

Population

Living standards, poverty and inequality

Child poverty has been on the rise since 2011, and over the last five years half a million more working people in the UK are living in poverty. What are some of the consequences of living in poverty for children, families and individuals? How does it affect their health? What are the effects for someone's chances in life if they claim benefits? Research funded by the ESRC helps give us an insight into some of these questions.

When the UK economic recession hit in 2008 unemployment rose and cuts in public services were made. The government estimated at the time that the financial crisis cost public finances about £90 billion a year. These cuts in services, in addition to the introduction of universal credit and the rise of living costs, have had a knock on effect to those who find themselves living in financial difficulties.

On 1 April 2016 the National Living Wage was introduced. The government set a minimum wage to ensure that people aged over 25 could be sure of consistency in the minimum income they could expect to receive. The HM Treasury estimated that 2.7 million people would benefit directly. In the first year it was rolled out, pay for low-waged employees grew more than those on middle or high wages. This higher pay, however, didn't always mean a higher 'take home' wage, after deduction of taxes, and despite benefits received.

The ESRC-funded report by the Institute for Fiscal Studies *Living standards, poverty and inequality in the UK: 2018* stated that income rose on average 1.6% per year from 2011 to 2017. In spite of this, income inequality is currently much higher than it has ever been since the 1970s, having changed very little since 1990. Employment grew the most in low-to-middle income households, but benefits received by the lowest income households fell. The average income for a childless couple in 2016-17 was £25,700, a single adult's was £17,200 and a couple with two young children earned on average £35,900.

People with a long standing illness, were 50% more likely to be living in poverty, and 70% more likely to be in poverty for more than three years.

The report looked at the link between illness and poverty. Research showed that people were more likely to have long-standing illnesses if they were single, had low levels of education or if they were older. If a person had a long-standing illness, they were 50% more likely to be living in poverty and 70% more likely to be in poverty for more than three years. This also had a knock-on effect for their living standards, as people were also twice as likely to be unable to afford things like paying bills, repaying debt and heating their houses properly. Working-age families getting more than a third of their total income came from benefits were more likely to be hit by benefit cuts and less likely to



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feel the effects of average earnings rising. Poverty for those in employment has risen, particularly for working parents. The Joseph Rowntree Foundation stated in 2018 that child poverty has been rising since 2011 and that 4.1 million workers are living in poverty, a rise of more than half a million over the last five years.

A new benefits system, called universal credit, was initiated in 2011 by the UK government. This single monthly payment rolled together previously separate benefit payments such as child tax credit, housing benefit and income support. It aims to help with living costs and will be rolled out across the UK by 2023.

In 2016 the Institute for Fiscal Studies published its Green Budget, which included analysis on the effects of universal credit. Research suggests that this new system will have a detrimental effect for some claimants. Around 2.1 million households will get less in benefits (an average loss of £1,600 a year) and 1.8 million people will get more (an average gain of £1,500 a year). This is due to the limit being lowered on the amount recipients can earn before their benefits are withdrawn. Researchers suggest that those likely to gain from the introduction of universal credit will be low-earning households in rented accommodation and one-earner couples with children.

On the other hand, working lone parents and two-earner couples are more likely to lose out in the new benefit system. The full impact of universal credit has yet to be measured, but it has already received substantial criticism from charities and media coverage due to delays in rolling it out and issues with delayed payments.

Key facts and figures

- Nearly half of children in lone-parent families in the UK live in poverty
- Income is predicted to grow by around 5.1% between 2015-16 and 2021-22
- Absolute poverty is projected to fall in the South, the East, Yorkshire and Scotland, but rise in the North East, North West, Wales, Northern Ireland and the Midlands.

