



MEASURING
POVERTY

A new measure of poverty for the UK

A summary of the report by the Social Metrics Commission

Chaired by **Philippa Stroud**, CEO of the Legatum Institute

SEPTEMBER 2018



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 take action to tackle poverty. Its ultimate goal has been to develop new poverty metrics for the UK which will have both long-term political support and effectively identify those who are in poverty. By doing so, we hope that Government and others will be better able to develop interventions that reduce the number of people experiencing poverty and improve outcomes for those people who do experience it.

This report summarises the Commission's work over the last two and half years and outlines its conclusions and recommendations for how poverty measurement should develop in the UK.

The Commission would like to thank both the Legatum Institute for hosting the Commission and making available the resources of its Centre for Metrics, and the Legatum Foundation for their significant support of this work. This report would not have been possible without that support, and the research, editorial and functional independence that has underpinned the Commission's work.

CONTACTING US AND CONTRIBUTING

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SUPPORTERS OF THE COMMISSION

The Social Metrics Commission would like to thank the following organisations and people for their generous support for the work of developing new poverty metrics for the UK.

- Joseph Rowntree Foundation;
- Calouste Gulbenkian Foundation (UK Branch);
- Garfield Weston Trust;
- Oliver Wyman;
- 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. Without the support of both their talented consultants and analysts and their senior leadership team, this work would not have been possible.



ACKNOWLEDGEMENTS

Over the course of the last two and a half years, the Commission has received significant support, input, advice and critique from a wide range of individuals and organisations. It would be impossible to name everyone who has been involved, however a number of people and organisations have made a very significant contribution. These are highlighted below.

Thanks, of course, go to the technical team and members of the secretariat. Particular thanks go to Guy Miscampbell and Emily Harris, who have worked tirelessly on the data that underpins this work.

During the life of the Commission, two Commissioners had to subsequently move on. Thanks go to Sian Hansen and Alex Burghart MP, whose input was invaluable at the start of the Commission's journey.

The Commission has also enjoyed the support of a panel of academics and experts and wider stakeholders, who have fed back thoughts and comments as the work has progressed. Thanks go to all of those involved in this process. The Technical Team and Secretariat would like to personally thank Peter Matejic (Department for Work and Pensions) and Donald Hirsch (Loughborough University) for their time and patience with continued requests and clarifications.

Finally, thanks also go to members of the team at the Oxford Poverty and Human Development Initiative. Their expertise on international models of poverty measurement and, in particular, multi-dimensional poverty measurement was incredibly helpful to frame the Commission's thinking.

ABOUT THE LEGATUM INSTITUTE

As CEO of the Legatum Institute Baroness Stroud has been proud to Chair the Social Metrics Commission and for the Legatum Institute to host the Commission and contribute to the vital work that has been undertaken. The Legatum Institute is a London-based think-tank with a global vision: to see all people lifted out of poverty. Our mission is to create the pathways from poverty to prosperity, by fostering Open Economies, Inclusive Societies and Empowered People.

We do this in three ways:

Our **Centre for Metrics** which creates indexes and datasets to measure and explain how poverty and prosperity are changing.

Our **Research Programmes** which analyse the many complex drivers of poverty and prosperity at the local, national and global level.

Our **Practical Programmes** which identify the actions required to enable transformational change.

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PERSONAL THANKS FROM BARONESS STROUD

My thanks have to go to all the Commissioners for staying the course of a two and a half year journey, for listening and hearing one another, and for your commitment to those in poverty.

My personal thanks also have to go to Matthew Oakley and the secretariat team. Each one of us on the Commission knows that we would not be in this place without your steady, systematic, thorough commitment to excellence and intellectual rigour. You worked tirelessly to co-ordinate us, to build consensus, to find a way through and never took your eyes off the lived experience of those in poverty. Thank you.

CONTENTS

Foreword	4
Executive summary	6
Key findings	7
Section 1: Developing a new approach to measuring poverty	9
Section 2: Poverty in the UK	24
Section 3: Understanding the nature of poverty	36
Section 4: How does the Commission's measure compare?	43
Section 5: Conclusions	48

FOREWORD



I established the Social Metrics Commission with the sole aim of developing new measures of poverty for the UK. The need for an independent Commission was clear; much of the last decade of political and policy debate on poverty has focussed on whether and how we should measure poverty, rather than the action needed to drive better outcomes for the most disadvantaged in our society. If this is to change, I was clear from the start that developing a metric was not enough; we also needed to be able to use it to build a new consensus around poverty measurement and action in the UK.

To do this, over the last two and half years, I have brought together top thinkers from left and right, with policy and measurement experts with no political position. Each of us came to the question with our own experience, views and ideas for where poverty measurement in the UK should focus and how it could and should be taken forward. All of those views have been shared openly and we have undertaken significant analysis, research and stakeholder consultation to bring our views together.

This report marks the culmination of that work. It outlines a new approach to poverty measurement for the UK and provides original analysis that demonstrates the fundamental changes to our understanding of poverty it creates. Most importantly, the approach, results and recommendations in this report are supported by every Commissioner. They truly represent a consensus view of how we should measure and understand the incidence of poverty in the UK and the experiences of those who are in poverty.

Why is this so different?

This new metric accounts for the negative impact on people's weekly income of inescapable costs such as childcare and the impact that disability has on people's needs; and includes the positive impacts of being able to access liquid assets such as savings, to alleviate immediate poverty. The Commission's metric also takes the first steps to including groups of people previously omitted from poverty statistics, like those living on the streets and those in overcrowded housing.

The metric is also positioned within a wider framework that helps us to see a more detailed picture of exactly who is poor, and the range of factors that can detrimentally impact on their lives, their experience of poverty and their future chances of remaining in, or entering poverty.

Many of these sound like simple ideas, and our research with the general public shows strong support of the idea that poverty should take account of each of them. However, this is the first time that all of these ideas have been brought together into a coherent framework for poverty measurement, which can be applied to existing UK data.

What does it mean?

There are some areas of good news; far fewer pensioners are living in poverty than previously thought, with a significant fall in pensioner poverty over the last 15 years. This is a tribute to all the hard work done to improve the lives of pensioners over the last two decades and shows that concerted policy action can really make a difference.

However, there are also many other new findings that challenge us to sharpen our focus.

The report highlights that 7.7 million people are living in persistent poverty. These people have spent all or most of the last four years (and more) in poverty. Persistence rates are particularly high for children and working-age adults who live in workless families and families with a disabled person. Given that we know that long periods in poverty can be particularly damaging to people's lives and prospects, this is a significant concern.

The report also highlights a range of groups that have previously been under-represented in official measures of poverty. For example, our approach suggests that nearly half of the 14.2 million people in poverty live in families with a disabled person. Compared to previous measures, it also shows that those families struggling to make ends meet because of childcare and housing costs and those who lack a financial buffer to fall back on are much more likely to be in poverty.

A tendency to focus on incomes only has meant that we have previously failed to adequately consider the impact that a lack of financial resilience, and high essential costs have on families lives. The Commission's metric ends that trend by developing a clear methodology for understanding these issues.

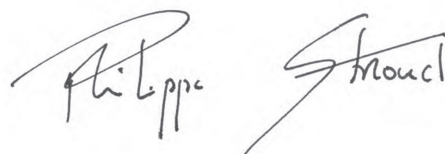
What next?

We want to put poverty at the heart of government policy-making and ensure that the decisions that are made are genuinely made with the long-term interest of those in poverty in mind. There are many ways in which these results can and should be taken forward to do this.

Personally, I was struck by the clear link between worklessness and the incidence of poverty and persistent poverty. The results show that close to nine in ten (88%) of those living in workless couple families with children are in poverty. This compares to just three in one-hundred (3.3%) of those in equivalent families where both adults work full time. The situation is echoed in statistics on persistent poverty; while 13.1% of children in working families are in persistent poverty, 48.7% of all children in workless families are in persistent poverty.

Of course, views on policy priorities will differ across the political spectrum. The most important thing now is that, as a country, we have a better understanding of the extent and nature of poverty, which we can all agree on. I truly believe that the Commission's approach provides that understanding.

For too long it has been possible to have a debate about the measurement of poverty. Now I call on people and organisations across, and outside of, the political spectrum to support this work so that we can all move on and put all our energy into creating pathways out of poverty.



Baroness Philippa Stroud
Chair of Social Metrics Commission
CEO of the Legatum Institute

EXECUTIVE SUMMARY

While various measures of income inequality and poverty exist, the UK no longer has an official measure of poverty for children, adults or pensioners.¹ This leaves a situation where policymakers and politicians are less able to track progress and it is more difficult to hold them to account for effectively tackling the causes of poverty or improving the lives of those in poverty.

The Social Metrics Commission was brought together to develop a new approach to poverty measurement that both better reflects the nature and experiences of poverty that different families in the UK have, and can be used to build a consensus around poverty measurement and action in the UK.

The Commission is a rigorously non-partisan organisation. Its membership is drawn from top UK poverty thinkers from different political and professional backgrounds, alongside data and analytics experts and those with experience of working with and supporting people living in poverty. This report summarises the work that the Commission has undertaken over the last two and a half years.

It presents a detailed articulation of how the approach to poverty measurement can be improved in the UK and elsewhere. The Commission's new measure:

- Takes account of all material resources, not just incomes. For instance, this means including an assessment of the available assets that families have;
- Accounts for the inescapable costs that some families face, which make them more likely than others to experience poverty. These include, the extra costs of disability, and costs of childcare and rental and mortgage costs;
- Broadens the approach of poverty measurement to include an assessment of housing adequacy. For example, by regarding those sleeping rough as being in poverty; and
- Positions the measure of poverty within a wider measurement framework, which allows us to understand more about the nature of poverty in the UK.

Following this, the report summarises the most comprehensive implementation of this framework that is possible with existing data and research in the UK. Summary results and findings are then presented.

What next?

Measuring poverty is essential if action is going to be taken to improve the lives of those currently in poverty in the UK or who, without action, would otherwise be in poverty in future. The Commission would like to see the measurement of poverty, including by Government, the ONS, policy makers and those researching and working with people in poverty, adopt the approach outlined in this report.

The Commission will do all it can to support this, including by publishing technical papers on the methodology and making available the programming code that underpins the measure to enable straightforward replication by other analysts.

The Commission's work is only the start of what needs to happen. The Commission hopes that its work will stimulate much needed further research and improvement in UK survey and administrative data. This would allow for a full practical implementation of the Commission's full measurement framework.

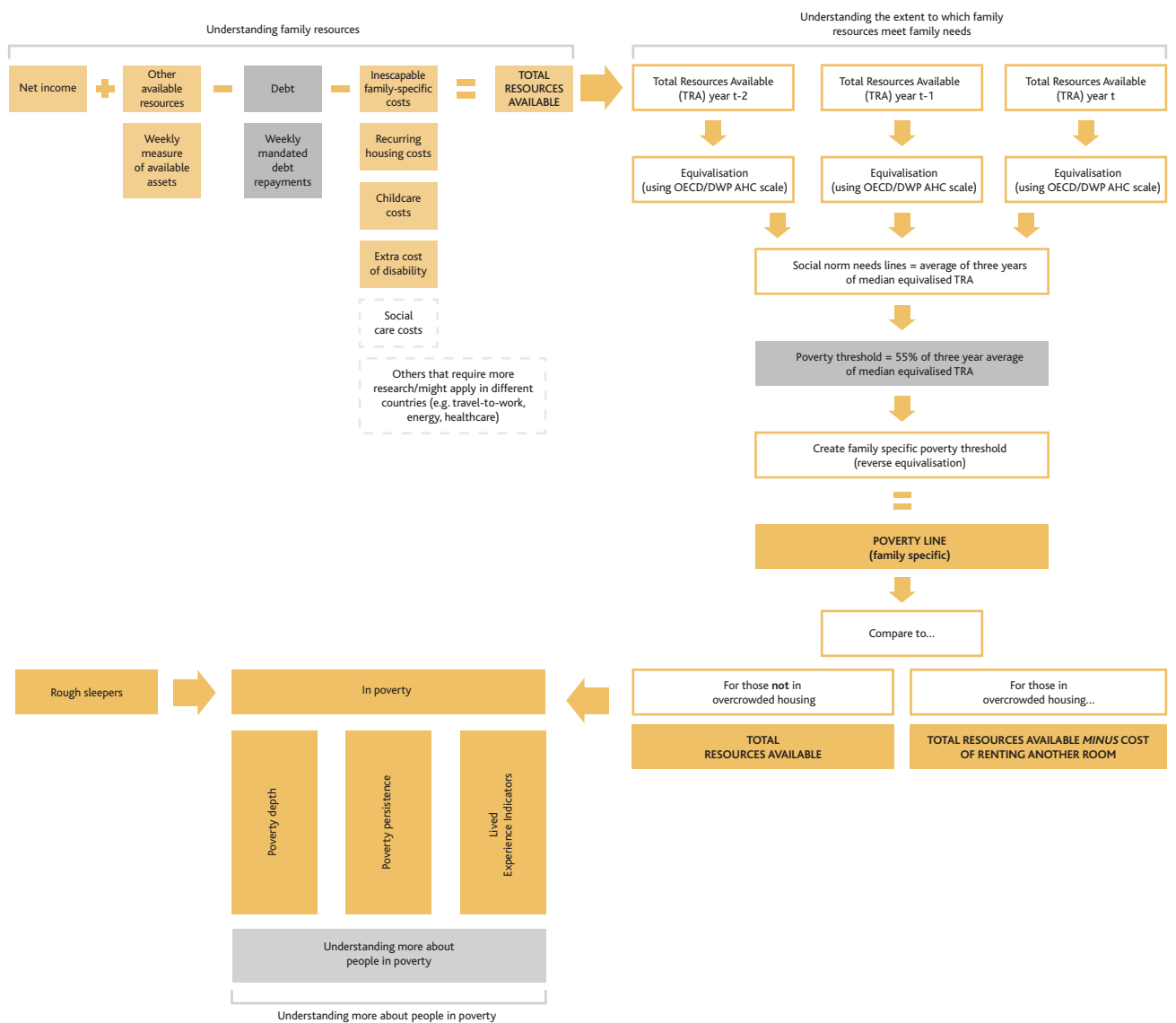
KEY FINDINGS

- Compared to previous measures, the Commission's new measure makes significant changes to our understanding of who is in poverty. In particular it:
 - Better identifies people in poverty in families that include a disabled adult or child;
 - Better identifies people in poverty in working-age families with children; and
 - Shows that fewer people in pension-age families are in poverty.
- This is because the measure takes account of both the way in which the costs of childcare and disability affect people's ability to make ends meet, and how those with significant liquid assets are able to use them to meet their current needs.
- The measure also includes a more comprehensive picture of how far people's housing needs are being met, particularly in relation to homelessness and overcrowding.
- The Commission's measurement framework also provides detailed insights into poverty depth and persistence and the wider factors that can impact on the lives of people in poverty.

Under the Commission's new measure:

- **14.2 million people in the UK population are in poverty:** 8.4 million working-age adults; 4.5 million children; and 1.4 million pension age adults.
- **12.1% of the total UK population (7.7 million people) live in persistent poverty,** (over half of those who appear in our new in poverty measure). This means that more than one in ten of the UK population are in persistent poverty.
- **More than six in ten working-age adults and children who live in families more than 10% below the poverty line, are also in persistent poverty.** For those less than 10% below the poverty line, the figure is four in ten.
- **Of the 14.2 million people in poverty, nearly half, 6.9 million (48.3%) are living in families with a disabled person.**
- **Far fewer pensioners are living in poverty than previous measures suggested.** Poverty rates amongst pension-age adults have also nearly halved since 2001 (falling from 20.8% in 2001 to 11.4% in 2017).
- **The majority (68%) of people living in workless families are in poverty.** This compares to just 9% for people living in families where all adults work full time.
- **Around 2.7 million people are less than 10% below the poverty line,** meaning that relatively small changes in their circumstances could mean that they move above it.
- **There are 2.5 million people in the UK who are less than 10% above the poverty line.** Relatively small changes in their circumstances could mean they fall below it.
- **There is a "resilience gap" between those in poverty and those not in poverty.** Across a wide range of factors that impact upon families' lives, there are measurable and significant differences between these two groups.

OVERVIEW OF THE COMMISSION'S APPROACH TO MEASUREMENT



SECTION 1: DEVELOPING A NEW APPROACH TO MEASURING POVERTY

ABOUT THE COMMISSION

History of the Commission

The Social Metrics Commission ('the Commission') was formed in early 2016, with the goal of creating new poverty measures for the UK. The need for the Commission is clear; while various measures of income inequality and poverty exist, there is no longer a UK-wide official measure of poverty. This leaves a situation where policymakers and politicians cannot effectively be held to account for either tackling the causes of poverty or improving the lives of those who do experience poverty.

The Commission is rigorously non-partisan. Its membership draws together top UK poverty thinkers from different political and professional backgrounds, alongside data and analytical experts and those with experience of working with and supporting people living in poverty. The work has been led by an independent Secretariat and Technical Team who have presented Commissioners with detailed analysis, research and advice through which evidence-based decisions have been made.

This approach has taken time. The full Commission has met over 20 times and there have been around 70 meetings of the Steering Group over the last two years. This summary report, the full report and the associated technical papers now reflect the Commission's final decisions. They are supported by all Commissioners.

WHAT NEXT?

The Commission believes that the approach to measuring poverty recommended in this report is the best possible with existing data and research. The Commission hopes that others will take on its approach and that a range of organisations and individuals begin to use the measure.

The Commission is considering how it will continue to play a strong role in leading the development of poverty measurement. More detail on the role and continued membership of the Social Metrics Commission will be confirmed in the coming months.

MEMBERSHIP OF THE COMMISSION

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	LSE
Rt Hon David Laws	Education Policy Institute
Hetan Shah	Royal Statistical Society
Stephan Shakespeare	YouGov

POVERTY MEASUREMENT IN CONTEXT

Why is measurement important?

The concept of poverty is important because of the impact that both the direct and indirect experience of poverty has on individuals, families and communities. The most obvious of these is that, where an individual or family is in poverty, some of their needs cannot be met.

In addition to the challenges people may face in putting food on the table or providing housing for their family, there are close links between poverty and many other aspects of people's lives, including relationships, health and future prospects. A significant body of research has shown some of the wider outcomes that can lead to, or are associated with, those living in poverty.²

This means that having an accurate and agreed measure of poverty is important as it allows us to:

- Understand the overall extent, nature and dynamics of poverty in the UK;
- Assess the causes of this poverty and the potential pathways out of it; and
- Develop interventions and support that can mitigate the impact of poverty for those who do experience it.

Without an agreed measure, each of these is made much more difficult.

How can poverty be measured?

Across the world, organisations and national and local Governments have been measuring poverty for decades and a variety of different approaches are used.³ For example:

- A number of countries and organisations (OECD/EU) focus on assessing absolute and relative low income as a measure of poverty;
- The USA uses an absolute poverty approach that is based on assessments of family's needs developed in 1963/64 and updated annually for inflation. As a result, this measure establishes a lower threshold for poverty than most European countries. More recently, the USA has introduced a supplementary measure, that considers a wider range of needs and is pegged to spending between the 33rd and 36th consumption percentile;
- Other measures are based on qualitative and quantitative research to develop a consensual measure, that seeks to understand what the public believe is a minimum standard at which people should live. For example, in the UK, such measures include those created by the Poverty and Social Exclusion project,⁴ and the Joseph Rowntree Foundation's Minimum Income Standard (which measures public views of acceptable living standards rather than poverty directly); and⁵
- A wide range of multidimensional measures also exist. These include measures that track a set of indicators, including the UN's Millennium Development Goals and Sustainable Development Goals. Others bring together a range of measurement domains to create a single index, a key example is the approach developed by the Oxford Poverty and Human Development Initiative (OPHI).⁶

Commissioners considered the pros and cons of all of these, and other, measures. In taking forward its work, the Commission has ensured that the lessons and practical implications from these approaches have been built upon.

A FRAMEWORK FOR MEASURING POVERTY

To ensure that the Commission approached decisions in an evidence-based manner, a set of key principles were developed and agreed by the Commission. These were used to frame the Commission's decisions and covered both the Commission's overall approach to measurement and the Commission's approach to understanding resources and needs. Key themes of these are shown in box 1.

Box 1: Themes drawn from the Commission's principles of measurement

Focus on poverty: The Commission's focus is on measuring poverty, not social mobility, income inequality or wider measures of economic and financial wellbeing.

Poverty Now: The Commission is assessing the extent to which families have the resources currently available to meet their immediate needs, rather than how they might manage in the future.

With reference to society: Poverty should be related to the extent to which people have the resources to engage adequately in a life regarded as the "norm" in society.

Neutrality: For the purpose of measurement, the Commission will only consider families' experience now, and not consider how they got into the situation.

Lived experience: It is important to understand more than just who is classed as being in poverty. Understanding the nature of that poverty (e.g. poverty depth and persistence) and the wider characteristics and factors that impact on a family's experience of poverty are also important.

Ongoing measurement: Commissioners wanted to create a measure that could be captured using available data and updated regularly.

A core measure of poverty

The Commission began its work by outlining how it would approach the measurement of poverty. As outlined in its interim report, the Commission viewed poverty as the experience of having insufficient resources to meet needs.

However, there are a number of different dimensions along which 'needs' and 'resources' could be characterised. For example:

- Resources could be focused purely on material resources or be taken to mean a wider view of 'capabilities' affecting someone's ability to change their own life. A wider approach might include education or mental and physical health as 'resources';⁷ and
- There are also differences between needs conceived as being immediate (e.g. paying for things now) versus a 'need' to save for the future.⁸

Based on the principles outlined above, the Commission decided to focus its measure of poverty on the extent to which the material resources that someone has available to them now are sufficient to meet the material needs that they currently have.

Given that resources are typically shared between family members (in order to meet combined needs), the Commission also had to take a decision over how to account for this. The Commission decided to create a new measure of intra-household sharing; the Sharing Unit. This is wider than the nuclear family and includes all individuals within the household who are related (or who live as a couple).

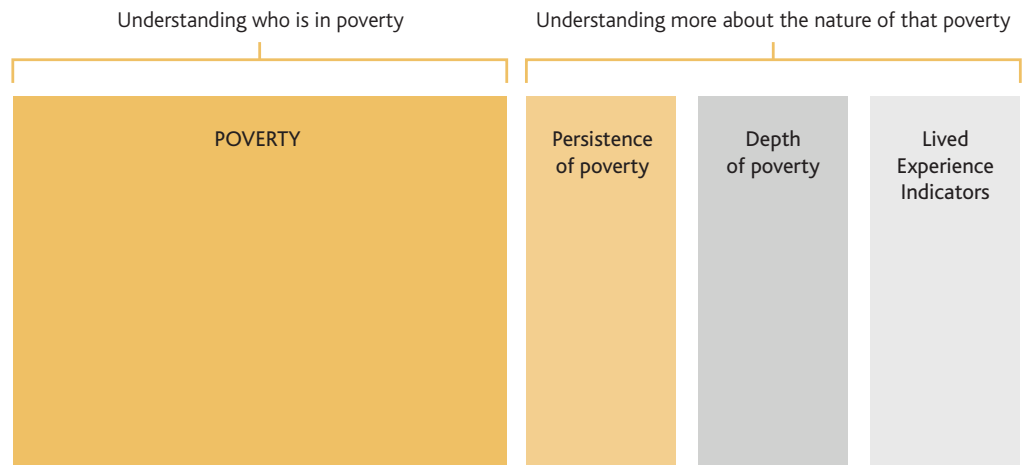
Wider measurement framework

As well as measuring the incidence of poverty, Commissioners also identified a large range of factors that they wanted to be able to measure as they affect the experience of poverty, influence the future likelihood of poverty, or are consequences that flow from being in poverty.

In practical terms, this meant that the Commission created a wider measurement framework, within which its core measure of poverty could fit. Figure 1 demonstrates that, alongside its measure of poverty, the Commission decided to report on three other areas:

- **The depth of poverty:** to assess how far above/below the poverty line families are. This will allow an understanding of the scale of the task that families face in moving out of poverty and how close others (above the poverty line) are to falling into poverty;
- **The persistence of poverty:** to assess how long families in poverty have been in poverty for, so that the escalating impact of poverty over time can be considered and tackled; and
- **The Lived Experience of those in poverty:** to assess a range of factors and characteristics that impact on a family's experience of poverty, make it more likely for them to be trapped in poverty and/or are likely predictors of their poverty experience.

Figure 1: The Commission's core measurement framework



Data to use

The Commission wanted their measure to be based on actual information on individuals, families and households in the UK, which is updated regularly and comprehensive enough to allow a wide-ranging assessment of all the factors outlined above. Currently, the most comprehensive source of this information is the Family Resources Survey (for poverty and poverty depth)⁹ and the Understanding Society study (for poverty persistence).¹⁰ A combination of these data sources will be used to report on Lived Experience Indicators.

However, the Commission also highlighted the need to improve both UK household survey data and how this is/or could be linked with administrative data. Doing so would improve our understanding of poverty.

DEVELOPING A MEASURE OF POVERTY

Once a broad measurement framework had been developed, the Commission then needed to both create detailed approaches to each of the components of the framework and develop a way of capturing these in practical terms, with the currently available data.

The first area of focus was on developing the Commission's core measure of poverty. This rested on being able to understand and create a measurement approach for three distinct steps: Each of these is covered in sections below.



1. Available material resources

The Commission wanted to develop a new measure of resources that moved beyond the traditional focus on incomes. The motivation for this was the fact that many families both have access to non-income material resources (e.g. liquid assets) and need to spend a portion of their resources on outgoings over which they have no short-term control (inescapable costs like housing and childcare). Both of these factors impact on a family's ability to make ends meet, and so the Commission decided to create a new measure of *total resources available*, which:

...should include:

- **Net income:** All sources of net income are included as a resource; this includes net earnings (from employment and self-employment), benefits and unearned net income (e.g. from rent or interest); and
- **Other available resources:** Assets that can be freely accessed immediately should be included as an available resource.

...and should take account of:

- **Inescapable costs:** Outgoings that are obligated and family-specific should be deducted from available resources. The requirement to pay these means that the resources are not available to meet day-to-day needs.

Table 1 outlines the key decisions the Commission took to make a measure of total resources available.

Table 1: Overview of the Commission’s development of total resources available

Income	Motivation	Principled decision	Measurement in practice
Net income	The starting point when considering the total resources available is the earnings and income that people receive. The extent to which these are available also depends on the impact that the income tax system has. This means developing a measure of weekly net incomes.	The Commission will include (all net of tax): <ul style="list-style-type: none"> • Earnings from work as an employee; • Income from self-employment; • Other income (e.g. from dividends and interest); and • Income from the state from social security benefits and tax credits. 	Each of these elements is measured in the Family Resources Survey.
Non-income material resources			
Assets	As well as using net incomes, families can use accumulated assets to purchase goods and services. For example, if a family has £500 of weekly net income and no cash savings, in principle, they are able to undertake the same level of expenditure today as a family who has no income and access to £500 of cash savings.	Assets that can be freely liquidated into cash should be included as an available resource, on the same weekly basis as with incomes (by dividing the stock of assets by 52, to reflect the number of weeks in a year).	A measure of liquid assets is available in the FRS, meaning that it is possible to include the value of assets as a component of the measure of total resources available. However, as with income measurement, our understanding is that measures of assets in the FRS could be improved to make them more granular and more accurate.
Inescapable costs			
Debt	When considering the extent to which immediate needs can be adequately met, Commissioners decided that obligated weekly debt repayments should be viewed as an inescapable cost, which reduces total resources available for other spending. A key distinction that Commissioners discussed was whether to include only the cost of servicing interest payments, or whether to also include repayment of capital. Commissioners decided that all obligated payments reduce the level of resources immediately available and, as such, obligated capital repayments should be included.	Obligated debt repayments should be viewed as an inescapable cost that reduces the overall level of available resources that a family has.	Measures of debt are not available in the FRS, meaning that it was not possible to include a measure of obligated debt repayments in the measure of total resources available. The Commission strongly recommends that more work is undertaken to include robust measures of debt in both the FRS and Understanding Society in future.

Inescapable costs continued	Motivation	Principled decision	Measurement in practice
Recurring costs of housing	The recurring costs of housing vary significantly across the country and between different types of housing, particularly between those in social rented, private rented and owned homes.	Weekly recurring housing costs should be viewed as an inescapable cost that reduces the overall level of available resources that a family has. These costs should include: <ul style="list-style-type: none"> • Costs of rental and mortgage payments (interest and capital repayment); • Ground rents and service charges; • Water rates, community water charges and council tax; and • Structural insurance premiums. 	A measure of recurring housing costs is available in the FRS. The Commission adapted this measure to ensure that it included mortgage capital repayments as part of the measure of total recurring costs of housing. This is classed as an inescapable cost and deducted from the measure of net incomes to assess poverty.
Childcare	As with the costs of housing, the costs of childcare vary significantly across the country and between different family types and are often one of the biggest expenses faced by families with children. The implication is that a family with significant childcare costs would have less resources available to meet their non-childcare needs than a family without childcare costs. They are also typically inescapable in the short term, as families have little choice but to pay them, given the working patterns they have chosen.	Childcare costs should be viewed as an inescapable cost that reduces the overall level of available resources that a family has.	A measure of spending on childcare costs is available in the FRS. However, the Commission was aware of the potential limitations to using this data. However, the reported level of spending on childcare in the FRS is still the best available information on actual behaviour of individual families that can be linked into an assessment of overall resources for each family. For this reason, the Commission chose to use the FRS measure of actual spending on childcare as its measure of childcare costs.
Extra costs of disability	The existing evidence demonstrates that disabled people face extra costs to do the same things as those without a disability. This means that they incur inescapable (and highly differentiated) costs that reduce their available resources. It is also likely that these extra costs are, at least in part, responsible for the fact that measures of material deprivation are much higher for disabled families than for non-disabled families with the same level of income.	The extra costs that families with a disabled person face should be viewed as an inescapable cost that reduces the overall level of available resources that a family has.	With existing evidence, it is not possible to comprehensively account for the extra costs of disability. Instead, the Commission chose to use the value of extra cost disability benefits (DLA, PIP and AA) as the best available proxy. In practice, this means that the financial value of these benefits is judged as not being able to be used to meet non-disability needs, and this amount is deducted from resources available as a best estimate of the inescapable cost.

Other inescapable costs

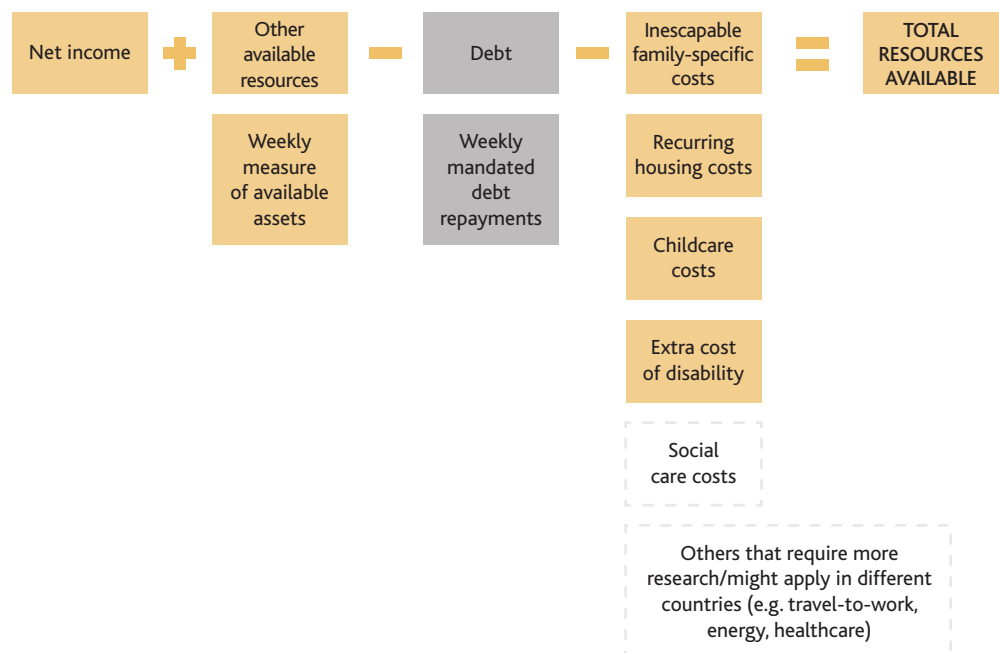
The table above highlights housing, childcare and disability costs as three inescapable costs that should (and can) be subtracted from net incomes to create a more accurate measure of total resources available. It also shows that the Commission wanted to include obligated debt repayments as an inescapable costs, but was unable to do so with the available data.

The Commission also discussed a range of other areas that could be described as inescapable costs, including the costs of travelling to work and the costs of social care (particularly for those in later life). The Commission also recognised that the range of costs classed as inescapable is, in part, a factor of government policy. For example, in countries with more limited provision of publicly funded healthcare (e.g. the United States) an argument could be made for healthcare costs as being inescapable cost. This means that the range of inescapable costs should be kept under review.

Summary of total resources available

Creating this measure of total resources available gives a far more accurate picture of the extent to which families are able to meet their day to day needs.

Figure 2: Creating a measure of weekly total resources available (all weekly)



Notes: Factors outlined in yellow are already included in the measure. Factors outlined in a dark grey would have been included if the data was available. Factors outlined in a light grey require measurement and assessment to understand whether they should be included.

2. Immediate material needs

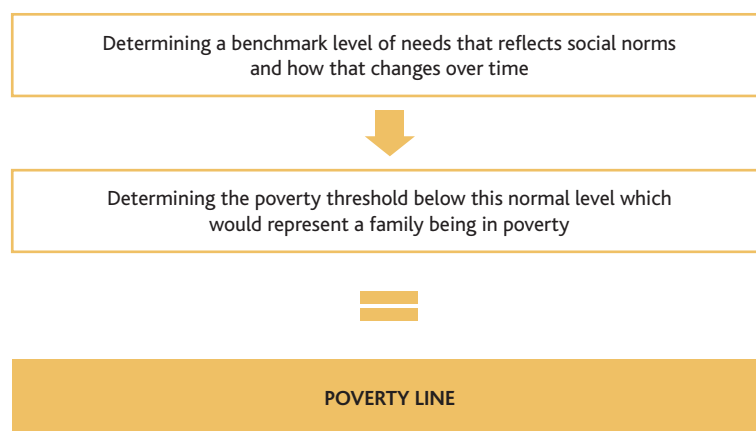
In exploring an approach to measure immediate needs, Commissioners considered three questions:

- **Which data to use to measure or proxy needs:** the Commission considered a range of options including using research that has developed consensual baskets of goods that different families are judged to need and/or using expenditure data to proxy needs. Ultimately, the Commission decided to base its measure of needs on the resources others in society have available to spend. Commissioners chose to operationalise this measure using its total resources available metric.
- **How needs should be adjusted to reflect differences in family size and composition:** the Commission decided to take account of different family sizes and compositions by using the AHC version of the OECD modified equivalence scales. The Commission also highlighted the urgent need for further work to develop equivalence scales that reflect the experience of families in the UK.
- **What other factors that drive differences in needs might be considered:** A number of other potential factors was also considered, including rurality and lack of access to public services. Overall, whilst important issues, the Commission felt that, based on existing evidence, the impact of these factors was too poorly defined to be taken on within the measure of poverty. In future, if data and research develop, there may be a case to include these issues. This could particularly be the case in specific areas where rurality and access to public services has been shown to be particularly problematic; for example, in the most rural parts of Scotland.

3. Comparing resources and needs

Once a decision on the data and framework used for measuring needs was taken, the Commission then needed to create a poverty line against which families' experience of poverty could be judged. The principles outlined above demonstrate the Commission's desire to ensure that this was judged with reference to others in society. Developing a measure that did this involved two steps, demonstrated in figure 3.

Figure 3: How the Commission developed a poverty line



Setting a benchmark level of needs allows us to understand what the social norm level of needs is for any family type. Setting a poverty threshold with reference to that allows us to understand how far below this social norm families would have to be before being classed as being in poverty. The Commission's decisions are outlined below:

- **Setting a benchmark:** the Commission decided that the best available benchmark level of needs that reflects social norms, was a measure of what the median family in society has available to spend (the median of the Commission's measure of total resources available).
- **Changing the benchmark over time:** as already highlighted, Commissioners viewed poverty as being assessed with reference to others in society, meaning that the benchmark of social norms will change over time as the experience of others in society changes. For example, if overall living standards rise or fall over a sustained period, the social norms would also evolve to reflect these movements.

However, Commissioners did not believe that these changes should necessarily be reflected immediately in the benchmark. The rationale is that social norms and expectations take time to change. For example, Commissioners agreed that if median incomes (and the Commission's measure of total available resources) suffered a negative shock, there is no reason to suggest that families beneath the median would immediately need any less than they currently do (they would continue to need the same clothes, food and shelter as they previously did). However, if this was a long-term change in median incomes, societal expectations and behaviour would change. To reflect this, the Commission is using a smoothed version of the social norms line (in practice, a three-year rolling average of the median of total resources available).

- **Creating a poverty threshold:** a number of different thresholds are used across the world, however, discussions with a range of academics and experts highlighted that there is no clear or documented rationale to choose a particular threshold. This resulted in Commissioners taking the view that, rather than focussing on the threshold, it was more important to understand the composition of poverty beneath any given threshold. This led the Commission to choose an easily communicable threshold that did not lead to large changes in the overall level of poverty previously estimated in the UK. This meant creating the poverty line by setting a poverty threshold of 55% of the three-year smoothed median total resources available measure. The Commission also decided to create family-specific poverty lines that reflect the actual value of needs for each family and how they vary by family size and composition.

Accounting for housing adequacy

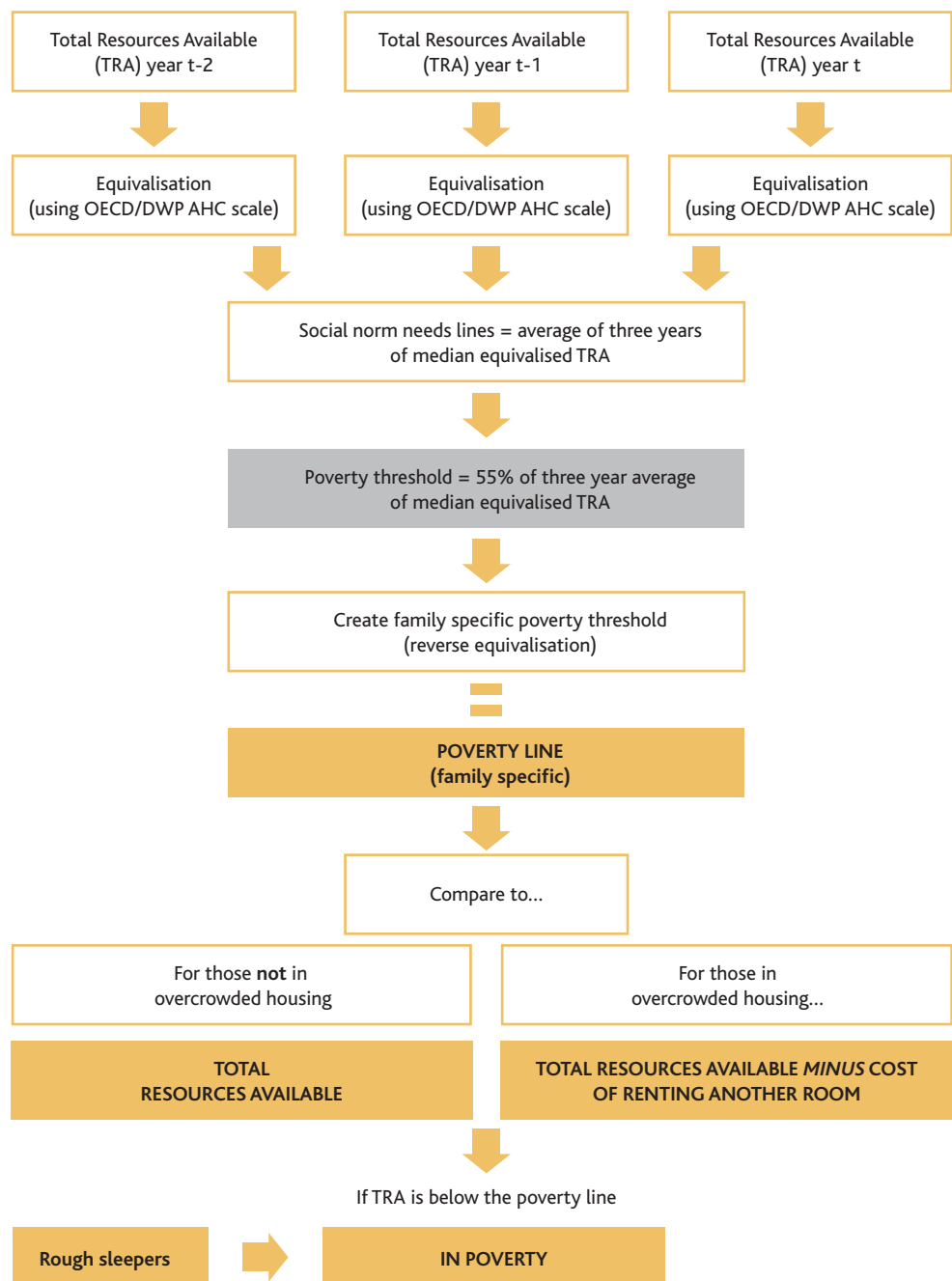
The approach outlined above explicitly accounts for the fact that the cost of housing is a large drain on many household budgets. However, Commissioners also wanted to be able to account for the fact that, separately to this, some families are unable to meet their housing needs (and that some households are not included in household surveys). The best way of doing this with existing data is to include those officially regarded as sleeping rough in the overall measure of poverty and to account of overcrowding in housing for those that are included in household surveys.

The latter is captured by regarding as being in poverty those households who are currently above the poverty threshold, but whose available resources would fall below the poverty line if they rented another room to meet their housing needs.

Overall measurement of poverty

Figure 4 provides a representation of how the measure of needs is used to create a poverty line, which can be compared to total resources available for each family and how this is adjusted to account for families that are living in overcrowded accommodation.

Figure 4: Overview of the Commission's approach to measuring Available Resources Poverty



THE WIDER MEASUREMENT FRAMEWORK

Commissioners also developed a wider measurement framework, which focussed on measuring the depth and persistence of poverty as well as understanding a wide range of factors that might impact on a family's likelihood of entering or remaining in poverty, or their wider experience of poverty.

Depth of poverty

Capturing the depth of poverty is one element that contributes to understanding the severity of poverty that families are experiencing. It is also apparent that the experiences of those just above the poverty line are likely to be very similar to those just below it. For these reasons, the Commission chose not to set an arbitrary threshold for "deep poverty". Instead, the Commission decided to create a measure of the depth of poverty that:

- Reflects how far each family in poverty is below the poverty line; and
- Also captures and reports on families that are just above the poverty line.

Poverty persistence

Another important element of the severity of poverty that people experience is the length of time that they have been in poverty.¹¹ Commissioners wanted a measure of the length of poverty to reflect families that had been continuously in poverty and also those who may have dipped in and out of poverty.

The Commission decided to create a measure of poverty persistence that matched the approach used by the OECD/ONS. This means that family would be judged to be in persistent poverty if:

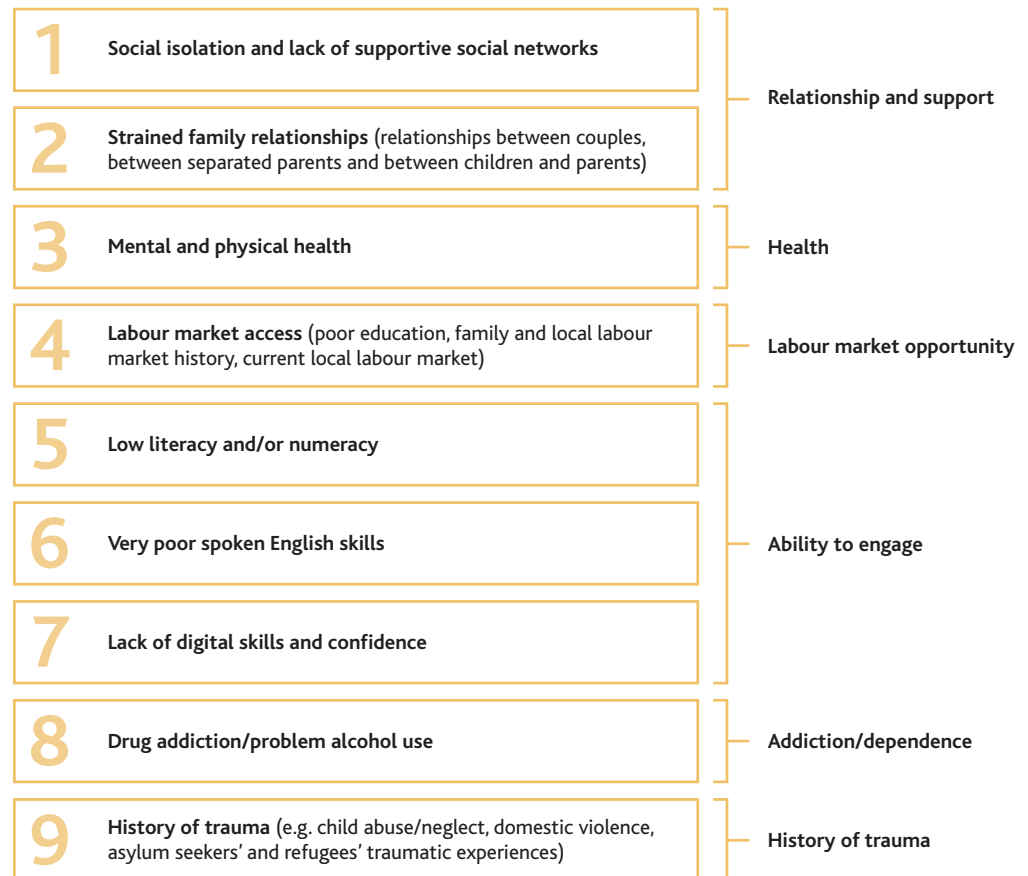
- They were in poverty this year; and
- Had also been in poverty for two of the previous three years.

Lived Experience of Poverty

Based on Commissioners' experience, existing research and input from a range of experts, the Commission identified a range of factors that were not captured by the Commission's measure of Available Resource Poverty, depth and persistence. Figure 5 outlines the factors Commissioners felt to be most important.

This is not meant to be a fully-comprehensive list of potential factors, there are others that are important now, or might be important in the future. However, Commissioners wanted to develop a manageable framework for understanding and reporting on some of the wider experiences of people in poverty and how they compare to those not in poverty. It is hoped that this will improve understanding and stimulate more research and analysis to develop a deeper assessment of the experiences of people in poverty and some of the potential routes of entry and exit.

Figure 5: Potential dimensions and factors of the lived experience of those in poverty



There are existing datasets and measures that report on a wide range of these dimensions and factors. Many of these were included in previous approaches, including the Opportunity for All Indicators, which were formally tracked between 1999 and 2007. However, to understand how the incidence and nature of these factors relate to the lived experience of poverty it must be possible to measure these factors in the same data as is being used to measure poverty.

For the Commission that means that it is only possible to include lived experience indicators that are already measured within the FRS or Understanding Society. Whilst this somewhat limits the range of factors that the Commission can report on, an important range of factors can still be measured.

The Commission has created a set of Lived Experience Indicators that explore the nature of poverty and families' experience of poverty. The Commission will report on indicators that span four domains (health; labour market opportunity; family, relationships and community; and family finances). It will report the prevalence of the indicators and compare this to families not in poverty. As data improves and more research is undertaken, the range of Lived Experience Indicators will be adapted and built upon.

SECTION 2: POVERTY IN THE UK

HEADLINES IN 2016/17

Key findings

- 14.2 million people in the UK population are in poverty: 8.4 million working-age adults; 4.5 million children; and 1.4 million pension age adults.
- The poverty rate for working-age adults is 21.6%; for children it is 32.6%; and for pension-age adults it is 11.4%.
- Poverty rates amongst pension-age adults have nearly halved since 2001 (falling from 20.8% in 2001 to 11.4% in 2017).

The Commission's measure of poverty suggests that 22.0% of the UK population is living in a family considered to be in poverty. Poverty rates for children are far higher (32.6%) than those for working-age adults (21.6%) and pension-age adults (11.4%). This means that there are 14.2m people in poverty in the UK, comprised of 8.4m working-age adults, 4.5m children and 1.4m adults of pension age.

Figure 6: Composition of poverty in the UK and poverty rates by age, 2016/17

14.2 million people in poverty in the UK (2016/17), comprised of:

8,400,000



Working-age adults

4,500,000



Children

1,400,000



Pension-age adults

Poverty rates in the UK (2016/17):

22.0%

Of the overall population are in poverty

21.6%

Of working-age adults are in poverty

32.6%

Of children are in poverty

11.4%

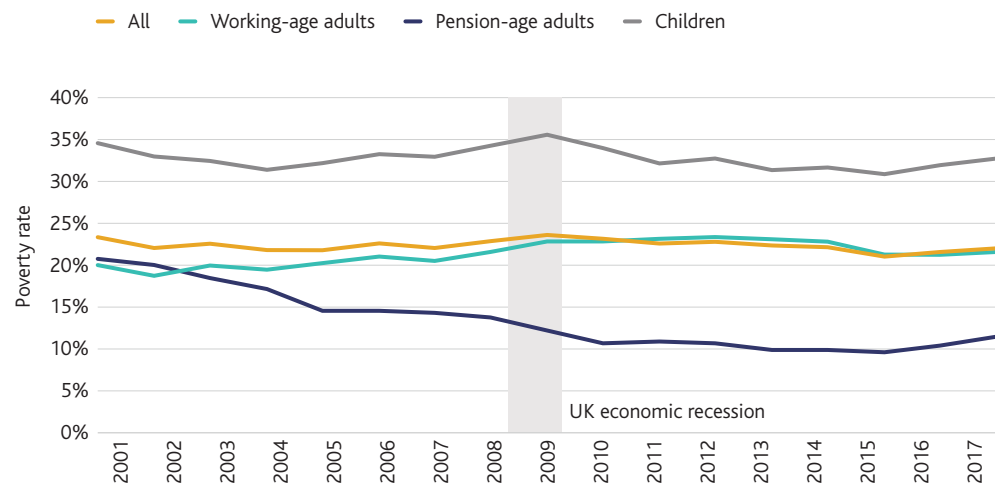
Of pension-age adults are in poverty

Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Notes: Poverty rates on this and following pages are calculated using the SMC methodology. Total figures for those in poverty are rounded to the nearest 100,000 on this and subsequent pages. Full information and results can be found in the Final Report of the Commission and its supporting technical papers.

Figure 7 shows how poverty rates have changed over the last 15 years under the Commission's new measure. Overall, it shows that poverty rates for the UK population have been consistently between 21% and 24%. Over the same period, there has been a significant fall in poverty amongst pension-age individuals. The poverty rate for working-age adults has increased slightly (by 1.5 percentage points) over the last 15 years, while the poverty rate for children has fallen slightly (by 1.8 percentage points).

Figure 7: Change in poverty rates since 2001, by age



Sources: Family Resources Survey and HBAI dataset (1998/99-2016/17), SMC Analysis.

POVERTY FOR PEOPLE IN DIFFERENT FAMILY TYPES

Key findings

- There are 2.6 million people in poverty living in lone-parent families (52.0% of this group).
- Whilst the rate of poverty (24.9%) for people in couple families with children is much lower, there are 5.6 million people in poverty in the UK in this group.
- Since 2001, poverty rates for people in couples (with and without children) and single people have risen, while poverty rates for those in lone-parent and pension-age families have fallen.

Figure 8 demonstrates how people in poverty are split between different family types. Compared to their overall representation in the population, some family types are significantly over-represented in poverty. For example, while people in lone parent families represent just over 7% of the UK population, they represent 18.2% of the population of people in poverty.

Figure 8: Composition of UK poverty by family types people live in, 2016/17

14.2 million people in poverty in the UK (2016/17), comprised of:

3,100,000



People in single families, no children

5,600,000



People in couple families with children

2,600,000



People in lone-parent families

700,000



People in pension-age single families

1,400,000



People in couple families, no children

800,000



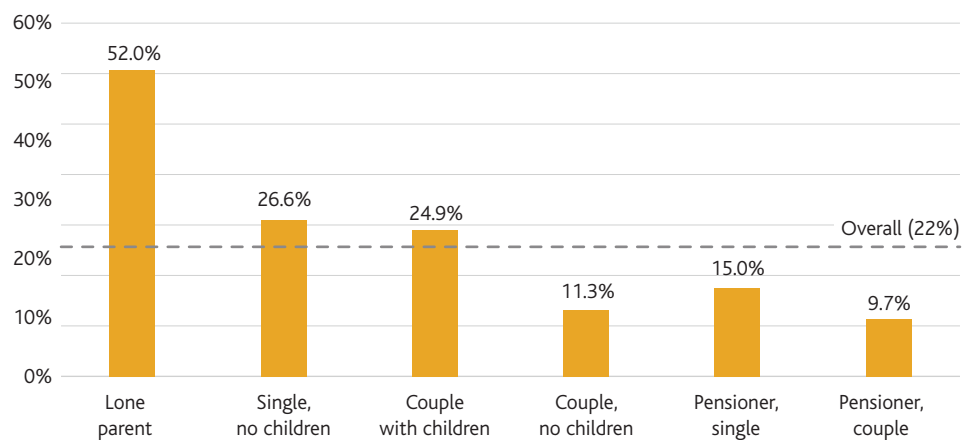
People in pension-age couples families

Sources: Family Resources Survey and Households Below Average Income (HBAI) dataset (2016/17), SMC Analysis.

Notes: Family type definitions are consistent with those used in HBAI publications and data releases.

Figure 9 shows that poverty rates vary significantly between people in different family types. For example, more than half of people in lone-parent families are judged to be in poverty. For people in pensioner couples and working-age couples without children, this figure falls to approximately one in ten (9.7% and 11.3% respectively).

Figure 9: Poverty rates for the UK population, by family type, 2016/17

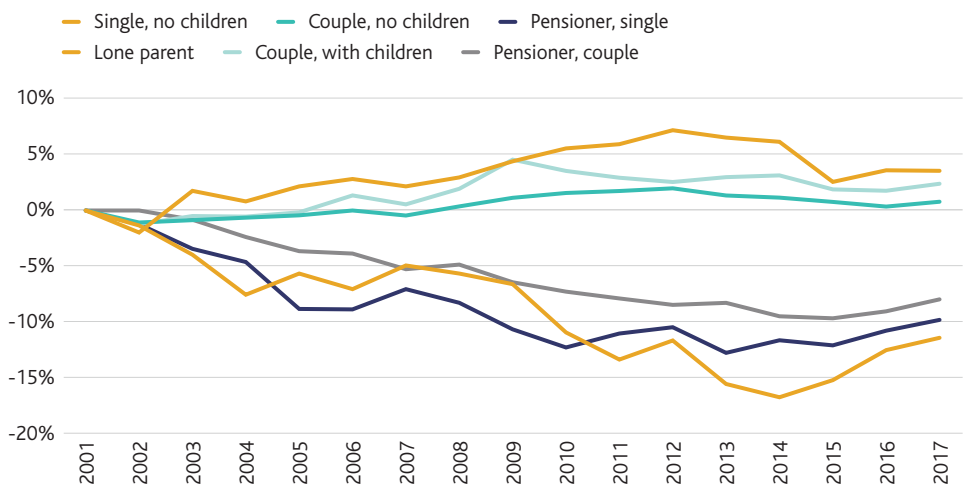


Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Notes: Family type definitions are consistent with those used in HBAI publications and data releases.

Figure 10 demonstrates that poverty rates for individuals in particular family types have changed over time. There has been a large fall in poverty rates of people in (single and couple) pensioner and lone-parent families. However, for single people without children and people in couple families (with and without children), poverty rates have increased over the last fifteen years.

Figure 10: Change in poverty rates since 2001, for people in different family types



Sources: Family Resources Survey and HBAI dataset (1998/99–2016/17), SMC Analysis.

PEOPLE IN FAMILIES WITH A DISABLED PERSON

Key findings

- Of the 14.2 million people in poverty, nearly half, 6.9 million (48.3%) are living in families with a disabled person.
- People in families with a disabled person are significantly over-represented in the population in poverty and have much higher poverty rates than those living in families where no-one is disabled (27.6% against 16.3%).

Figure 11 shows that of the 14.2 million people in poverty in the UK, 6.9 million (48.3%) are living in families with a disabled person. Given that only 35% of families in the UK have someone with a disability, this shows that families with someone with a disability are significantly over-represented within the population in poverty. Poverty rates also vary across people in families with different disability statuses. The poverty rate for people living in a family with a disabled adult or child stands at 27.6%, whereas for people living in a family where no-one is disabled, the poverty rate is 16.3%.

Figure 11: Composition of poverty and poverty rates in the UK, by whether the family includes a disabled person, 2016/17

14.2 million people in poverty in the UK (2016/17), comprised of:

6,900,000



People in families that include a disabled adult or child

7,300,000



People in families that do not include a disabled adult or child

Poverty rates in the UK (2016/17):

27.6%

Of people in families that include a disabled adult or child are in poverty

16.3%

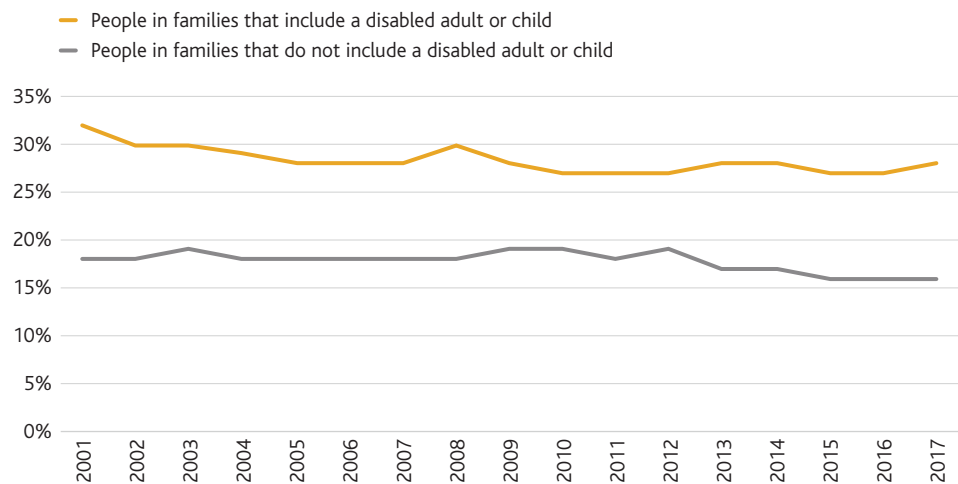
Of people in families that do not include a disabled adult or child are in poverty

Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis

Notes: Families are classified as having a disabled person if one or more benefit unit within the family has a disabled person according to the variable "disability within the family (benefit unit)." This variable changed to align with Equality Act definitions in 2013, but is otherwise consistent across years.

Poverty rates by whether or not the family includes a disabled person have also changed significantly over time. Figure 12 demonstrates that poverty rates for people in families with a disabled person are now four percentage points lower than in 2001.

Figure 12: Poverty rates for UK population, by whether the family includes a disabled person



Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Notes: Families are classified as having a disabled person if one or more benefit unit within the family has a disabled person according to the variable "disability within the family (benefit unit)." This variable changed to align with Equality Act definitions in 2013, but is otherwise consistent across years.

FAMILY WORK STATUS

Key findings

- The majority (68.0%) of people living in workless families are in poverty. This compares to just 9.0% for people living in families where all adults work full time.
- Close to nine in ten (88.4%) of people living in workless couple families, are in poverty.
- There are four million people in families where the adults work a mixture of full and part time. The poverty rate amongst people in this group is 28.0%.

Figure 13: Composition of poverty and poverty rates in the UK, by family work status, 2016/17

14.2 million people in poverty in the UK (2016/17), comprised of:

2,800,000



People in a full-time work family

4,000,000



People in a full/part-time work family

1,500,000



People in a part-time work family

4,800,000



People in a workless family

1,100,000



People in a retired family

Poverty rates in the UK (2016/17):

9.0%

of people in families where all adults work full-time, are in poverty

28.0%

of people in families where all adults work a mixture of full-time and part-time, are in poverty

55.3%

of people in part-time working families, are in poverty

68.0%

of people in workless families are in poverty

12.4%

of people in retired families are in poverty

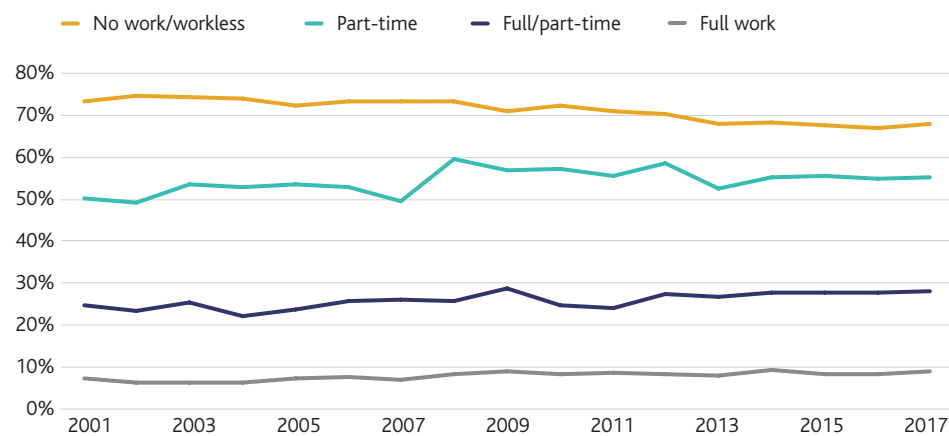
Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Notes: Work status is calculated by combining the different work levels of all non-retired adults in the sharing unit. Further information can be found in the Commission's final report and its supporting technical papers.

Figure 13 demonstrates how people in poverty in the UK are split between retired, working (of various work intensities) and workless families. The poverty rates amongst people living in workless families (68.0%) is seven and a half times higher than the rate amongst people in families where all adults work full time (9.0%). Where all adults work the equivalent of part-time hours, the poverty rate is 55.3%.

Figure 14 shows that, whilst still relatively low, the rate of poverty for people in full-work families has risen by nearly two percentage points since 2001. The rates of poverty for people in workless families have declined by over five percentage points over the same period.

Figure 14: Poverty rates for people in families with different work intensities



Sources: Family Resources Survey and HBAI dataset (1998/99–2016/17), SMC Analysis.

Figure 15 demonstrates how poverty rates vary for working-age adults and children living in different family types and by family work status. Nearly nine in ten (88.4%) people in working-age, out-of-work couple families are in poverty. Around one in four (26.0%) of people in full-time working lone-parent families are in poverty. This rises to 63.3% when the lone parent works part time. At the other end of the scale, just 3.3% of people living in couple families with no children, where both adults work, are in poverty.

Figure 15: Poverty rates for people in working-age families, by family type and work status, 2016/17

People in...	Full working families	Full/part-time working families	Families working part-time	Workless families
Single families, no children	8.8%	21.3%	49.0%	66.2%
Lone parent families	26.0%	41.0%	63.3%	79.4%
Couple families, no children	3.3%	16.8%	44.8%	68.5%
Couple families, with children	11.5%	37.1%	67.7%	88.4%

Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Notes: Full/part-time working families are where the adults in the family work a combination of full and part-time. This is possible in single-adult families where they are living in a sharing unit with other benefit units. See full report for more details.

FAMILY HOUSING TENURE

Key findings

- Poverty rates are highest amongst people who live in social rented housing (51.3%).
- There has been a significant shift in the composition of poverty since 2001. This has largely been driven by a change in housing tenure of the whole population. While poverty rates for those in private/other-rented housing have fallen, the proportion of people in poverty accounted for by this group has increased by more than 11 percentage points.

Figure 16 demonstrates how people in poverty in the UK are split between families in different housing tenures. The majority of people in poverty are in the social- or private/other-rented sector.

Figure 16: Composition of poverty and poverty rates in the UK, by housing tenure, 2016/17

14.2 million people in poverty in the UK (2016/17), comprised of:

5,500,000



People in families living in social rented accommodation

4,400,000



People in families living in private/other-rented accommodation

2,800,000



People in families living in mortgaged-owned accommodation

1,400,000



People in families living in owned-outright accommodation

Poverty rates in the UK (2016/17):

51.3%

of people in families living in social rented accommodation are in poverty

35.4%

of people in families living in private/other-rented accommodation are in poverty

12.4%

of people in families living in mortgage-owned accommodation are in poverty

7.8%

of people in families living in owned-outright accommodation are in poverty

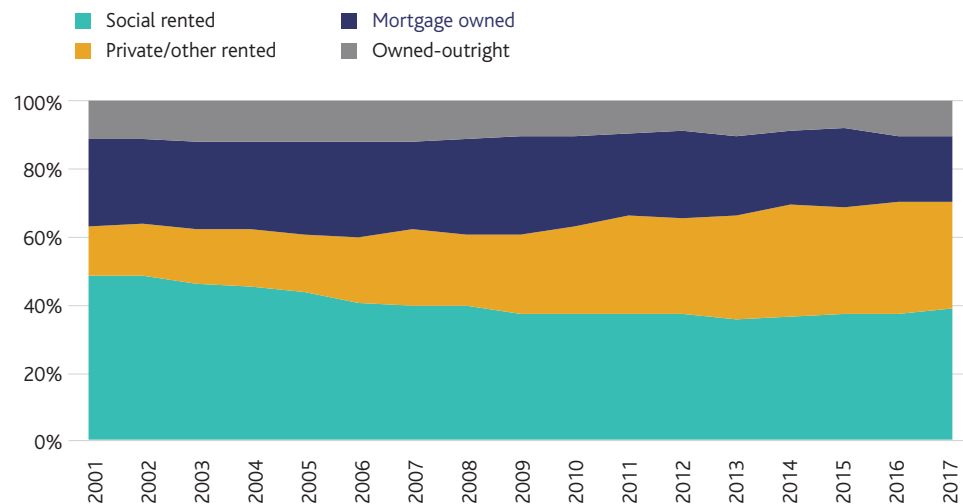
Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Notes: Social rented tenure types include both housing association and LA rental. Privately rented includes both furnished and unfurnished properties.

There have also been changes in the overall poverty rates for people living in different housing tenures. Poverty rates have fallen over the last 15 years amongst those in social rented property (8.5 percentage point reduction) and private rented property (5.2 percentage point reduction).

Despite this, these rates remain significantly higher than for people in owner-occupied accommodation. Private-renters are also taking up a larger proportion of all people in poverty (figure 17). This is in part, a result of the significant shifts in the proportion of the overall UK population that are in private rented accommodation (increasing from 8.1% in 2001 to 19.2% in 2016/17).

Figure 17: Composition of poverty over time, by housing tenure



Sources: Family Resources Survey and HBAI dataset (1998/99–2016/17), SMC Analysis.

POVERTY ACROSS THE UK

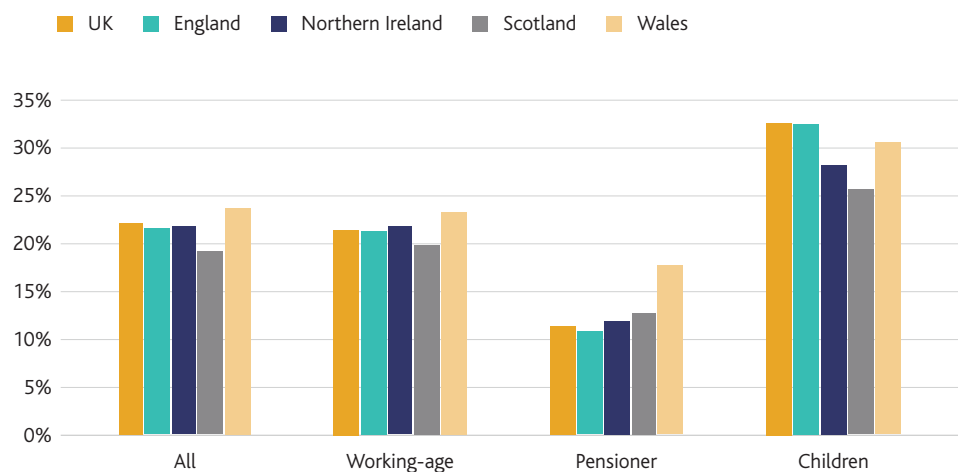
Key findings

- Poverty rates vary significantly across the UK.
- Overall, poverty rates in Scotland are lower than in other UK countries. Welsh poverty rates are typically higher than those in other countries. England has the highest child poverty rate.
- At 28.0%, the overall poverty rate in London is more than 10 percentage points higher than in some other English regions.

UK countries¹²

Figure 18 shows poverty rates overall for each country and also split by working-age adults, children and pensioners. The main differences are in the poverty rates for Wales and Scotland, where, compared to the UK average, poverty rates are generally higher for people living in Wales and lower for those living in Scotland. The only exception for Scotland is in pensioner poverty, which is higher in Scotland than the UK average. England has the highest rate of child poverty.

Figure 18: Poverty rates by country and age group, 2016/17



Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Notes: To provide a sufficient sample size, three year averages have been pooled for Northern Ireland, Scotland, and Wales in line with current HBAI approaches. As such the 2016/17 figure represents averages of figures from 2014–2017.

There are also significant differences in poverty rates between English regions. In fact, the range of poverty rates across English regions is larger than between the countries of the UK. For example, the overall poverty rate in London (28.0%) is more than 10 percentage points higher than that in the South East (16.6%), East of England (17.8%) and the South West (17.9%). Poverty rates in other regions are: West Midlands (25.1%); East Midlands (20.8%); Yorkshire and the Humber (22.0%); North West (23.5%); and North East (23.8%).

SECTION 3: UNDERSTANDING THE NATURE OF POVERTY

POVERTY DEPTH

Key findings

- Around 2.7 million people are less than 10% below the poverty line, meaning that relatively small changes in their circumstances could mean that they move above it.
- There are 2.5 million people in the UK who are less than 10% above the poverty line. Relatively small changes in their circumstances could mean they fall below it.

Depth below the poverty line

Table 2 shows that more than eight million people in the UK (12.8% of the population) are more than 25% below the poverty line, meaning that their total resources available would need to increase significantly for them to be out of poverty. Around 2.7 million people are less than 10% below the poverty line, meaning that relatively small changes in their circumstances could mean that they are above the poverty line.

Table 2: Breakdown of depth of poverty for those in poverty, 2016/17

Distance below poverty line	Number of people	% of UK population
0.1–5% below the poverty line	1,300,000	2.0%
5.1–10% below the poverty line	1,400,000	2.2%
10.1%–25% below the poverty line	3,300,000	5.1%
25.1–50% below the poverty line	4,100,000	6.4%
50%+ below the poverty line	4,100,000	6.4%

Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Notes: For depth calculations, where families were directly on a given threshold they were treated as being above it, as their resources would be defined as equal to their needs. This applies to all depth calculations in this section.

Clearance above the poverty line

Table 3 shows that, as well as those under the poverty line, another 4% of the population (close to four million people) are less than 10% above the poverty line, meaning that small changes to their situation could mean that they fall below the poverty line.

Table 3: Breakdown of those above the poverty line, 2016/17

Distance above poverty line	Number of people	% of UK population
0.0–5% above the poverty line	1,200,000	1.9%
5.1–10% above the poverty line	1,300,000	2.1%
10.1%–25% above the poverty line	3,800,000	5.9%
25.1–50% above the poverty line	5,200,000	8.1%
50%+ above the poverty line	38,600,000	60.0%

Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

POVERTY PERSISTENCE

Key findings

- Six in ten (58.2%) of people in poverty were also in poverty in at least two of the last three years. This means that more than one in ten (12.1%) of the UK population are in persistent poverty.
- More than six in ten working-age adults and children who live in families more than 10% below the poverty line, are also in persistent poverty. For those less than 10% the poverty line, the figure is four in ten.
- Persistent poverty is highest for people in social rented housing, workless families and families that include a disabled person.

The Commission has defined persistent poverty as the situation where a person lives in a family currently regarded as being in poverty and, as well as that, the individual would also have been regarded as being in poverty for two out of the last three years. A range of research has shown that those experiencing longer spells of poverty can be more detrimentally impacted by the situation.

The Commission’s approach to measuring persistent poverty relies on Understanding Society. Given the relatively few waves of data available for Understanding Society, it is only possible to report on persistent poverty for 2014/15 and 2015/16. The use of Understanding Society also means that there are small changes in methodology in the measure of poverty. These are explained in more detail in the full report and accompanying technical documents.

As more waves of data from Understanding Society become available, a fuller account of long-term poverty persistence will become possible, as will an analysis of those who move repeatedly in and out of poverty, who may not be captured by the measure of persistence outlined here.

Persistent poverty in 2015/16

Based on this definition, 58.2% of those in poverty in 2015/16 were also in persistent poverty. That means that 12.1% of the whole population, an estimated 7.7 million people, were in persistent poverty in 2015/16.

Figure 19: Persistent poverty in the UK, 2015/16

14.2 million people in poverty in the UK (2015/16), of which:

7,700,000



People in persistent poverty

Persistent poverty rates in the UK (2015/16):

58.2%

of all people in poverty are in persistent poverty

12.1%

of the whole UK population are in persistent poverty

Sources: Understanding Society (2009/10-2015/16), SMC Analysis.

Notes: Total numbers in persistent poverty are estimates based on applying the proportion of the population in persistent poverty from Understanding Society, to population figures in the FRS.

Based on the results from Understanding Society, persistent poverty has increased marginally between those two years, rising from 11.4% of the UK population in 2014/15 to 12.1% in 2015/16.

Table 4 shows the proportion of various groups who are in persistent poverty. It shows that some groups are more likely than others to be experiencing persistent poverty. For example, 13.1% of children in working families are in persistent poverty. In contrast, 48.7% of all children in workless families are in persistent poverty and 18.5% of working-age adults in a family with a disabled person are in persistent poverty.

Depth of poverty also has a significant impact. For example, more than six in ten working-age adults and children who live in families more than 10% below the poverty line, are also in persistent poverty.

Persistence rates are also relatively high for those who live in social rented accommodation (30.5%) and those in lone-parent families (30.0%).

Table 4: Proportion of each group that is in persistent poverty

Characteristics of family where people live	All		Children		Working-age adults		Pension-age adults	
	% of those in group in poverty	% of group	% of those in group in poverty	% of group	% of those in group in poverty	% of group	% of those in group in poverty	% of group
Single family, no children	61.9%	14.9%	-	-	61.9%	14.9%	-	-
Lone parent family	63.0%	30.0%	62.2%	30.8%	64.8%	29.0%	-	-
Couple family, no children	56.2%	7.9%	-	-	56.2%	7.9%	-	-
Couple family with children	57.2%	14.8%	56.1%	15.9%	58.4%	13.9%	-	-
Single pension-age adult family	46.5%	4.3%	-	-	-	-	45.3%	4.1%
Couple pension-age adult family	48.2%	3.3%	-	-	47.0%	5.4%	48.2%	3.0%
All retired family	43.4%	2.7%	-	-	56.6%	6.6%	41.4%	2.4%
Family where all adults work full-time	44.5%	2.9%	43.3%	4.1%	44.8%	2.5%	61.0%	1.2%
Family where adults work a mixture of full and part-time	56.8%	14.8%	57.3%	21.5%	56.9%	13.9%	42.0%	1.7%
Family working part-time	56.3%	29.9%	56.4%	38.7%	56.9%	28.6%	35.4%	8.8%
Workless family	67.2%	40.6%	64.6%	48.7%	69.7%	43.3%	59.3%	15.9%
Family including someone with a disability	61.7%	14.4%	61.0%	25.2%	65.0%	18.5%	45.4%	3.7%
Family where no-one is disabled	56.4%	11.0%	56.9%	17.0%	56.6%	10.6%	49.5%	3.1%
Living in social rented accommodation	68.2%	30.5%	65.7%	40.4%	72.2%	32.7%	50.3%	9.2%
Living in private/other-rented accommodation	57.5%	21.5%	58.6%	26.9%	57.9%	21.1%	45.3%	9.0%
Living in mortgage-owned accommodation	47.3%	7.1%	47.6%	8.7%	47.3%	6.4%	44.0%	6.2%
Living in owned-outright accommodation	47.8%	3.1%	43.2%	6.5%	50.5%	4.6%	44.6%	1.6%
0–5% below the poverty line	40.0%		38.6%		43.3%		30.0%	
5.1–10% below the poverty line	49.3%		50.1%		50.1%		41.6%	
10.1–25% below the poverty line	60.9%		60.2%		63.1%		49.4%	
25.1–50% below the poverty line	61.3%		62.9%		62.4%		44.5%	
50%+ below the poverty line	60.8%		59.0%		61.6%		60.6%	

Sources: Understanding Society (2009/10–2015/16), SMC Analysis.

LIVED EXPERIENCE

Key findings

- Across a wide range of indicators, people in poverty experience significant disadvantages that both impact on their lives and suggest potential routes into and out of poverty.
- However, not all of the indicators summarised in this report show the experience of people in poverty to be worse than that of those not in poverty.
- Overall, much more needs to be done to ensure that the data is available to develop a full suite of indicators of people's experience of poverty that can be captured and updated regularly.

As well as understanding the incidence, depth and persistence of poverty, Commissioners wanted to be able to say more about a wider set of measures of some of the factors that affect the lives of people in poverty. A key reason for the importance of this is to ensure that policy makers can consider the widest range of policy tools available to them to tackle the impacts and reduce the incidence of poverty.

The Commission's approach to this task has been limited by the extent to which data on these factors can be linked to the measurement of poverty. However, a range of indicators have been developed under four domains. Within each of these, a number of indicators has been analysed to understand the differences between families in poverty and those not in poverty. The results are shown in table 5. It shows that, across a wide range of indicators, those families in poverty are experiencing disadvantage, or a number of factors that are likely to negatively impact on either their experience of poverty today, or the likelihood that they can move out of and avoid poverty in future.

For example, nearly half of people in poverty live in a family with a disabled person, compared to one in three people who are not in poverty. Nearly twice the proportion of people in poverty (23.8% compared to 12.2%) live in a family where no-one has formal qualifications equivalent to, or better than, five A*–C GCSEs. The proportion of people in poverty living in a family where no-one has any formal qualifications is 17.6%, compared to just 7.5% for people not in poverty. Fewer people in poverty participate in social and neighbourhood activities and, on average, they have a narrower social network. People in poverty are also more likely to be in a lone-parent or single family.

Perhaps unsurprisingly, a far higher proportion of people in poverty live in families who are behind on paying bills (25.0% compared to 7.9%) and/or are in families where no-one saves (63.2% compared to 34.3%).

However, not all of the indicators suggest disadvantage for families in poverty. For example, people in families in poverty are less likely to report the use of illegal drugs. People in poverty are also no more likely to worry about being affected by crime and, whether or not young people are in poverty, the vast majority feel that they are supported by their family.

Overall, these statistics begin to paint a picture of the wider experiences and challenges that people in poverty face, as well as the potential routes into and out of poverty. However, they are by no means comprehensive. More work is needed to develop a full suite of indicators that can comprehensively and regularly capture a better picture of the life experiences of people in poverty and how they compare to those who are not in poverty. As this happens, the Commission will review, build upon and adapt its approach to measure the lived experience of poverty.

Table 5: Lived Experience Indicators, by poverty status

	People in poverty	People not in poverty
Health		
In a family that includes a disabled adult or child	48.3%	35.1%
At least one adult in family with poor self-reported physical health	27.2%	21.7%
At least one adult in family with poor self-reported mental health	36.1%	24.4%
One or more adult in family with low life satisfaction	15.9%	10.8%
One or more adult in family with low health satisfaction	22.7%	17.3%
One or more youths in family has drunk to excess in last four weeks	47.3%	65.1%
One or more adults in family has drunk to excess in the last year	58.6%	67.6%
One or more adults in family smokes cigarettes (not incl. e-cigarettes)	37.1%	20.2%
One or more youths in family has used or taken illegal drugs at least once in the last year	13.3%	22.3%
Labour market opportunity		
Employment rate of working-age adults	43.8%	87.5%
No-one in family has any formal qualifications	17.6%	7.5%
All adults have highest qualification that is below 5a-c GCSEs or equivalent	23.8%	12.2%
Average time spent travelling to work for working adults in family (minutes)	22.8	26.2
All full-time students in family are aiming for post 16 qualifications	76.6%	85.2%
Family, relationships and community		
Single adults	22.0%	17.1%
Lone parent families	18.2%	4.7%
Couples with no children	9.8%	21.7%
Couples with children	39.6%	33.7%
Single pensioners	4.8%	7.7%
Pensioner couples	5.8%	15.1%
All adults in family feel close to others most of the time	39.3%	43.5%
Youth in family feel supported by their family/people who they live with	96.1%	96.8%
At least one adult in family feels unsafe walking alone at night	29.5%	22.1%

	People in poverty	People not in poverty
Family, relationships and community, continued		
At least one adult in family worries about being affected by crime	50.2%	50.8%
All adults in family like living in current neighbourhood	86.9%	93.7%
One or more adults in family spends time caring for someone	29.2%	28.9%
All adults perceive the majority of local services as good	43.8%	40.4%
All adults in family think people in their neighbourhood can be trusted	46.0%	62.4%
One or more adults in family are members of at least one organisation	45.1%	71.2%
All adults in family are willing to improve neighbourhood	52.9%	58.6%
Average size of social network for adults in family (mean number of close friends)	5.3	6.4
Family finances		
Household is behind in paying bills	25.0%	7.9%
People in workless household	29.0%	3.5%
People in families reporting material deprivation	38.7%	7.3%
One or more adult in family with low income satisfaction	28.6%	13.8%
One or more adults in family has felt embarrassed by low income	43.7%	21.5%
One or more adults in family saves	36.6%	65.8%

Source: Family Resources Survey and HBAI dataset (2016/17), and Understanding Society (2014/15-2015/16), SMC Analysis.

As well as these Lived Experience Indicators, we also know that around 5,000 people in the Commission's measure of poverty are captured in official estimates of rough sleeping.¹³

SECTION 4: HOW DOES THE COMMISSION'S MEASURE COMPARE?

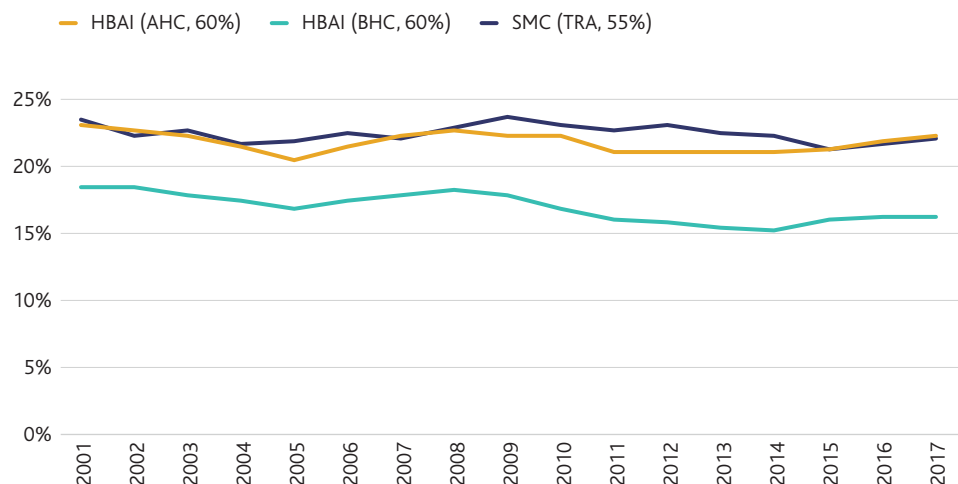
IMPROVEMENTS IN THE UNDERSTANDING OF POVERTY

Key findings

- The composition of poverty based on the Commission's measure is significantly different to that under the AHC relative low-income measure. In particular, there are large shifts:
 - Towards people who live in a family with a disabled person; and
 - Towards working-age families, and in particular, couple families with children.
- Some 2.7 million people who would have been regarded as being in poverty under the AHC relative low-income measure are not regarded as being in poverty under the Commission's measure. Nine in ten of these people do not report to be materially deprived.
- Under the Commission's measure, poverty was measured to be higher than before the financial crisis in all of the years between 2007 and 2014.

Figure 20 compares the dynamics of poverty rates since 2001 for the Commission's measure of poverty and a range of other measures of relative and absolute net incomes. It shows that, based on a 55% threshold, the Commission's measure of poverty produces similar overall numbers of people in poverty as the AHC relative low-income measure. The overall trends are also similar over time, apart from during and after the financial crisis.

Figure 20: Comparison of SMC measure to relative low-income measures



Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Whilst the overall level of poverty is similar under the Commission’s measure, the composition of poverty has changed significantly. Table 6 shows how the composition of poverty is split between people in different family types and families with different disability statuses. Overall, the Commission’s measure shifts the composition of poverty towards those in working-age families and those in disabled families. More in-depth analysis in the main report that accompanies this summary shows that the composition is also shifted towards those with childcare costs and those in overcrowded accommodation.

Table 6: Composition of poverty, by family type and disability, 2016/17

		SMC Available Resources Poverty (55% threshold)	AHC relative low- income poverty (60%)
People living in....			
Working-age families	Single families, no children	22%	21%
	Lone-parent families	18%	17%
	Couple families, no children	10%	11%
	Couple families with children	40%	37%
		89%	86%
Pension-age families	Pension-age families, single	5%	7%
	Pension-age couple family	6%	7%
		11%	14%
		100%	100%
Presence of a disabled person	Those living in families where no-one is disabled	52%	56%
	Those living in families where someone is disabled	48%	44%
		100%	100%

Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

WHY THESE RESULTS IMPROVE THE UNDERSTANDING OF POVERTY

Figure 21 provides a Venn diagram of the populations judged to be in poverty under the Commission's Available Resource Poverty measure and the AHC relative low-income poverty measure. This highlights that 2.7 million people in the AHC relative low-income measure of poverty are not considered to be in poverty under the Commission's measure. Another 2.6 million people are considered to be in poverty under the Commission's measure, but would not have been regarded as being in poverty under the AHC relative low-income measure.

Figure 21: Venn diagram of those judged to be in poverty under the SMC and AHC relative low-income measure of poverty

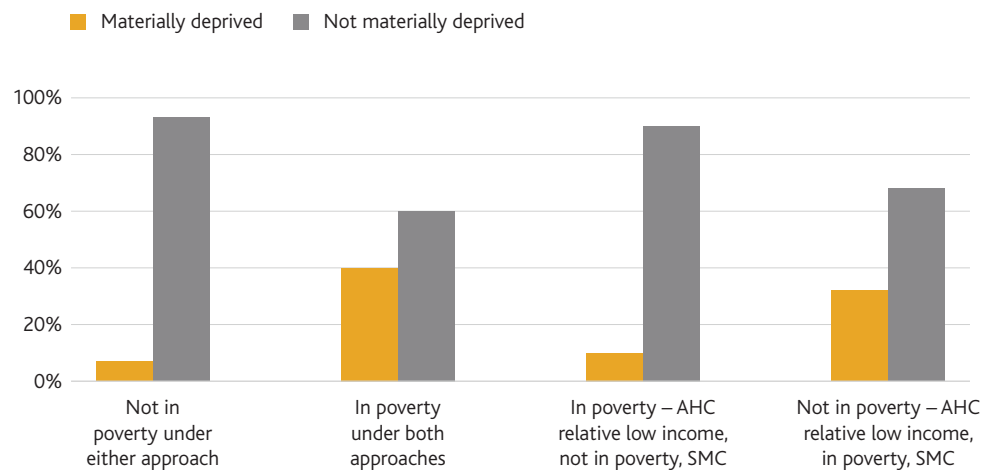


Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Notes: Figures rounded so many not total perfectly when added.

Given the scale of these differences, it is important to consider whether they have a positive impact on our understanding of which groups in society are struggling to make ends meet. One way of doing this is to consider the rates of material deprivation amongst each of the groups in figure 21 above.

Figure 22: Levels of material deprivation for those considered to be in poverty under the Commission's poverty measure and the AHC relative low-income approach, 2016/17



Sources: Family Resources Survey and HBAI dataset (2016/17), SMC Analysis.

Notes: Material Deprivation is calculated using definitions in the HBAI dataset combined with a recreation of material deprivation calculations for adults without children. Full details can be found in the supporting technical papers.

Figure 22 demonstrates that nine in ten (90%) of those *not* judged to be in poverty based on the Commission's measure, but who would have been on the AHC relative low-income measure, *do not* report being materially deprived. Conversely, of those regarded as being in poverty based on the Commission's measure, but not on the AHC relative low-income measure of poverty, around a third report to be materially deprived. This is three times as high as those who the Commission's measure no longer regards as being in poverty.

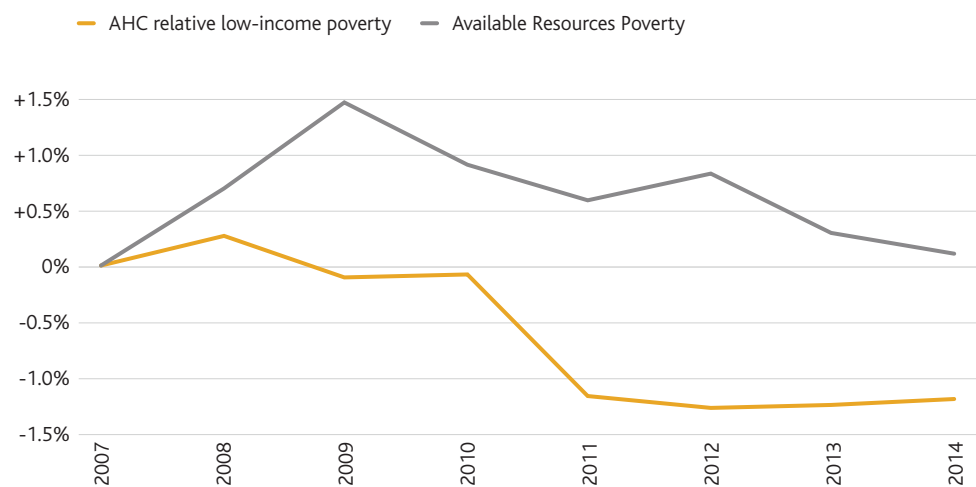
Overall this suggests that the SMC poverty measure is moving a group of families out of poverty, who have relatively low net incomes, but other characteristics (including significant liquid assets and/or low inescapable costs) which mean that they are still able to meet their immediate material needs.

Conversely, the SMC measure moves a group of families into poverty who, compared to those under the HBAI AHC poverty line, have relatively high net incomes, but a combination of low liquid assets and high inescapable costs means that they are unable to meet their immediate material needs.

Poverty rates over time – post financial crisis

Figure 20 demonstrated that, while the overall dynamics of the Commission’s measure of poverty are similar to those of the AHC relative net-income measure, there is a significant difference during and after the financial crisis. Figure 23 shows the dynamics of the Commission’s measure of poverty to the AHC relative low-income measure over this period.

Figure 23: Change in poverty rates between 2007 and 2012



Sources: Family Resources Survey and HBAI dataset (1998/99–2016/17), SMC Analysis.

It demonstrates that, while the AHC relative low-income measure suggested that poverty fell in the period immediately following the financial crisis, the Commission’s measure shows that poverty rates initially increased during the financial crisis and start of the recession, and then began to fall slowly over the period 2009–2014. This means that, while overall poverty rates in 2007 are estimated to be slightly lower under the Commission’s measure of poverty, they finish this period 1.9 percentage points higher, better reflecting the experience of families over the financial crisis and in the years afterwards.

SECTION 5: CONCLUSIONS

OVERVIEW AND NEXT STEPS

This report has summarised the work that the Social Metrics Commission has undertaken over the last two and a half years. It presents:

- A detailed articulation of how the approach to poverty measurement can be improved in the UK and elsewhere. This includes a detailed specification of how poverty should be measured and a new framework that can be used to understand more about the nature of poverty, the lived experience of those families in poverty and how poverty might be tackled; and
- The best possible implementation of this approach possible with existing data and research in the UK.

Whilst the Commission is clear both that more research is needed and that the collection and use of UK survey and administrative data needs to improve, until that happens, the approach here provides the most comprehensive picture of poverty in the UK today. The Commission's approach fundamentally changes our understanding of poverty in the UK.

With this in mind, the Commission hopes that this publication can signal the start of a new discussion and consensus on poverty in the UK and the need to take action to tackle it. Ultimately, the Commission would like to see the measurement of poverty in the UK move to the approach outlined in this report. That will mean the Government (including DWP, HM Treasury and other departments), Office for National Statistics, policy makers and those researching and working with those in poverty, adopting the measure and results outlined in this report.

The Commission will do all it can to support organisations to understand and develop their approach to poverty measurement. In the months following the publication of this report, the Commission is committed to publishing detailed technical papers for those who want more information; and making available both the code that underpins our measure and, subject to the data-owner's permission, the derived variables from our measure.

Further work needed

The Commission also hopes that its work will stimulate much needed further research. This would allow for a full practical implementation of the measurement framework that the Commission outlined in the first half of the full report. There are many areas where urgent work is needed. More detail on these is provided in the full report and include significant work to better understand the variations in needs of different families and the extra costs of disability, as well as to improve the use of both survey and administrative data.

Call to action

Measuring poverty is essential if the UK is to take action to improve the lives of those currently in poverty in the UK or who, without action, would otherwise be in poverty in future. The Commission's work is only the start of what needs to happen. We hope that others, including the ONS, Government, charities, researchers and statistical and economics organisations take on the work we have begun to ensure that the Commission's measurement framework can be fully implemented and used to guide future policy. Without this, a large group of society risk being left further behind without the support that they need to improve their lives.

ENDNOTES

1. There was a UK-wide official measure of poverty, with associated targets, contained in the Child Poverty Act 2010. Targets based on reducing child poverty in the UK were abolished in 2015. Note that Scotland, Wales and Northern Ireland have retained measures of poverty based around the Child Poverty Act 2010 definitions.
2. For example see 'Various Authors, (2014) Reducing poverty in the UK: a collection of evidence reviews, Joseph Rowntree Foundation. Accessed at: <https://www.jrf.org.uk/report/reducing-poverty-uk-collection-evidence-reviews> on 05/08/18.
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6. See the Alkire-Foster Method – Accessed at: <https://ophi.org.uk/research/multidimensional-poverty/alkire-foster-method/> Accessed 01/08/18.
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11. Jenkins, S., (2011). Changing fortunes: income mobility and poverty dynamics in Britain. OUP, Oxford.
12. Note that, to ensure that sufficient sample sizes and comparability of methodology across countries, these results are based on the approach currently taken by the Welsh and Scottish Government's, which averages three-years of annual poverty results.
13. MHCLG, (2018), Rough Sleeping Statistics Autumn 2017, England (Revised). MHCLG, London.



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