poorest fifth in England experiencing these mental health conditions has also increased over time.

More than one in ten of working-age adults in the poorest two fifths of the population are socially isolated, compared to just over one in 20 of those in the richest fifth. Around one in six of the poorest fifth of pensioners are socially isolated, compared to only around one in 14 in the richest fifth.

Children in lower-income families are more likely to report that they quarrel with their parents and do not discuss important issues with them. The proportion of couples experiencing 'relationship distress' is higher in the poorest fifth of the population and decreases as incomes rise: just under one in ten of those in the poorest fifth, compared to around one in 20 of those in the richest fifth. Couples who are on low incomes are more likely to separate than those who are better off.

## Education and skills

In England and Northern Ireland, at age 16 young people from poorer backgrounds are around a third less likely to achieve good qualifications than better-off students. In Wales they are about half as likely and in Scotland a fifth less likely (although this is not directly comparable with other parts of the UK as attainment data in Scotland is available by area rather than family's circumstances).

Since 1996, there has been a large decrease in the proportion of working-age people with no qualifications and an increase in the proportion with higher education and degree level qualifications. By 2016, less than one in 10 working-age adults in England, Scotland and Wales had no qualifications, a reduction of more than half. Wales had caught up with England and Scotland by this time, having begun with a higher proportion of adults with no qualifications. Northern Ireland stands out as having the highest proportion of adults with no qualification (30%) in 1996, and still having a much higher proportion in 2016 (16%), despite a reduction of nearly half.

Since 1996, the proportion of working-age adults with higher education qualifications has nearly doubled in England, Wales and Scotland; 45% of working age adults in Scotland, 38% in England and 35% in Wales have these qualifications. In Northern Ireland, the proportion with higher education qualifications was the lowest in 1996 (at 17%) and remained the lowest in 2016 (at 31%).

## Debt and pension accumulation

20% of those in the poorest fifth report having 'problem debt', compared to 11% of the second poorest fifth and just 1% of those in the richest fifth.

Only 30% of people in work in the poorest fifth of the population are contributing to a pension scheme, compared to 67% of those in the richest fifth.

## Conclusion

The prospects for solving UK poverty are worrying. The continuing rise in employment is no longer leading to lower poverty. Changes to benefits and tax credits for working-age families are reducing the incomes of many of those on low incomes. High housing costs continue to reduce the incomes available for those in poverty to meet other needs. Inflation is rising and is higher for those on lower incomes than for better-off groups. This squeeze on living standards is also storing up problems for the future; a fifth of people on low incomes have 'problem debt'; most are not building up a pension; the decreasing proportion of the working-age population buying their own home means that in the future more older people are likely to rent and have higher housing costs in retirement.

The UK has seen considerable success in improving skills and increasing employment. However, the majority of young people from disadvantaged backgrounds still do not achieve five good GCSEs and there is still a group of adults with no or low qualifications who are at an increasing disadvantage in the labour market. Part-time workers are particularly vulnerable to poverty, with a poverty rate more than twice as high as full-time workers, and qualifications are far less effective in improving their pay prospects than for full-time workers.

The impact of poverty on physical and mental health and on relationships within families add to the disadvantages facing those living on low incomes. Enabling those in poverty to improve their incomes and reduce their costs, as well as addressing the negative impacts of low incomes, would help to prevent future poverty.

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## About the project

This report was written by the Analysis Unit at JRF; Helen Barnard, Ashwin Kumar, Andrew Wenham, Eddie Smith, Ben Drake, Aleks Collingwood and David Leese. It is based on their analysis of a range of household surveys and published statistics. Thanks to Wendy Sykes, Nick Coleman and Andrea Finney from Independent Social Research, and Dave Thomson from the Education Datalab/FFT Education for their contributions to the analysis for this report. We would also like to thank Luke Staniland for his advice and support in developing the analysis for the report. All views and any errors contained in this report are the responsibility of the authors.

## For further information

The full report, **UK Poverty 2017** by the JRF Analysis Unit, is published by the Joseph Rowntree Foundation. It is available as a free PDF at [www.jrf.org.uk](http://www.jrf.org.uk)

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Joseph Rowntree Foundation  
The Homestead  
40 Water End  
York YO30 6WP  
Tel: 01904 615905

email: [info@jrf.org.uk](mailto:info@jrf.org.uk)  
[www.jrf.org.uk](http://www.jrf.org.uk)  
Ref: 3272