



SOCIAL METRICS COMMISSION BRIEFING: AUTUMN BUDGET 2018

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BACKGROUND

This briefing provides unique insight into the extent and nature of poverty in the UK. It uses the approach to measurement launched by the Social Metrics Commission (SMC) in September 2018.

For the first time, 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 families' ability to make ends meet, the SMC's poverty measure tracks:

1. The degree to which a family is below the poverty line
2. The length of time a family is below the poverty line
3. The experience of living in poverty.

Government action can therefore be taken on any aspect of these measures, and improvement will be visible and rewarded.

Results from the Commission's report in September showed that:

- 14.2 million people in the UK population live in poverty: 8.4 million working-age adults; 4.5 million children; and 1.4 million pension-age adults.
- Over half of those in poverty (58.2%) also live in persistent poverty. This means that more than one in ten (7.7 million) of the total UK population are in poverty now and have been in poverty for at least two of the previous three years. Persistent poverty is highest in families more than 10% below the poverty line, in workless families and families where someone is disabled.
- People with a disability are much more likely to be living in poverty. Nearly half of the 14.2 million people in poverty live in families with a disabled person (6.9 million people, equal to 48.3% of those in poverty). The SMC metric recognises the inescapable costs of disability, accounting for them alongside the value of disability benefits, to reflect the lived experience of living with a disability.
- Far fewer pensioners are living in poverty than previously thought, with a significant fall in pensioner poverty over the last 15 years. Poverty rates amongst pension-age adults have nearly halved since 2001, and have fallen to one in ten, a drop from 17% of the total population in poverty in 2001 to 11% in 2017. There are, however some pensioner groups still experiencing high levels of poverty. For example, the poverty rate for pensioners who do not own their own home is 34.2%.

NEW ANALYSIS ON WORKING FAMILIES

With significant external commentary focussed on in-work poverty, the Commission has produced an assessment of the experience of families where at least one adult is in work. It shows that a range of factors combine to determine whether these families are in poverty. To ensure that policy decisions aimed at reducing poverty and increasing prosperity make a real difference to these families, the Government and others should use this approach in assessing policy impacts and monitoring progress.

All working families:

- There are close to 13 million working age adults and children in poverty in the UK. Nearly two-thirds (65.2%) of these are in families where someone works (at least part-time).
- Nearly one in ten (9% or 2.8 million) working age adults and children live in families where all adults work full-time and are also in poverty.
- The very high housing costs faced by some families are key to understanding poverty amongst this population. For example, for families who are in poverty and work full-time, the median housing cost for two adults is £120 a week.

Working families including a disabled person:

- There are 3.1 million people living in a family where someone is disabled, who live in poverty despite someone in the family working either full or part time.
- Of these people in poverty in a working family where someone is disabled, 700,000 live in families where all the adults work full-time.
- The extra costs faced by disabled people are key to understanding poverty amongst this population. These costs have been ignored in previous measures of poverty.

Poverty depth for working families in poverty or close to poverty:

- Many of those who are in working families and in poverty are close to the poverty line. Relatively small changes to their situation could bring them out of, or push them into, poverty:
 - More than one in ten (12.0%) of those in poverty and working full-time are less than 5% below the poverty line; and
 - Nearly half (49.5%) of those in poverty and working full-time are less than 25% below the poverty line.
 - 900,000 people are in working families that are less than 5% above the poverty line.
 - Of these, 300,000 people are in families where all adults work full time.

*Poverty persistence for working families in poverty:*¹

- Just 2.9% of people living in families where all adults work full-time are living in persistent poverty; and
- Nearly one in five (18.4%) of those living in families where there is a mixture of adults working full- and part-time, live in persistent poverty.

¹ Persistent poverty is defined as being in poverty this year and two out of the last three years.

Lived Experience Indicators for working families

The table below shows the extent to which certain factors and experiences are more or less prevalent in working families in poverty relative to those not in poverty.

	People in poverty in working families	People <u>not</u> in poverty in working families
Health		
Self-reported disability	37.1%	29.4%
At least one adult in family with poor self-reported physical health	19.3%	15.2%
At least one adult in family with poor self-reported mental health	32.2%	26.1%
One or more adult in family with low life satisfaction	14.4%	10.9%
One or more youths in family has drunk to excess in last four weeks	47.4%	65.4%
One or more adults in family has drunk to excess in the last year	68.0%	78.6%
One or more adults in family smokes cigarettes (not incl. e-cigarettes)	33.5%	22.1%
One or more youths in family has used or taken illegal drugs at least once in the last year	13.0%	22.1%
Labour market opportunity		
No-one in family has any formal qualifications	9.0%	3.0%
All adults have low formal qualifications (below 5a*-c GCSEs or equivalent)	13.9%	6.1%
Average time spent travelling to work for working adults in family (minutes)	22.9	26.3
All full-time students in family are aiming for post 16 qualifications	76.2%	85.5%
Family, relationships and community		
Single adults	16.9%	19.0%
Lone parent families	12.8%	5.0%
Couples with no children	11.5%	26.2%
Couples with children	56.3%	41.8%
Single pensioners	0.7%	1.7%
Pensioner couples	1.8%	6.4%
All adults in family feel close to others most of the time	38.8%	40.0%
Youth in family feel supported by their family/people who they live with in	95.2%	97.0%
At least one adult in family feels unsafe walking alone at night	29.0%	22.2%
One or more adults in family spends time caring for someone	23.9%	24.7%
All adults perceive the majority of local services as good	41.7%	38.2%
All adults in family think people in their neighbourhood can be trusted	44.1%	58.1%
One or more adults in family are active in at least one organization	52.6%	68.8%
One or more adults in family are members of at least one organization	54.1%	74.5%
Average size of social network for adults in family (mean number of close friends)	5.5	6.5
Family finances		
Household is behind in paying bills	22.5%	8.8%
People in families reporting material deprivation	32.0%	7.0%
One or more adult in family with low income satisfaction	26.8%	14.7%
One or more adults in family has felt embarrassed by low income	44.8%	25.3%
One or more adults in family saves	44.2%	72.1%

Note: working families are defined as any family, which has one or more adults in work (full or part time)

ABOUT THE SOCIAL METRICS COMMISSION

The Social Metrics Commission is an independent Commission formed and led by the Legatum Institute's CEO Baroness Stroud. It is an independent and rigorously non-partisan organisation dedicated to helping policy makers and the public understand and act to tackle poverty.

The Legatum Institute hosts the Commission and is the lead sponsor. This Commission's work would not be possible without that support, and the research, editorial and functional independence that has underpinned the Commission's work. The Commission has also been generously supported by the Joseph Rowntree Foundation, Calouste Gulbenkian Foundation (UK Branch), Garfield Weston Trust, PF Charitable Trust and Mr Sanjit and Mrs Sangeeta Talukdar. Over the course of the Commission, Oliver Wyman have provided significant pro-bono technical support to the Commission, which was essential in providing a rigorous approach to the data.

Membership of the Commission numbers fifteen commissioners, as follows:

Commissioners

Philippa Stroud (Chair)	Legatum Institute
Helen Barnard	Joseph Rowntree Foundation
Dr Stephen Brien	Legatum Institute
Prof Leon Feinstein	Office of the Children's Commissioner
Deven Ghelani	Policy in Practice
Prof Paul Gregg	University of Bath
Dr David Halpern	Behavioural Insights Team
Dr Nick Harrison	Oliver Wyman
Oliver Hilbery	Making Every Adult Matter
David Hutchison OBE	Social Finance
Robert Joyce	Institute for Fiscal Studies
Carey Oppenheim	London School of Economics
Rt Hon David Laws	Education Policy Institute
Hetan Shah	Royal Statistical Society
Stephan Shakespeare	YouGov

TECHNICAL DETAILS

Data used in this briefing:

Understanding Society: University of Essex. Institute for Social and Economic Research, NatCen Social Research, Kantar Public (2018): Understanding Society: Waves 1-7, 2009-2016 and harmonised BHPS: Waves 1-18, 1991-2009. [data collection]. 10th Edition. UK Data Service. SN: 6614, <http://dx.doi.org/10.5255/UKDA-SN-6614-11>. Understanding Society is an initiative funded by the Economic and Social Research Council and various Government Departments, with scientific leadership by the Institute for Social and Economic Research, University of Essex, and survey delivery by NatCen Social Research and Kantar Public. The research data are distributed by the UK Data Service.

Family Resources Survey: Department for Work and Pensions. (2018). Households Below Average Income, 1994/95-2016/17. [data collection]. 11th Edition. UK Data Service. SN: 5828, <http://doi.org/10.5255/UKDA-SN-5828-9>

Summary methodology

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