

# REDUCING POVERTY IN THE UK: A COLLECTION OF EVIDENCE REVIEWS

AUGUST 2014



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# INTRODUCTION

## Reducing poverty in the UK: a collection of evidence reviews

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JRF is developing the first comprehensive, evidence-based strategy to reduce poverty for all age groups and each UK nation.

To help build the evidence, we commissioned researchers to carry out reviews of existing policy and research on a wide range of social issues that are related to poverty. The 33 studies in this collection are the findings of those reviews, and there are links to more detailed reports by the research teams.

We're also working with a diverse **advisory group and a task group** of poverty experts, some of whom have written the forewords introducing the different sections of this report.

We plan to publish our strategy for the UK at the end of 2015, with specific activity for Wales, Northern Ireland and Scotland to follow in 2016.

Keep an eye on <http://www.jrf.org.uk/topic/anti-poverty> for updates, or contact Chris Goulden, email [Chris.Goulden@jrf.org.uk](mailto:Chris.Goulden@jrf.org.uk), tel. 01904 615946.



# THE BIGGER PICTURE

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# FOREWORD

While some of the issues that leave people vulnerable to poverty – and some of the solutions – lie at an individual and family level, many of them are part of far wider forces and relate to inequalities within society and the economy as a whole. Several of the reviews looked at such wider, often over-arching, issues.

The review of poverty and gender draws attention to the many ways that gender roles, relationships and social structures affect poverty. First, there is an issue of who is at greatest risk. At the household level, lone parents (mostly women) and single elderly women have high poverty rates. But poverty within the household may be hidden, if resources are not equally shared, and one partner's financial dependence may create risks of future poverty if the partnership later fails. This argues that attention should be paid to people's individual incomes and rights to incomes, including in the design of benefits and tax credits. It also points to the need for a more equal distribution of caring and earning within couples (enabled by greater access to affordable childcare as well as a more equal distribution of parental leave).

Linked to this, the demographic review looks at how the country's demographic composition is likely to change over the coming decades, and so change the balance of poverty risks. As well as a likely further rise in lone parenthood, 'new' demographic changes that may affect poverty risk include a further rise in people living alone, including men living alone in mid-life who have never cohabited or fathered children, as well as men in young adulthood, returning to their parents' home following partnership breakdown.

One of the major changes of recent years has been in attitudes towards sexual orientation, with rising tolerance of difference. But stigma, harassment and discrimination continue to affect people's lives, increasing risks of lasting disadvantage. The review of poverty and sexual orientation examined new survey data on how people identified themselves, and the links between identity and poverty risk. A striking finding – given that heterosexual couples are more likely to have children, which would normally increase poverty risks – is that poverty rates are higher for gay and bisexual men, and bisexual women, with increased rates of means-tested benefit receipt for gay men. The review points to policy agendas affecting bullying, homelessness, mental health and employment discrimination and harassment.

The review of religion and poverty also focuses on differences in poverty risk between groups, including the 50 per cent poverty rate for Muslims, compared to 18 per cent for the population as a whole. It points to the implications of this for training for employment, how childcare is provided to encourage better use of free provision, and techniques such as using blank-name application forms for employment.

As well as factors like these that cut across the population as a whole, the political context is changing too. The devolution review points to the tensions between factors that are best tackled at a UK-wide level – including redistributive functions, in the authors' view – and those where devolved or more localised structures are appropriate. The devolved administrations have used their powers to tackle poverty and adapt to/mitigate the consequences of austerity in different ways, but there is only limited evidence of the different nations of the UK learning from one another and attempting to replicate successful ideas.



At a wider level, learning from the experience of others has been the aim of the European Union's requirement on member states to produce 'national action plans' for tackling poverty and social exclusion. But the review of anti-poverty strategies internationally points to the very mixed impact of these. For some countries, producing a 'national action plan' has consisted of no more than a listing of what was already happening, with no real connection with overall political structures or commitments. As a timely reminder, the findings of the review point to the ineffectiveness of 'strategies' that do not have political or wider buy-in.

**John Hills**

Director of the Centre for Analysis of Social Exclusion at the London School of Economics



# DEMOGRAPHIC CHANGE AND POVERTY

Understanding past demographic change and its association with poverty can provide valuable lessons for the design of social policies aimed at addressing poverty within an increasingly diverse population.

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## Key points

- Evidence on the link between population change and poverty is sparse. It is important to take socio-economic differentials in mortality and fertility into account, as poverty rates may be affected by changes in the composition of the population, particularly where there is an increase in individuals with 'excess poverty risks'.
- At the micro-level, the association between a number of demographic characteristics and poverty is well-established. However, it is important to consider how far people are in different family types (single parent, cohabiting family, married family), according to, for example income, education, ethnicity and extent of religious beliefs. Once this is taken into account, the causal link between 'demographic characteristics' and poverty is weakened; the direction of such links is complex.
- 'New' demographic changes associated with the risk of poverty include the rise in living alone, particularly in men living alone in mid-life who have never co-habited or fathered children, and in men in young adulthood who are more likely to return home following partnership breakdown.
- Other future demographic changes that may influence poverty levels are the rise in non-British-born individuals (given the continuing link between ethnicity and poverty), and the rise in lone parents.
- Such changes reflect the increasing diversity of British society and the need for social policy to address newer and more nuanced risks of poverty, emanating from the interaction of various demographic characteristics.

## The research

By Jane Falkingham, Maria Evandrou and Athina Vlachantoni, ESRC Centre for Population Change and Centre for Research on Ageing, University of Southampton

# BACKGROUND

The evidence on the link between population change and economic growth is inconclusive. However the association between demographic characteristics such as gender, age, disability, ethnicity and particular family structures and poverty is well-established. Policy also needs to reflect the growth in diversity of family forms.

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‘Demographic change’ encompasses changes in the size and composition of the population due to changes in births (fertility), deaths (mortality) and migration (internal and international, inward and outward), as well as changes in the family structure and living arrangements of the population through changing patterns of partnership types (cohabitation, civil partnership and marriage) and endings (separation, divorce and widowhood). ‘Poverty’ is also broadly defined with the review examining links with absolute and relative poverty and a wider set of indicators of deprivation and social exclusion, access to social networks and social services.

## The macro-economic story

Analysis has revealed that population growth alone has not inherently increased or decreased economic growth. However other demographic changes can affect the prospects for economic development and poverty reduction. Today, most commentators agree that recent rapid fertility decline has made a significant contribution to reducing poverty in developing countries. In developed countries the longer term effect of demographic transition is population ageing, with older people making up an increasing share of the population. Some people argue that population ageing is associated with declining economic growth and others that growth will increase as a consequence of increased savings as a response to the prospect of higher life expectancy and greater pension savings for retirement. There is, however, agreement that population ageing is expected to put a strain on pension, health and social care spending.

## The micro story – demographic characteristics and poverty

The association between a number of demographic characteristics and poverty are well established, most notably individual characteristics such as age, disability and ethnicity and family structures including lone parent families and large families (i.e. with three or more children) and certain types of people living alone. Evidence clearly demonstrates the tendency of individuals to be in a particular family type (single parent, cohabiting family, married family) depending on, for example, income, education or ethnicity. However, advanced statistical methods analysis demonstrates a weaker causal link between ‘demographic characteristics’ and poverty, and the direction of such links is complex.

## Population change over the past 30 years

The last century was a time of enormous demographic change. In 1901 the population of the UK was 39.3 million; by 2001 it had reached 59.1 million. In 1901, the total fertility rate was 3.5; by 2001 it was 1.7. In 1901 the average life expectancy for a man was 45; by 2001 it was 75. During the twentieth century more people emigrated from the UK than immigrated; with the net exodus from the UK over the entire century being 15 million.

One of the unanticipated demographic developments of the past decade has been the increased level of migration, reflecting in particular the growth of immigrants from the EU following accession of the A8 countries in 2004. In 2011 one in five persons (19.5 per cent) identified with an ethnic group other than White British compared with 13 per cent in 2001, while the largest absolute change in population size was among 'White other' reflecting the growth in the number of migrants from the EU. Existing research clearly shows that ethnicity has a relationship with poverty. For example, around two-fifths of people from ethnic minorities live in low-income households, twice the rate for White people, with the risk of poverty being highest amongst Pakistani and Bangladeshi households. However the relationship is complex, reflecting differentials in education, employment and family structures among other factors.

The other unexpected trend has been the upswing in fertility. Since 2001 the number of births has risen steadily each year, and in 2012 the total fertility rate reached 1.94, a level not seen since the early 1970s. This is due to more women in the population currently in their 20s (born in the 1980s and 1990s) having children than among previous cohorts and more women at older ages (born in the 1960s and 1970s) having children after postponing childbearing.

Over the past 30 years there have been significant changes in living arrangements with the emergence of new family forms including increasing cohabiting couples, single-parent families and blended families. The proportion of families with dependent children headed by a lone parent has tripled in the last 40 years, rising from 8 per cent in 1971 to 26 per cent in 2005 and 22 per cent (1.9 million families) in 2011; lone mothers tend, on average, to experience a greater risk of poverty.

Another key change in living arrangements across the last 30 years has been the rise of solo living. In 2013, 7.7 million people in the UK lived in single person households. Although the proportion living alone is highest among the oldest age groups, as a result of partnerships ending and different improvements in life expectancy for men and women, nevertheless the steepest rise has been seen among those aged 35–64, particular among men.

Research conducted by the ESRC Centre for Population Change found that although partnerships ending is the main cause of living alone in mid-life, a significant proportion of men who live on their own have never experienced a co-residential partnership with 24 per cent of 55 to 64-year-old men living alone having never lived with a partner or become a parent. In contrast, the proportion of men and women living alone in young adulthood has actually fallen over the past decade, in part reflecting the rise in the proportion of young adults aged 20–34 living in the parental home.

One of the most dramatic changes in the UK population over the past century has been the change in its age structure. In 1901 the proportion of the population aged 65 and over was about 5 per cent, by 1941 it had doubled to 10 per cent and by 1981 the proportion reached 15 per cent. Today just over 16 per cent of Britain's population is aged 65 and over, and the proportion has been fairly stable for the last 20 years. Over the next 20 years, we can expect to see a significant rise in both the absolute number and the proportion

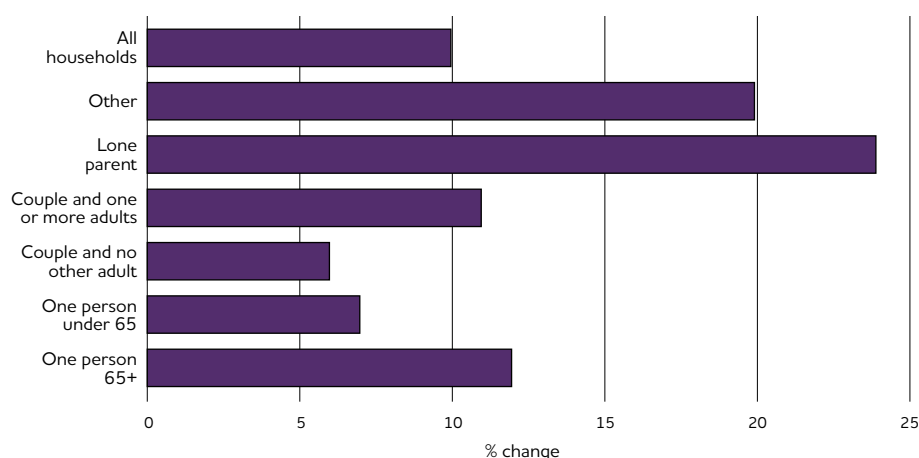
of the population aged 65 and over. Since the late 1980s, the percentage of pensioners below the relative poverty line has continued to fall, mirroring the decline in poverty among working-age parents and children; the only group where poverty has risen is among working-age non-parents.

## Population change over the next 30 years

Forecasting the future is fraught with uncertainty. One area however where we can have more certainty than others is the continued ageing of the population and the growth of the oldest old. It is also likely that we will see a continued growth in the diversity of the population. With rises in life expectancy, more older people may expect to live as couples than alone, particularly in early later life (65–74) with declining widowhood offsetting rising divorce rates. However a significant minority will be living alone, with implications for the availability of co-residential social care.

Although many demographic changes are not causally related to poverty, the growth of groups that are known to be at a heightened risk of experiencing poverty is a cause for concern. Single older pensioners and lone mother families may be particularly disadvantaged. However policy also needs to reflect the growth in diversity of family forms, with increasing numbers of parents choosing to cohabit rather than marry and also the growth of hidden families as adult children increasingly live with their parents well into their 20s and 30s. Such changes are indicative of the changing nature of society, and of the significant policy challenge lying ahead.

### Percentage change in number of households by type, 2011 – 2021, England



Source: Office for National Statistics 2013 *Household interim projections, 2011–2021, England*

## About the project

This review was based on the expert-led analysis of academic and policy literature on the relationship between demographic change and poverty in the UK.

Read the [full report](#).

# DEVOLUTION AND POVERTY

This research assessed the impact of recent anti-poverty strategies pursued by the devolved administrations, and highlights whether there is the potential for further devolution to enhance efforts to reduce poverty.

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## Key points

- Headline levels of poverty across all four nations fell significantly until the economic downturn but since then some of this progress has been eroded, particularly in Wales and Northern Ireland. Different costs have affected each of the nations in differing ways with rising housing costs hitting England and Wales and rising fuel costs having a bigger effect in Northern Ireland.
- While overall poverty trends have much to do with prevailing national and international economic conditions, each of the devolved nations has taken its own steps to develop anti-poverty strategies that address their own particular priorities.
- While it is clear that devolved-level policies in recent years have gone some way to mitigating certain impacts of welfare reform – and benefit reductions in particular – it is not clear how far these plans can be seen to have tackled or mitigated poverty in general.
- The redistributive functions of government require pooling risk across the largest possible area to insure against the uneven impact of economic shocks. And so for many aspects of the social security system – particularly for cyclical and redistributory benefits – the role of central government remains key.
- For housing benefit, for active labour market programmes, and for certain social care payments, there is a strong case for further devolution as a means of giving devolved nations more tools to address the tide of poverty which is slowly rising again.

## The research

By a team at the Institute of Public Policy Research North

# BACKGROUND

The devolved administrations exercise considerable autonomy when it comes to tackling poverty. Consequently, devolution has resulted in some notable policy differences across the nations of the UK, although its impact on headline levels of poverty is unclear.

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## Patterns of poverty in the UK nations

The nations of the UK have seen significant decreases in headline levels of poverty over the past two decades, particularly in the years before the economic downturn. Since 2007, the path of poverty has shifted, from a general picture of falling poverty levels to a more nuanced one. Poverty levels in England have resumed their gradual downward path, while the lowest levels of poverty in the UK, found in Scotland, have levelled off in the last three years. In Wales and Northern Ireland, increases in poverty have been more marked; in the former they appear to have stabilised, in the latter they appear to be falling once again.

There are significant differences between the different nations before and after housing costs. The highest levels of poverty are found in Northern Ireland before housing costs and in Wales after housing costs. Yet the extent of housing cost-induced poverty is most evident in England. The English housing market has typically higher rents and house prices than the other parts of the UK and England shows a six percentage point difference in poverty levels before and after housing costs.

## Drivers of poverty

Median household income – which includes benefits and earnings – has been particularly badly hit in Wales and Northern Ireland since 2007/8. There has, however, been a significant downturn for all four nations, especially with cuts to benefit entitlements and stagnant earnings in the past 2–3 years. Workless households have a particularly high risk of poverty. Levels of unemployment have all increased and been remarkably similar between nations. That the levels of unemployment in each nation appear so closely synchronised is profoundly important for the devolved nations' poverty strategies, as it suggests that there is a strong link between national and regional economies and so their ability to control overall levels of poverty is contingent on the wider macro-economic context both in the UK and globally.

## Poverty reduction strategies in the devolved nations

Each of the devolved nations has taken different approaches to tackling poverty. Key themes are discussed below.

**Prevention:** Each of the devolved nations is moving towards an increased emphasis on early years action and early intervention within public services. Early years interventions are a particular cornerstone of the Welsh anti-poverty strategy, including through its Flying Start programme. By contrast, despite steps in the right direction through its Delivering Social Change framework, much more remains to be done on this issue in Northern Ireland, especially to better integrate early years and childcare provision.

**Economic development:** The Scottish government has played a role in driving economic development through successful inward investment initiatives, supporting threatened jobs and building the skills base. In Northern Ireland, however, economic and social policy strategies have been less linked, and economic policy prioritised over social policy.

**Cost reduction and universalism:** Each of the devolved nations has brought in measures to help with cost of living. For example free prescriptions, and in Scotland and Northern Ireland also some free care for the elderly and reduced tuition fees. These have the potential to help the poorest but they are not well-targeted policies, or necessarily the most effective use of limited resources. Free prescriptions may be politically popular, but their costs are not a substantial element of the outgoings of many low-income people.

**Mitigation:** The Northern Irish and Scottish governments have made significant attempts to mitigate the welfare reforms enacted by Westminster. In Scotland this included establishing a £20 million emergency fund to mitigate the problems associated with the so-called bedroom tax. Northern Ireland has deviated from the rest of the UK in respect of the bedroom tax with the Treasury agreeing to let the Northern Ireland government waive the benefit reductions for existing tenants, though it still applies to new ones. One of the main drivers behind the deal was that Northern Ireland does not have enough smaller dwellings to meet demand.

**Institutional approaches to tackling poverty:** Compared with the other devolved nations of the UK, and the Westminster government, Wales arguably has the strongest and most explicit institutional commitment to tackling poverty, including leadership at the highest level and a co-ordinated, cross-government action plan.

## Disconnect between reserved and devolved powers

There was evidence of a number of disconnects, and even clashes, between devolved and reserved powers, for example Scotland's decision to spend some of its block grant on mitigating the impacts of the bedroom tax. This means less funding for other priorities. A more fundamental clash has arisen due to a legal interpretation of European Social Funding rules, with Work Programme participants being unable to take part in certain devolved employment support programmes due to double funding issues. Another example is that while the devolved nations have quite distinct housing markets, and substantial policy powers to affect those markets, the revenue aspect of government spending on housing, perhaps most able to affect poverty, remains held at Westminster.



## Further devolution of welfare?

The social security system is one key area of poverty alleviation where powers are largely held in Westminster, but where there might be more scope for greater devolution. Exceptionally, Northern Ireland has power over social security although it has to meet additional costs resulting from deviation from the rest of the UK and there has been little variation to date. There is a strong case for devolving control of *distributive* public services because the devolved institutions are best placed to ensure these services most effectively reflect local preferences and meet local conditions, whereas it is normally held that *redistributive* functions – which entail the transfer of resources from one section of the people to another – are best exercised at the UK level. The UK government, for example, can draw on a wider tax base to fund redistribution, and social security in this sense is a form of sharing resources and pooling the risk.

However, this is not to suggest that there is no role for the devolved governments in social security. In Canada employment insurance is a nationwide scheme, though its rules vary regionally. Canada also illustrates how policy innovations in one branch of government are taken up more widely; health care, pensions policy, and child care policies all started as initiatives in one province before becoming much more widely adopted. The positive example of a policy innovation by one government can affect others, and create a different sort of policy competition; in effect, it can drive a race to the top rather than to the bottom.

To assess which benefits might be best transferred to devolved governments, a number of criteria were developed. These included whether a benefit was cyclical in nature; how it might relate to, or overlap with, existing devolved functions; how far it might be 'place-related'; and whether it was particularly redistributive or contributory in nature.

These criteria ruled out the majority of benefits; however, there is a more compelling case for devolving certain dimensions of the welfare system.

*Housing benefit* – poverty data shows that housing costs are a key component of household expenditure and could have a significant bearing on tackling household poverty. Housing benefit is self-evidently a place-related benefit and already varies by place to take account of local market conditions as well as being locally administered. If housing benefit was devolved it is argued that devolved administrations could better plan and target investment in affordable housing. Over the long run this could increase the supply of affordable housing and reduce government expenditure on subsidising private rented accommodation. It would, however, require housing benefit to be removed from Universal Credit.

*Employment support* – although not a 'benefit' as such, active labour market programmes form a key part of the social security system and call for the joining up of a range of areas of government action. The Work Programme has had some significant problems in most places but the fact that getting people back to work – especially those furthest from the labour market – requires a joined-up approach across agencies makes a compelling case for its devolution.

An alternative approach to devolving individual benefits would be to enable devolved governments to supplement UK benefits where they see a case for doing so (for example where local circumstances make it beneficial to do so). Any top-up would be funded exclusively from devolved budgets. In this approach the level of benefits set by the UK government would serve as a floor, but not a ceiling, for devolved welfare. The upshot would be that devolved governments would be able, within the overall framework of UK policy, to choose their own distinct approach to social policy, using cash benefits as well as other policy levers, provided they bore the burden of paying for their decisions.

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## About the project

The research analysed variations in levels of poverty across the UK focusing particularly on the period since 2010, the impact of the economic downturn and cost of living issues. The research also considered how the different approaches to tackling poverty had varied across the UK in recent years and assessed the appetite in the devolved institutions for further devolution to enhance their efforts to reduce poverty. This was based on desk-based research and a dozen semi-structured interviews in each of the devolved nations with senior civil servants, academics and other local experts including within the voluntary and community sector.

# GENDER AND POVERTY

A gender perspective is generally missing from policy debates about poverty. Yet the causes and consequences of poverty, and the routes in and out, are profoundly affected by gender roles and relationships and the ways in which social structures position women and men. This means that poverty is gendered.

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## Key points

- Poverty is usually measured at household level. When measured in this way, the evidence for most countries reveals more women than men in poverty.
- Lone parents and single elderly women are often particularly likely to be living in poverty – though risks are also increasing for some men.
- However, this gives an incomplete picture of the links between gender and poverty, because:
  - when family income is not shared fairly in couples, this may result in hidden poverty;
  - women often manage family poverty, and suffer the costs of doing so;
  - gender disadvantage can be a key reason for both members of a couple living in poverty;
  - one partner's financial dependence on the other incurs a risk of future poverty.
- Anti-poverty policies aiming to break the links between gender and poverty should be assessed for their impact on individuals and their trajectories over the life course, not just on the household at one point in time.
- It is important to consider the impact of policies on gender roles and relationships, financial security and autonomy for women and men, caring responsibilities and inequalities within the household both now and in the future.
- Measures are required to:
  - ensure access to an adequate independent income for women and men over the life course;
  - share caring and the costs of caring more fairly, both between women and men and more widely in society.

## The research

By Fran Bennett and Mary Daly, University of Oxford

# BACKGROUND

This review analysed the evidence on, and discussed possible reasons for, the links between gender and poverty, and examined the impact of relevant policies. Rather than solely counting women and men in poverty, or studying their individual characteristics, the focus was on how gender affects processes leading to poverty and routes out of it. These ‘gendered’ effects were also recognised as being affected by other differences and inequalities such as ethnicity, disability and age.

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## Gender and poverty: the household

According to the latest figures, women were more likely than men to live in poverty in the UK in 2011/12 (with the poverty threshold as 60 per cent of median equivalised disposable household income). Before housing costs, 16 per cent of women were living in poverty compared with 15 per cent of men. After housing costs, the proportions were 20 per cent for women and 19 per cent for men. Across the European Union (EU) in 2011, women were also slightly more likely to be in a situation of material deprivation.

But this data does not fully reveal the contribution of gender factors to poverty. The higher prevalence of poverty among women reflects the greater risk run by single adult households, especially lone parents and single elderly women. This means that variation between countries and over time is due in part to different proportions of the population living in such households.

In addition, these and almost all statistics assume that resources are shared within households so that everyone living in them has the same standard of living. But a recent study suggested this might not be true for 30 per cent of couple households in the EU assumed to do this. Even leaving this aside, gender factors are also relevant to the situation of couples living in poverty. One study of 12 EU countries found that in most of them women workers’ likelihood of experiencing ‘in-work poverty’ related more to their own employment characteristics and low earnings, while men’s related more to household factors (including their partner’s employment situation).

## Family, labour market, welfare state

The two most visible systems of distribution of resources and responsibilities are the market, especially the labour market, and the welfare state. The differing impact and functions of these for men and women are widely recognised. However, a comprehensive perspective on gender and poverty needs to add the family as a third such system, given its significance in organising responsibilities (for caring for children and ill/disabled/elderly people in particular) in addition to redistributing resources.

Tracing trajectories over the life course can track key life events in relation to the family, labour market and welfare state and their impact on the gendered risks and incidence of poverty.

## Gendered experiences of poverty

The review found women are more likely to manage the household budget when finances are tight, and to go without so that the children and partner have enough, with implications for their mental and physical health as well as their access to personal resources. For men, poverty tends to be associated more with social isolation (especially for single men), and shame about the inability to provide.

## Policy review

Policies in the UK have not explicitly targeted links between gender and poverty, and evaluations seldom have this focus either. Neither do assessments of the impact of policy routinely examine what goes on inside the household or over the life course.

Maximising the available evidence, the review found that the significant reductions in relative income poverty among lone parents and single elderly women in the 2000s in the UK resulted from a mix of policies, including increases in employment and in universal child benefit for lone parents, and improvements in means-tested benefits/tax credits for both groups. These policies were also significant in narrowing the poverty gap between women and men, and continuing to reduce persistent poverty. With many benefits and tax credits now being cut, including those for children, poverty for those below pension age is forecast to increase.

The evidence suggested that the links between gender and poverty could be tackled through policies to ensure:

- access to an adequate independent income over the life course for women and men;
- fairer sharing of caring, and the costs of caring, both between women and men and more widely in society.

How did recent policies measure up, and how are future policies likely to do so? A review of the available evidence underscores key findings and lessons for the future.

- **Assured access to adequate independent income:** Employment is now the key policy focus for tackling poverty. Such policy is gendered in its impact. The national minimum wage and increases in it benefit women in particular because of their low pay. But 'welfare to work' policies often take insufficient account of the constraints on employment and other opportunities imposed by gender roles and relationships. Tax credits have been praised

for promoting employment among ‘first earners’ and lone parents but criticised for blunting incentives for ‘second earners’, hindering their efforts to lift their families out of poverty now and reduce their own risks of poverty in the future.

Non-means-tested benefits provide an independent income for adults out of work. Access to some of these benefits has been improved, but recently additions for dependants have been removed and contribution conditions tightened. The new single tier state pension from 2016 will benefit many women, but survivors’ pensions are being abolished and caring is taken into account in the pension reforms only partially.

Child Benefit gives valuable access to income within the family. But paying Universal Credit (the new means-tested benefit) into one account for couples risks creating or worsening an imbalance of power, and paying it monthly in one lump sum makes day-to-day budgeting (usually done by women) harder for many.

**Principles and priorities for the future** should include providing assured access to adequate income, as far as possible independent of the presence, actions or resources of a partner. This could include increases in the national minimum wage, and in pay for caring jobs (e.g. through public contract conditions).

Given increasing family fluidity, basing benefits on marriage/partnership increases risks of poverty. Individual benefit entitlement for a partner out of the labour market (on parental leave, unemployed or incapacitated) can reduce ‘in-work poverty’ for couples, as well as giving the individual an independent income within the family.

The increasing debate across the political spectrum about reviving contributory benefits needs to recognise caring as a form of contribution, as has happened in pension provision (albeit partially), and ensure that carers’ benefits are improved.

- **Fairer sharing of caring and the costs of caring:** caring for children or adults often restricts opportunities to gain a secure income from employment and/or the welfare state in the longer term, although benefits paid for children can help reduce the risk of mothers going without. Child maintenance can be important to parents living below the poverty line, but there is little analysis of the impact of paying it on the incomes of non-resident parents (usually men).

The most significant costs of caring centre on the difficulties of combining it with paid work. Child care and social care services help with this, but current systems to help with costs are complex and inadequate, and UK policies work against parents sharing family leave entitlements more equally. Flexible working is largely taken up by mothers. This may help them stay in work but can also maintain the gendered division of labour. The UK allows only a right to request flexible working, not to have it, meaning fathers can feel less justified in asking. Rights to paid leave for carers for ill/disabled/elderly people lag even further behind. Improving job progression could stop women getting trapped in part-time, low-quality jobs.

**Principles and priorities for the future** should include encouragement of more flexible gender roles, by schools, employers and services, which would help with combining work and care. The decision to identify one partner as ‘lead carer’ in a couple with caring responsibilities for young children and subject to universal credit conditions is an example of inflexibility, and could be reconsidered in this context.

Evidence suggests that increased pay during parental leave, and a ‘use it or lose it’ policy, would encourage fathers to take it up. Leave for carers for disabled/elderly people needs to be improved. Education and training are important for all, but especially for women who have focused their energies on caring and for men with outdated skills. Local quality jobs and child care, affordable and accessible transport, and free/low cost local learning opportunities, are crucial. Shifting the emphasis in support for childcare costs to subsidies to providers would mean fewer parents caught in the means-testing trap.

## Conclusion

A focus on gender is long overdue in anti-poverty strategies in the UK. Disentangling the links between gender and poverty inside the household and across the life course would give a fuller picture of relevant issues, and reveal the gender impact of associated policies. The right mix of policies would mean that gender is no longer a primary determinant of poverty in the UK. This review aims to contribute to that end.

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## About the project

This review drew on existing evidence about the links between gender and poverty and the reasons underlying these, and analysed the impact of relevant policies. It considered mainly research carried out in the last 10–15 years, with a focus on the UK.

Read the [full report](#).

# INTERNATIONAL ANTI-POVERTY STRATEGIES

This report sets out how poverty in the UK compares with other countries, in Europe and elsewhere. It also compares approaches to reducing poverty across these countries, looking for evidence of strategies that work.

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## Key points:

- Strategies are more likely to succeed if they have:
  - political commitment;
  - clear lines of accountability;
  - links to economic policy;
  - dedicated institutions or systems of governance;
  - co-ordination across government;
  - external stakeholder involvement;
  - an effective system of monitoring and review.
- While the UK did not have a national strategy, it has seen a fall in poverty while other countries have seen a rise. This is at least in part due to the introduction of a range of other anti-poverty policies.
- The effectiveness of the EU Nation Action Plans was varied. While they did not achieve their aim of reducing poverty, they did enable countries to make strategic progress towards developing systems and structures for tackling poverty.
- Anti-poverty strategies can be an effective way to assign responsibility for poverty reduction, facilitate co-ordination and consensus building and build support for the development of new measures or policies.
- Increasing the number of people in work does not necessarily decrease the number in poverty.
- The timescale associated with anti-poverty strategies means they need to be embedded in order to survive political change.

## The research

By Tom MacInnes and Sabrina Bushe, New Policy Institute, and Peter Kelly and Fiona McHardy, The Poverty Alliance



# BACKGROUND

This report considers the many different strategies for reducing poverty, across the UK, Europe, North America and Brazil. No single strategy has been unambiguously successful, though some have been associated with significant reductions in poverty over a long period. There are many examples of well-intentioned strategies that fail to achieve the political purchase necessary for success.

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## What makes a strategy more likely to succeed?

There was no single example of a strategy that addressed all the problems of poverty, but we found that several things can increase the chances of success.

- Political commitment: the most effective strategies all had commitment at a high level, from both politicians and civil servants. This gave impetus and leadership to the strategy.
- Responsibility and accountability: in some of the strategies we reviewed, the lines of accountability for delivery were not clear. These were often the less successful strategies.
- Links to economic policy: if anti-poverty strategies are to have real purchase they must be developed alongside economic policy.
- Institutional arrangements: the creation of dedicated institutions or systems of governance helps the development process. They also offer some security against changes in political leadership.
- Co-ordination (the all-government approach): the multifaceted nature of poverty means that tackling it requires high levels of co-ordination across government.
- Implementation: the development of a strategy means very little if it is not put into practice. There remains a gap between what is often committed to in strategy documents and what is delivered. Often gaps emerged when moving from the national picture to local delivery.
- The involvement of external stakeholders: these are a vital source of information and should also be involved in implementing the strategy.
- An effective system of monitoring and review: measuring results is crucial to maintain momentum and ensure various parts of governments are meeting their objectives.

## Long-term view of poverty trends in the UK and elsewhere

Most countries saw a rise in poverty between the 1980s and 1990s. While some, such as Portugal and Ireland, then made substantial progress to redress this, the UK stands out compared with many countries in the OECD. From around 2008 the global recession and ensuing Eurozone crisis stopped any further reduction in poverty in the EU except in the UK, where the rate has continued to fall.

This may, though, be due to the way income poverty is measured, relative to the national median income. This median has fallen substantially in real terms in the UK, reducing relative poverty. It is worth noting, though, that falling medians elsewhere in Europe have not always led to falling poverty.

It is useful, then to look at other measures of poverty, particularly the material deprivation measure which looks at whether people can afford everyday goods and services. In the UK, the proportion of people who are materially deprived has risen sharply since 2009, from 3 to 8 per cent. Around 20 per cent of people in Greece and 15 per cent in Italy cannot afford everyday items.

## The UK experience

In 2012, the UK had a higher poverty rate on a range of poverty measures than most old EU member states, 'crisis' countries aside. However, the UK experience of poverty over the last 20 years could be seen as positive – a fall when many comparable countries saw a rise and a fall when many similar countries saw no such fall.

There was no strategy document for reducing poverty in the UK. There were, however, a range of policies from the late 1990s onwards that were intended to reduce poverty – e.g. the minimum wage and working tax credits. There was also high profile commitment from the Prime Minister to 'eradicate' child poverty. So embedded was the idea of reducing child poverty, that even following the economic crisis of 2008, the UK government protected payments to low-income families with children via tax credits.

Overall, though, while the UK reduced child (and pensioner) poverty considerably, child poverty was not eradicated. Working-age poverty, particularly for those without children, did not fall at all. Across the countries of the UK, progress was varied, with many strategies published but fewer signs of success.

## The EU National Action Plans

The EU National Action Plans (NAPs) were developed as part of the Lisbon Strategy. The aim was to make 'a decisive impact on the eradication of poverty by 2010'. This was not achieved – poverty was higher, using the EU's own preferred measures, in the EU as a whole and in many member states at the end of the process than at the beginning.

There is little doubt the initiative did provide new opportunities in most member states to take a strategic approach to addressing poverty. Plans varied in content and adequacy, but the fact that they existed at all was a sign of success for many organisations.

The period from the start of the economic crisis casts some doubt on the efficacy of relying on such formal external initiatives for the development of an anti-poverty strategy. When the economic crisis began the strategies and plans that had been put in place did little to prevent problems of poverty increasing. The fact that in many cases these plans were externally driven meant that there was little national commitment to them. However, it is clear from many of those involved in the development of the NAPs that the process gave many countries the opportunity to have a more focused discussion about poverty and how it should be tackled.

## **What does a strategy add?**

One criticism of the strategies voiced by several of our participants was that they often comprised a collection of existing policies and did not add any new policy developments or approaches.

A strategy can also facilitate co-ordination and consensus building among a variety of stakeholders within and outside government. Linked to this, strategies can be an effective way to assign responsibility for poverty reduction policy. For example, before the first Belgian strategy there was widespread reluctance to take responsibility for anti-poverty policy. Following the strategies there is more clarity around where responsibility lies.

A strategy also offers the opportunity to link national targets to local activity. In one local authority area there was clear evidence of the national anti-poverty framework providing some of the impetus for the development of approaches locally.

## **The need for political commitment**

More successful examples of poverty reduction, such as Ireland or the UK, had high level political commitment. In many countries the NAP process failed to achieve real national political commitment, although there were some notable exceptions such as Ireland and Belgium.

Often the process of developing an anti-poverty strategy remained a largely bureaucratic exercise. As a result, the commitments to develop strategies rarely manifested themselves in commitments to implement them. The majority of NAPs were never subject to any kind of parliamentary scrutiny.

## **Institutional change – an example from Ireland**

The strategy development process in Ireland was notable in that it was one of few countries to have a government body dedicated to poverty reduction and the ongoing development of anti-poverty strategies – The Combat Poverty Agency (CPA).

It is clear that such institutions play a key role in the development of anti-poverty strategies. It had strong links to the community and voluntary sector, provided government with invaluable advice and expertise and ensured that the experiences of people in poverty reached those developing the strategy.

## The wider economic context

Almost all of the strategies reviewed took the view that work is the best route out of poverty. In doing so the assumption seemed to be that an increase in the number of people in work would lead to a decrease in poverty. This is a valid assumption and a necessary condition – we found no country that had reduced poverty without increasing the number of people in work.

But across Europe, several countries increased the number of people in work without significantly decreasing the number in poverty. For many people at the lower end of the labour market, moving into employment (particularly part-time, short-term and low-paid) does not necessarily mean moving out of poverty. A key criticism of the strategies was that they failed to acknowledge sufficiently the growth of in-work poverty, particularly following the onset of the recession, and take the necessary action to address it. Moreover, often the economic strategies for jobs growth took no account of how the type and location of these jobs could best reduce poverty.

## The impact of political change

Changing governments often means a shift in social policy. In Belgium, the transition from a socialist government to a liberal one was accompanied by a focus on fixing the economy as the solution to poverty rather than spending on social assistance programmes.

Anti-poverty strategies take time to create and embed and in many cases progress made in developing and implementing a strategy is lost in the transition from one government to another. One of the biggest tests of the success of a strategy is whether it can survive a change in government. Drafting legislation to function alongside a strategy or developing a system of governance that sits outside government are ways to ensure that a strategy will survive.

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## About the project

This review consisted of data analysis, qualitative research, a grey literature review, a review of European and international level documents and policies, and structured interviews.

Read the [full report](#).

# REGENERATION AND POVERTY

Regeneration describes a wide range of policy interventions since the late 1960s that have sought to improve economic, physical, social or environmental conditions in disadvantaged areas. These often have a high number of residents living in poverty. This study looks at their impact on this.

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## Key points

- Poverty can be understood as having both a 'material' dimension (lack of income) and a 'non-material' dimension (e.g. poor health, experience of crime).
- Regeneration has been more effective in tackling non-material poverty than material poverty. Place-based interventions around housing, the environment and crime that address non-material poverty have been particularly successful in improving quality of life for residents.
- Regeneration has created jobs but these are not always additional and are often taken up by individuals living outside target areas.
- Area-based interventions to tackle worklessness increase the chances of individuals finding employment but do not reduce overall levels of worklessness within deprived areas.
- The capacity of regeneration to generate jobs that could benefit those living in poverty could be enhanced through:
  - ensuring jobs created match the skills and experience of people in deprived places and are linked to local employment and training schemes;
  - targeting sectors least likely to create jobs that just replace existing employment;
  - implementing large-scale Intermediate Labour Market (ILM) schemes targeting those who find it hardest to get work, to create new jobs in areas of high worklessness.
- Regeneration plays an important role in relieving non-material poverty. Interventions to improve housing, the environment and community safety in particular should remain priorities within regeneration strategies.
- The Coalition Government needs a more strategic approach to regeneration which specifies core aims and how initiatives will be evaluated and clearly aligns regeneration with anti-poverty strategies.

## The research

By a team from the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, University of Cambridge, University of Reading, Queens University Belfast and University of Stirling

# BACKGROUND

This study brings together evidence from past programmes to assess the impact of regeneration on poverty and what more could be done to ensure regeneration is effective in tackling poverty. It also considers the likely impact of the Coalition Government's move away from funding large-scale regeneration schemes in England towards a more 'localist' approach.

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## What is the link between regeneration and poverty?

Poverty has two dimensions in relation to regeneration:

- *Material poverty* - where income falls below a threshold or where individuals or households are materially deprived because they cannot afford certain goods and services. Research on regeneration rarely explores its direct effect on income or deprivation but evidence on jobs and employment can be used as an imperfect but reasonable proxy for poverty.
- *Non-material poverty* – aspects of living in poverty not directly related to income. This includes individual experiences such as poor health or low education attainment as well as outcomes related to living in 'poor places' such as higher experience of crime or environmental neglect.

Regeneration may impact upon these two dimensions of poverty in a number of ways (see Table 1).

**Table 1 – How regeneration activities impact on poverty**

| <b>Type of poverty</b> | <b>Broad regeneration theme</b>    | <b>Example of activity within theme</b>              | <b>How activities can impact on poverty</b>                                                                           |
|------------------------|------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Material poverty       | Business development               | Land and property development                        | Creates jobs which raise household income above poverty thresholds                                                    |
|                        | Business support                   | Business planning advice                             |                                                                                                                       |
|                        | Physical regeneration              | Development or refurbishment of residential property |                                                                                                                       |
|                        | Tackling worklessness              | Jobsearch support                                    | Supports individuals to find work which lifts household income above poverty thresholds                               |
| Non-material poverty   | Health                             | Public health (e.g. stopping smoking)                | Reduces poor health. May also lead to longer-term material benefits such as access to (better) employment             |
|                        | Education                          | Learning support units in schools                    | Improves educational attainment. May also lead to longer-term material benefits such as access to (better) employment |
|                        | Housing                            | New housing development or housing refurbishment     | Enhances health and well-being. May also reduce material poverty if improvements reduce heating and maintenance costs |
|                        | Crime and the physical environment | Environmental improvements (e.g. tackling vandalism) | Improves satisfaction with area and reduces fear/experience of crime                                                  |

## What is the impact of regeneration on material forms of poverty?

### Interventions to create jobs

Regeneration can generate jobs through a range of activities supporting the creation, growth or (re)location of businesses (demand-side interventions). Evidence shows that, typically, less than half the jobs created through regeneration programmes are genuinely additional. This is because they would have been created anyway ('deadweight') or lead to the loss of existing jobs in the area where businesses are in direct competition ('displacement'). Nonetheless, most regeneration programmes exceed government guidance on what constitutes a good number of jobs created.

A key issue is whether new jobs created are taken up by residents in target areas or people from outside. Take-up of jobs by residents rarely exceeds 50 per cent although this could be improved through better targeting of disadvantaged groups by interventions.

Construction and refurbishment can provide jobs if the use of local labour is agreed with developers. There is, however, a risk that private sector partners may withdraw if projects become financially unviable. Intermediate Labour Market (ILM) schemes (which aim to get the long-term unemployed back to work through training and temporary employment) can provide a less risky mechanism for helping residents get regeneration jobs. These have been shown to be effective in helping more marginalised groups into training and employment.

However, there is little evidence that demand-side schemes to create jobs have a significant impact on overall levels of worklessness or employment in disadvantaged areas.

### Interventions to help individuals find work

Some regeneration programmes seek to directly tackle worklessness among residents in disadvantaged areas (supply-side interventions). These activities can increase the chances of an individual finding work but this does not translate into falls in overall levels of worklessness in the area. Limited impact may be explained by insufficient spending, the challenges in establishing partnerships with mainstream providers like Jobcentre Plus, a lack of jobs in the local economy, and residents who find work then leaving the area (there is little evidence, however, to support the assumption that regeneration *directly* drives this).

Regeneration is not always effective in supporting individuals facing several obstacles in getting work. There are also issues with job quality where programmes support people to take up low-paid, low-skilled work associated with in-work poverty.



## What is the impact of regeneration on non-material forms of poverty?

Regeneration programmes are more effective in tackling non-material than material forms of poverty. Non-material poverty can be tackled through people-based or place-based initiatives. People-based interventions around health, education or community participation focus on improving outcomes for individuals. Evidence shows they are better at improving the delivery of services than bringing about positive change for individuals. The limited impact of people-based interventions may be explained by short timescales, the relatively small scale of spending and the difficulties of influencing mainstream providers.

Place-based interventions focus on housing, crime and the physical environment. Research indicates they deliver a broad range of benefits that mitigate some of the negative experiences associated with living in poverty in disadvantaged areas. These include improvements in health and well-being; greater satisfaction with home and area; and reduced fear, or experiences, of crime and anti-social behaviour.

## What are the costs and benefits of regeneration?

Analysis of average *annual* government spending by regeneration theme in 2009–11 showed spending skewed towards interventions more likely to reduce non-material than material poverty. Housing-related regeneration accounted for 64 per cent of all spending, compared with 19 per cent on worklessness, skills and business development activities.

Cost benefit analysis indicates that regeneration more than pays for itself. Estimates show that, in combination, all regeneration activities produce somewhere between £2.30 and £3.50 of value for every £1 invested.

## What are the implications for the localist approach to regeneration?

The Coalition Government's localist approach to regeneration in England (where decisions and actions are taken locally rather than directed nationally) raises concerns about cuts in overall funding for regeneration, a lack of strategic approach, the viability of community-led regeneration, the dominant focus on economic growth, and the lack of institutional mechanisms to ensure that local growth initiatives meet the needs of disadvantaged neighbourhoods. This policy framework may prove regressive and intensify inequalities between areas if there is not greater strategic focus and funding. Scotland, Wales and Northern Ireland have all retained comprehensive national regeneration strategies, providing an opportunity for comparison over time with the more localist approach in England.

## What more could be done to ensure regeneration tackles poverty?

- The Coalition Government needs to put in place a clear strategy for regeneration that specifies core aims and how they will be evaluated, and that clearly aligns regeneration with anti-poverty strategies. It should combine activities to address both material and non-material forms of poverty.
  - A strategy need not be entirely centralised and prescriptive: exploration of what makes good places to live (a Minimum Acceptable Place Standard – MAPS) suggests ways of involving residents to establish priorities for their area that builds on minimum standards.
  - Housing, environment, neighbourhood management and community safety initiatives should be key priorities for regeneration as they can relieve non-material poverty. They can also be delivered at relatively low cost.
  - The impact of regeneration on material poverty could be enhanced by:
    - ensuring jobs created through regeneration activities are available to local people and linked to local employment and training schemes;
    - targeting job creating initiatives on sectors least likely to displace existing jobs;
    - linking ILM schemes that target those who find it hardest to get work with regeneration activities in areas of high worklessness.
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## About the project

The evidence review analysed more than 400 evaluation reports and academic articles that looked at the impact of regeneration on poverty. The evidence was identified through searching electronic databases, inviting relevant organisations to provide evidence, and through the personal knowledge of research team members. The review covered both the UK and international regeneration programmes but focuses on England for which the most robust evaluation data exists.

The research was carried out by Richard Crisp, Tony Gore and Sarah Pearson (CRESR, Sheffield Hallam University), Peter Tyler (University of Cambridge), David Clapham (University of Reading), Jenny Muir (Queens University Belfast) and Douglas Robertson (University of Stirling).

Read the [full report](#).

# RELIGION AND POVERTY

This study documents poverty rates among the main religious groups and denominations and explores the likely causes and possible policy responses.

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## Key points

- Muslims are particularly likely to be at risk of poverty, while Sikhs and Hindus are also more likely to experience poverty than are people affiliated with Christian churches, Judaism, or people with no religion.
- In Northern Ireland, the rate of poverty is five points higher than the national average for the UK as a whole. Within Northern Ireland the poverty rate is over ten points higher among Catholics than among Protestants.
- The high rates of poverty among Muslims, Sikhs and Hindus are to some extent due to the particular historical context of their migration to Britain. For example, lack of fluency in English predicts poverty and is not uncommon among recent Muslim or Sikh migrants. It is, however, no longer a barrier among Muslims or Sikhs who were themselves born in Britain.
- The number of dependent children is one of the strongest drivers of poverty in the UK and helps account for the increased risks faced by Catholics and Muslims. This may reflect family values associated with particular religious traditions, but there is also evidence that some Muslim women would prefer to work if childcare was available.
- There is evidence from Northern Ireland of the success of the fair employment programme in overcoming Catholic disadvantage, and the adoption of similar programmes in the UK could well be effective in mitigating disadvantages of Muslims and other faith groups who experience inequality of opportunity in getting work.
- Outreach programmes by voluntary associations to increase membership from non-traditional groups could also increase 'social capital' and thus overcome poverty.

## The research

By Anthony Heath and Yaojun Li, Centre on Dynamics of Ethnicity (CODE) and Institute for Social Change, University of Manchester

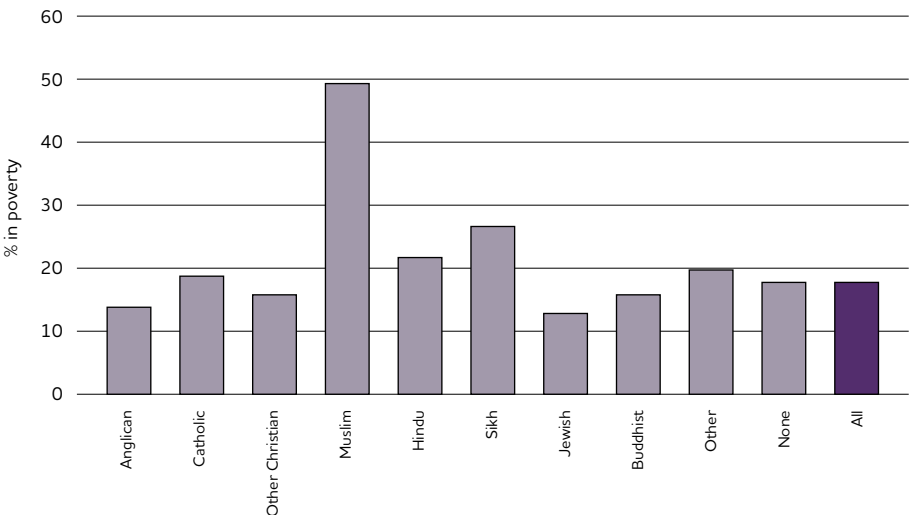
# BACKGROUND

While there has been a great deal of work on poverty rates among ethnic minorities, there has been very little focusing specifically on religion and poverty. This project documents the risks of poverty in different religious groups, and investigates some of the main potential causes and barriers.

In comparison with the relationship between ethnicity and poverty, there has been very little research focusing specifically on religion. However there have been a number of studies which compare the effects of religion and ethnicity on economic activity, unemployment and earnings, which are in turn major factors in poverty. These studies have typically shown that Muslims have lower rates of economic activity and higher rates of unemployment than do members of other faiths, particularly Christians. There is also evidence that Catholics in Northern Ireland continue to have higher rates of unemployment than Protestants, although the gap has narrowed over time.

In line with this, we find major differences in the prevalence of poverty between people of different religious affiliations. People of Jewish affiliation are least likely to be found in poverty (13 per cent), in contrast to those from the Muslim community (50 per cent). The second group most likely to be found poor are Sikhs (27 per cent) followed by Hindus (22 per cent). Christians are generally less likely than most other religious groups to suffer poverty, although there are significant differences between Anglicans (14 per cent) and Catholics (19 per cent). People with no religious affiliation, however, have a similar rate of poverty (18 per cent) as the overall average.

**Figure 1 – Prevalence of poverty by religious affiliation in the UK**



A major issue for interpreting religious differences is that religion is closely entwined with ethnicity. Thus the great majority of members of the Pakistani and Bangladeshi communities are Muslim, and it is therefore impossible to be sure whether we are observing a religious or an ethnic difference. We are in effect simply re-labelling the same people. However, some other ethnic categories, such as the white, Black African and Indian groups, contain substantial numbers of people belonging to different religions. This information can be used to see if Muslims are more likely to be in poverty.

The research findings suggest that Muslims, after taking account of their ethnic background, are indeed more likely to be in poverty than are members of other religions or those with no religious affiliation. The authors estimate that, after allowing for the effects of ethnicity and other factors such as age profiles, the size of this increased risk of Muslims experiencing poverty is about 18 percentage points (compared with people with no religious affiliation). The equivalent figures for Sikhs and Hindus are 8 and 5 points respectively.

In explaining these increased risks of poverty among Muslims, Sikhs and Hindus it is useful to distinguish between:

- historically contingent factors such as low qualifications or lack of fluency in the English language, which largely reflect the community's migration history and which are likely to be mitigated across time or across generations;
- factors which may be more intrinsic to particular religious traditions, such as traditional family values which may encourage women to stay at home and look after children or care for other family members;
- factors such as prejudice and discrimination reflecting how members of a particular faith are treated by the wider society, potentially resulting in increased risks of unemployment or low pay. Prejudice may, for example, adversely affect the life chances of those wearing distinctive clothing associated with their religion.

While it is not possible to assign definitive numbers to the size of these three components, statistical analysis of the available data suggests that all three play substantial roles. Important specific predictors of poverty which we are able to measure include lack of fluency in English, number of dependent children, economic inactivity, and low pay. However, these predictors do not fully account for the higher risks of poverty among Muslims (although they do largely explain the higher risks faced by Sikhs and Hindus). One potential additional explanation for Muslims' higher risk of poverty is their lack of 'bridging social capital', discussed below.

There is evidence that membership of some Christian churches may offer a degree of protection against poverty, perhaps because church members are more likely than non-members to belong to and participate in a range of voluntary and civic organisations. Theory suggests that membership of voluntary organisations and associated activities may foster the development of social capital (especially bridging social ties with people outside their own immediate social circle) which in turn may be associated with greater information flows, personal support and professional development, leading to greater success in the labour market. Data also shows that Muslims, Sikhs and Hindus are less likely to belong to voluntary organisations or to take part in civic activities than are Christians, and that this may contribute to their higher risks of poverty, particularly among Muslims.

Policies could address all these contributing factors. They could specifically consider:

- difficulties with English;
- availability of childcare for those who want to work;
- discrimination and prejudice;
- opportunities for civic engagement.

Even though lack of fluency in English will be mitigated in time, it is a major barrier to securing well-paid work for many migrants and thus contributes to heightened risks of poverty. Increased provision through adult education is likely to be of considerable help.

The number of dependent children is a particularly important driver of poverty in general, and larger family size accounts in part for higher Muslim and Catholic risks of being in poverty. While staying at home to look after children may in part reflect preferences for traditional caring roles, there is also evidence that some Muslim women would take up paid employment if they knew of appropriate childcare provisions. Policy could usefully focus on increasing information among relevant religious communities about the availability of childcare and early education places. It is also important to ensure that childcare facilities employ appropriate numbers of staff from relevant religious communities, to make services more attractive to potential users and to ensure the cultural sensitivity of the provision.

Evidence from Northern Ireland shows that the fair employment programme, aimed at improving equality of opportunity for Catholics and Protestants in their access to work, has been effective. This programme requires firms to monitor their religious composition and, if a particular group is under-represented, to establish action to remedy that. Such action plans have typically involved a range of outreach activities encouraging applications from the under-represented group. This programme represents a model which could well be appropriate for tackling the under-representation of other religious groups, such as Muslims or Sikhs, in the British labour market.

Outreach programmes could also be helpful for increasing participation in voluntary organisations. Lack of knowledge about what voluntary associations exist, or worries about the warmth of the welcome, may inhibit some from joining. Bodies in receipt of public funding could be asked to prepare action plans for facilitating participation from under-represented or non-traditional groups.

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## About the project

The primary data source was the UK Longitudinal Household Panel Study, also known as Understanding Society (USoc), which is also linked with the earlier British Household Panel Study (BHPS). USoc started in 2009/2010 and, at the time of analysis, three waves of data were available and were used. A total 60,925 respondents in the pooled BHPS/USoc files had valid responses to the religion questions.

# SEXUAL ORIENTATION AND POVERTY

The economic impact of sexuality related stigma, harassment and discrimination occurs when institutions, such as employers, schools and local authorities either deliberately or incidentally exclude people based on their sexuality. Unequal treatment can impact material living standards and the risk of poverty throughout life.

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## Key points

- In 1987, 75 per cent of the British public thought homosexuality was always or mostly wrong. By 2008 only 32 per cent thought this. This increase in tolerance suggests strong generational differences in LGB people's lived experience.
- Data shows that 93.7 per cent of the population are heterosexual, 1.3 per cent are gay or lesbian, 1 per cent are bisexual, 1.1 per cent are 'other'. Three per cent prefer not to disclose their sexuality.
- Among 16– 24-year-olds, 1.8 per cent self-identify as gay or lesbian with a further 2.6 per cent self-identifying as bisexual. Only 0.4 per cent of those aged 65+ self-identify as LGB.
- 12 per cent of heterosexual men, 13.4 per cent of gay men and 15.8 per cent of bisexual men are in poverty; 13.4 per cent of heterosexual women, 13.7 per cent of lesbians and 16.3 per cent of bisexual women are in poverty. These figures are surprising given that other characteristics of LGB people, such as childlessness, suggest they might be much less likely to experience poverty.
- Bisexual men are significantly more likely to be behind with household bills compared with heterosexual men. Bisexual women are nearly twice as likely as heterosexual women to be behind in Council Tax payments.
- Gay men are significantly more likely to receive income support (4.7 per cent), housing benefit (11.3 per cent) and Council Tax benefit (12.0 per cent) than heterosexual men. Lesbians are more likely to receive Jobseeker's Allowance (4.5 per cent) than heterosexual women.

## The research

By SC Noah Uhrig, Institute for Social and Economic Research

## BACKGROUND

Although much research documents harassment, discrimination, prejudice or stigma related to sexuality, the specific issue of poverty is rarely addressed. This report draws on links between poverty and inequality to examine how sexual orientation impacts poverty.

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LGB experience of poverty (using a threshold of equivalised household income before housing costs below 60 per cent of median) can be affected by perceived and real discrimination, harassment and stigma across a number of areas including homelessness, ageing and retirement, mental and physical health, education, employment, and wealth and savings.

**Youth homelessness** American research suggests 15–36 per cent of homeless youths are LGB. The proportion of homeless people in the UK whom are LGB has never been quantified.

Disclosure of sexuality is often cited as a precipitating factor to LGB youth homelessness in the UK.

Experiences of homelessness among LGB youth are particularly severe. The main issues are fear of harassment and violence in shelters from other clients and inadequate information gathering by service providers.

**Ageing and retirement** Social isolation is a particular problem for LGB elders, leading to problems of social participation and getting care. Social isolation also indicates social exclusion and higher poverty incidence.

UKLHS data shows that, among the over 50s, gay men are 2.7 times more likely to live alone compared with heterosexual men; bisexual men are 1.3 times more likely. Lesbians are less than half as likely as heterosexual women to live alone, perhaps because heterosexual women are likely to survive a male spouse.

Other UK research shows that approximately two-thirds of over 50s think social services are not welcoming to LGB clients and most are unwilling to be open about their sexuality with social service providers.

**Mental and physical health** Health is a resource that can be used to meet material needs, but it can also signal greater material needs; poor health is highly indicative of poverty.

Research shows that sexual minorities consistently experience worse health compared with heterosexuals.

Using the UKHLS epidemiological health scale (SF-12) which has mental and physical sub-components, gay men's mental health score is about four points lower than heterosexual men's while bisexual men's is more than five points lower. The score for lesbians is less than two points lower than heterosexual women's but bisexual women's score is nearly seven points lower.

**Education** Poor education and skills are linked to poverty incidence through limited employment opportunities. UKHLS data shows that although about 76 per cent of heterosexual and 70 per cent of gay/lesbian teens expect to complete A-levels, only about 55 per cent of bisexual teens aspire to A Level qualifications.

Lesbians are three times more likely than heterosexual women to have university degrees yet young lesbians are significantly less likely to expect to go to university or finish their studies if they do go, compared with either heterosexual or bisexual women. Highly educated women may not claim lesbian identities until later in life, however further research is warranted to unlock this paradox.



UKHLS data indicates about 38 per cent of lesbian and gay students and 41 per cent of bisexual students report being bullied at school but only 22 per cent of heterosexual students report being bullied.

UK research in the early 2000s suggests that suicidal ideation is significantly higher for LGB youth victimised in schools, as are rates of self-harm, depression, and tobacco, alcohol and drug use. School truancy is also likely for victimised LGB young people in the UK.

**Employment** Gay men in couples are significantly less likely to be working or looking for work compared with men in heterosexual couples, while lesbians in couples are more likely to be working or looking for work compared with women in heterosexual couples.

Research suggests a gay male pay disadvantage relative to heterosexual men, while lesbians generally experience a pay premium compared with heterosexual women. UKHLS data shows a slight continuing pay disadvantage for gay men, but significant pay penalties for bisexual men and women. Lesbians experience a pay premium relative to heterosexual women even controlling for education, age and motherhood.

Research shows that hiring practices across Europe are strongly biased against gay men with no effect on lesbians. Hiring preferences have never been examined in the UK.

A review of UK employment tribunal cases suggests strong motivation to conceal sexuality at work; key barriers to seeking legal redress are harassment by superiors and the desire to maintain confidentiality. Those seeking redress must disclose their sexuality and many report reduced employment opportunities as a result.

American research shows that gay men accept lower pay for higher tolerance of their sexuality. No UK research examines this, however qualitative research finds that some gay men and lesbians report trading earnings for amicable work environments. UK bisexual employment experiences have never been examined.

**Housing wealth** Swedish data shows that gay men, but not lesbians, are discriminated against in rental markets. American data suggest discrimination in mortgage markets.

UKHLS data indicates that gay and bisexual men and bisexual women are significantly less likely to live in owner-occupied dwellings; all sexual minority groups are more likely than heterosexuals to live in rented accommodation.

**Savings and household finances** American data suggest that same sex couples, particularly lesbians, are more likely to save compared with heterosexual couples. Childlessness allows same sex couples to divert more resources into savings, implying that they are better financially prepared for retirement compared with heterosexual couples. However childlessness may mean more financial resources are needed to buy social and health care support for LGB people in old age.

No UK research exists on sexual orientation and financial preparation for retirement. Also, all reviews of pension provisions pre-date anti-discrimination and civil partnership legislation.

## Policy recommendations

Given the economic impact of unequal treatment in a number of areas, anti-poverty policies relevant to sexuality might fruitfully address stigma in a range of public service provisions as well as improve hostile environments such as schools and workplaces. Moreover, policies addressing gender and poverty will undoubtedly benefit both lesbians and bisexual women, particularly with respect to workplace equality. Area specific recommendations include the following.

**Homophobic school bullying** Reduce the incidence and effects of homophobic school bullying. Incorporate formal anti-bullying or no tolerance statements in school policy to alter school culture; improve teacher awareness; improve counselling and support services for bullying victims; promote student organisations through which sexual minorities can develop self-esteem, resiliency, and make unconstrained choices about their lives.

**Homelessness** Alleviate the experience, and reduce the incidence, of LGBT homelessness. Develop LGBT-only supported accommodation and specialist support workers; improve the safety of existing housing and homelessness services; increase awareness of sexual minority issues in local housing authorities with respect to how or why a housing crisis might result from sexuality; improve statistical monitoring of service use and provision.

**Mental and physical health** Reduce LGB experience of, and improved resilience to, minority stress. Improve health service staff's ability to identify the health needs of sexual minorities and the health issues that they are likely to present; raise LGB trust in health services by improving health service sensitivity to sexuality; improve statistical monitoring so that poor service provision can be quickly identified and remedied.

**Employment** Recognise that non-pecuniary damage as a consequence of discrimination/harassment has poverty consequences as LGB people forgo pay for tolerant work environments. Alter workplace culture so that LGB employment choices are not constrained; encourage employers to adopt anti-discrimination policies; establish confidential discrimination/harassment reporting structures; promote sensitive employer anti-discrimination governance structures that address and remedy incidents.

**Ageing and retirement** Alleviate elder LGB isolation and problems of social participation. Promote LGB trust in social services by improving awareness among social service workers of LGB elder issues related to disclosure of sexuality and confidentiality; increase sensitivity to the LGB needs as distinct from non-LGB others, particularly around issues of social isolation; improve statistical monitoring of the quality of social support service provision and to better understand how much is provided to LGB elders. Considering recent marriage and civil partnership legislation, policy relevant analyses of retirement preparation including pension arrangements is needed.

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## About the project

This research synthesises material from North America, Europe and the UK, and includes newly possible analyses of the UK Household Longitudinal Study (UKHLS) which provides evidence about employment, education, housing, and health, all of which are likely to affect lesbian, gay and bisexual (LGB) people's susceptibility to poverty and their overall material well-being.

Read the [full report](#).

# WELL-BEING AND POVERTY

This review explores the relationships between poverty and well-being and the effectiveness of well-being interventions aimed at reducing poverty.

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## Key points

- Well-being can be subjective (such as whether an individual feels happy or satisfied with life) or objective (involving issues such as health, education, social relationships). Poverty can affect subjective well-being, but is ultimately different from it. However it is often a synonym for a low level of objective well-being.
- There is strong evidence that:
  - people living in wealthier nations have, on average, higher subjective well-being;
  - within nations, low income is associated with low subjective well-being, however, whilst life satisfaction raises steadily with higher incomes, positive feelings (e.g. happiness) rise only up to a certain income threshold;
  - within nations, economic growth, that is increases in the income of all, do not bring lasting increases in subjective well-being.
- Household financial resources are important for children's academic outcomes and educational support can improve social and emotional development.
- Conditional cash transfers can supplement poor families' incomes and promote their children's well-being by valuing educational effort and achievement, preventive health care, and training.
- There is little research on well-being interventions aimed at reducing adult poverty. Qualitative evidence shows that taking part in cultural activities can enhance self-esteem and facilitate inclusion in society and the labour market.
- Anti-poverty strategies can be more effective by increasing the income of those in poverty and by promoting individual and community programmes aimed at improving people's wider well-being, e.g. health and education, which can improve life chances.

## The research

By Gianfranco Giuntoli, Ben Mitchell, Gavin Sullivan, David Devins, Jane South

# BACKGROUND

Well-being and poverty are much-discussed but contested concepts. This review explores their relationship and the evidence of the effectiveness of well-being interventions in reducing poverty.

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## The different types of well-being

Well-being can be seen as either subjective (such as whether an individual feels happy, safe or satisfied with their life) or objective (involving issues such as health, education, social relationships). The relationship of well-being to poverty depends on the type of well-being under consideration.

### Subjective approaches to well-being

Subjective approaches see well-being as consisting of people's own experiences of their life in terms of their feelings or mental states (such as pleasure, happiness, or sadness) and satisfaction with life, desires or preferences. Poverty is one of the factors that can affect people's well-being, but it is different from it.

Examples of subjective approaches to well-being are utilitarianism, which is the main approach to well-being in economics, and psychological measures of 'subjective well-being' (SWB). Utilitarianism, developed in the nineteenth century, enables economists to establish a direct link between people's income and the maximisation of happiness or desire fulfilment. This link is based on the assumption that the more money people have, the more goods and services they can have, and the better off they are. In economics, this link led to the goal of maximising national per capita income as measured by Gross Domestic Product (GDP). However composite indicators of poverty and well-being, such as the Human Development Index and the Millennium Development Goals, have challenged the dominance of income as the representative measure of poverty and well-being. In contemporary economics, income per capita is seen as necessary, but insufficient on its own, for well-being.

Psychologists study SWB through measures of people's positive and negative emotions and judgements of life satisfactions. The relationship between SWB and income changes depending on the specific component of SWB investigated, i.e emotions or life satisfaction, and on whether we compare nations or individuals within the same country. There is a strong relationship between the wealth of nations and their overall SWB, although a growing body of research shows that there are other factors, such as social life, trust, freedom and education that affect SWB more than income. Within nations, the correlation between money and subjective well-being is small and stronger for those in the lower income brackets than for those with higher incomes, suggesting that added income beyond modest affluence does not increase SWB. Recent studies show that higher incomes steadily raise people's life satisfaction, 'dollar for dollar', but they do not generate more positive feelings (e.g. happiness) past a certain threshold (\$75,000 in the United States). There are different explanations for why there is a low correlation between SWB and money at the individual level, for example: income does not have an affect once basic needs are satisfied; people adapt to their circumstances; income affects SWB only if it is higher than that of other 'similar people'. However,

recent research shows that direct measures of people's material situation, such as expenditure and consumption, have a stronger relation with subjective well-being than indirect measures such as income and wealth.

The strength of subjective approaches is that they reflect how positively or negatively people are experiencing their lives or specific aspects of them; they can be used to inform policy decisions on specific issues or society as a whole. However, a recent German study suggests that unhappiness and dissatisfaction relate strongly to social issues such as unemployment, poverty, social isolation, and disability, whereas high levels of happiness and satisfaction are not predicted by these basic socio-economic and demographic characteristics but seem more related to private matters, e.g. individual choice and attitudes.

Overall, the main weakness of subjective approaches is that people very often adapt to their circumstances and so individuals in very different situations may report similarly high SWB.

### Objective approaches to well-being

Objective approaches see well-being as the attainment of (or the freedom to attain) specific needs, goals or values, for example health, nutrition, housing, education and self-respect. Some include happiness and life satisfaction, others do not.

Some objective frameworks, such as many child poverty studies, refer to well-being as an inclusive, overarching concept that encompasses poverty, while others consider poverty more specifically as low well-being (e.g. Amartya Sen's 'capability framework'). Overall, objective approaches see poverty as multi-dimensional and suggest that anti-poverty strategies should tackle people's financial situation as much as promote the components of well-being such as education, physical and mental health, self-esteem and aspirations. Their main weakness is that they raise important questions in relation to who decides what dimensions of well-being are important and how the decision is taken.

## Children's and families' well-being

There is strong evidence that poverty can affect individuals' and families' health through different mechanisms, for example by reducing access to goods and services that are important to maintain and improve health, and by generating chronic levels of stress that can cause ill-health. Research shows that poverty directly diminishes the experience of childhood, especially for children whose parents are unemployed. Qualitative research shows the importance of social and self-exclusion in children's experiences of poverty. These are pressing policy problems, especially where they are associated with withdrawal from participation in school, or reduced career and lifetime aspirations.

## Policies and interventions

Many interventions focus on children and a smaller number on adults of working age or older.

### Families and children

A recent systematic review of the literature found strong evidence that households' financial resources are important for children's outcomes, in particular cognitive development, school achievement, and social and behavioural development. The review suggests that increasing household income can substantially reduce differences in schooling outcomes, while also improving wider aspects of children's well-being, including maternal mental health and children's anxiety levels and behaviour.

An international comparison suggests that 'dual earner' regimes, which tend to be social democratic, Nordic countries that offer low to medium levels of cash and tax benefits for families with children, but high levels of support for paid parental leave and childcare, have a far lower percentage of children living in poverty and lower child mortality rates compared with 'general support regimes' (high levels of cash and tax benefits, but low public support for parental leave and childcare) and 'low family support' regimes (low levels both of cash and tax benefits and of support for parental leave and childcare services).

The UK has been classified among the 'low family support' regimes and policy-making has been described as reactive (in contrast to the more proactive Nordic countries). However, since 1997 the UK has seen investment in programmes targeted at child well-being, of which Sure Start and children's centres were key frontline initiatives. The second phase of the evaluation of the Sure Start local programmes identified 5 out of 14 outcomes with significant positive effects: improved social development and social behaviour of children, greater independence of children, less negative parenting, and a better home and learning environment.

Conditional cash transfers (CCTs) are interventions explicitly aimed at promoting the well-being of families and children living in poverty. They usually consist of cash grants provided on condition that the recipients meet certain requirements, for example sending their children to school and having regular health checks. In developed countries CCTs are based on the concept of *incentivising* – the money provided in return for certain activities and behaviours is *additional* to any benefits received. In a time of limited resources, CCTs can be viewed as a targeted means of supplementing poor families' incomes and promoting activities that can improve their health and well-being.

### Adults and older people

There is little research on the effects of non-monetary well-being interventions aimed at reducing adult poverty. There is qualitative evidence that taking part in cultural programmes and activities can enhance self-esteem and promote greater participation in society and the labour market. One large-scale European study found that social isolation is lower among internet users aged 65 or over, particularly among the most disadvantaged groups.

## Conclusion

Focusing anti-poverty strategies on well-being does not necessarily mean aiming to maximise individuals' or societal happiness; high levels of SWB seem to be related to unobservable factors rather than factors that can be affected by policy initiatives. There is strong evidence that increased income can improve both the SWB and the wider well-being components of people living in poverty, including their physical and mental health. However, anti-poverty strategies could be strengthened by complementing interventions to increase the income of people in poverty, such as conditional cash transfers, with individual and community-level initiatives aimed at promoting the wider components of people's well-being, such as mental health, education, self-esteem and social and family relations. These initiatives would allow anti-poverty strategies to improve people's chances of inclusion in society and the labour market, reduce the experience of 'misery', and, ultimately, reduce the occurrence of poverty.

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## About the project

The literature review covered the period from January 2000 to September 2013. Eight databases were searched using a combination of poverty, well-being and intervention keywords. A total of 4,449 potential studies were retrieved and 129 selected for review.

## For further information

For further information please contact Gianfranco Giuntoli, email: [g.giuntoli@unsw.edu.au](mailto:g.giuntoli@unsw.edu.au). Gianfranco undertook this project as Research Fellow at the Centre for Health Promotion Research, Leeds Metropolitan University. He is now Research Associate at the Social Policy Research Centre, University of New South Wales, Australia







# WELFARE AND WORK

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## FOREWORD

It should not be a surprise to anyone that work and welfare are critical elements of any attempt to devise an anti-poverty strategy. The reviews in this section demonstrate that, across the UK and internationally, a vast array of programmes, policies and reforms have been implemented to boost employment, increase incomes and reduce poverty. However, the breadth and depth of the reviews demonstrate both the complexity of the issues involved and the difficulty of finding a combination of policy responses that works.

Despite this complexity, the reviews do provide a concrete overview of some reforms that could relatively simply help to boost incomes and reduce poverty. The review of benefit take-up shows that, alongside expected increases in take-up under Universal Credit, we could expect a sizeable impact on poverty from a combination of policies aimed at increasing claimants' knowledge of entitlements and reducing stigma and by improving links across the Department for Work and Pensions, local authorities and broader public services such as the NHS. Boosting the Universal Credit 'work allowance' and encouraging the formalisation of currently informal employment could also make a distinct impact.

However it is clear that these policies on their own will not be enough to deliver the step change in poverty rates that this strategy is hoping to deliver. These reviews provide a much needed objective assessment both of the challenges that policy-makers face and the approaches and frameworks that they will need to consider. This point is well summarised in the review of Universal Credit. While recognising the vital role that income transfers, or the 'pockets' approach, should continue to play, it highlights a longer-term ambition of relying less permanently on means-tested benefits to tackle poverty. This could be achieved by moving towards a more fundamental 'prospects' approach that would look beyond income redistribution and poverty alleviation to ask how individuals and families can be helped to protect themselves against poverty by earning more.

There are clear links here with the review of employment and pay, which argues persuasively for a more broadly-based strategy for tackling low pay, and with reviews in other sections that focus on education and adult skills. Other reviews also highlight the importance of considering the role of employers in this agenda.

However, in many of these areas we have relatively little evidence of policies that might prove successful on a national scale. For example, it is clear from the reviews that we know more about what does not work in helping individuals and families to improve skills and increase their earnings, than what does. This means that we must make the most of opportunities to test new approaches and design better policy. The introduction of Universal Credit and potential changes in Jobcentre Plus and in the employment programmes for harder-to-help benefit claimants across the UK will provide a vital test bed.

Of course, such policies and programmes are only as good as their delivery and must adapt to the local situation. In short, as a recent publication on child poverty from the Scottish Government outlines, in addition to *pockets* and *prospects*, *place* also matters. These issues are well covered in the review of welfare to work programmes, which highlights the trade-offs between UK-wide, devolved and local delivery models. The clearest theme here is that outcome measures are important: no matter what the delivery model, if we want employment services to deliver longer-lasting jobs and higher earnings, then this is what we should be evaluating their performance on.

This should start by ensuring that Jobcentre Plus is measured on its success in moving people into work, rather than simply off benefits.

Overall, these reviews present policy-makers with a clear challenge. The policies and programmes implemented over the last 50 years have not delivered the impact on poverty that we need. We need to learn from the past and build on these lessons to develop and test a new strategy that incorporates approaches based on *pockets*, *prospects* and *places*.

### Matthew Oakley

Head of Economic Analysis at Which? and Member of the Social Security Advisory Committee, but writing in a personal capacity

# BENEFITS TAKE-UP AND POVERTY

In 2009–10 almost a third of eligible recipients in the UK were not claiming the means-tested benefits to which they were entitled and in 2011–12 15 per cent of those eligible for Child Tax Credits and 35 per cent of those eligible for Working Tax Credit had not claimed. Take-up rates for most out-of-work income-related benefits declined in the decade to 2009–10.

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## Key points

- Improving take-up of means-tested benefits by those in and out of work would make a major contribution to poverty reduction.
- Measures to improve the take-up of means-tested entitlements need to be central to anti-poverty strategies.
- Take-up rates can be improved by increasing the level of knowledge about entitlements and the eligibility rules and by reducing stigma and the complexity of claiming. Local initiatives are most effective.
- Universal Credit is expected to increase benefit take-up, especially among the poorest households, but it seems likely that continuing welfare reforms will have negative effects.
- Local authorities and social landlords should sustain and, where possible, increase their investment in specialist welfare rights services and in local targeted take-up campaigns.
- Health service staff and GPs should extend the targeted provision of welfare rights services within healthcare settings and make referrals to more specialist welfare rights advice.
- Welfare-to-work providers and employers have an important role to play in promoting in-work benefit take-up which could contribute to employment retention and in-work poverty reduction.
- There is a need for continuing research and experimentation to stimulate continuous improvement in service delivery and a better understanding of 'what works' in promoting take-up.

## The research

By Dan Finn and Jo Goodship, University of Portsmouth and the Centre for Economic and Social Inclusion

## BACKGROUND

Almost a third of eligible people in the UK in 2009–10 were not claiming the means-tested benefits they were entitled to – an estimated £10 billion worth. Take-up rates for most income-related benefits declined in the decade to 2009–10. Take-up of tax credits increased after 2003–04 but in 2011–12 HM Revenue & Customs estimated that 35 per cent of those eligible for Working Tax Credit and 15 per cent of those eligible for Child Tax Credit had not claimed their entitlements.

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### Reasons for non-take-up

Non-take-up is the result of the dynamic interaction between social and economic circumstances, policy reforms, administration and complex eligibility rules. The most significant factors appear to be level and accuracy of knowledge about an entitlement and eligibility, linked with the perceived cash value of the benefit compared with the effort involved in claiming it.

Take-up rates are highest where potential benefit payments are high and lowest where people are eligible for relatively small amounts. The evidence suggests that as means-tested support was extended to cover more pensioners and working-age people many may not have claimed because they had higher relative incomes and relatively small entitlements.

Nevertheless, a significant number of households had far higher unclaimed entitlements with evidence suggesting that take-up was undermined by problems with benefit design and service delivery and explicit discouragement for some groups. In particular, increased conditionality and related sanctions are designed to get people into work as quickly as possible and make their claims relatively short-lived. A side effect, however, has been a ‘disconnection’ from the benefits and employment services system.

A further recent factor is likely to have been the public debate and media coverage of welfare dependency which has increased the stigma attached to those claiming benefits, especially people of working age. Research findings suggest that this stigma is linked to reductions in take-up and a reluctance to claim.

### How to increase benefit take-up

Changes in benefit design, service delivery, and targeted campaigns have helped increase take-up and led to financial gains and additional jobs for poor households, with the income increasing spending and economic activity in low-income communities.

One significant finding is that central government was able to improve take-up of Pension Credit and tax credits through simplifying benefits, changing service delivery, and targeting advertising campaigns. The review also found that initiatives taken at the local level, whether by local authorities or voluntary agencies, are among the most effective ways of increasing benefit take-up. Investment in take-up services and campaigns typically generates far more in additional benefit income for poor households than they cost to deliver.

The more effective approaches include:

- simplifying the language and content of benefit forms;
- easing the process of claiming through (carefully designed) telephone and digital claims processes;
- making systematic use of feedback from users, advocacy organisations and frontline staff, to highlight problem areas;
- ensuring people are informed of entitlements at key 'trigger' points, for example when registering births;
- targeting take-up campaigns at those not claiming high-value entitlements, especially among harder-to-reach groups;
- taking information into communities through outreach activities, often in partnership with other intermediaries such as health workers and community organisations.

The findings point to the value of welfare benefits advice being made available through local, trusted, and more accessible settings, including children's centres, community and voluntary centres, health care locations and, to some extent, through welfare to work providers.

Easy access to advice services with trained staff able to provide independent and authoritative welfare rights information is important. Such services play a key role in take-up initiatives, improving other staff attitudes towards claimants, and knowledge of entitlements and the welfare system.

## Benefit take-up in the new welfare landscape

Means testing will remain at the centre of the British welfare system and take-up of benefits will be a significant factor shaping the impact of welfare reforms on reducing poverty; measures to improve take-up need to be central to anti-poverty strategies.

The introduction of the Single Tier Pension from 2016 may reduce means testing for many pensioners but up to a third of pensioners will still rely on means-tested Pension Credit and support with Council Tax and rent costs. Universal Credit is expected to increase benefit take-up, especially among the poorest households, but it seems likely that it will also have negative effects. In particular:

- it will take time to develop awareness about the new rules, regulations and systems – additional effort will be needed to inform potential claimants, frontline delivery staff, and intermediary organisations that assist more disadvantaged groups and communities;
- there is a risk that digital delivery may reduce and deter take-up among the people who do not have access to computers and/or the necessary skills;
- there is much uncertainty about the impacts on take-up of tougher conditions for out-of-work claimants and the extension of conditions to cover over a million in-work eligible recipients.

## Monitoring the take-up impacts of welfare reform

The government has the primary responsibility to tell potential claimants about their eligibility, facilitate the claims process and ensure that services are targeted adequately at the disadvantaged groups who are less likely to claim. It is important the government, and its delivery partners, monitor the impact of welfare reform policies on take-up and make effective use of the insights gained from the many pilots and initiatives being tested alongside implementation of Universal Credit.

It is important to continue annual publication of take-up data, including in future Universal Credit, and for the series to continue estimating take-up of Council Tax support. If take-up rates do not improve under Universal Credit, as the government has suggested, it should consider setting an independently assessed indicator giving the level of take-up it wants to achieve. This would help drive future improvements. The data series should continue to measure the extent to which any increase or fall in take-up of means-tested entitlements affects the number of people in low-income households.

The UK's devolved administrations and local authorities will continue to have an interest in promoting take-up of benefits. However, the devolution of Council Tax support, and some elements of the Social Fund, have changed the incentives of local government. It will be important to monitor how local authorities respond to the devolution as some may seek to reduce the cost of support by discouraging claims and doing less to encourage take-up.

## Supporting and encouraging future benefit take-up

Most local authorities, and many social landlords, are preparing for increased demand for advice and support as a result of welfare reform. Some are developing new services to help disadvantaged people cope with changes both in how benefits are paid and in their value. Given the scale of unclaimed benefits investment in welfare rights services will have a positive impact on family incomes. Such services can play an important role in providing the information and training to frontline staff who interact with claimants. National charities and voluntary organisations have been at the forefront of benefit take-up campaigns and are well placed to monitor the impact of changes in benefits and service delivery.

The development of local support services for the introduction of Universal Credit could also play a role in trialling local ways of identifying non-recipients, developing new advice channels, and evaluating their impact on increasing take-up rates. Health services could also consider providing welfare rights services within healthcare settings and signposting service users to more specialist welfare rights advice. The evidence suggests increased benefit take-up has positive impacts on household income and on some health outcomes at little cost to the NHS. There is a particular need for cultivating these partnerships as health professionals are likely to be encountering more patients in financial hardship and concerned about their benefit status, especially concerning disability assessments.

Welfare-to-work providers and employers may find themselves playing a more direct role in providing advice and assistance on benefit take-up, especially those delivering the Work Programme. The evidence from the USA suggests that facilitating in-work benefit take-up can help with the transition into employment and claiming means-tested financial supports may improve employment sustainability. There may also be less stigma attached to welfare advice and take-up assistance delivered in employment support settings.

Funders and research organisations should continue to draw attention to the non-take-up of means-tested benefits and challenge myths that reinforce stigma. Further policy-related research and public policy debate on the reasons for and impact of low take-up is needed. More should be done to stimulate a better understanding of 'what works' in promoting take-up and the dissemination of examples of best practice. Finally, the government should commit to ensure the level of take-up of Universal Credit and other means-tested benefits is considered as part of its strategy to reduce child poverty.

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## About the project

This research reviewed evidence on the take-up of means-tested benefits and tax credits and the impact of strategies and interventions designed to improve take-up rates.

Read the [full report](#).



# EMPLOYMENT, PAY AND POVERTY

Policy in the UK promotes employment to tackle poverty. However, this is challenged by the increasing prevalence of ‘in-work poverty’ and low earnings growth as Britain emerges from recession. This review examines the relationship between employment, pay and poverty and assesses the evidence on the impact of different employment interventions on poverty reduction.

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## Key points:

- Workless households, low-work-intensity households (either in terms of the number of earners or hours worked), and households with low-wage earners have a relatively high poverty risk and are priorities for anti-poverty initiatives.
- National employment growth has had a limited impact on relative poverty rates, because the gains have often gone to households who are not in poverty.
- Rises in the National Minimum Wage boost household incomes for some low-earning families, but are relatively poorly targeted at households in poverty.
- Wage supplements have a positive impact on poverty reduction since they are family means-tested and thus well targeted on poor households. However, their work incentive effect is stronger for lone parents than for second earners in couples.
- Activation (imposing conditions on welfare receipt) generally increases employment rates, but the impact on poverty depends on the types of jobs taken and the effect on benefit take-up. Sanctions reduce welfare use, and can increase work entry, but possibly at the cost of job quality.
- Active labour market programmes that include job search services and sanctions or employer incentives (e.g. wage subsidies) have the best employment outcomes, while training programmes vary in impact. Tailoring to individual needs is more effective than standardised provision.
- A range of strategies can be effective in promoting earnings improvements, including financial incentives to encourage retention, placing individuals in better quality jobs, and improving skills. However, income increases (and thus poverty impacts) have tended to be modest.

## The research

By researchers at The Work Foundation, Coventry University and the Policy Studies Institute

## BACKGROUND

Employment is fundamental to tackling poverty, since earnings from paid work are generally the largest source of income for households. However the relationship is not straightforward because poverty is measured in relation to *household incomes*, while employment affects *individual* earnings. Household composition and other income sources therefore mediate the relationship between employment and poverty.

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### Employment status and poverty

There is a strong relationship between worklessness and poverty both in the UK and internationally. The poverty rate for working-age individuals in unemployed families was 54 per cent in 2012, compared with an average of 15 per cent. If poverty is measured by material deprivation, rather than relative low income, the disadvantage faced by workless families is even greater.

While the poverty risk is higher for workless households, working households now constitute the largest share of overall poverty. A substantial proportion of in-work poverty is made up of families with 'low work intensity' – including single-earner couples, families with only part-time earners and those working intermittently.

### Employment characteristics and poverty

Hours of employment, pay rates and job security all affect poverty risk. In the UK, part-time workers are twice as likely, and the low paid three to four times as likely, to be in poverty as all workers. Hospitality and catering, personal services, retail and the residential care sectors are most closely associated with both in-work poverty and (persistent) low pay.

Women are heavily over-represented in both low pay and part-time work but this is not reflected in strong gender differences in poverty levels. This is because poverty is measured at the household level, and low-earning women are more likely than low-earning men to live with higher earners. However, this means that low-paid women are especially reliant on a partner's earnings to lift them out of poverty, which makes them more vulnerable to poverty from family breakdown.

### The number and quality of jobs and poverty

Employment growth is not always associated with poverty reduction, because the jobs created may not go to households in poverty. This can be seen in the increasing polarisation between dual and no-earner households over the past 30 years. The evidence on the effectiveness of targeted job creation schemes is somewhat inconclusive however. The evidence suggests that enterprise zones have had relatively little impact on employment prospects for local workers while wage subsidies, sometimes integrated with other interventions, can be effective for some groups of workers.

Statutory minimum wages can have a positive impact on poverty outcomes and this has been the case in the UK, although the effect tends to be small, because minimum wage increases are not well targeted on poor households. A moderate rise in the National Minimum Wage (NMW) in the UK would boost incomes for some poor families, but would have little impact on relative income poverty overall. However, by creating a wage floor, the NMW limits the extent to which very low pay by employers is subsidised through tax credits, and has the potential to encourage a 'virtuous circle' of higher pay, greater investment in skills and higher productivity, although the extent to which this has occurred in the UK is limited. Wider payment of the living wage has the potential to raise the earnings of many low-paid workers but could also reduce labour demand, notably for low-skilled young workers.

Other institutional factors also influence the links between employment and poverty, such as collective bargaining, associated with fewer low-paid jobs, and union membership, linked to a modest wage premium. Family friendly working practices can potentially play an important role in promoting employment among people with caring responsibilities, although evidence about their poverty impacts is limited.

## The evidence on active labour market policies and poverty

Wage supplements aim to 'pull' more people into the labour market by 'making work pay'. In the UK, their impact on employment is broadly positive, albeit more so for lone parents than for couples, because of the disincentive effect for second earners (due to higher withdrawal rates as earnings rise). Wage supplements also have a direct positive impact on poverty by topping up household income, and are well targeted at households in poverty through means testing. The introduction and extension of tax credits was a major element in the reduction of child poverty between 1997 and 2010.

Activation strategies aim to 'push' people into employment by imposing conditions on welfare receipt. In the United States, welfare reform increased employment rates, reduced welfare use and had a small positive impact on poverty among lone parents. However many of those who entered work remained in low income, and the population 'disconnected' from both welfare and work also grew. In the UK, recent changes to conditions attached to benefits for lone parents have raised employment rates, though poverty impacts have not been assessed. It is too early to properly assess other more recent changes to conditionality, such as reforms to Incapacity Benefit and changes to the JSA sanctions regime. International evidence suggests that sanctions reduce the use of welfare, and can increase work entry, but possibly at the expense of work stability and earnings.

There is an extensive evidence base on active labour market programmes, but robust findings on which strategies and services are most effective in promoting longer-term earnings and income outcomes is lacking. US evidence strongly suggests that a 'work first' message conveyed by employment advisers is important in realising positive employment and earnings outcomes. However personalisation of services is also important and allocating people to services according to need is more effective than a blanket regime of either job search or training. The impact of training programmes varies widely, but they are generally more effective if small scale, well targeted and delivered in conjunction with employers. Longer-term outcomes may also be more positive for training programmes. Those furthest from the labour market, such as the long-term unemployed, require more intensive support and there is some evidence that intermediate labour market programmes can have positive outcomes for this group.

Findings from the Employment Retention and Advancement (ERA) evaluations (in the United States and the UK) examining longer-term earnings outcomes suggest a range of effective strategies: providing financial incentives to individuals for staying in work, placing individuals in better quality jobs, and facilitating job mobility to better paid work. Increasing skills can also be effective, but to improve earnings, training initiatives need to be closely linked to progression pathways. However, even where such strategies have had a positive impact on earnings, their effects tend to be modest rather than transformational.

## Implications for policy

- Poverty reduction needs to include some form of in-work income transfer – in the short to medium term at least – since this has a direct and immediate impact and is well targeted at families in poverty. It is also important to reduce second earner disincentives through modifications to the design of Universal Credit.
- Modest increases to the NMW can play some role in reducing poverty; however the impact is limited because it is relatively poorly targeted at poor families. Raising the NMW to the level of the living wage would invariably cost jobs, however more can be done to encourage employers to pay the living wage in sectors that can afford it.
- The move towards personalised and tailored support in UK active labour market programmes is supported by a range of evidence, although Work Programme results suggest this model is not currently working well for people with health conditions. Changes to the contracting model are probably needed to address this.
- With the introduction of Universal Credit and the availability of ‘real-time’ earnings data, there is potential to further develop and test approaches to promoting earnings progression, including employer-based sectoral initiatives. Clearer incentives for providers to promote earnings growth could further this agenda.
- Over the longer term, policy should be focused on facilitating growth in more highly paid jobs. This may be supported by institutional mechanisms, such as union coverage and collective bargaining, as well as by wider industrial strategy and skills policies. More evidence is needed on which approaches could work best in the UK context.

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## About the project

The research consisted of a literature and policy review, drawing on published literature from the UK, Europe and North America. It was undertaken by researchers at The Work Foundation, Coventry University and the Policy Studies Institute.

Read the [full report](#).

# MEANS-TESTING OR UNIVERSALISM AND POVERTY

How closely should income transfers and state services be targeted on the poorest groups? This review looked at the effectiveness of different anti-poverty strategies according to how closely they are targeted on people with limited means.

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## Key points

- Both means-tested and universal approaches have advantages and drawbacks. Means-testing can create stigma, complexity, work disincentives and reduced support. Universal services and benefits can spread finite resources too thinly.
- International evidence in the 1990s appeared to show more universal systems benefiting low-income groups more. Recent studies challenge this finding.
- The UK is relatively successful in focusing redistribution on less well-off households. For example, the UK redistributes about 14 per cent of household income in cash benefits compared with Germany's 28 per cent, but the redistributive impact is the same.
- An anti-poverty strategy requires a mix of means-tested and universal approaches. Universalism works best in the context of redistribution between earning and non-earning periods of life, because everybody needs this to some degree. An adequate single-tier, non-means-tested pension has been shown to work well, for example in New Zealand.
- Universal access to essential services is desirable, but not if it compromises the quality of the service. It would be a mistake, for example, to lift means-testing on social care if this narrowed the range of needs covered.
- In tackling child poverty, a large degree of means-tested support needs to be accepted: this can potentially be four times as effective as a universal payment. However, it will work best if combined, in the long term, with universal access to free or low-cost childcare.
- The safety net for working-age adults without children is now perilously low: only half the protection guaranteed to pensioners.

## The research

By Dimitri Gugushvili and Donald Hirsch, Centre for Research in Social Policy, Loughborough University

## BACKGROUND

In providing services and cash to households to alleviate poverty, the state has to decide the extent to which it restricts access to services and cash to the most needy groups. Doing so appears more cost-effective in anti-poverty terms, but can create problems.

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The problems of means-testing benefits include stigma and uneven take-up, conflict with wider objectives of the welfare state and potential marginalisation of programmes, reducing taxpayer support.

Universal and means-tested approaches are not opposing alternatives but part of a continuum, and there are various definitions and categorisations that could be used. For this analysis, the key variable is the extent to which access is targeted to households with low means, or made available on criteria that do not take household means into account.

### The international evidence

Studies in the 1990s and early 2000s appeared to show that more universal systems of social protection had tackled poverty the most effectively. A seminal study by Korpi and Palme (published in the *American Sociological Review* in 1998) suggested that universal approaches were associated not only with more public spending but a greater degree of redistribution. Across 11 countries, they found that those with high social spending based on universal principles did not just recycle money within income groups but also redistributed across them. More recent studies challenge this conclusion. Looking at a wider range of countries, at more recent evidence and more closely at poverty effects (not just overall levels of redistribution), these studies found that smaller but more targeted programmes can have at least as much redistributive effect and that greater selectivity based on income can ensure that more of this redistribution is in favour of the poorest groups. Over time, means-tested programmes have improved their reputation and funding, partly by incorporating conditions relating to seeking work, and by being expanded to include support for working people on low incomes.

The evidence also shows that effective redistribution can take place in very different kinds of system. For example, Australia and Denmark both redistribute successfully; Denmark as one of the most generous regimes overall and Australia as one of the least. Both make extensive use of means-testing, suggesting that the level of targeting is no less important than the size of the redistributive budget. This also explains why the UK achieves almost the same level of redistribution and is more effective in reducing poverty than Germany, which has considerably larger spending.

### Five specific challenges for the UK

The issue under review is bound to play out differently in each policy area. The review identified five particular issues that a UK strategy will need to address.

### 1. The balance between the state pension and Pension Credit in providing for low-income pensioners

The means-tested credit has helped reduce pensioner poverty sharply in the past 15 years. The weaknesses of this strategy are that a third of those eligible do not claim Pension Credit, and it may discourage pension savings. However, if as an alternative all money from the credit were put into increasing the basic state pension, those who had received Pension Credit would on average lose four times the amount gained from the pension increase. The government's alternative strategy of reducing means-testing by combining the basic and second state pensions into an adequate basic pension is a better way of reducing poverty while minimising means-testing. New Zealand has shown that a simple single tier pension can reduce poverty without means-testing. However, to make this affordable the UK government is increasing the pension age, which could create additional poverty among those waiting for their pension – about 40,000 people for each year the pension age rises.

### 2. The role of means-tested payments in tackling child poverty

Unlike with pensions, the potential role of non-means-tested cash payments in tackling child poverty will be limited. Child Benefit was never intended to provide fully for the cost of a child. From the late 1990s until 2011, Child Tax Credit and its predecessor were indexed much more generously than Child Benefit, which has helped lower child poverty. If Child Benefit were redistributed into Child Tax Credit, child poverty would fall by over a quarter. This is not a reason to abolish Child Benefit, but to recognise the crucial role means-tested payments play in tackling child poverty. International experience suggests, however, that dependence on such benefits could be reduced by working to improve earnings among low-income families, and improving subsidised services used by families and thus reducing family costs.

### 3. The best way to structure resources designed to help improve children's life chances

It is widely accepted that better life chances for people growing up in disadvantaged families must be a key part of any anti-poverty strategy. Some redirecting of resources to the early years can help, but this would harm disadvantaged children if their needs were neglected at school age; early intervention does not work if it is not followed through. Means-tested demand-side subsidies, such as educational maintenance allowances and student grants, can bring clear benefits by encouraging students to take up education opportunities. Supply-side support, such as additional resources through the pupil premium and area-based funding, has not been shown to have automatic, clear-cut benefits. To prove its worth, it needs to be used in combination with other measures to transform the experiences of disadvantaged children.

### 4. How far help with disability, health and care should be targeted

Our present system means-tests support for most social care but not for most health needs or benefits to cover disability costs. Some countries now provide non-means-tested care support; in the UK this would need substantial increased spending to avoid the risk of targeting those with more severe conditions at the cost of others having unmet needs. In the health service, selective charges do not work well for people on low incomes: around 40 per cent of those in poverty miss out on benefits such as free prescriptions, while more than 40 per cent of people not in poverty receive them, and given the complication of detailed means testing, more universal access to such benefits may make sense.

## 5. In what cases means-testing might be made more acceptable to the public and recipients

Means-tested benefits suffer from a poor image, contributing in many cases to low take-up and to reduced taxpayer support. However, this is not always the case; for example in the past a student grant system graduated by families' ability to contribute was widely seen as legitimate in helping 'deserving' children go to university. Means-testing can be most effective where it is seen as an essential and legitimate part of income maintenance and where it has a simple delivery mechanism. Hence an anti-poverty strategy should not shy away from means-testing when it is efficient and can be seen to be fair.

## Conclusion

This study has not shown either means-testing or universalism to be superior in an anti-poverty strategy; each has its role. In particular it shows that we can no longer treat means-testing simply as a regrettable necessity at the margins of the welfare state. Specific recommendations, set out in the full study, include:

- Continue moving towards a single-tier pension with a higher pension age, but initially provide extra protection to people approaching pension age to avoid increased poverty risk.
- Improve means-tested provision for low-income families, but at the same time reduce their costs, by moving towards free childcare and extending the categories of low-income claimants who automatically get other benefits (known as passported) such as free prescriptions.
- In strengthening support for social care and the costs of disability, ensure that low-income households are able to meet additional everyday costs, and ensure that reducing means-tested elements does not compromise that goal.
- Extend 'affluence testing' selectively, initially as a way of legitimising winter fuel payments. However, a generalised affluence testing policy could end up complex and, through downward pressure on the eligibility threshold, effectively amount to means-testing by another name.
- Improve out-of-work benefits for working-age people without children to make them worthy of the name 'safety net'.

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## About the project

This review examined evidence and arguments for universal and means-tested approaches, both generally at the international level and specifically with respect to selected areas of UK policy. It examined the relevant literature and made additional calculations using the Family Resources Survey.

Read the [full report](#).



# THE INFORMAL ECONOMY AND POVERTY

This research explores whether the informal economy enables people to escape their poverty. It then looks at policy interventions that might enable people to move into formal work.

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## Key points

- One recent estimate suggests that the UK informal economy is equivalent to 10 per cent of GDP, thus constituting an economy of £150 billion.
- Although people in poverty are more likely to work informally, they have lower wage rates and total incomes from their informal work, reinforcing their marginalised position.
- For people living in poverty, evidence supports the idea that informal work is undertaken out of need, not greed, primarily in order to make ends meet.
- Reviewing other western economies, problems associated with the informal economy can be tackled using a twin track policy approach which:
  - develops policy measures to help those in poverty move their informal work into the formal economy by enabling them to do odd jobs for others legitimately (e.g. the mini-jobs scheme in Germany); helping them make a smooth transition from unemployment to self-employment (e.g. start-up premium in Germany, formalisation services); targeting customers with incentives to use formal labour (e.g. tax deduction schemes and service voucher initiatives);
  - provides those living in poverty with alternative sources of livelihood and support. Countries with higher social protection expenditure, greater levels of intervention to help vulnerable groups enter the labour market, more effective social transfer systems and greater equality are significantly correlated with smaller informal economies.

## The research

By Colin C Williams, Sheffield University Management School

## BACKGROUND

The informal economy (defined as paid activities that are not declared to the authorities for tax, social security and/or labour law purposes but which are legal in all other respects) does not generally enable people to escape poverty in the UK. Although people living in poverty are more likely to work informally, research shows they receive lower pay rates and incomes, reinforcing their marginalised position. This can be tackled by introducing policy initiatives to help people in poverty move from informal into formal work and developing formal work and welfare systems that provide better sources of livelihood and support.

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### Poverty and the informal economy: the evidence base

Given that the informal economy is by definition hidden from view, measuring it is difficult. However, one recent estimate is that it is equivalent to 10 per cent of GDP constituting an economy of £150 billion. Analysing the limited and somewhat dated evidence on who undertakes informal work reveals that although people in poorer populations are more likely to do informal work, they benefit less, meaning that the informal economy reinforces their marginalised position. For example, a JRF-sponsored survey of Southampton and Sheffield in 1998 found that 40 per cent of households in lower-income neighbourhoods undertook informal work in the previous 12 months but only 18 per cent of households in affluent neighbourhoods. However, the mean annual household income for households working informally was £115 in lower-income neighbourhoods compared with £2,420 in affluent neighbourhoods.

A more recent Eurobarometer 2007 survey of 1,313 UK respondents similarly reveals that the registered unemployed only undertake a small proportion (6 per cent) of all UK informal work (despite being more than 8 per cent of the surveyed population), earn 28 per cent less per hour from informal work (£11.84) than those in formal employment who also work informally (£16.42) and earn just over 1 per cent of the gross informal income. Those in formal employment, although 50 per cent of the surveyed population, receive 97 per cent of total informal income and have higher annual informal incomes.

Those living in poverty, furthermore, predominantly engage in informal work out of need, not greed, to make ends meet in the absence of alternative means of support and livelihood. Whatever the reasons, however, their informal work results in unfair competition for legitimate businesses, does not allow customers any legal recourse if a poor job is done and is fraudulent activity involving tax evasion and/or benefit fraud (i.e. 'working whilst claiming') causing a loss of revenue for the state, which has knock-on effects on attempts to create social cohesion and leads to a loss of regulatory control over the quality of jobs and services provided in the economy.

## What is to be done about the informal economy?

Four possible policy options exist for dealing with the informal economy: do nothing; eradicate it; deregulate the formal economy; or facilitate the formalisation of informal work. Reviewing the implications of each:

- solely doing nothing would leave those in poverty in their current marginalised position and do nothing to deal with this;
- solely pursuing its eradication would take away from people in poverty even those small opportunities they can seize to alleviate their plight;
- solely deregulating the formal economy would result in a levelling down of work and welfare provision, casting even more into the same plight as those currently living in poverty;
- solely facilitating formalisation, although enabling government to achieve its wider objectives of employment creation, enterprise development and social cohesion, would leave governments without any teeth to tackle those refusing to formalise.

The result is that a mixture of these approaches is required. Conventionally, the UK government has pursued an eradication approach. However, given that many businesses start up in the informal economy and those living in poverty commonly engage in paid favours to help each other out, an eradication approach results in one hand of government eliminating precisely the entrepreneurship and active citizenship that other hands of government are seeking to foster. Recently, therefore, the UK government's approach has shifted towards a 'facilitating formalisation' approach. This report supports this policy shift but also recognises that other approaches have an additional supporting role to play such as doing nothing in relation to paid favours, eradication when tackling those who refuse to formalise and deregulation when seeking to make it easier to formalise.

## How can people in poverty be helped to move from informal into formal work?

To help people living in poverty move from informal work into the formal economy, this report recommends looking at whether the UK could adopt measures to:

- enable people to engage in odd jobs for others legitimately, such as the mini-jobs scheme in Germany and the Simplified Employment Act 2010 in Hungary;
- smooth the transition from unemployment to self-employment such as the start-up premium (Gründungszuschuss, GZ) in Germany as well as implementing a formalisation service for informal enterprises;
- enable those engaged in the provision of domestic services to move from the informal to the formal economy by providing incentives to the customers to use formal sector provision, such as the household work tax deduction schemes used in Sweden and Denmark and the service voucher schemes used in Belgium and France.

Developing effective methods to facilitate formalisation, however, is not simply about evaluating the effectiveness and transferability of individual policy measures. It also requires policy measures to be put together in various combinations and sequences that are effective. For example, governments might simplify regulatory compliance as well as introduce incentives, such as amnesties, to enable people to move into the formal realm; at the same time, in relation to those who fail to comply, they may implement tougher sanctions for those subsequently caught and improve detection methods to catch them, while also introducing campaigns to gain greater commitment among the public to 'tax morality'. Furthermore, what represents an effective mix of measures will be determined by the structure of the informal economy and the key drivers of informal behaviour. Tackling an informal economy dominated by smallscale paid favours between close social relations in the domestic services realm will require different measures to tackling an informal economy dominated by exploitative sweatshop-like work, such as unlicensed gangmasters using illegal immigrant labour in the agricultural sector.

Evaluations will be needed of what combination of measures, applied in what order, are most effective in what contexts. Before doing this, however, evaluations should assess which individual policy measures work and which do not, albeit perhaps in conjunction with other measures. These innovative initiatives, however, are mere palliatives. They are necessary but insufficient for tackling poverty and the reasons for people in poverty working in the informal economy.

## **What is the relationship between the informal economy and broader economic and social policies?**

If people in poverty currently reliant for their livelihood on the informal economy are to be helped to escape it, it is likely that mainstream labour market opportunities and welfare support will also need to be enhanced. Analysing the relationship between the size of the informal economy and broader economic and social policies, using a comparison of the 27 member states of the European Union (EU-27), the finding is that societies with larger informal economies are characterised by lower levels of social protection, less government expenditure on active labour market interventions, lower and less effective social transfer mechanisms and greater inequality.

Although these findings are based on simple correlations of two variables and the effect of other contextual factors have not been taken into account, the tentative conclusion that can be drawn is that there is currently no evidence that deregulation and cutting taxation reduce the size of the informal economy (if anything they appear to increase its size) and that it is countries pursuing greater levels of social protection, government expenditure on active labour market interventions to help vulnerable groups, more effective social transfer mechanisms and more equal societies that have smaller informal economies and the poor therefore presumably less reliant on the informal economy as a means of livelihood and support.

## Conclusion

This review reveals that the informal economy does not often enable people to escape their poverty. Although people experiencing poverty are more likely to work informally, both their wage rates as well as total income from informal work is lower, meaning that the informal economy reinforces their marginalised position. Reviewing other western economies, the finding is that the informal economy is intrinsically linked to wider work and welfare arrangements that need to be addressed as part of a comprehensive anti-poverty strategy. There are specific policies which have been tried elsewhere in Europe that show promise in encouraging formalisation and reduction in longer term poverty risks.

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## About the project

The research was undertaken through a literature review of policy and academic documentation. Evidence was gathered from the academic and practice literature on the extent and nature of informal work in the UK and policy measures were identified using the Eurofound 'knowledge bank' of good practice policy measures for tackling undeclared work.

Read the [full report](#).

# UNIVERSAL CREDIT AND POVERTY

The introduction of Universal Credit marks the biggest change to the welfare system since the Second World War. This study evaluates the impact that Universal Credit will have on poverty and work incentives and how the policy could fight poverty more effectively.

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## Key points

- Universal Credit is expected to have a broadly positive impact on poverty through higher incomes ('pockets') and improved work incentives ('prospects').
- 'Pockets' are expected to increase by £16 per month per household on average through higher take-up of benefits and higher entitlements, particularly for those in work, however the impact varies by income level and household type.
- 'Prospects' improve overall through improved work incentives, simplicity and conditionality, however 2.1 million people will see a small decrease in incentives while 1.5 million people will see a large increase.
- Tackling poverty through Universal Credit involves trade-offs. For example, whether to follow a pockets or prospects approach to poverty reduction, and whether to help a few people a lot or many people a little. Policy-makers need to take cost-effectiveness into account.
- Elements outside of Universal Credit risk undermining its poverty-fighting potential. Structural issues such as high housing costs contribute to poverty, while the positive impact of Universal Credit is undermined by other welfare reforms. The withdrawal of free school meals may undermine work incentives, and localised Council Tax Support undermines the simplicity that Universal Credit was intended to achieve.
- Increasing spending on one policy parameter, while cutting spending elsewhere within Universal Credit, may have a negative impact on poverty overall.
- The report scores different options for reform of Universal Credit on their impact on poverty and cost-effectiveness. This scorecard will assist policy-makers in decisions about how best to tackle poverty. Many of the findings apply equally to the current benefit system.

## The research

By Devan Ghelani and Lisa Stidle, Policy in Practice

## BACKGROUND

Universal Credit is the biggest change to the welfare system since the Second World War. It is replacing six of the main means-tested benefits (Jobseeker's Allowance, Income Support, Employment and Support Allowance, Housing Benefit, Child Tax Credit, and Working Tax Credit) and will affect more than 8 million households. Its key aims are to reduce poverty, simplify the benefit system and 'make work pay'.

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This review draws on official and independent sources to consider the expected impact of Universal Credit (UC) on poverty and work incentives, and policy issues that could restrict the ability of UC to tackle poverty.

It also illustrates the impact of UC on four household types and analyses how changes to different policy parameters within UC and closely aligned to UC could cost-effectively tackle poverty and improve work incentives.

### Universal Credit will reduce poverty through 'pockets' and 'prospects'

Universal Credit itself, set apart from other welfare reforms, will have a net positive impact on relative income poverty through two strategies: increasing household incomes ('pockets') and strengthening work incentives ('prospects').

Through pockets alone it is estimated that UC will lift 250,000 children and 350,000 working-age adults out of poverty, and incomes are expected to increase by £16 per month per household on average. This is through a combination of increased take-up of benefits, higher work allowances and lower withdrawal rate under UC. However the impact varies by both household type and income level. Poorer households see the largest income gains, while all household types will include winners and losers.

Prospects will improve as a result of increased financial incentives, simplicity and smoothing, and conditionality. The stronger, clearer work incentives of UC are expected to get 100,000–300,000 workless households into work, and households already in work are expected to increase their hours by an additional 1–2.5 million hours per week. Analysis for this report looked at four different household types. Three were able to exit poverty by working fewer hours under UC compared with the current system. However, owner-occupiers were worse off when first entering work, and lone parents with high childcare costs were not always better off working more hours.

### Room for improvement: the policy scorecard

The following policy scorecard has evaluated options for tackling poverty under UC and scored them, using a traffic light system, on four key indicators:

- **pockets** – the direct impact the policy has on household income;
- **prospects** – the impact on work incentives to either enter or progress in work;
- **targeting** – the ability to target specific groups without complicating the system;
- **cost-effectiveness** – an indication of cost and who would benefit by how much. Where possible this indicator looks at what the impact of spending £1 billion would be.

## Key

strong positive impact
  neutral
  limited/negative impact

| Policy option                                                                       | Pockets                                                                                                   | Prospects                                                                                  | Targeting                                                                   | Cost-effectiveness                                                                                                                |
|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Increase the base level of support within UC whether in or out of work.             | Directly increases income for all UC households.                                                          | May harm work incentives.                                                                  | Can be targeted to different groups.                                        | £1 billion would increase incomes for all UC households by £129/year.                                                             |
| Create a second earner work allowance to support dual earning households.           | Increases income for dual earner couples.                                                                 | Improves work incentives for potential second earners.                                     | Targeted at a large group in poverty that is responsive to work incentives. | £1 billion would increase the incomes of dual earner couples by £3,292/year.                                                      |
| Increase the household work allowance so more can be earned before UC is withdrawn. | Directly increases the income of in-work households.                                                      | Encourages out-of-work households to move into work.                                       | Can be targeted to particular groups.                                       | £1 billion would increase incomes for 3.3 million in-work households by £302/year.                                                |
| Lowering the withdrawal rate so UC is withdrawn more slowly as earnings increase.   | Increases the incomes of in-work households.                                                              | Improves incentives to enter and progress in work.                                         | Targeted at all in-work households.                                         | £1 billion would lower withdrawal rates by 3.3%, to 61.7%. This would increase incomes by £230–£330/year for £10,000 of earnings. |
| Raising tax thresholds or lowering tax rates.                                       | Small increase in income for households earning above the tax threshold.                                  | Has a small positive impact on incentives to progress in work.                             | Targeted at in-work households with relatively higher incomes.              | £1 billion would raise the personal tax allowance by £560; affected households would gain £39/year.                               |
| Integrating council tax support into UC.                                            | No direct impact, but would increase incomes through increased take-up.                                   | Leads to consistent and clear work incentives.                                             | Targeted at all households in receipt of UC.                                | Increased take-up could cost £717 million. This would be partially offset by administrative savings of £74 million.               |
| Giving free school meals to all UC households.                                      | Reduced costs for households, but no impact on relative income poverty measures.                          | Leads to consistent and clear work incentives.                                             | Targeted at all households with children on UC.                             | Estimated to cost £500–£750 million, but could be reduced by lowering the work allowance.                                         |
| Increasing the childcare subsidy to 85% for all UC households.                      | Increases income for 500,000 households that claim childcare support.                                     | Promotes entry and progression in work for parents that need formal childcare support.     | Targeted at UC households that need formal childcare in order to work.      | £400 million per year, benefiting 20% of in-work households with children on UC.                                                  |
| Higher wages (through increased productivity)                                       | Improves incomes for in-work households, but they would only see 1/3 of the benefit due to UC withdrawal. | Supports progression in work.                                                              | Could be targeted at specific sectors.                                      | Costless to the government and would benefit both the government and households.                                                  |
| Lower living costs (through more competitive markets).                              | Improves disposable incomes for all households.                                                           | No direct impact on work incentives, but may lower the costs of work and improve mobility. | Can be targeted to types of expense, but not to types of households.        | A sustainable fall in living costs would improve cost-effectiveness.                                                              |



## Conclusion

Universal Credit will reduce poverty, but there is room for improvement.

- Policy-makers should first focus on policy that sits outside of UC, but impacts on its ability to reduce poverty. Streamlining Council Tax Support and free school meals would help to reduce poverty and support the principles of UC. This should be a priority for an anti-poverty strategy.
- Poverty measurement will favour a pockets approach to poverty reduction, while a prospects approach may provide a more cost-effective and sustainable strategy.
- Increasing the work allowance would improve both take home incomes (pockets) and the returns upon entering work (prospects). It would also support other policy proposals, such as the integration of Council Tax Support and free school meals. This should also be a priority for an anti-poverty strategy.
- Reducing the withdrawal rate of UC would be an expensive measure but it would increase the incomes of a large number of working households in poverty, help improve the prospects of households by letting them keep more of their earnings, and help other policy measures (e.g. lower rates of tax, higher wages) to filter down more to the pockets of low-income households. This should be a longer term goal.
- Policy-makers should consider the impact that policy decisions have on UC's ability to reduce poverty. Recent reforms to the welfare system will more than offset the positive impact that UC will have on poverty. Similarly, increasing spending on one policy parameter while cutting spending elsewhere may have a negative impact on poverty overall.

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## About the project

This study reviewed literature, with a focus on policy rather than implementation. Original analysis was conducted to illustrate the impact of UC at a household level, and to model how changes to a range of policy parameters within and closely aligned to Universal Credit could cost-effectively tackle poverty.

Read the [full report](#).

# WELFARE TO WORK POLICIES AND POVERTY

This review looks at international evidence on the delivery of welfare to work services. It reviews organisation, performance management frameworks, frontline delivery and integration with other services.

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## Key points

- Evidence shows the organisation and delivery of welfare to work policies play a central role in shaping the efficacy of poverty reduction and economic growth strategies. Who delivers services and how, together with the incentives of the system, should be designed to maximise the impact of benefit reforms and employment programmes.
- The design of performance incentives impact on service outcomes. Jobcentre Plus, local authorities and private sector providers should be rewarded for earnings progression and job quality in addition to enhancing job placement and employment sustainability.
- Well designed contracts can reduce costs, give access to skilled staff and services not available in the public sector and bring innovation to the service. The risks are that providers exploit weaknesses in contract design and only help more immediately employable claimants.
- Decentralisation of welfare to work policy and delivery can result in improvement, but also carries risks. Where local priorities diverge from national goals there are particular risks; such devolution should be underpinned by transparent national minimum standards, especially where participation is mandatory for benefit claimants.
- More detailed data on earnings and benefits should be analysed to identify the specific programmes and services that contribute to poverty reduction, employment entry and earnings progression and deliver net benefit to government finances in the medium to long term (not just the short term). Universal Credit should make this possible at low cost.
- In-work support services and help with skill acquisition and earnings progression should become an integral feature, not an add-on, to welfare to work programme design.

## The research

By Dan Finn, University of Portsmouth and the Centre for Economic and Social Inclusion

## BACKGROUND

Delivery of welfare to work has changed significantly in recent years and will continue to transform as Universal Credit is rolled out. Welfare to work and activation policies are central to the long-term poverty reduction and economic growth strategies of the UK Government and governments within other OECD countries.

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Typically welfare to work policies combine changed employment-related obligations and job search requirements, mandatory participation in active labour market programmes, and the implementation of revised sanctions that seek to influence claimant behaviour. The strategies also embrace tax and benefit reforms aimed at improving work incentives and 'making work pay'. Comparative evidence suggests that, when well designed, such strategies have contributed to improved outcomes by ensuring that benefit claimants have a better chance of getting employment and, in countries with high and/or long lasting out-of-work benefits, offsetting the possible negative impact of such entitlements on work incentives.

A range of factors contribute to the relative efficacy of welfare to work policies including the organisation, management and frontline delivery of employment services. Some of the public sector reforms that may contribute to improved employment outcomes include decentralisation, inter-agency collaboration, contracting out, performance management and the delivery of frontline employment services within more integrated delivery systems.

This report considers the merits of these different reforms. While the rationale for them and their design varies from country to country, studies suggest they have had significant impacts.

### Welfare to work reform, job retention and skills

Welfare to work reform in countries such as the USA, Australia, Germany and the UK, has been comparatively successful in getting benefit leavers into jobs, but many such jobs are low paid and short lived. This means employees continue to rely on other income and often quickly return to unemployment. These outcomes reflect a combination of factors, including the poor quality of available employment as well as the individual circumstances of benefit leavers. In the UK the evidence suggests that greater employment sustainability and earnings progression would improve the cost-effectiveness of welfare to work programmes and contribute more effectively to longer-term poverty reduction. This has led to increased policy interest in how to better combine job placement with retention and progression services, and the delivery methods and organisations most likely to improve such outcomes.

There has been much debate about how to improve the effectiveness of Jobcentre Plus (JCP) and the Work Programme (WP) in their capacity to place, sustain and progress service users in better quality employment. There has been significant criticism of the lack of integration of employment and skills services and the role of separate national departments in the highly centralised British system. Proponents of reform suggest that greater flexibility and decentralisation would enable local government and/or other partnerships to improve welfare to work policy effectiveness, value for money and better adapt 'mainstream' employment and skills policies to local conditions.

## Decentralisation of welfare to work – advantages and risks

There has been a strong international trend towards decentralisation in welfare to work policies and employment service delivery, with a view to joining up services and adapting them to local needs. But the evidence suggests that devolution carries risks as well as rewards, especially where local priorities diverge from national goals. There is no automatic relationship between decentralisation in employment and skills services and more coherent, effective or integrated delivery and user experience. Such a correlation depends on variable managerial, fiscal and delivery capacities of lower tiers of government and/or local delivery partnerships. There is also the potential for poorly designed incentives that may have unintended results, and, as in the USA, the emergence of wide variations in the cash benefits and services available and in user experience. This risk is heightened when some areas can draw on a strong and diverse network of local agencies and provision, while others have few such supplementary resources.

Any move towards devolved welfare to work budgets in the UK would need to flexibly deliver localised strategies within a coherent and equitable national policy framework with minimum standards. This is especially important where programmes are mandatory. A fair balance would also need to be struck between incentives that encourage employment outcomes and expenditure savings and poverty reduction. Balancing national and local priorities requires an agreed and transparent performance framework in which the central, national body has the authority and responsibility to analyse performance, assess and evaluate the effectiveness of local activation strategies and hold delivery agencies to account.

## Contracting out welfare to work services

Contracting out the delivery of employment services has been a complex undertaking with purchasing authorities making frequent adjustments in contract design and incentives in response to delivery problems and changing external conditions. Evaluations report mixed results but the more positive findings suggest that well designed contracts can reduce delivery costs, give access to skilled staff and services not available in the public sector and bring innovation to service delivery. The risks are that providers may help more job ready claimants, ‘park’ those hardest to help and otherwise exploit weaknesses in contract design.

Controversy over such issues has marked the implementation of the Work Programme (and the outsourced programmes that preceded it). It is premature to draw definitive conclusions, but some of the improvements necessary are now clear.

The design of the WP has contributed to an anti-poverty strategy by rewarding providers for long-term employment sustainability, with findings suggesting that employment retention is higher than anticipated. However, the programme has not worked effectively for those hardest to place, especially those on disability benefits. Consideration should be given to an increase in WP funding levels to improve the support for more disadvantaged groups. Consideration should also be given to fostering greater competition and more diversity of providers and choice for service users – both factors that have been associated with improved outcomes and participant experience in Australia. This would require a reduction in the size of contract areas and an increase in the number of providers. By aligning new contract areas with sub-regional and local authority boundaries there could be greater ‘joining-up’. Stronger incentives to reward providers for improving participant skills and placing them in better paid jobs would also help poverty reduction.

## Performance management and targets

The design of performance and contract management frameworks, targets and payments is critical for effective incentives to ensure the behaviour and outcomes of public and private welfare to work delivery organisations supports policy. The Coalition Government dropped most of the targets it inherited replacing them with objectives to move people ‘off benefit, into employment, as quickly as possible’ and to reduce the cost of fraud and error. The intention is to drive cultural change and give JCP district managers and advisers greater flexibility in the services they deliver and in how they work with claimants. Early positive evaluation results, however, have been overshadowed by concerns that the new regime may be causing perverse target-driven behaviour, and contributing to the significant increase in sanctions.

This report endorses recommendations made by others for government to refocus the DWP and JCP targets more directly on employment outcomes and to develop and monitor measures of employment sustainability and earnings progression. Such targets would bring JCP into line with the incentives in Universal Credit and the WP, and facilitate the development of in-work support as an integral feature, not an add-on, to welfare to work service design. The development of real time information on earnings and benefit receipt should make it feasible to measure and reward participant earnings gains; this happens already in some US programmes.

Performance indicators that measure the duration and quality of employment outcomes, including improvements in earnings and skills, would contribute more to poverty reduction. Also, given the concentration of in-work poverty in single-earner households, performance measures of household, rather than only individual employment outcomes, should supplement the extension of employment services and conditionality to the partners of the unemployed and low-wage workers.

## Using data to improve employment and poverty reduction outcomes

The introduction of Universal Credit and related changes in income tax and National Insurance data should, over time, make available low cost data through which to track the longer term benefit, employment and earnings of welfare leavers. This opens up the possibility of more accurate evaluation and much greater insight into those employment services and programmes that generate net benefits for government finances, as against possibly cheaper services that simply result in immediate benefit savings. Such data could be used to shape service delivery and test and validate future contract and performance targets, and the results should give more information on which welfare to work interventions better contribute to poverty reduction and higher quality employment.

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## About the project

This research reviewed literature on the organisation and frontline delivery of welfare to work programmes.





# MONEY AND THE COST OF LIVING

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## FOREWORD

The reviews in this section cover topics intimately related to JRF's definition of poverty as when a person's resources are not sufficient to meet their minimum needs.

On the resources side, the reviews found that, although income is the main material resource for those in poverty, assets, credit and debt must also be considered in an anti-poverty strategy.

The credit and debt review found no robust evidence that problem debt *causes* poverty, but did find that the consequences of problem debt worsen poor households' living standards and well-being. Although high-cost credit is concentrated in low-income households, the review found both advantages and risks in capping the cost of credit, and argued that any cap must go hand in hand with work to ensure that low-income families are not pushed towards informal, and riskier, forms of credit. What would help, the review concludes, are measures to help low-income households manage drops in income and peaks in expenditure. On the other side of the balance sheet, the savings and assets review found no great support for the idea that promoting savings or assets alone can lead to a major reduction in poverty, and so recommended that any future asset-based welfare be considered only if overall income levels were adequate. If savings are to be encouraged among low-income households, then soft compulsion and matched funding seem to be much more effective than tax breaks. A common recommendation is that an anti-poverty strategy should encourage more low-income households to save small amounts, and give low-income households more opportunity to borrow small amounts; the challenge is that neither activity is very profitable for mainstream financial service companies.

On the needs side, many examples are given of a 'poverty premium', whereby the poor pay more for the same product than the rich. It is clear that certain groups (e.g. disabled people, people living in rural areas) face enhanced costs, and a lack of 'enabling goods' such as a bank account to pay for goods in different ways, and internet access to help shop around more effectively, meaning they end up paying more. We also know that prices of essential goods have been rising faster than other goods and services in recent years, meaning that low-income households are seeing higher inflation rates, on average, than better off households.

Childcare can be a major cost for families who earn too much to benefit from tax credits, but the review considers that the mix of demand- and supply-side subsidies used in the UK (something seen in very few other countries) can lead to confusion for both providers and parents. The review recommends a comprehensive reassessment of the way all UK governments support childcare. Such a review should also consider the impact of childcare on the poorest.

The review on transport found the concept of transport poverty unhelpful: affordability of transport is important, but the time and the physical and mental capabilities required to make use of transport options also need to be considered. Given low rates of car ownership among low-income households, an anti-poverty strategy should begin by considering public transport, principally buses. The review recommends a greater role for local authorities in England, with travel needs in rural areas being considered more intelligently. Targeted schemes offering free or reduced bus travel can help encourage young people to stay in education and unemployed people find and stay in work, but, in general, the review found that evaluations of transport schemes often fail to sufficiently consider the impact of the location of schemes, and the implications for those who lack access to any form of transport.



Finally, while the cost of domestic energy is rarely off the political agenda, the review reminds us that for some low-income households, the high cost of energy can mean people live in homes that are too cold or damp, or cut back on other essentials. Although some of the review's recommended solutions – more competition in the supply market and a more accessible market for consumers – are being actively considered by governments and regulators, others – such as a review of the more regressive green levies, area-based initiatives to target poorly insulated homes, and allowing GPs to 'prescribe' improvements in home insulation – have not yet made it into party manifestos. Arguably, they should.

**Mike Brewer**

Professor of Economics at the Institute for Social and Economic Research, University of Essex

# DEBT, CREDIT AND POVERTY

This review examined the evidence on the links between problem debt, consumer credit and poverty. Consumer credit is a part of everyday life for many people, helping to smooth the ebbs and flows of income and expenditure and manage financial resources flexibly. There are concerns, however, that use of consumer credit, particularly high-cost credit, can lead to financial difficulties and over-indebtedness.

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## Key points

- Poor households are at greater risk of experiencing financial difficulties and problem debt than those that are better off.
- There is no evidence to show that problem debt causes poverty, but the consequences of problem debt can adversely affect poor households' living standards and well-being.
- Low-income households are less likely to use consumer credit than higher-income households. However, high-cost credit users, although representing a minority of all credit use, are concentrated among the poorest households.
- Low-income households are vulnerable to drops in income and to peaks in expenditure. Measures that could help poor households manage these and that should be included in an anti-poverty strategy are:
  - access to debt advice that is free and impartial;
  - greater access to affordable small-sum loans, although there are questions as to how this can best be delivered;
  - better enforcement of credit regulation, especially tighter affordability assessments so that people on low incomes only borrow what they can afford to repay;
  - appropriate debt solutions as a route into debt relief.
- The vulnerability of low-income households to income shocks suggests that the promotion of savings and access to preventative money guidance could also have a role to play in an anti-poverty strategy.
- At present there is insufficient evidence to recommend the inclusion of a cap on the cost of credit in an anti-poverty strategy.

## The research

By Yvette Hartfree and Sharon Collard, Personal Finance Research Centre, University of Bristol

## BACKGROUND

This review examined the evidence on the links between debt, credit and poverty. 'Debt' was defined as problem debt, where individuals are unable to make contractual payments on consumer credit or household bills. 'Credit' was defined as non-mortgage consumer credit.

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### The relationship between debt and poverty

Around 10 per cent of all British households have problem debt. Households on the lowest incomes are at greater risk of experiencing financial difficulties and problem debt. They are more likely than better-off households to have high debt repayment-to-income ratios and to report arrears on bills and payments.

Although problem debt is not solely a function of income, poor households and those with problem debt share common characteristics, including being a tenant and not being in work. Low-income households are more likely to be in arrears on household bills than consumer credit (partly reflecting the fact that not all low-income households use credit). Among the general population, income drops (caused by job loss or relationship breakdown) are reported to be the major cause of financial difficulty by around four in ten households. Low income is an underlying cause of problem debt, whereby household finances are very susceptible to income or expenditure shocks that, in the absence of savings or other resources, can lead poor households to use credit and default on payments.

There was no evidence to show that problem debt directly causes poverty. Problem debt can deepen poverty, however, and increases the risk of remaining in poverty because it adversely impacts poor households' well-being and their ability to address their financial circumstances.

### The relationship between credit and poverty

Around half of all British households have unsecured consumer credit. Borrowing and use of credit follows a lifecycle pattern, with higher use at younger ages and among families with children. Low-income households are less likely than those on higher incomes to use consumer credit, although low income is not related to credit use independently of other factors (e.g. work status and tenure). Those poor households that do not use credit report that this is largely through choice.

Among low-income households who do use credit, it is used to cover expenditure peaks such as Christmas and birthdays, to spread out the cost of major purchases and cash emergencies. It is also used following a fall in income to meet everyday expenses and to avert financial difficulties such as paying bank charges for unauthorised overdrafts and falling into arrears with bills or other loans.

Credit cards, personal loans and overdrafts are the most common sources of credit used by poor households, as they are among the general population. Compared with higher-income households, poor households are more likely to use the Social Fund and mail order catalogues, and to borrow from friends and family. Use of credit unions is low among poor households, compared with other types of credit.

High-cost credit (home credit, pawnbroker loans, payday loans) represents a very small proportion of borrowing in the general population, used by just 2.5 per cent of all households. High-cost credit users are, however, concentrated among households with the lowest incomes. Reasons for using high-cost credit include exclusion from mainstream credit due to a poor credit history or low income; having 'maxed out' mainstream credit options; and the fact that high-cost credit has features (other than cost) that make it attractive to people on low incomes.

In order to repay consumer credit, low-income households have to cut back on expenditure and curtail living standards. For the majority of low-income credit users, the overall benefits of using credit and the items or services it enables them to have appears to outweigh the impact of making repayments. For a significant minority of high-cost credit users, however, credit use makes their financial situation worse so that they find it difficult to meet everyday needs while also repaying what they owe. Making minimum repayments on credit cards and overdrafts over a prolonged period of time can also trap low-income households in a cycle of servicing debt that they cannot reduce and/or pay off.

## What measures should be included in a UK anti-poverty strategy?

The evidence highlights two key issues for low-income households: their vulnerability to drops in income and to peaks in expenditure, both of which put them at greater risk of problem debt. Based on the available evidence we suggest the following policy and practice interventions for inclusion in an anti-poverty strategy:

- Debt advice that is impartial and free at the point of use. While there is no evidence that debt advice helps lift people out of poverty (or prevents them falling into poverty), the positive financial outcomes include increased income through income maximisation and a reduction in the amount owed to creditors.
- Greater access to affordable small-sum loans that could help low-income households to cope with both peaks in expenditure and cover everyday expenses following an unexpected fall in income. However, questions remain as to how low-cost loans can best be delivered on a sufficiently large scale.
- Credit regulation and, more importantly, better enforcement of credit regulation to help prevent people getting into financial difficulty. This applies particularly to tighter affordability assessments and the enforcement of responsible lending so that people on low incomes only borrow what they can afford to repay.
- Debt solutions should be assessed to ensure they provide a route into debt relief for low-income households.

The vulnerability of households to income shocks also suggests a role for the promotion of savings (covered by another evidence review) to provide a financial cushion for households while they adjust to their new circumstances. It also suggests a need for preventative money guidance, information and support at the point at which households experience (or anticipate) an income drop that might help them to cope better and prevent arrears and unsustainable credit use. However, preventative money advice and guidance was not an intervention covered by this review and evidence on its effectiveness would need to be assessed before recommending its inclusion.

The Financial Conduct Authority's planned cap on the total cost of payday loans is intended to prevent excessive charges and so should make payday loans cheaper for those still able to borrow. However, as the impact of the cap will not be known for some time and evidence from other countries that have introduced a cap is equivocal, we do not recommend including price restrictions in an anti-poverty strategy at the present time.

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## About the project

This review was an expert-led synthesis of evidence from academic bibliographic databases; government, third sector and industry sources; research organisation publication lists; and web searches. It focused on studies published in the last 15 years and on evidence from the UK along with evidence from other countries where relevant.

Read the [full report](#).

# EARLY CHILDHOOD EDUCATION AND CARE AND POVERTY

This report reviews low-income children's access to affordable good-quality early childhood education and care (ECEC), its developmental impacts and its effect on parental, notably mothers', employment levels.

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## Key points

- The ECEC system in the UK consists of state provision and state-subsidised private-for-profit and not-for-profit provision, e.g. day nurseries, preschools and childminders.
- All three- and four-year-olds and some disadvantaged two-year-olds can have some state funded early education. Take-up has been high, but less so among poor children, notably from certain minority groups. Despite this intervention, poor children remain less likely than their better off peers to reach a good level of development at age five.
- Poor children experience lower quality ECEC than their better off peers, especially in private provision in disadvantaged areas. The impact of poor quality is also proportionally greater for poor children.
- Research strongly suggests that only good-quality ECEC has positive short-term and, possibly, longer term, educational effects for poor children; it is less clear what impact it has on their social and emotional development.
- Children's centres, in close partnership with local authorities, can play a key role in brokering access for poor children to quality ECEC, coupled with other family support provision.
- The impact of the home learning environment on children's development is at least as strong as that of quality ECEC; public policy needs to consider strategies to help parents maintain or achieve a positive environment.
- The amount of free early education may fail to meet parents' childcare needs; parents pay for additional childcare upfront, and may be partially reimbursed through the tax and benefits system. This complex mix of supply- and demand-side subsidies causes problems for parents and providers.
- Research evidence on the role of publicly-funded ECEC in promoting parental employment is limited, and sometimes contradictory.

## The research

By Eva Lloyd and Sylvia Potter, University of East London

## BACKGROUND

The provision of good-quality, affordable and accessible early childhood education and care (ECEC) promotes young children's intellectual development, leading to better educational outcomes and life chances. It may also allow parents to work. By reducing social and cultural inequalities ECEC can also promote social justice.

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### The UK context

Early childhood education and care (ECEC) is delivered by private for-profit and not-for-profit businesses, including childminders, alongside state provided early education in nursery schools and classes attached to primary schools. Children's centres, offering a range of family support services primarily to poor families, represent a third, social welfare, strand of provision, but only some deliver ECEC. While all state provision is led by graduate staff – a key predictor of service quality – this is not the case in other sectors. Moreover there are quality variations within and between sectors.

This ECEC system is complex, combining free early education entitlement (for three- and four-year-olds and some two-year-olds) with a parental childcare subsidy through the tax and benefit system to cover the costs of additional childcare. Childcare costs are reimbursed retrospectively, which may create barriers to employment. About two-thirds of parents who pay for formal childcare do not receive any government help with costs.

While the overall uptake of free early education has been high, it remains lowest among the poorest children, notably those with special educational needs and from certain minority ethnic communities. In disadvantaged areas the quality of private ECEC attended by poor children is lower than that provided in state schools. There are also problems with maintaining the supply of ECEC in disadvantaged areas where fewer parents use additional childcare to supplement their children's free early education.

### ECEC's social mobility aim

Even before poor children enter primary school a significant developmental gap has already opened up between them and their better off peers. Good quality ECEC alone is unlikely to close this gap, let alone the lower quality provision found in disadvantaged areas. International research demonstrates positive short-term ECEC impact on cognitive development, provided it is of good quality, though the picture is less clear for social and emotional development. There is mixed evidence for longer-term impact, with some studies finding the impact fades as children age. The UK Millennium Cohort Study indicates limited longer-term educational impacts from ECEC provision on the poorest children. Countries offering universal provision generally do better for all young children. The UK strategy of subsidising parents through the tax and benefits system to buy childcare within a childcare market is not only rare within Europe but has also promoted an increasingly socially segregated ECEC system. Yet evidence shows children from disadvantaged

backgrounds benefit from settings which include children from a mixture of social backgrounds.

The *Effective pre-school, primary and secondary education* (EPPSE 3–16) study found home learning environment is as important – if not more important – as quality ECEC. International research also suggests whole-family approaches, which provide support for multiple issues alongside ECEC, are effective. Children’s centres appear well placed to play this role in the UK, as their targeted family support, delivered in close partnership with local authorities, has already helped families access ECEC and other services.

## ECEC’s economic rationale

International and UK research on the role of publicly-funded ECEC in promoting parental employment is limited, and sometimes contradictory. Parental employment opportunities and decisions are influenced by local employment opportunities, which in turn interact with the tax and benefits system, maternal educational levels and family and community attitudes. Attitudes also vary depending on children’s age.

For low-earning families, the current free entitlement does not make a sufficient difference to household income, although it does help reduce childcare costs for three- and four-year-olds (and some two-year-olds). Childcare costs go down further when children reach school age. Nevertheless upfront childcare costs remain high in the UK, which can be a barrier to employment. International evidence suggests a stable and sustainable ECEC system should be available regardless of whether parents are employed. Norway has adopted this approach, while also improving quality through stringent regulation, including a cap on parental income-related fees and payment of public subsidy to private providers dependent on quality. The result has been almost universal uptake of ECEC, with a positive impact on children, including those from low-income families. Norwegian local government also retains a major role in financing, regulating and supporting the system.

## The key role of ECEC quality

International evidence confirms that low ECEC quality disproportionately affects poor children’s development. Quality is influenced by both structural factors, such as adult–child ratios, group size, available space, and by process factors related to the delivery of care, such as staff–child communication patterns and planning for learning activities. The beneficial impact of a social mix in ECEC settings on service quality is also demonstrable. This in turn predicts better educational outcomes for poor children.

International evidence also highlights the key role of practitioner qualifications and training. Upgrading UK childcare practitioner qualifications, pay and conditions may lead to long-term pay-offs for government, though initial investment may be high. Improving workforce qualifications would be one positive step towards improving the quality of poor children’s ECEC and improving their educational outlook.



However, evidence on what is important for quality relates mostly to services for children aged three and over, with less known about younger children; an important gap in research. Another problem relates to the rather poor quality of much ECEC research itself.

Nonetheless, by itself, even universal good quality ECEC does not ‘inoculate’ against the adverse effects of child poverty. Research confirms that multiple approaches are needed for reducing poverty and addressing its consequences for poor children’s (and their parents’) educational achievements, health and safety, nutrition, housing and access to public services.

## Conclusions

Currently the UK spends around £7 billion a year on a patchwork of free entitlement, tax credits and childcare vouchers. It is estimated that an additional 0.5 per cent of UK Gross Domestic Product would need to be spent to deliver high quality, accessible and affordable ECEC in the UK, making it an unlikely option in the short to medium term. Nonetheless, changes in the UK’s ECEC funding and support systems could still promote social justice for poor children by improving their access to good quality provision, promoting short-term and possibly longer-term positive outcomes both for their social mobility and for their families’ economic well-being.

Evidence suggests that interrelated and interdependent policy changes could help more poor children in the UK benefit from high quality ECEC.

### Review the current structure of government intervention in ECEC

The UK early childhood education and care system is overly complex. It needs to be simplified and made more transparent to deliver both social mobility and economic well-being. Aspects that need to be reviewed include the promotion of socially mixed provision, the role of local government, the qualifications, pay and employment conditions of the ECEC workforce and levels of direct support for providers, in order to ensure a high quality, flexible, accessible, affordable and sustainable ECEC service.

### Government support for parental childcare costs should be simplified

The level of upfront parental contributions to childcare costs needs to be reviewed as well as the current multiple support strategies through the tax and benefit systems. The availability of sufficient and affordable early childhood provision interacts with local job opportunities and the tax and benefits system in determining whether dual or single earner families with young children can escape or avoid family poverty through paid work.

### There should be no trade-off in quality between publicly supported ECEC driven primarily by social mobility and that driven primarily by economic well-being

Maintaining and improving quality in ECEC is especially vital if its dual purpose is to be realised and harm avoided to the life chances of poor children, who suffer more as a result of poor quality provision.

### Support for children's centres should be increased

Children's centres should be hubs of whole-family support, including more of them offering ECEC alongside other services. In parallel, local government should play a more prominent role in supporting service quality and access to ECEC, especially for poor children.

### Support for parents to maintain a good home learning environment should be strengthened

A good home learning environment is more important for young children's development than parental education or socio-economic status. Reducing the burden of family poverty helps parents create or maintain a good home learning environment. This is another area in which children's centres could provide practical support to parents within their communities.

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## About the project

This review focused primarily on national empirical and survey research, official statistics and policy documents published since 1997, coupled with international empirical research and research reviews.

Read the [full report](#).

# FUEL AND POVERTY

This evidence review focuses on understanding factors associated with energy needs, fuel costs and poverty.

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## Key points

- In England a new approach defines a household as fuel poor if it has both a low income and above average fuel costs. The inclusion of an income threshold in the measure of fuel poverty puts greater focus on the experiences of low-income households.
- Scotland, Wales and Northern Ireland continue to define fuel poverty as needing to spend more than 10 per cent of income on fuel to maintain adequate warmth in the home.
- Households in fuel poverty risk not only having cold homes but cutting back on other essentials to afford to keep warm. This can involve serious hardship and poses risks to physical and mental health.
- An anti-poverty strategy should address:
  - General retail price of fuel. Increases driven by higher wholesale prices are hard to avoid. However, greater transparency and competition in the market are needed, especially where energy companies are effectively selling wholesale to themselves as retailers.
  - Accessibility of the energy market. An inability or unwillingness to engage with the energy market combined with preferences for certain methods of payment result in some low-income households paying higher than average fuel prices. Regulators and trusted intermediaries must help create a fairer, more accessible energy market.
  - The impact of public policies on fuel bills. Low-income consumers pay a disproportionate share of the cost of some policies, such as the feed-in tariff, but stand to benefit least. Public policy must ensure low-income consumers are safeguarded.
  - Energy efficiency of low-income homes. New approaches are needed to bring homes up to a minimum standard, particularly in the private rented sector. Referrals by health professionals and area-based initiatives can help support those most in need.

## The research

By Ian Preston and Vicki White, Centre for Sustainable Energy

## BACKGROUND

The rising cost of energy is a key factor putting pressure on household budgets. The end of 2013 saw all of the largest energy suppliers, the so-called Big 6, once again increase their prices (by 4–11 per cent). The average household annual energy bill was more than £1,350 in 2013.

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### Defining fuel poverty

The first ever UK government fuel poverty strategy in 2001 defined a household as ‘fuel poor’ if it needed to spend more than 10 per cent of its income on heating the home. Following an independent review of fuel poverty in 2011–12 (the Hills Review), the Department for Energy and Climate Change (DECC) has adopted a new definition for measuring fuel poverty in England. This ‘low-income, high cost’ (LIHC) measure defines a household as fuel poor if its income is below the poverty line (taking into account its required energy costs) and its energy costs are higher than is typical for their household type.

The method of measuring fuel poverty has implications for both the number and types of households defined as fuel poor. Under the 10 per cent definition, around 3.2 million households were in fuel poverty in England in 2011, but under the new LIHC definition the number is lower, at 2.4 million. While reducing the number of households defined as fuel poor, the new definition refocuses attention on those living in the least energy efficient or largest homes. However, in an environment of high fuel prices, the level of fuel costs can create issues for a wide range of low-income households. The new definition has therefore faced criticism for excluding some low-income households who live in smaller or more efficient homes.

### The impact of fuel poverty

Research has shown that low-income households are often determined to manage their fuel bills and expenditure on other essentials through very tight budgeting and cost-cutting. However, this perceived ‘managing’ can give way to an inability to cope. One outcome of unaffordable fuel bills is that households restrict their heating and live miserably in a cold home, with consequences for physical and mental health and social well-being. High fuel bills may also lead a household to sacrifice spending on other essentials, including food, to a degree that increases hardship and has further health implications. The sharp relative increase in fuel prices in recent years has exacerbated this impact of fuel poverty on the overall living standards of low-income households. The poorest fifth of households spent 11 per cent of their income on household energy in 2012, up from 8 per cent in 2002, while the richest fifth spent 3 per cent in 2012, up from 2 per cent in 2002.

### Four underlying issues to address

The main components which determine whether a household is in fuel poverty are: the cost of fuel; household income; and the energy efficiency of the property (which affects how much energy is needed to maintain adequate

warmth in the home). Policies to address fuel poverty have often focused on energy efficiency, which continues to be important. However, low-income households' experience of fuel poverty is influenced by how much they pay for their fuel, and not just how much they 'need' to use. In identifying policy options for addressing the issues, it is useful to consider the many factors affecting household vulnerability to fuel poverty. Solutions need to be sought in four aspects of policy and practice to address:

1. The overall cost of fuel. World demand and other influences have contributed to the rise in energy prices. However, many questions have been raised about the basis of retail energy prices. The 'vertical integration' of the UK energy market (the fact that the same companies generate energy, sell it on the wholesale market and buy it for retail distribution), and the much higher profits made in generation compared to distribution, raise questions about whether markets are sufficiently competitive. Greater transparency is needed to instil confidence that households are not paying too much for their energy.
2. The fairness and accessibility of retail markets. The energy market is failing to provide for the needs of low-income consumers. This is partly because some products disproportionately used by low-income households – such as prepayment meters – cost more per unit. Low-income households may also be excluded from taking advantage of the best deals due to the complexity of the market (e.g. lack of understanding, wide range of different tariffs and offers available); risk-aversion (e.g. fearing switching will result in them ending up on a worse deal); less financial flexibility (e.g. a bank account is required to take account of direct debit offers); reliance on more expensive fuels, such as electricity for heating (more common among low-income households) and therefore excluded from dual fuel offers; lack of access to information to compare prices (e.g. the Internet). Reducing the 'poverty premium' of energy costs make a significant contribution to tackling fuel poverty.
3. The impact of public subsidies and obligations. Government action on energy efficiency and climate change has varying effects on the cost of fuel for low-income households. Policies aimed at improving the energy efficiency of the housing stock can help reduce energy demand and therefore bills, while policy costs passed through to consumers will increase their bills. The overall policy design – who it is targeted at, what it delivers and how it is paid for – is critical. Some policies – such as the Warm Homes Discount – are directed and (crucially) well-targeted at helping low-income consumers. Others – such as the feed-in tariff – stand to benefit better-off households to a greater extent (e.g. due to ability to take advantage of the offer), but are paid for by all consumers through electricity bills, disproportionately burdening low-income households. It is vital to recognise these different impacts, and to take steps to compensate low-income households where they face a disproportionate cost from policies aimed at reducing carbon emissions.
4. Improved home energy efficiency. Despite initiatives seeking to reduce heating bills, particularly for low-income households, poor energy efficiency remains widespread, especially in the private rented sector where mandatory minimum standards of efficiency should be used to force improvements. In addition, restructuring the approach to targeting and delivering energy efficiency schemes, for example through area-based approaches focused on areas of high social deprivation, may help yield economies of scale and ensure the success of such initiatives is less reliant on individual households.

## Recommendations

This study supports the recommendation of the Hills Review for a comprehensive cross-departmental strategy to tackle fuel poverty. The strategy should at a minimum involve: DECC (energy policy); Ofgem (consumer protection and policy delivery); Department of Health (health and well-being); Department for Work and Pensions (uptake of benefits, targeting and access to employment); HMRC (targeting); Department for Communities and Local Government; and Department for Education (improved school attainment).

The following measures and programme approaches are recommended to address fuel poverty.

- **Winter warmth** – A fuel poverty alleviation programme, focused on improving standards of energy efficiency in the homes of the fuel poor (some 4.5 million under the 10 per cent definition in the UK) to a minimum level (Energy Performance Certificate band B or C) by 2030. Initially the policy would use the Index of Multiple Deprivation (IMD) Income Domain to target the poorest areas through area-based schemes.
- **Greener homes** – A programme targeting the ‘able-to-pay’, by providing access to a range of finance for the installation of energy efficiency and low carbon measures (with Green Deal being one option). This programme needs to support the remaining 20 million-plus households (those not targeted/eligible for the Winter warmth programme) through a range of fiscal measures to improve standards of energy efficiency and reduce emissions across the housing stock.
- **Healthy homes** – Considering the needs of the energy vulnerable (those who may not be fuel poor but are vulnerable to facing high energy bills and cold homes) this programme would see health professionals prescribe a basic level of insulation and heating control for those with cold-related illnesses. This programme should reduce demand for the health service.
- **Retail market transformation** – Improving fairness in the energy market, by implementing further market reform to increase transparency and competition, especially for pre-payment meter customers who could benefit significantly from smart meters. In particular focusing on improved transparency on supplier profits and clearer presentation of components of energy costs.
- **Trusted intermediaries** – Improving accessibility to the energy market by developing new methods for delivering switching services, with new models for collective switching programmes and approaches for managing customer utility bills.
- **Benefit maximisation** – Ensuring income is maximised by providing benefits checks for those helped through the Winter warmth or Healthy homes programmes.

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## About the project

This study applied an ‘expert informed’ Rapid Evidence Assessment (REA) approach to review research on a broad range of factors associated with household energy needs, fuel costs and poverty. The *expert-informed* REA approach combined expert knowledge of relevant information sources with a focused search of peer-reviewed and grey literature.

Read the [full report](#).

# SAVINGS, ASSETS, WEALTH AND POVERTY

This review examines international evidence to see if savings, assets and wealth change people's attitudes and help lift people out of poverty.

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## Key points

- Approximately 20 per cent of households in the UK are both income and asset poor.
- 1.6 per cent of households have zero or negative wealth.
- A quarter of low-income families do not save in any form. Soft compulsion and match funding are better incentives to encourage saving among low-income households than tax breaks, and automatic transfers of spare funds into other savings schemes (e.g. from education to pension funds) may help increase saving behaviour. But a lack of spare income among very low-income families means that saving is relatively unlikely even with strong incentives.
- British pensioners have one of the highest poverty rates in Europe, and poverty in old age is related to working-age poverty. The most effective schemes in reducing poverty in later life have a strong basic pension backed by mandatory contributions into a public or private pension.
- Access to housing wealth may postpone financial difficulties, but owners who withdraw equity are more likely to experience mortgage arrears or repossession. Homes-owners have consistently accounted for around half of households experiencing poverty.
- Intergenerational transfers tend to help low-income households in transitory poverty rather than those in persistent poverty.
- There is a lack of evidence that initiatives encourage asset or wealth accumulation beyond that which may otherwise occur, or that this is sustained at a level that actually helps lift people out of poverty.
- There is a lack of evidence of an 'asset effect' whereby asset ownership influences behaviour and attitudes. Asset-based schemes should build on a robust safety net, not be a substitute for it.

## The research

By Beverley A Searle and Stephan Köppe, University of Dundee

## BACKGROUND

In theory savings, assets and wealth can provide a safety net against unexpected expenses or drops in income. It is also argued that holding assets changes people's thinking; they become more responsible and forward-looking.

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There is a lot of theory about how access to savings, assets and wealth can lift people out of poverty. Assets can provide financial income, as well as income in kind. Savings, assets and wealth can act as insurance, providing a cushion from unforeseen expenses or declines in income in later life. Access to assets can give people greater control and provide the infrastructure from which other financial resources will flow. Ownership of assets, it is also argued, changes individuals' behaviour, and they will become more responsible citizens and more forward-looking in their financial planning: this hypothesised benefit, which is on top of their financial value, is referred to as an asset effect.

### Wealth distribution in Great Britain

In Great Britain, the level at which most data is available, individuals who are in the bottom two deciles in terms of their income, are also asset poor. The proportion of households with little or no savings is highest among low-income households and decreases as you move up the income scale. The British population is more vulnerable to financial emergencies than people in other countries, and about half the population would struggle to come up with £1,500 in 30 days. In Great Britain 1.6 per cent of households have zero or negative wealth.

### Savings

Financial exclusion is an important issue for people living in poverty. A quarter of lower-income households in the UK have no form of savings. Five per cent do not have or use any financial products or services.

Tax incentives to encourage saving are ineffective in alleviating poverty. Matched funding is more effective for low-income households than tax breaks. Automatic transfers of funds between schemes may also increase saving. Evaluation of the Savings Gateway initiative in the UK and other similar schemes – which offered an initial endowment and means-tested match funding to savings – suggests this sort of approach is promising, although even with its deliberate attempt to target low-income families it was difficult to reach those on the lowest incomes. While people on low incomes will accept and invest the initial endowment offered through such schemes, they are unlikely to add to it – people need to have spare income in order to save.



Providing schemes with instant and easy access is important. People on low incomes are cautious of using savings schemes that have restricted withdrawal, and are reluctant to lock away money. Schemes also need to provide appropriate and simple information and should not set deadlines for matching contributions from those with very low savings; this is counter-productive to improving the long-term well-being of people experiencing poverty. Evidence suggests programmes that include provision of social support and financial education are effective, although they can be costly. People on low incomes may borrow money to protect their savings. Some credit union schemes have trialled soft compulsion, whereby people are encouraged to include an additional amount for saving when they repay a loan. This has not yet been fully evaluated but could offer an effective way of breaking the cycle of debt among low-income households.

## Pensions

In 2012, 4 to 30 per cent of pensioners experienced poverty (60 per cent of median income, before housing costs) in Europe. British pensioners have one of the highest poverty rates (17 per cent in 2012, ninth out of 31 countries). Severe poverty (40 per cent of median income) in old age is related to working-age poverty. Reliance on private pension schemes risks income inequality being replicated in later life. Evidence suggests the best poverty-reducing schemes have a strong basic pension backed by mandatory contributions to an earnings-related public or private pension. Automatic enrolment, matching contributions and equal access to pension schemes are positive steps towards poverty alleviation in later life. Take-up still remains lower among low-income workers, and without compulsion they remain at risk of receiving a pension which will keep them below the poverty line during retirement.

## Housing

The sale of social housing is a key international asset transfer initiative. In the UK around 30 per cent of tenants have exercised their right to buy (RTB) with 2.8 million homes being sold. Evidence shows that the poorest households do not exercise the RTB.

There is little evidence to support the existence of an asset effect arising from home ownership. The evidence shows that a sense of control rises with income levels, and precedes home-ownership rather than arising from it. Little evidence exists on what happened to social tenants who bought their home and the impact this has on their financial circumstances or attitude towards financial management. Those who were better off and lived in areas of higher house prices were more likely to benefit from selling their home having exercised the RTB. Rising house prices provided a disincentive to buy where tenants felt they were paying more for their house than their neighbours had.

The asset value of housing may provide some support for incomes in later life, but poor households have limited options for using their housing assets. Higher income households and those living in regions with higher house prices are more likely to release equity. Equity release is of limited use if there is not much value in your house. Equity withdrawal can help people finding it difficult to get by, but people who withdraw equity are more likely to have mortgage arrears or be repossessed. Gaining an asset through home-ownership is no guarantee of being lifted out of poverty; owners consistently account for over half of those in persistent income poverty.

## Intergenerational transfers

Asset wealth can be shared across generations. However, only those with asset wealth can pass it on, and can afford to pass it to children when it is needed. Parents in poor households are a third less likely to make regular financial contributions to children than parents in non-poor households. However low-income adults get more regular financial help from parents than non-poor adults, although intergenerational transfers tend to help low-income households in transitory poverty rather than those in persistent poverty. Wealthier parents are more likely to leave an inheritance.

## Risks of savings, assets and wealth as an anti-poverty strategy

Financial exclusion is a key barrier to wealth accumulation for the poorest in society. Encouraging asset ownership introduces people into mainstream financial systems, but also exposes them to risks if housing assets lose value as house prices fall, pensions lose value if there is a downturn in the stock market, or people lose savings if high street banks go bust. These risks can be mitigated through government supported protection, guaranteed returns, or insurance. These guarantees come with a cost and reduce the potential benefits or gains made through market systems, compared with public income replacement schemes.

## Conclusion

The extent to which assets, savings and wealth can alleviate poverty is not well recorded. Overall, there is little evidence for an asset effect on reducing poverty or decreasing income inequality. There is a lack of evidence that initiatives encourage asset or wealth accumulation beyond that which may otherwise occur, and a lack of evidence that this is sustained at a level that actually helps lift people out of poverty. Overall, asset based interventions favour higher-income households rather than low-income households, with those on the very lowest incomes least likely to engage.

A more effective system would be one that gives people the basic support they need on which they can build their assets and wealth. A poverty alleviation programme, that would be truly transformative rather than just providing life support, would only arise from an *asset-building* welfare system. Such schemes would support asset accumulation that builds on top of a robust safety net. The evidence suggests that it should:

- be inclusive so that low-income earners and not just high-income earners benefit from schemes;
- include soft compulsion or matched funding, to encourage low-income households to open and use savings accounts;
- include automatic transfers and link contributions to earnings to encourage low-income earners to join pension schemes;
- include products that are easy to understand and flexible across the life course;
- ensure asset and other social policies are integrated in a comprehensive framework of mutual supporting incentives;
- ensure that basic minimum standards are met through universal welfare schemes and services so that assets build on top of these, not provide a substitute for them.

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## About the project

The review identified key theoretical and empirical literature. This was supported by searches of bibliographic databases and government sources for studies on poverty and asset schemes. It focuses on evidence from the UK, Europe and America.

# THE COST OF LIVING AND POVERTY

This report looks at how the relationship between poverty and the cost of living differs between types of goods, markets and population groups, and considers the policy options.

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## Key points

- Essential goods and services to meet basic needs and participate in society take up a relatively larger share of low-income budgets.
- The price of essential goods and services has risen relatively quickly in recent years, meaning the cost of living has risen faster for those on low incomes. Some groups – such as disabled people and those living in rural areas – have specific or enhanced costs of living as a result of additional costs, higher prices, or higher quantities.
- Low-income individuals are less likely to be ‘active consumers’ switching suppliers and shopping around, partly due to a lack of access to ‘enabling goods’ that give consumers advantages, e.g. a bank account or internet access.
- Public policy has a direct influence on the cost of living, for example through the level of indirect taxes such as VAT, direct price regulation and through stewardship of competition in the market. Essential costs may be reduced or compensated for by, for example, discounts for targeted energy customers, the universal service obligation in the telecoms sector or money to offset some costs (such as housing and childcare).
- Regulators are increasingly using the concept of ‘consumer vulnerability’ – a more dynamic and flexible concept than that of ‘disadvantaged groups’. However there are concerns over how it can be used in practice, and how poverty and low income fit into this framework.
- Policy options can target the cost of living and its link to poverty – focusing on low-income households, high-cost households or the whole population but with particular benefits to either low-income or high-cost groups.

## The research

By Adam Tinson, Peter Kenway, Sabrina Bushe and Tom MacInnes, npf

## BACKGROUND

Most discussion of poverty centres on incomes and the policy solutions are assumed to lie with individuals and government. The cost of living is an important extension to this discussion, bringing in different markets and widening the group of actors to include companies and regulators.

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### How do low-income budgets differ?

The concept of essential goods and services, such as those set out in JRF's Minimum Income Standard (MIS), is common across developed countries. In the UK, a higher proportion of expenditure by low-income households is on essential goods and services compared with better-off households. This results in a differing inflation rate. In recent years, those with low incomes have tended to experience a higher rate of inflation, although this was not the case in general between the 1970s and the 2000s.

There may also be a different relationship between costs and poverty among low-income households. For example, some groups face 'special' and enhanced costs. Special costs are those that other groups do not face; enhanced costs are costs that other people have, but not to such a large degree. For example, a disabled person with restricted mobility faces special costs of home adaptations, and enhanced costs of heating a home they spend more time in. Those in rural areas have special costs to some extent in the form of higher transport needs and may have enhanced costs, for example through higher heating bills.

### The poverty premium

The poverty premium is the idea that 'the poor pay more'. This may include, for example, paying for energy through more expensive prepayment meters, which are used mainly by low-income households; paying more due to a lack of banking facilities for direct debit payments; paying more in fixed costs due to low consumption.

This poverty premium does not only affect those in poverty, nor is its effect consistent. For example, people in poverty are more likely to live in deprived areas, where home contents insurance premiums are higher, but most people in poverty do not live in such areas, and most people living in those areas are not in poverty. The poverty premium often relates to a higher chance of paying a higher price, often associated with something related to poverty but not necessarily poverty itself. Being in poverty may also mean lacking the resources to get around the problem – for example the ability to afford transport to a supermarket rather than relying on higher cost local shops.

Despite numerous examples of a poverty premium, it is difficult to quantify. There have been no estimates of an 'average' effect or the numbers of households that might be affected.

## Public policy and the cost of living

Almost all economic decisions made by government and business have the potential to affect people's cost of living. For example, trade policies can raise or lower the price of imported goods. Planning policies can raise or lower the cost of land, and so the cost of housing.

This research identifies the policy decisions made by government or public bodies that have a direct and immediate influence on the cost of some essential items. This takes various forms including: housing benefits; restrictions on the uprating of water and rail charges; and stewardship of the market to ensure competition (see Table 1).

Government intervention can increase as well as reduce the cost of essentials. There is some debate in the literature over whether indirect taxes, such as VAT and excise duties, weigh more heavily on low-income households. These policies do not apply exclusively to people in poverty, and indirect taxation represents a smaller share of the minimum socially acceptable budget than of average expenditure – partly because some key goods like food and energy are subject to either no, or reduced, VAT. Moreover, the costs of some key essentials, such as food and energy, are influenced by global market factors as well as domestic policy.

**Table 1 – Classifying cost of living policies relevant to people in poverty**

| Category of intervention | Redistribution and compensation                                                                                                         | Reduction and control                                                                                                                                                                                                           | Market functioning                                                                                                                                                                                                                                                                                                                |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Category description     | Compensation for costs incurred; includes parts of the social security or tax systems                                                   | Reduced or controlled costs (through prices or quantities that need to be consumed)                                                                                                                                             | Measures which ensure the competitiveness and smooth operation of various markets                                                                                                                                                                                                                                                 |
| Examples                 | Housing (e.g. housing benefit)<br>Childcare (e.g. childcare element of tax credits)<br>Council Tax (e.g. setting and reduction schemes) | Water (e.g. voluntary tariffs)<br>Heating and electricity (e.g. price regulation for distribution and transmission; Warm Homes Discount; the Energy Companies Obligation)<br>Transport (e.g. price controls on regulated fares) | Heating and electricity (e.g. tariff simplification)<br>Food and drink (e.g. investigation into price collusion)<br>Communications (e.g. Universal Service Obligation, monitoring of competition)<br>Transport (e.g. competitive tendering for bus services)<br>Financial services (e.g. investigation into high interest credit) |

## The role of companies and regulators

Regulators are increasingly using the concept of 'consumer vulnerability', meaning individuals in vulnerable situations that may affect their ability to engage in markets. It is a more dynamic and flexible concept than that of 'disadvantaged groups' which it replaces. There are concerns over how it can be used in practice, and how poverty and low income fit into this framework. However, it is clearly a concept with which an anti-poverty strategy could engage since it raises the question of whether regulators should intervene in the market only for the general consumer, or whether they should also intervene for particular types of consumer.

Regulators like Ofcom, Ofgem and the FCA are leading the field, seeking to move companies from a reactive to a strategic approach to dealing with issues of consumer vulnerability. This involves working closely with individual companies, consumer groups and other bodies to empower those tasked with addressing consumer vulnerability issues and facilitating co-ordination across regulators and companies.

Regulators monitoring how markets are working for different groups can also help to reveal which parts of the market are not well served, helping companies to identify commercial opportunities for addressing cost and access issues. Further promotion of good practice among companies could also help.

As a possible type of policy, consideration could be given to the development of modern Universal Service Obligations (USOs). While there is a USO for phone lines, there is no equivalent for the Internet, although the Internet is an MIS necessity and MIS could be used as a benchmark.

## The role of individuals and the third sector

People with low incomes are less likely to have access to so-called 'enabling goods' which help people get better and cheaper deals, e.g. bank accounts which allow customers to pay bills by direct debit (often a cheaper method) or a broadband connection that allows online shopping and price comparisons. Measures to increase access can be effective, but they are unlikely to be sufficient as there is a need for products that better suit the needs of low-income households.

The third sector has a role to play here, and organisations have responded to markets that do not work well for low-income households, for example through the establishment of food and community energy projects. In some cases new products have been developed to better serve the needs of certain groups, including low-income families.

## Recommendations for an anti-poverty strategy

To address the cost of living as part of an anti-poverty strategy requires engagement with a range of players including companies, regulators and third sector organisations. Public policy alone cannot address the issue.

There are also tactical decisions to be made about how an anti-poverty strategy should approach cost of living issues. Table 2 presents two types of household – low-income and high-cost – and whether the policies that could be applied are specific to the households in the group or whether they apply generally but with a greater impact on those in low income.

**Table 2 – Policy interventions for different types of household**

|                                                                                        | <b>Low-income households</b>                                                      | <b>Households with specific higher costs</b>                                      |
|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Examples of costs specific to the group                                                | <b>A</b> – Cuts in public subsidies and discounts targeted at low-income families | <b>B</b> – Costs associated with disability or living in rural areas              |
| Examples of costs affecting whole population which affect the group disproportionately | <b>C</b> – Uprating of transport and water costs, consumption taxes               | <b>D</b> – Costs associated with consumer vulnerability or lacking enabling goods |

Much activity and campaigning against poverty focuses on Group A, but there is a need for greater focus on special and/or enhanced costs too (group B), among whom low-income households may be over-represented. There is also a case for thinking about costs that affect the whole population but have a greater impact on those with low incomes or higher costs (groups C and D). This may be a way of building a broader coalition for action.

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## About the project

This project consisted of a literature review covering both the UK and international evidence.



# TRANSPORT AND POVERTY

This study explores how transport affects poverty and considers ways of alleviating it.

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## Key points

- The cost of travel can be a barrier to employment and training. Schemes such as discounted bus travel for unemployed people and free bus travel to college may help. Offering mopeds and scooters may help young people in rural areas to reach jobs, employment and training. It should be noted, however, that there has been limited robust evaluation of such schemes.
- Affordability of transport is important but other aspects such as time and the physical and mental capabilities needed to use different transport options also need to be considered.
- People on higher incomes with no access to a car may be transport poor due to the poor quality of public transport. For example, the limited frequency and timetable constraints of public transport can make it difficult for people without access to a car to co-ordinate work, childcare and other activities.
- Local travel provision in rural areas needs to be more flexible, using taxis, private hire vehicles and volunteer drivers to fill the gaps where bus services are not viable.
- Older people with low incomes have a higher take-up of concessionary bus passes than wealthier people.
- There is evidence that those on low incomes or living in deprived neighbourhoods are more adversely affected by the impacts of transport than those living in more affluent neighbourhoods. These differences include an increased risk of road traffic injury and higher exposure rates to pollutants.
- The evaluation of transport schemes does not sufficiently consider the distributional impacts of the schemes and their impacts on those suffering from lack of adequate access.

## The research

By Helena Titheridge, Roger Mackett, Nicola Christie, Daniel Hernandez Oviedo and Runing Ye, UCL Centre for Transport Studies

## BACKGROUND

Transport offers the means to reach essential opportunities such as jobs, education, shops and friends which affect the quality of life. Thus it can play an important role in alleviating poverty.

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### How are transport and poverty linked?

Reduced access to services and facilities such as health, work and education, may be related to a lack of mobility. Poorer people can face geographic barriers to accessing opportunities, worsened by lack of resources and skills to overcome them. Lack of transport creates disadvantages when jobs, services and facilities are separated from residential areas, and where there are physical limitations, time constraints and lack of resources including financial constraints. Lack of suitable transport can lead to social exclusion.

### Poverty and mobility

People living in households in the lowest income quintile travel less than half the distance of those in the highest income quintile and make fewer trips per week. People on low incomes on average make more trips on foot and by bus than other people.

Just over half of households in the lowest income quintile have a car compared with over 90 per cent of households in the highest two income quintiles (although inability to afford a car is not the only reason for lack of car ownership). However, car ownership among households within the lowest income quintile has grown steadily over the last 15 years while for the highest two income quintiles, car ownership has been relatively stable. Public transport fares (bus and rail) have risen faster than the cost of living, while the cost of owning and running a motor vehicle has risen in line with the cost of living.

Considerations such as the need to carry heavy bags, personal safety, time constraints and physical capabilities mean walking or public transport are not always suitable options. For low-income students full participation in education activities is often difficult because journeys are unaffordable and the expense of 'one off' payments for travelcards deters uptake.

### The impact of transport distribution

The concentration of bus operating companies on high-demand corridors, which usually serve large numbers of commuters, means peripheral and rural routes have been neglected. Carless people in rural areas have poor access to key services, poor bus frequencies and spend more on travel compared with car owners or carless urban residents. Public transport does not meet the needs of many carless pensioners, leading to exclusion. Many rely on support networks revealing the importance of lift-giving.

The poor quality of the urban environment in deprived areas affects people's quality of life, especially for parents with young children, who have long walking journeys. It also limits children's recreation.

Road users, especially child pedestrians and cyclists, from the most deprived neighbourhoods are much more likely to be killed or injured than those from the most affluent neighbourhoods. This risk relates to reliance on walking and cycling, living in old urban areas with high traffic volumes and vehicle speeds, anti-social behaviour by drivers and lack of access to good quality public transport and open spaces.

Low-income people's concerns about crime and anti-social behaviour affect their use of public transport and how safe they feel walking after dark. Parents in deprived areas restrict their children's travel because of the real and perceived fear of being involved in a collision.

## Transport poverty

The term transport poverty is generally used to describe the situation where people are struggling to afford the costs of running a car or to pay for the travel needed to maintain an acceptable standard of living.

Assuming that a definition of transport poverty is desirable and can be agreed, the complexity of the transport needs of individuals and the suitability of different options make it difficult to create a sensible measure of transport poverty.

Simple measures of transport poverty that focus solely on transport expenditure relative to income are not appropriate because those on low incomes spend a smaller proportion of their income on transport compared with those on higher incomes. This is in part because there is a luxury element to transport. Those on higher incomes may choose to buy more expensive cars, or travel first class.

However, there is general agreement that it is desirable to identify people experiencing difficulties accessing key activities and to evaluate the impact of transport actions on vulnerable groups.

## Governance, regulation and financing of the transport system

In the UK, transport is supplied by both public and private sectors. Bus operators provide services in two ways: either commercially or under contract to local government. In London, bus services are operated under franchise agreements which gives Transport for London control over service routes, frequency, quality and fares which means that bus services can be provided to address social issues. Rail services are generally provided under franchises let by the Department for Transport in England and Wales or by the Scottish Parliament in Scotland. This means that social issues can only be addressed if they are incorporated into the franchise agreements by the state. In Northern Ireland a state-owned operation is responsible for all rail services in the province and almost all bus services.

Financing for local government initiatives must be raised locally or through application to specific schemes such as the Local Sustainable Transport Fund. This makes financing new schemes difficult and makes existing schemes vulnerable to cuts.

Major transport decisions are made by government on the basis of the ratio of benefits to costs. Economic benefits appraised include aggregate travel time savings, reductions in travel costs and accessibility improvements. Social and distributional impacts are considered as part of a subsidiary appraisal process and are not incorporated into the benefit-cost ratio calculations.

## Transport initiatives to reduce poverty

While the focus of this report is transport, it should not be forgotten that, in some cases, it may be better to take services to people, particularly in rural areas, rather than people to services. Examples include travelling pharmacists, mobile libraries and GP surgeries held in village halls.

One way to address poverty is to reduce travel costs so unemployed people can find jobs and travel to work. In London the Jobcentre Plus Travel Discount Card provides half fares to people who have been unemployed for over three months. West Yorkshire Public Transport Executive's Travel to Work project offered jobseekers free travel for the first month of employment plus personalised travel information.

Wheels 2 Work schemes provide mopeds or scooters to individuals, particularly young people in rural areas, who are unable to access training, employment or education due to a lack of suitable public or private transport, at a cost of about £20 per week.

All children up to the age of 16 are entitled to free travel to school under certain conditions. Greater provision is made for children from low-income households. Some local authorities extend financial help to children above the age of 16 to travel to school and college.

Concessionary travel passes offer free local bus travel to all older people and those with disabilities. There is a higher take-up rate of the passes by those with low incomes, mainly because they tend to have lower car ownership.

Cutbacks in public expenditure and falling revenues are causing reductions in bus services, particularly in rural areas and more flexible ways of providing local public transport are required. The owners of private hire vehicles can use their vehicles to provide local bus services, providing more flexible services than the conventional 'exclusive hiring' by a single passenger. Taxi vouchers can be offered to people eligible for concessionary travel passes but who have no means of making local trips. Taxis could be better integrated into local transport provision if taxi licensing powers were based with local transport authorities. Another way of extending local transport provision is through volunteer drivers. The Retired and Senior Volunteer Programme provides schemes where volunteers aged 50+ provide transport for people to attend appointments and collect repeat prescriptions. The scheme could be extended, with suitable funding, to provide a range of transport services, particularly in rural areas.

## Conclusions

The transport and poverty problem is more complex than just being about having a low income and being carless. Affordability of transport is important but other aspects, such as time and the physical and mental capabilities needed to make use of different transport options, also need to be considered. The limited frequency of public transport can make it difficult for people without access to a car to co-ordinate work, childcare and other activities. Those living in deprived areas are more adversely affected by the impacts of transport than those living in more affluent neighbourhoods. Cutbacks in public expenditure and falling revenues which are causing reductions in bus services are likely to have an impact on people with low incomes and those without access to a car, particularly in rural areas. More flexible ways of providing local public transport are required. These could be combinations of buses, community transport, taxis and volunteer drivers.

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## About the project

This research reviewed evidence on the links between transport and poverty in the UK and was carried out by Helena Titheridge, Roger Mackett, Nicola Christie, Daniel Hernandez Oviedo and Runing Ye from the Centre for Transport Studies at UCL between November 2013 and March 2014. The research also reviewed the evidence pertaining to a number of transport schemes that could improve access to opportunities for people on low incomes.





# EDUCATION, PERSONAL RELATIONSHIPS AND COMMUNITY

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## FOREWORD

When we think about policies that might best tackle poverty, we tend to focus on institutions – the health service, the welfare state, schools. But personal and family relationships, and the nature of the wider community in which we live, also affect our lives, although it is harder to respond effectively through policy to the drivers or consequences of poverty in these domains.

The seven reviews in this section appear to divide straightforwardly into those that deal with institutions – primary education, adult and tertiary education, and health – and those that deal with less ‘institutional’ personal relationships – family structure, personal relationships and social networks.

The review left out of this otherwise tidy distinction – advice and support – indicates both why it is not always straightforward to separate institutional and personal or community factors, and also the policy challenges in responding directly and effectively to the latter. As the advice review makes clear, key life events such as the birth of a child, the loss of a job or a relationship breakdown have a significant effect on the advice needs of people in poverty. Advice is provided within ‘institutions’ and a major recommendation of the review is that commissioning strategies need to do more to ensure that these institutions and their practices respond to these underlying causes.

Take for example the social networks review. Policy-makers cannot force people to interact in particular ways, but policy can change the nature of institutions, particularly in deprived areas where institutional investment is often weaker. Hence the recommendation to maintain and further support internet access, schools, libraries, parks and community centres. As this recommendation indicates, the more institutional factors affecting people in poverty also have a role to play in responding to the personal and community factors that can affect, or be affected by, poverty.

These reviews indicate a more challenging policy proposition: we need a more expansive notion of what counts as ‘policy’ and more radical schemes that allow community organisations to respond in a targeted way to local needs (as in the higher education recommendation for a more localised approach that better responds to where learners ‘are’, including how they think and feel about themselves). Rather than being the solution, sometimes institutions are the problem, and so we may need to seek solutions outside the obvious policy routes to make any anti-poverty strategy a reality.

These reviews also indicate how institutions themselves can play a major role in creating needs. The advice review notes the case of welfare policy changes while the family structure and personal relationships reviews both highlight childcare and family-related benefits. This common theme suggests that recommendations on, for example, universal credit and childcare, need to consider how institutions interact with the various experiences, relationships and communities where people more at risk of poverty are likely to live.



This may sound woolly, but the reviews have some clear recommendations for Britain's key institutions: that the NHS becomes a living wage employer, that governments stop focusing on school differentiation and develop a universal curriculum, that employers offer equal and non-transferable parental leave, and that government should maintain the relative value of child benefit and pensions.

Three final points emerge across the reviews. First, in many areas we need better evidence of what works in addressing poverty, particularly in the case of personal relationships and family structure, but even in the case of education and advice. Second, there is tension between targeted and universal policies, which sometimes also emerges in terms of the value of 'mixing'. While the evidence on mixing is weak in terms of directly lifting people out of poverty, the social networks and health reviews both suggest that where people mix they are more likely to develop sympathy for people unlike themselves, and so arguably to support anti-poverty policies. Third, responding only to the particular drivers or consequences in one of these reviews is unlikely to be effective without a wider anti-poverty strategy. This, of course, is what the other reviews in JRF's programme can provide, and is the wider ambition of the anti-poverty strategy to be published in 2015.

**Omar Khan**

Director at the Runnymede Trust

# ADULT AND TERTIARY EDUCATION AND POVERTY

This report explores how economically poor young people and adults can access and use post-compulsory education as a route to good quality employment.

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## Key points

- **Problem:** a lack of meaningful, recognised opportunities for those wishing to pursue adult and tertiary educational routes out of poverty.  
**Solution:** investment in paid, work-based initiatives and educational partnerships similar to those available in so-called ‘apprenticeship countries’.
- **Problem:** mismatch between skills and qualifications of young people and those rewarded in the wider job market.  
**Solution:** flexible training pathways that provide high-quality academic and vocational training that is more sensitive to local economic needs.
- **Problem:** social disadvantages, such as a negative prior educational experience, low confidence, poor health, and limited information, advice and guidance which lock negative attitudes and practices in place from an early age.  
**Solution:** targeted, brokered outreach work and a provision that begins where learners ‘are’, not only in terms of their knowledge, skills and qualifications but also in terms of how they think and feel about themselves.
- **Problem:** national policy that disregards local, life-shaping interactions between individual young people and the local context.  
**Solution:** a more localised or ‘ecological’ approach, particular for young people not in employment, education or training (NEETs), and adult learners.
- **Problem:** gaps in higher education participation rates between young people from different socio-economic backgrounds.  
**Solution:** more ambitious widening participation targets, accompanied by rigorously evaluated, long-term outreach initiatives that target children from the most economically disadvantaged backgrounds from earlier ages.
- **Problem:** universities working individually and in competition to widen participation rather than collectively and in collaboration.  
**Solution:** long-term funding for new combined outreach initiatives, and the introduction of measures that reflect the ‘greater good’ of widening participation rather than placing universities in opposition with one another.

## The research

By a team at the Manchester Institute of Education, University of Manchester

## BACKGROUND

There are two broad problems with post-compulsory education as a route to good quality employment: the rapidly changing labour market (behind which adult and tertiary provision often lags) and an education system that is often insensitive to young people's and adults' individual capacity and willingness to engage in further learning and/or training.

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This research focuses on the two intersecting aspects of adult and tertiary education which affect engagement with the labour market:

- the changing structures of the labour market and of the nature, form and structure of adult and tertiary education;
- the extent to which post-compulsory education responds to young people's and adults' capacity and willingness to engage with education and training, and the extent to which it also helps to create appropriate routes into the labour market.

### **What do we know about educational qualifications and wider benefits of learning which appear to help people out of poverty?**

In general terms, improved qualifications lead to better wages, and this can lift people out of poverty. However there are clear differences in the ways in which qualifications of different kinds and levels are likely to have an effect on employment prospects in particular places. In addition, the desire to get poor young people and adults into some sort of education/training has led to a focus on low-level, narrowly conceptualised programmes which do not produce tradable qualifications or lead directly to further education or high-quality employment. The involvement of employers in designing qualifications has, at times, led to narrower provision.

### **What do we know about the practices of employers and the labour market and the implications for adult and tertiary education and poverty?**

Different kinds of labour market can dominate different areas, but young people and adults experiencing the greatest levels of concentrated poverty are often found in areas with a predominance of low skills and low pay. While there may be well-paid, high-status jobs, there tends to be relatively few, and the nature and type of qualifications and skills needed to get them are beyond the expectations of many poor young people and adults. The much larger percentage of jobs are poorly paid, insecure, repetitive and lacking autonomy. Qualifications are often not required and there is little prospect of such jobs offering the training and progression that may help to raise people out of poverty. The incentive to get involved in learning and get qualifications is likely to be highly reduced given the high-risk nature of such investments for potentially poor returns. In such contexts, employers have a key role in supporting the development of better jobs and progression routes.

## **What are the barriers experienced by poor young people and adults in engaging with adult and tertiary education?**

There are many barriers facing economically poor young people and adults in relation to post-compulsory learning. These include:

- poor earlier experiences of education – e.g. a lack of success, bullying, negative views about school, lack of relevance of the curriculum;
- personal difficulties – e.g. time constraints, low income, poor health, low confidence;
- the perceived cost of education and cultural disinclination toward debt accumulation;
- life circumstances and events – e.g. family conflict and divorce;
- accessibility and availability of provision – e.g. neighbourhoods with limited lifelong learning opportunities, a lack of educational success creating barriers to entry, a lack of appropriate provision, a lack of suitable information, advice and guidance;
- challenging policy frameworks – e.g. funding arrangements for adults over 24;
- labour market disincentives – a lack of well-paid local jobs with commensurate credentials, skills or training requirements.

## **How are poor young people and adults drawn into tertiary and adult education and then into sustained employment?**

Adult and tertiary education *can* engage disadvantaged young people and adults and enable them to progress. Promising strategies include:

- developing appropriate outreach work to engage young people and adults, for example through community-based organisations;
- the development of relationships of trust between young people and adults on the one hand and teachers, other educators and advisers on the other;
- targeted, supported and individualised learning programmes, facilitated by a high ratio of staff to learners;
- realistic, measurable and motivating learning targets, monitored appropriately;
- well-targeted information, advice and guidance for planning individuals' learning and identifying smaller steps which learners can take to gain confidence and achieve measurable progress;
- well-developed pathways that link to high quality academic and/or vocational training commensurate with the needs of both young people and adults and local economies.

## Recommendations for an anti-poverty strategy

*Qualifications and work experiences that count* – use the recommendations of the Wolf report on vocational education to develop broad-based educational paths for young people which have clear links to progression, high-quality academic and work experience content, and funding to incentivise employers and education providers to deliver this. Improve the quality and quantity of careers advice guidance and support to be more accurate and honest about what types of programmes lead to what types of work.

*A coherent response to connected challenges* – create a more coherent and less fragmented approach with clear lines of public policy responsibility, accountability and delivery by appointing a ‘Tsar’ responsible across government policy-making for the needs of adult and part-time learners.

*Macro skills policy and the rebalancing of labour markets* – economic policy should rebalance the labour market to create a virtuous cycle through good-quality employment generating incentives for learning and training, which in turn generates better employment. Shift responsibility for adult and tertiary provision of skills from further education providers to developing the capacity of workplaces to be sites of learning.

*Local transition pathways* – local adult and tertiary education systems have to offer multiple pathways to link the sometimes low starting points of learners with the demands of the local labour market. Enhance the UK apprenticeship system by making the local routes into apprenticeships clearer, increasing the educational content of the programmes and improving local employer involvement. This includes expanding advanced and higher level apprenticeships, making traineeships available for those not yet ready for a full apprenticeship, maximising the impact of larger employer involvement and increasing support for small businesses.

*Governance structures and systems* – creating appropriate local pathways into employment requires governance structures and systems, particularly in the most disadvantaged areas, that are capable of linking employers and education providers and targeting resources to sustain those pathways.

*Flexible and customised support systems* – flexible, customised and financial support systems are necessary to engage learners, build their confidence, and support them in making appropriate and ambitious decisions about their future. Personal relationships, experiences of success, and multiple ‘second chances’ are also all important. Funding for equivalent or lower qualifications should be relaxed to support adult learners wanting to transfer into better-paid occupations; funding for part-time learning in higher education should be increased.

*Widening participation in higher education* – the planned funding by the Higher Education Funding Council for England (HEFCE) of new collaborative outreach should be sustained for the long term so that new partnerships can develop. The Higher Education Access Tracker (HEAT) service which allows universities and colleges to measure the progress of individual participants in activities designed to raise aspirations and attainment needs continued support. The Universities and Colleges Admissions Service (UCAS) continues to invest in and promote the use of contextual data (which puts student attainment in the context of the circumstances in which it has been obtained) and encourage its integration into the admissions process. Information about the use of contextual data needs to be disseminated more widely to teachers, advisors and young people. A longer term, sustainable solution to student funding should be adopted, including proper consideration of a graduate taxation system. This should include an investigation into current Treasury rules for the way government loans and taxes are accounted for.

*The wider benefits of learning* – although pathways to good quality employment are central to the role of education in overcoming poverty, the evidence suggests that it is important not to forget the wider benefits of learning, in terms of health, self-esteem, quality of life and democratic participation.

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## About the project

The research was a policy- and practice-oriented literature review, carried out by Carlo Raffo, Diane Harris, Alan Dyson, Cate Goodlad, Steven Jones and Julian Skyrme. The authors supplemented traditional bibliographic search procedures with an ‘expert witness’ approach. A simple data-extraction analytical framework was applied to literature across all areas.

# ADVICE, SUPPORT AND POVERTY

This review considered the needs of people in poverty for information, advice and support, and how services can help to prevent, mitigate, and reduce poverty.

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## Key points

- Households in poverty often need help to cope with changes in their circumstances and need advice and support across a number of social welfare issues. The most common advice needs arising for people in poverty relate to issues of welfare benefits, debt, housing, childcare and employment.
- They are also more likely than others to need advice and support because of their reliance on public services and the difficulties they experience in navigating through the 'system'.
- Effective advice can resolve problems and help improve the material position of households, for example through benefits checks and debt advice. Good quality careers advice can help provide people with a route out of poverty.
- The soft and secondary outcomes from advice, including increased motivation, skills and self-confidence, can be just as important as hard or immediate outcomes such as formal qualifications or the amount of additional benefits claimed. More research is needed to understand the impacts of advice on poverty over time, especially the soft and secondary outcomes. The quality of advice and delivery mechanisms is key, and providing services in group settings, peer to peer provision, and through mentoring projects all warrant further testing.
- Advice services should be embedded into core service settings such as GP surgeries and community centres and pro-active efforts made by mainstream services like the health service and job centres to identify people in poverty and refer them to relevant advice services. National and local policy-makers should consider the likely increase in demand for advice when changing welfare entitlements and service provision.

## The research

By Damon Gibbons and Sarah Foster, Centre for Economic and Social Inclusion

# BACKGROUND

The impact of advice services on the different experiences of poverty has not been specifically researched. However it is clear that the need for advice and support among households in poverty that arises in response to life events is greater than for wealthier households.

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## Why advice services are important to people in poverty

The need for information, advice and support (ranging from simple information materials through the provision of specific advice tailored to the individual's situation, to support which may, for example, involve the service provider engaging in advocacy on the user's behalf) among people in poverty is driven by a combination of three factors:

- Life events such as changes in household composition and/or the material circumstances of households. Key trigger events leading to persistent poverty include the loss of employment; reduction in earnings and benefits; increase in the number of children, and becoming a lone-parent household;
- The changing nature of state support; economic and social policy decisions, and the operation of key markets including housing, energy, and financial services;
- The levels of human and social capital available to people in poverty, which affects their ability to cope with challenges and use key services, and the level of support they require.

While these three causes are *individually* important, they can also occur *collectively*. The combination of needs that arises is then likely to give rise to a need for considerable support.

It is important to recognise that households experience poverty in different ways and to different degrees over their lifecycle. Some experience it only temporarily. For others it is recurrent. It can also be persistent, in which case the reliance on state support and any changes in entitlement and/or its administration becomes extremely significant.

Research has not specifically considered the impact of advice services in respect of these different experiences of poverty – it has tended to look at broad groups of people who are at greater risk of poverty generally or at the type of advice issues (and clusters of problems) that they are most likely to experience.



Despite these shortcomings in the evidence, it is clear that the need for advice and support among households in poverty that arises in response to life events is greater than for wealthier households. This is because they have fewer financial and other resources (including skills and social networks) to draw on. This is likely to both constrain the options that are available to them and exacerbate the impact of changes when these occur. There is therefore a need for 'core provision' focused on life events (e.g. health and welfare to work services) to pro-actively identify people in poverty and refer these to advice services capable of addressing problems holistically.

Changes in the relationship between the household and the state also give rise to advice needs. For example, Citizens Advice reports that 50 per cent of its clients will be affected by the introduction of Universal Credit and that nine out of ten of these will need some form of support to manage the transition by raising their capacity to cope with monthly payments, budget effectively, manage their bank account, stay informed about the changes, or to get online.

However, equality impact assessments of policy changes such as these (at both the national and local levels) do not currently consider the likely increase in demand for advice.

Finally, levels of human and social capital are critical in determining the extent of help needed. The health, knowledge and skills of individuals affects their ability to identify and take up opportunities and use services independently, as well as their level of personal resilience to cope with challenges. In addition, positive relationships with family and friends and other social networks can provide support and access to knowledge, including about the services that are available.

## **What advice is needed and how does it help people in poverty?**

The most common advice needs arising for people in poverty relate to issues of welfare benefits, debt, housing, childcare, and employment. Careers advice has also been found to be particularly helpful in providing people with a route out of poverty by helping them to access quality employment with opportunities for advancement within the labour market. Regardless of the particular advice issue, the soft outcomes, which include increased motivation, skills and self-confidence, can be just as important as hard outcomes such as formal qualifications or the amount of benefit gained, especially in the longer term.

However, the complex interaction between the different reasons that advice is needed, as well as the type and the number of problems experienced, poses a considerable problem when it comes to assessing the impact of advice services on individuals. In particular, the short-term benefits from provision (such as the financial benefits accruing from a successful welfare benefit claim) are likely to form only one aspect of any overall positive effect. Indeed, the extent to which the provision of advice is of benefit is not apparent unless assessed over time, and the quality of advice provided, including the methods used in its delivery, are likely to be key variables.

As well as providing short-term benefits, advice services contribute to a broad range of secondary impacts which support improvements in the overall quality of life of households. These are capable of either preventing poverty from occurring; mitigating the impacts of this where it does occur, or providing people with the opportunity to progress out of poverty. A summary of these is provided in the table below.

**Table 1 – Summary of primary, secondary and long-term outcomes of advice for individuals**

| Primary impacts                                                | Secondary impacts                                                                              | Longer-term outcomes                                 |
|----------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------|
| <b>Financial gains</b>                                         | Improved diets                                                                                 | Improvements in physical and mental health           |
| Welfare benefit take-up                                        | Avoidance of debt                                                                              | Increased human/social capital                       |
| Debt restructuring and write-off                               | Warmer homes                                                                                   | Greater social mobility and 'pathway out of poverty' |
| Recovery of unpaid wages/ minimum wage enforcement             | Increased social interaction                                                                   |                                                      |
| Compensation payments (employment discrimination/ housing)     | Entry to and retention of employment (in-work benefits)                                        |                                                      |
| Financial capability                                           | Improved self-esteem and confidence                                                            |                                                      |
|                                                                | Increased savings                                                                              |                                                      |
| <b>Non-financial</b>                                           | More time for/fewer constraints on, job search                                                 |                                                      |
| In-kind benefits                                               | Successful transition to adulthood                                                             |                                                      |
| Housing options, preventing and addressing homelessness        | Suitable, affordable housing                                                                   |                                                      |
| Improvements in employment conditions, retention of employment | Appropriate, affordable childcare                                                              |                                                      |
| Making good education and careers choices                      | Access to education, training and employment                                                   |                                                      |
|                                                                | Access to health and social care                                                               |                                                      |
|                                                                | Improvements in relationships, and access to leisure, networking, and participation in society |                                                      |

## Lessons for future provision

While advice services have sought to ensure that they are accessible to people with complex needs, there remain a number of barriers. These stem from a combination of individual, structural and cultural factors.

- Individual barriers include health conditions and/or disabilities, lack of English, and caring commitments.
- Structural barriers include bureaucratic referral processes, limited opening hours, or inability to access certain channels of delivery (e.g. online).
- Cultural barriers include lack of familiarity with service providers and in some cases a lack of trust or fear of authority.

Embedding advice services in core settings (for example, health and welfare to work) and pro-actively identifying users with advice needs is therefore needed to ensure that the most disadvantaged are provided with help.

There are benefits for statutory agencies in working with advice providers to embed provision, as early advice can significantly reduce the demand for high-cost interventions. In addition, advice agencies can also contribute to the improvement of core services through their social policy work.

However, national and local anti-poverty strategies need to focus on how advice provision can be delivered in ways that build the human and social capital of service users and contribute to clearer routes out of poverty. Further research into the effectiveness of, for example, peer to peer mentoring and group-work approaches, is needed in this respect.

Finally, policy-makers at both the national and local levels should take account of the likely demand for advice services arising from changes to welfare provision and should include an assessment of this in future equality impact assessments.

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## About the project

The research took the form of a literature review. This used both academic databases and general online engines, limited to literature published in the last six years. This time limit was extended in some respects in areas where evidence was later considered weak, or where the authors had prior knowledge of seminal publications.

Read the [full report](#).

# FAMILY STRUCTURE AND POVERTY

Put simply, families with more children and fewer adults (and especially fewer adults in paid work), tend to be poorer. However there are other structural features of families that affect levels of poverty.

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## Key points

- The poverty rates of families with children have fallen over the past 15 years, particularly for lone parent families and those with three or more children.
- The poverty rates of different family types have converged over time; larger families and lone parents still have among the highest risks of poverty.
- Policies directly aimed at affecting family formation or size, such as tax allowances for married couples, Child Benefit caps and benefits for larger families, have not been shown to be effective in changing family structures.
- Child maintenance has the potential to lift lone parents (and some step-families) out of poverty, yet receipt of child maintenance in the UK is low by international standards, limiting any potential anti-poverty effects.
- After 2010, benefits were no longer reduced by any maintenance income, improving the circumstances of child support recipients. A recent reform aims to encourage greater co-operation between parents in reaching agreements on child maintenance and arranging payments; it is important to monitor how this affects the number and value of maintenance agreements, and their effects on family and child poverty.
- The Lone Parent Obligation (LPO) reform appears successful in increasing the employment rate of lone parents. It is less clear whether those further away from the labour market will be able to make the transition into work. It is also likely that the issues of job retention and earnings progression will continue to be important for lone parents.

## The research

By Martin Culliney, Tina Haux and Steve McKay, University of Lincoln

## BACKGROUND

There are a number of well-established links between family structures and poverty. This review considers what they are and how the relationship could be eased.

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The construction of UK poverty rates embodies a particular set of assumptions about the needs of adults relative to children (the process of 'equivalisation'), and hence there are direct links between equivalisation and which families are regarded as poor. The situation of lone parents, in particular, is affected by the choice of equivalence scale.

Those who cohabit rather than being married have higher rates of poverty, which is likely to reflect the different characteristics of those who marry (they tend to be older, for instance). There is also an association between marital status and paid work, with those in formal unions more likely to be in employment than those cohabiting. This is found for both same sex and opposite sex couples. Step-families seem to be only a little poorer than other couples, though the evidence base is relatively old. There is limited evidence on other family types, including extended families and children being raised by grandparents, but on balance such families seem to have higher levels of disadvantage. Some of the associations between family structure and poverty are mediated by other factors such as gender, with a longstanding body of research on differences such as in employment.

Much of the research on family structure concerns making comparisons between lone parents and couples with children. It is difficult to conclusively demonstrate a *causal* link between family structures and poverty, given the wide range of differences in the socio-economic characteristics of different family members. For example, lone parents tend to come from poorer backgrounds; families with more children are more commonly found among particular minority ethnic groups; cohabiting families tend to be younger than married couples. Differences in family structure may be a consequence of poverty, as well as one of its causes.

### Defining family structure

There are many issues and considerations in arriving at definitions of family and family structure. Family is defined here as consisting of a household containing at least two people who are either related by blood, marriage or civil partnership, or in a cohabiting relationship (and children may also be included through adoption and step-relationships). This follows US Census Bureau and some Office for National Statistics (ONS) usage. Single people living alone are not treated as families, although they are included in some of the data discussed to enable comparisons with other key groups.

## Who is poor?

In 2011/12 the following family structures were particularly at risk of poverty:

- lone parent families;
- large families, i.e. those with three or more children;
- cohabiting families (compared with married or those in civil partnerships).

Three main trends can be identified when looking at poverty levels of families over time. Firstly, the poverty rates of families with children have decreased over the past 15 years generally and, in particular, for lone parent families between 1994/95 and 2011/12. There has also been considerable convergence of risks of poverty by family type. Even so, rates of poverty remain high for lone parents, much higher than for couples with children, and childless couples. The poverty rates of families with three or more children have also fallen over this time.

As is increasingly well known, recent data shows that most children in poor families live in working rather than non-working families. Our discussions with those with experience of poverty highlights problems of insecure and low-paid employment, with strong perceptions that such work may mean a lower living standard than being unemployed and on benefits. There is also an association between low incomes and having only one adult in paid work.

## Policy review

Child maintenance in the UK has a troubled history, and rates of collection are below those in other countries. However, child maintenance has untapped potential to play a significant positive role in reducing poverty, reinforced by the 2010 reform to allow recipients to keep all their child maintenance. Recent reforms (from 2012) are encouraging agreement between the two parents, and it is important to monitor how – if at all – this affects levels of agreement in money terms and rates of compliance. The new Child Maintenance Service has considerable powers to collect money owed, including a 20 per cent collection charge to the paying parent, and a 4 per cent charge for recipients. It also expects a £20 fee from lone parents needing to make an application.

The potential to affect family formation through financial incentives is limited; relevant evidence on links between welfare benefits and family formation is inconclusive. In the UK, two policy proposals are of interest: the re-introduction of a married couple tax allowance, and discussions about the idea of a ‘family cap’, limiting the number of children for whom Child Benefit would be paid. The evidence to date suggests that the effects of these interventions are hard to predict, although the low level and limited coverage of the Married Couple’s Allowance suggests a policy that aims to value marriage rather than to increase its uptake.

The final area considered is that of lone parents and employment (with wider concerns about employment the subject of a different review). Increased conditionality for lone parents with older children (the LPO requires lone parents with older children to actively seek paid employment) seems to have had a positive effect on employment in difficult economic circumstances. However, lone parents who have entered work were already closest to the labour market. Policies such as the Work Programme, aimed at finding employment for others, have been less effective. Furthermore the impact of LPO on employment retention and progression is less clear. Providing a financial incentive to employment by topping up low wages and making childcare both more available and more affordable could be successful in further increasing the employment rate of lone parents in the UK.

Other countries often achieve higher rates of lone parent employment than the UK, and overall lower rates of child poverty. However, non-working lone parents tend to face above average poverty risks in most countries.

## Conclusion

The following policy areas are critical factors in the relationship between family structure and poverty:

- relative value of child-related benefits;
- Child Maintenance receipt;
- pay progression for (lone) parents in work, and security of earnings;
- cost and availability of childcare.

Policies aiming at changing the composition of families though financial incentives are less likely to be effective. Current government policies on three of the areas identified above may perpetuate the relationship between family structure and poverty, by reducing the relative value of child-related benefits, making child maintenance arrangements voluntary and by failing to more actively support (lone) parents in entering full-time work. However, extending access to free childcare, and Universal Credit, should help to address issues of increasing income insecurity.

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## About the project

The research comprised a review of the national and international literature. It also drew on the findings of other reviews in this series, avoiding duplication through being selective in the policy areas investigated. The policy areas included in this review were chosen on the basis that they directly affect family structure and poverty, such as child maintenance, and not policy areas that are clearly covered elsewhere such as childcare, and other issues pertaining to paid work.

# PERSONAL RELATIONSHIPS AND POVERTY

Policies and family relationships which help reconcile the tension between participation in the labour market and caring responsibilities can reduce the chances of individual and family poverty.

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## Key points

- The chances of family poverty are lessened when policies enable fathers' involvement in childcare and mothers' involvement in the labour market.
- The stress of living in poverty brings added risk of relationship problems and breakdown. Policies underpinning relationship support services are a more effective way to tackle family poverty than marriage subsidies. Relationship support services need to reach families in poverty or on low incomes, especially those with multiple problems.
- Separation can lead to poverty for both parents but the risk of persistent poverty is greater for resident parents. Regular child support payments reduce that risk. Step-families can provide a route out of poverty but are vulnerable to breakdown, leading to further spell(s) of poverty. Anti-poverty policies for separated families need to be holistic, address the needs of all family members and promote more involvement of non-resident parents.
- Paid employment can increase single mothers' income but risks being counterproductive without affordable childcare or childcare from other family members.
- Grandparents play a vital role in providing free and flexible childcare, frequently enabling low-income mothers to re-enter employment. However, caring responsibilities can increase poverty risks for grandmothers who disrupt their own employment. Also, many care for both grandchildren and older parents, at financial cost to themselves. Raising the state retirement pension age risks reducing the supply of grandparents able to provide childcare and in turn increases the poverty risks of low-income mothers without access to affordable alternatives.
- Intergenerational support most frequently goes downwards from parents to adult children and grandchildren and occurs more often in families which rely on welfare support for essential services.

## The research

By Judy Corlyon, Laura Stock, Cristina Castellanos Serrano and Matt Gieve, Tavistock Institute of Human Relations



## BACKGROUND

Personal relationships may cause or contribute to poverty – through divorce/separation or unequal and gendered division of unpaid care responsibilities and household income/earning ability, or may alleviate it – through intergenerational support or re-partnering and shared income.

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### The evidence on relationships and poverty

Working-age adults with children have higher poverty levels than those in similar households without children. Parental childcare may reduce the working time of one or both parents, thereby depressing household income, while paying for private childcare increases family costs and requires longer working hours. How parents share childcare and labour market participation can affect their present and future chances of being poor.

Rates of cohabitation are increasing while those of marriage are decreasing. Cohabitation itself is no more susceptible to breakdown than marriage, but cohabiting couples tend to be less well-off than those who marry. Being poor puts increased pressure on relationships and can contribute to their breakdown. Relationship breakdown can also give rise to, or increase, poverty for both parents. For non-resident parents (typically fathers) the risk is greater for those in low-paid or no employment. But, overall, economic recovery can be faster than for resident parents (typically mothers) who have a greater risk of extreme and longer lasting poverty. Children whose parents separate are affected by this socio-economic disadvantage and for a minority, where poverty is compounded by maternal ill-health or parental conflict, there can be long-term negative outcomes which can impact on their education, future employment and likelihood of low income in adulthood.

Parents in the older generation typically receive support from adult children but only when they reach an advanced age. Before that, income transfers and practical help are usually downwards and commensurate with the needs of adult children and grandchildren. Free and flexible childcare from grandparents is a feature of all socio-economic groups but most frequently used by parents with low incomes and usually provided by grandmothers who themselves are more likely to be in the lower socio-economic groups. Many give up employment or reduce their working hours to combine work and childcare. Thus, poorer parents' ability to take up paid employment often comes at the expense of grandparents, effectively distributing part of the disadvantage of low income across the generations.

## The influence of policy on family relationships and poverty

The evidence points towards three crucial areas where policy impacts on the link between family relationships and poverty: reducing the division of paid and unpaid work between men and women; intergenerational help; and relationship support before, during and after marriage/cohabitation. Current UK policies designed to prevent poverty emphasise the importance of strong and stable relationships which give children a good start in life and of paid employment which not only improves the financial status of families but also prevents intergenerational transmission of worklessness.

**Fathers' involvement in care and mothers' labour market involvement: reducing gender differences:** international comparisons show that policies which reduce the gap between a couple's respective labour market participation after the birth of a child are instrumental in reducing family poverty in the short and longer term. One of the key elements in supporting mothers' employment and encouraging fathers' caring is parental leave which is non-transferable and paid at a high proportion of previous earnings: fathers are disinclined to take leave which is low-paid and are open to pressure from employers not to do so where it is transferable to the mother.

Current UK policy stresses employment as the route out of poverty but women's participation in the labour force is frequently hampered by the discrepancy between lengthy maternity and brief paternity leave entitlement. Leave which is specific to and equal for both parents in terms of length and payment would serve to weaken the traditional emphasis on mother as carer and father as earner, and reinforce mothers' independence and career prospects and fathers' involvement in childcare in the short and longer term. The chances of family poverty would further be decreased by the presence of two earners and two carers.

**Family help:** beyond the leave period, a second element which allows mothers (as current main carers) to be in the labour market is good quality, affordable and available childcare. In the UK, state provision remains limited and private provision is of variable quality, expensive and typically available at fixed times not necessarily coinciding with mothers' working hours. Across the EU just over half of mothers with children below mandatory school age do not work or work part-time because of inadequate childcare services: in the UK this is the case for nearly three-quarters of mothers. Families, and especially those on low incomes and headed by a lone parent, are often dependent on informal (free) childcare and in particular that provided by relatively young and healthy grandmothers. Often these grandmothers are also providing care for their own parents or other relatives.

The current rise in the age at which women can retire with a state pension could result in many families rethinking their priorities. Further financial hardship will arise for poorer grandmothers who choose to leave employment before receiving the state pension. Alternatively, their care for older relatives will diminish and mothers' access to the labour market will be restricted, because of limitations of formal childcare. Grandparental childcare is appreciated by mothers for reasons beyond the purely financial, and policy which would enable this to continue as a personal choice without cost to grandparents should be given due consideration. However, direct remuneration of grandparents is difficult given the potential for fraudulent claims, and would be unlikely to reduce poverty risks since cash transfers for such care do not usually equate to labour market incomes. Recent years have seen a shift in the distribution of money between generations with the result that many adult children (and their children) receive financial support from parents. Maintaining

the income level of this generation serves to promote a redistribution of resources, however low, within the family. Evidence from Europe suggests even more income transfers and practical support in both directions would occur if the state provided essential services.

**Relationship support:** separation and divorce bring a substantially increased risk of poverty to mothers, especially where caring is seen as a ‘woman’s role’, and their career prospects have suffered through policies which obstructed their continuing involvement in the labour force. Under current UK welfare policy mothers, other than those of very young children, must be available for employment, notwithstanding their often limited employment history and the shortage of suitable childcare. Low-quality childcare risks further damage to children already disadvantaged and/or adversely affected by the breakdown of the parental relationship.

Policy also ignores the economic vulnerability of non-resident fathers, concentrating instead on their potential, though frequently unrealised, ability to raise the income level of their children and former partner by regular and adequate child support payments. Formal arrangements made through the Child Support Agency are more likely to endure than informal ones, but imposing a cost for this service precludes its use by low-income families.

‘Strong and stable’ families are a touchstone of current family policy initiatives. However the promotion of marriage, as opposed to cohabitation or a co-operative relationship post-separation, is not an anti-poverty strategy. Supporting couple relationships of all types is much more likely to lead to beneficial outcomes – financial and emotional – for all family members. The recent evaluation of relationship support showed that interventions for couples at various stages in their relationship can improve emotional well-being and relationship quality. It also demonstrated how government investment in such interventions can be rewarded by substantial savings if subsequent public costs of relationship breakdown are avoided.

When relationships do end, holistic practical and emotional support, especially when targeted at low-income families, can help alleviate adverse outcomes. These include financial hardship, couple conflict, mental ill-health and housing problems, as well as the negative consequences suffered by some children. Savings to the public purse could be made through the provision of interventions, such as the government-funded child poverty pilots, which help mitigate these problems for couples or individuals and thus avoid the costs associated with addressing them when they become entrenched.

**The review found evidence lacking on:** individual rather than household income; paternity and maternity leave take-up rates; lone fathers’ caring responsibilities and labour market involvement; the financial impact of older couples’ relationship breakdown; intra-generational financial exchanges, especially between adult siblings.

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## About the project

The review examined literature and policies, drawing predominantly on the UK situation but also on evidence from other countries where this was useful for comparative purposes. It was undertaken by a multidisciplinary team specialising in conducting studies on family relationships, particularly bringing perspectives from economics, sociology and feminist research.

Read the [full report](#).

# PRIMARY AND SECONDARY EDUCATION AND POVERTY

Department for Education figures show that 35 per cent of children in receipt of free school meals gained five A\*–C grades including English and maths, compared with 62 per cent of other children. Why is poverty linked to educational chances, and what can be done about it?

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## Key points

- Parental choice and increasing school autonomy have been the dominant themes of British education policy since the 1980s, but there is no evidence to show that these are effective ways of improving the educational attainment of children from poor backgrounds.
- The role of teachers is vital. Substantial variability in pupils' outcomes is due to the individual teacher they have for a particular subject, and this variability is more powerful than inter-school variability.
- The subjects taken, rather than just the grades achieved, are important for access to university. Poor children are less likely to study prestigious subjects and are therefore disadvantaged.
- The specific content of the curriculum is a topic of longstanding ideological debate, with little or no evidence on what works best to promote learning, especially for disadvantaged children.
- While there have been evaluations to assess the quality of education interventions, the quality of the evidence is often poor.
- Education reform alone will never be sufficient to address educational inequalities. Poor and overcrowded housing, frequent moves, parental stress, depression and poor health have all been shown to have a detrimental effect on children's learning, thus social policies on the economy, work, housing and health can all affect educational outcomes.
- Educational inequalities are driven by families' cultural resources as well as economic resources, and books and reading are central to this. More research is needed on how schools, parents and library services can promote reading, particularly among children whose parents have lower levels of education.

## The research

By Roxanne Connelly, Alice Sullivan and John Jerrim, Department for Quantitative Social Science, Institute of Education, University of London

## BACKGROUND

Socio-economic inequalities in educational attainment and in related life-chances have been documented over many years. Particular concerns have related to the long tail of low attainment at the lower end of the spectrum, and the fact that this low attainment is disproportionately experienced by children from poor families. This has implications for later life chances and social mobility.

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This review is focused on educational attainment rather than other outcomes. There is a whole range of other potential benefits of schooling, such as well-being and civic participation, which are beyond the scope of this review; neither does this review consider the link between educational attainment and labour market outcomes. It should not be assumed that increasing the educational attainment of poor children is the only or best way to reduce adult poverty – there is a difference between aiming to promote social mobility and aiming to reduce poverty. The social mobility chances of individual children may well be best increased via educational attainment. However, the overall level of poverty in society is driven by structural inequalities in our economy and society that clearly cannot be addressed simply by reforming schools. Policies intended to promote social mobility will not necessarily reduce poverty, and it is important not to allow the two goals to be confused.

### The nature and causes of disadvantage

Socio-economic differences in educational attainment are far greater than those due to race and gender, and should be given the highest priority. There is a danger that the needs of poor girls are neglected because of the strong focus on poor boys.

Differences in educational attainment according to the social origins of children are due partly to income poverty. However, a full understanding of the issue must also take into account the educational level of parents and the family's cultural and social capital.

Socio-economic differentials in education emerge before children start at school, and the children of highly educated parents typically start school with a particular head-start in their learning. The recent focus on the early years is therefore vital, but should not lead to a neglect of the issues affecting older children.

## School systems

Although the UK education system has changed dramatically since the 1960s, and educational participation has increased enormously, the relative attainment levels of the different social classes have been fairly stable, suggesting that changes such as comprehensive education made less difference to inequalities than had been hoped. There is some evidence, though, of narrowing inequalities in school attainment during the period of the last government, 1997–2010. It is too early to assess whether this trend will be maintained.

Research indicates that there is a stronger relationship between parental social background and children's test scores in England than in many other rich countries. However, it is not possible to identify the extent to which specific features of the education system, as opposed to wider social policies, structural inequalities or cultural factors, may lie at the root of this difference. Thus it is important that policy-makers don't draw simplistic conclusions such as 'they do x in Singapore/Finland, therefore x will work for us'.

There is no robust evidence that any particular school structure or type (such as academies, free schools, faith schools) is beneficial for improving the performance of poor pupils. Selective schools show greater pupil performance and progress, but are least likely to serve poor pupils. Therefore the existence of such schools is likely to exacerbate inequalities.

It is often argued that the existence of competition between schools drives up standards overall. However evidence suggests that competition from self-governing and faith schools has not driven up standards in neighbouring schools. It may be that the focus on school structures has been misplaced, with a greater emphasis needed on school and classroom processes.

## School differences and interventions

It is important to recognise that much of the variability in school performance is due to pupil intake, and attempts to measure the real 'value added' of a school are problematic. Schools serving poor communities also often face additional challenges, including dealing with children's emotional and behavioural problems.

The effect of school composition is well established in the literature. Children who attend schools with a higher proportion of high-attaining pupils or pupils of high socio-economic status perform better than similar children in schools with a high proportion of poor and low-attaining pupils. This suggests that one way of helping poor pupils would be to decrease school segregation. Banding and school lotteries are both promising avenues for achieving this. However, there are likely to be limits to the scope for school desegregation, given the constraints of residential segregation.

School resources have been shown to have a positive effect on attainment. This suggests that the pupil premium may be an effective mechanism to improve the attainment of poor pupils, though this has not been shown directly, and will inevitably depend on what is done with the money; it is vital that this should be evidence-based.

There is far more variability in performance between individual teachers than between schools. Therefore, attracting effective teachers to schools serving poor children is likely to be vital to closing attainment gaps. Evaluations of the Teach First programme show positive results, but it remains to be seen whether Teach First can be expanded to further increase the pool of effective teachers in schools serving poor children. There may be limits on this unless the status and quality of the teaching profession overall can be raised.

Classroom teaching methods matter, and there is evidence to support both the literacy hour initiative and synthetic phonics teaching. These benefit children across the social spectrum, but may be most important for those who are at risk of falling behind in reading, who are disproportionately from poor backgrounds. Other teaching methods that are fairly well supported include effective use of new technology, mastery/individualised learning, meta-cognitive and self-regulation strategies.

Children from disadvantaged backgrounds are more likely to have behavioural problems that can damage their attainment. The evidence suggests that authoritative approaches to school discipline (high standards with warmth, communication and understanding), and an emphasis on positive reinforcement of good behaviour, can lead to improved behavioural outcomes.

There is evidence that poor children have less access to a demanding curriculum and high-value subjects. Early curriculum choice is a longstanding feature of the British school system, and this has the potential to exacerbate both gender and socio-economic differentials, as young adolescents are making decisions when they are ill-equipped to see the long-term consequences. Policy innovations such as compulsory maths and English up to 18 have the potential to make a difference here. The related question of the content of specific curricula has been debated in highly ideological terms. We need to develop a body of empirical evidence on the type of curriculum that most effectively promotes learning, especially for the most disadvantaged.

Many specific education interventions have been evaluated, but the evidence is often of poor quality. The literacy hour and Education Maintenance Allowance stand out as interventions with robust evaluations showing positive effects. The Excellence in Cities and London/City Challenge initiatives also showed positive results, but with weaker evidence as to how this was achieved.

## The wider social context

This review focuses on issues directly affecting schools. However, wider social policies are also likely to be relevant; educational inequalities are also the result of family economic, social and cultural resources. Poor housing and frequent moves, parental stress and depression, and poor health, are all factors that have an impact on children's educational attainment. Therefore policies regarding health, welfare and housing are all likely to be important. Learning does not only take place in school. Evidence consistently shows that parents' educational level and related measures of 'cultural capital' such as the number of books in the home, reading to children and children's own reading for pleasure outside school are powerful predictors of children's educational attainment. The promotion of reading and learning outside the school gates, including via public and school libraries, therefore needs to be considered. In addition, adult education may have an important role to play, given the impact of low parental education on children's attainment.

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## About the project

This review is limited to the school years, and does not cover issues such as pre-school provision or access to higher education. This is not a systematic review, and it has relied heavily on other reviews of the evidence, bringing them up to date with new evidence where necessary.



# SOCIAL NETWORKS AND POVERTY

There has long been an interest in the links between poverty and social networks, particularly whether there are causal links between the two.

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## Key points

- Poverty is a key barrier to being part of wider social networks. It reduces access to transport and affects the 'give and take' of resources in networks. The stigma of poverty can also lead to self-exclusion.
- The social networks of people experiencing poverty do offer some financial, material and emotional support but this does not overcome socio-economic inequalities.
- Evidence regarding whether social networks in deprived neighbourhoods reduce the chances of leaving poverty through negative role models and social norms is mixed: quantitative evidence tends not to find an effect while qualitative evidence sometimes does.
- Attempts to diversify networks by increasing social mix in deprived neighbourhoods are often unsuccessful. New higher income residents have networks outside the neighbourhood, enabled by education and employment and greater access to transport. Stigma and prejudice reduces social mixing.
- Ethnic diversity may reduce trust in neighbourhoods making collective action more difficult, reducing reciprocal trust and ultimately reducing support for tackling poverty.
- Informal interaction, at schools, libraries, community centres and parks is an effective way of developing social networks among diverse people, including different ethnic groups. This informal interaction allows trust and understanding to be developed. It may also help combat stigma.
- Large investments to create social networks through community engagement have little impact on increasing social networks or tackling poverty. However, active volunteers in organisations can act as bridges to wider social networks, helping alleviate poverty.
- Social media can stimulate social networks but doesn't generally increase their extent; social networks in cyberspace tend to replicate those offline. They can help people experiencing poverty organise collectively, rather than extend or diversify social networks.

## The research

By Peter Matthews and Kirsten Besemer, School of the Built Environment, Heriot-Watt University

## BACKGROUND

Research on social networks and poverty has focused on whether diverse social networks with people who are not experiencing poverty improves the chances of escaping poverty and, conversely, whether social networks dominated by people experiencing poverty reduce the chances of leaving poverty. Social networks have traditionally been focused on geographic, area-based communities and neighbourhoods. New information communication technologies (ICT) have broken down these links to place and may offer new opportunities.

### Social networks and poverty

The social networks of people experiencing poverty do offer some financial, material and emotional support (see Table 1). Evidence suggests this support helps people to get by, providing information about services and support or direct help.

However, the evidence also suggests the expectations of network membership can place a burden on individuals and strain relationships. Indeed, experiencing poverty is a key barrier to being involved in social networks. For social networks to be effective, they need to have high levels of trust and high levels of reciprocal exchange of resources – give and take. The experience of poverty can mean people self-exclude from networks because they cannot reciprocate, are ashamed of the stigma of their poverty, or be excluded by others.

**Table 1: Engagement in social activities and social support**

| Indicators of social networks                                                                            | Non-poor | Poor |
|----------------------------------------------------------------------------------------------------------|----------|------|
| Speaks to relatives more than once a week                                                                | 67%      | 67%  |
| Speaks to friends more than once a week                                                                  | 68%      | 66%  |
| Member of an organisation                                                                                | 63%      | 41%  |
| <b>Would get 'some' or 'a lot of' support if...</b>                                                      |          |      |
| ... ill in bed                                                                                           | 92%      | 83%  |
| ... needed practical help around the home<br>e.g. moving heavy furniture, DIY jobs                       | 93%      | 82%  |
| ... needed advice about an important change in life,<br>e.g. changing jobs, moving house                 | 93%      | 82%  |
| ... were upset because of relationship problems/feeling a<br>bit depressed and needed someone to talk to | 92%      | 81%  |
| ... needed someone to look after home when away                                                          | 93%      | 82%  |
| ... had a serious personal crisis and needed someone to<br>turn to for comfort and support               | 96%      | 88%  |
| ... needed a lift somewhere in an emergency                                                              | 95%      | 84%  |

People experiencing poverty are much less able to get support in a range of circumstances compared with people not experiencing poverty, and more than 20 per cent less likely to be a member of an organisation. However, the difference in levels of informal sociability (speaking to family and friends) between poor and non-poor people is negligible.

There is historic evidence that more affluent people maintain social networks with other affluent people and maintain these networks even if they experience downward social mobility. Evidence also suggests these networks are important for ‘getting-on’ – accessing good quality jobs and influencing services. The review found evidence that the reliance on strong social networks by people in low-skilled work, declining industries and young people could keep them in these industries and acted as a barrier to accessing better paid, higher skilled employment.

## **Social networks and equalities and diversity**

People tend to live near and socialise with people like themselves. This is particularly the case with ethnic groups. There is evidence that neighbourhood ethnic diversity leads to reduced trust and less of the collective action which may help alleviate poverty. However, evidence also shows that where ethnic groups mix in places like schools it can reduce distrust and overcome prejudice. There is also evidence that people living in neighbourhoods with others from the same minority ethnic group gain benefits in terms of employment outcomes and increase their income in the longer term.

The generally disabling environment of poor housing, inaccessible or costly transport, and harassment and intolerance prevent disabled people maintaining strong social networks. Disabled people are less likely to be able to visit friends and family or to be able to rely on people for support in-kind. This could make their experience of poverty worse or last longer.

## **Social networks, place and poverty**

There is limited and inconclusive evidence that the type of people in the social networks of those experiencing poverty in deprived neighbourhoods has an effect on their outcomes, and there are significant methodological challenges to research in this area. Nonetheless, this review concludes there is not a proven ‘contagion’ effect of living with other people experiencing poverty or demonstrable evidence of a culture of worklessness, or the existence of an underclass of people in poverty with different social norms. Much of the evidence that does exist comes from the USA where income inequality is higher, the marginalisation of social housing more visibly stark and the welfare system less supportive.

However, there are differences in the networks of high- and low-income households. The social networks of lower income households in deprived and mixed neighbourhoods tend to be in the neighbourhood, whereas higher income people can maintain more networks further afield, and develop these through educational and employment opportunities.

There is no conclusive quantitative evidence that living in a deprived neighbourhood affects employment outcomes – either where you work or your income. There is, however, qualitative evidence that for young jobseekers living in a deprived neighbourhood isolated from strong labour markets can limit their job search horizons. Their ‘mental maps’ are focused on the immediate local area and they display an inward looking mentality, focusing more on the short-term and areas closer to home. This is shaped by the weakness of the local labour market, which results in reduced expectations.

There is strong evidence that people living in deprived neighbourhoods will form strong social networks to campaign for improvements and this leads to broader benefits. These are strongest with a stable population and strong place attachment. Policies to mix communities through regeneration or housing voucher schemes to encourage mobility can disrupt these networks. Indeed, the evidence from mixed communities is that different lifestyles and stigma and prejudice among more affluent households reduce social mixing and networking.

## **Social networks, information communication technologies and poverty**

The digital divide remains a key barrier to using information communication technology (ICT) to develop social networks. For lower income households the cost of equipment and internet access is a barrier. There is evidence that internet availability in public libraries is important for lower income people. Furthermore the costs of communication are falling, which is likely to increase the amount of communication. While the fast development of technologies and websites means there is limited evidence, it appears that online social networks mirror offline social networks. This means ICT is more useful for catalysing collective action among those in poverty, rather than seeking to extend or diversify social networks. Interventions such as cheap, flexible broadband and free ICT equipment are likely to support and encourage existing social networks and community action to alleviate deprivation and poverty.

## Policy implications

Developing social networks can only be part of a long-term strategy to tackle poverty; it is unlikely to make an immediate impact or change socio-economic inequalities. Efforts to increase social networks through mixed communities and investment in community empowerment and development have had mixed or minimal impact on the immediate outcomes for households experiencing poverty. To maximise the benefits of social networks on tackling poverty in the short-term, policy should:

- build on successful examples of increasing employment based on community development and extending labour market horizons;
- support community development activities in deprived neighbourhoods to create strong bonding networks that are bridged to networks of political influence;
- support affordable internet access through cheap, flexible broadband, subsidised devices, and internet access in public libraries;
- maintain facilities such as schools, libraries, parks and community centres that encourage social mixing and social networks.

In the longer term, these policy interventions will help alleviate and tackle poverty and, more importantly, develop understanding and trust between different groups increasing public support for broader measures to tackle poverty.

## Conclusion

The clearest evidence is that poverty leads to isolation from social networks. While social networks can help mitigate the impact of poverty through informal support, the immediate policy focus of an anti-poverty strategy must be on income maximisation and alleviating aspects of material poverty. In the medium- to long-term social networks may help reduce poverty. Awareness of difference and poverty will develop trust and make people more understanding and more supportive of policy to tackle poverty. Informal interaction in places like schools, libraries, parks and community centres are the best way to foster these sorts of networks.

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## About the project

The study reviewed recent literature (2008–2013) on poverty and social networks supplemented with analysis of data from the Economic and Social Research Council-funded project the Poverty and Social Exclusion Survey.

# THE NHS AND POVERTY

This study considers how the NHS can make a better contribution to tackling poverty. It focuses on the NHS in England, and how, without further structural reform, the NHS can do more to adapt, mitigate, reduce and prevent poverty. The financial constraints on the NHS are recognised but not focused on.

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## Key points

- The NHS's contribution to tackling poverty is startling, yet mostly unknown and unreported. It is one of the most equitable health care systems in the world; far fewer people report cost as a barrier to accessing care here than in other countries. Inequalities in income would be 13 per cent worse if NHS services had to be paid for out-of-pocket.
- However, there remain many inequalities in access for some services that are associated with poverty, for example mental health care, long-term conditions and services for children with disabilities.
- The NHS has some institutional characteristics that get in the way of tackling poverty at a system level. It needs to focus more on social models of health and payment systems that focus on health outcomes not processes of care.
- The NHS accounts for over 8 per cent of gross domestic product (GDP) and 1.4 million jobs; it affects poverty far more deeply and significantly than through the direct impact of its services. It constitutes a significant proportion of the economy of regions like the North East of England.
- Half of NHS trusts report requiring payment of the living wage when contracting services.
- A more poverty-aware and focused NHS requires stronger leadership, better aligned system design, and stronger engagement with other public services and civic society.

## The research

By David Buck, The King's Fund

## BACKGROUND

The NHS is a universal, tax-funded, free at the point of use healthcare system. In theory, poverty is no barrier to care, and charges for health care do not push people into poverty. The NHS also has immense economic power with a budget of more than £100bn in England. But it is not clear that the most is being made of the NHS's enduring principles, or its economic might, in the battle against poverty.

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The NHS can adapt to poverty (ensuring there are few, or no, financial or other barriers to care and service delivery). But beyond this, the NHS can also mitigate, reduce and prevent poverty, through its actions as a major employer, commissioner and local economic entity.

### Service delivery

The public report very low rates of being unable to access needed health care due to financial barriers, contrasting sharply with many other developed countries.

However, within England the picture is much more mixed. Many people struggle to pay existing charges (for example, for prescriptions) despite exemptions, and grants and travel and other costs can be prohibitive for some, such as those with severe disabilities and their family members.

For some core conditions the NHS needs to do better, particularly in terms of its support of families at risk of or experiencing child poverty, those with mental health problems and those with long-term conditions (LTCs) – often the same people.

For example, more than half of those with an LTC consider their health is a barrier to the type or amount of work they can do, rising to more than 80 per cent when someone has three or more conditions. Furthermore, research with nearly 500 general practices shows 33 per cent of patients from the most deprived postcodes have three or more LTCs, compared with only 7 per cent in the least deprived. This systematic social patterning means that the NHS needs to be alive to the social status and context of its 15 million patients with LTCs. This also means LTCs are likely to be a core factor keeping people on lower incomes and in poverty, and in making someone unemployed, compromising individual and family income levels and increasing poverty risk.

How the NHS adapts to the increasing number of people with LTCs and co-morbid mental health problems is clearly very important for the knock-on implications for reducing the risk of poverty.

## Economic and social value

The NHS has a significant impact on income redistribution through the production and delivery of in-kind healthcare services. In a world without the NHS income inequalities would be 13 per cent wider between the top and bottom income quintile.

The NHS accounts for more than 8 per cent of GDP at a national level. However, it is much more important in relative economic terms in some areas than others. Human, healthcare and social work services – dominated by NHS activity – account for a significant proportion of every region's gross value added, from a low of 5.3 per cent to 8.4 per cent in London to a high of 10.7 per cent to 15.7 per cent in the North East. Areas with higher poverty have economies more dependent on the NHS. The exception to this is London which combines a vibrant economy, lower dependence on the NHS and high poverty rates.

The NHS also keeps people out of poverty through its direct employment (accounting for up to 15.7 per cent of employee income in the North East). How and who it employs, and on what wages, also impacts on poverty; the NHS employs more than 1 million non-clinical staff.

The NHS also contracts and buys through its commissioning. There is less information on how these practices impact on poverty, although around half of NHS trusts report specifying the living wage when contracting services.

## The reforms

Health reforms have introduced a number of changes that could, in theory, lead to a more strongly poverty aware and focused NHS. However, in practice, there is little sign that the NHS is a more poverty focused system now than when the government was elected in 2010. The system is still settling down after significant upheaval, and it is undoubtedly more fragmented, which makes it harder for organisations to focus on complex issues such as poverty.

There is a tangible lack of coherent policy from the system's new leader – NHS England – on poverty – to explain how the system's powerful levers can be used more proactively.

Case studies in the full report outline where the NHS is already working well to tackle poverty. But to move beyond these islands of excellence – and to make more of the NHS – it is recommended that NHS England should:

- lead on the development of a coherent policy for the NHS' role in tackling poverty, and create and disseminate a catalogue of good practice on the NHS' role in tackling poverty – this should set out the NHS' role in mitigating, reducing and preventing poverty;
- produce guidance for the NHS on what the Social Value Act implies for commissioning and audit the wider economic impact of the NHS in local areas, and its redistributive effects;
- ensure that resource allocation accurately reflects the circumstances and needs of those in poverty *and* hold the NHS to account for the use of these resources;
- ensure that the policy and practice guidance and future pilots on LTCs and integration include how services need to adapt to take into account the socio-economic circumstances of patients.



Local health partners (particularly the NHS and local authorities) should be further challenged to:

- pay the living wage as a default and stipulate this in commissioning;
- work more creatively and closely with other local public bodies to ensure the NHS contributes to wider poverty and well-being objectives;
- understand and act on the implications of the Social Value Act, and include assessments of the local NHS's impact on poverty in joint strategic needs assessments and joint health and well-being strategies.

Clinicians and their leadership bodies should:

- commit to *Working for Health's Working for Health Equity: The role of health professionals* recommendations and audit achievements;
- ensure that the social model of health is given as much status as the medical model in training, and in continuing professional development.

The Department of Health should:

- consider how the NHS can do more for poverty through the NHS Mandate, and the NHS, public health, social care and associated outcomes frameworks.
- work more closely with other departments (particularly DWP) to ensure that people at risk of – or with – LTCs and mental health problems are supported to remain in the workforce;
- carry out specific work with NHS England and Public Health England to understand more deeply the impact of the NHS on poverty – and include this as a benchmarked indicator through the NHS and public health outcomes frameworks.

## Conclusion

The NHS already makes an under-recognised and under-valued contribution to tackling poverty. It needs to be more aware of this, so it can make an even stronger contribution through maximising its economic and social value in every community.

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## About the project

This is a policy analysis, rather than an academic analysis or systematic review. However, the findings are drawn and triangulated from a wide range of national and international literature, case studies and data.



# COMPLEX NEEDS

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# FOREWORD

‘Complex needs’ in this context indicates that the poverty people face is complicated by their additional requirements for support with, for example, mental or physical health problems, or various forms of social marginalisation.

Disability is undoubtedly a huge part of the poverty picture in the UK. However, poverty amongst disabled people is said to be consistently underestimated because official measurements do not take into account the extra costs they face as a result of their disabilities. Disability-related poverty can be reduced by both minimising these extra costs – via interventions in housing, transport, consumer markets and so on – and by boosting disabled people’s incomes from paid work. This dual strategy makes a great deal of sense, but it may be costly to implement because of the sheer numbers involved, which seem certain to rise in an ageing society.

A different sort of challenge is posed by poverty amongst asylum seekers and refugees, which is argued to be ‘institutionalised’ in current welfare and immigration policy. Review recommendations – such as reinstating asylum seekers’ right to work, and bringing asylum support rates closer to mainstream benefit levels – would not be particularly costly to the public purse, but political palatability presents a formidable barrier to implementation. Likewise, addressing poverty amongst low-paid economic migrants, particularly acute amongst those from outside the European Economic Area, requires more by way of political will than public expenditure. Here the main recommendations focus on extending employment rights, and tighter regulation of those sectors where exploitation risks are greatest.

We were cautioned by Ipsos MORI’s research on attitudes to poverty (to be published by JRF in 2014) that simply telling the public they are ‘wrong’ on issues of poverty won’t change minds. Far more effective is to try to explain the underlying causes of, and context for, the apparently ‘bad choices’ made by some people living in poverty. This issue was addressed head on in the crime review, which persuasively argues that long-term poverty adversely influences family functioning. It engenders parental stress and conflicts that significantly increase the risks of children and young people offending. The same could be said about the more extreme forms of drug misuse and single and street homelessness.

Stigma was a key thread running through this particular intersection of complex needs, leading to a call in the crime review for preventative interventions to be focused on ‘*places, not cases*’. But place-based strategies can raise their own concerns about (further) stigmatising entire communities. Working out how we can target help where it’s most needed, without inadvertently reinforcing the problems we are trying to tackle, is a core dilemma for this Anti-poverty Strategy.

Looking at ‘place’ from another angle, the fact that those in contact with the criminal justice system routinely come from the poorest neighbourhoods, and emerging evidence of similar geographical concentrations amongst those using drugs and single homelessness services, underline the fundamentally structural nature of these complex social problems. Reducing poverty itself is therefore likely to be the most effective ‘primary’ prevention measure, especially amongst unemployed young men living in disadvantaged areas, whose needs, we are reminded in the crime review, have been neglected in anti-poverty policies so far.

A number of recent policy developments do give grounds for optimism. The increasing influence of the 'desistance' model within criminal justice, which owes much to the 'recovery' approaches now prominent in both mental health and substance misuse policy, is very encouraging. So too are the positive evaluation results emerging from 'Housing First' projects, which promote rapid rehousing for homeless people with complex needs.

However, as was stressed in the homelessness review in particular, the most intractable problems faced by those with complex needs tend to be their poverty and worklessness. Resolving these poses even greater challenges than addressing their housing, healthcare, or social integration needs. This takes us back to fundamental macro-structural issues about the labour market, tax and benefits dealt with elsewhere in this set of reviews – and reinforces the importance of the comprehensive nature of the Anti-poverty Strategy that we are developing.

Suzanne Fitzpatrick

Professor of Housing & Social Policy in the School of the Built Environment,  
Heriot-Watt University

# CRIME AND POVERTY

Poverty influences who offends and who is a victim of crime. This study examines the impact of poverty on crime and the benefits of tackling crime through reducing poverty.

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## Key points

- Although the relationship between poverty and crime is not always direct, living in poverty makes offending and being the victim of crime much more likely.
- Trends in post-war economic inequality and poverty correspond to long-term patterns of change in the UK rate of property crime. The steepest rises in the rate of property crime occurred during the 1980s and early 1990s, coinciding with dramatic increases in the level of unemployment and inequality.
- The unemployment rate is positively and strongly associated with the rate of acquisitive crime in Britain, but it is the severity and duration of unemployment (and underemployment) that is important. Unemployment also increases the likelihood of detection and severity of punishment, and greatly constrains an individual's freedom to make positive choices to desist from crime.
- There is a strong relationship between dramatic increases in poverty and violent crime. Increases in murder over recent decades are predominantly murders of younger, poorer men, while richer areas have experienced opposite trends of low and declining murder rates.
- Big changes in the housing market have radically altered the area distribution of crime in Britain from southern to northern regions, and to areas of 'residual' public housing.
- Long-term poverty adversely influences family functioning, engenders emotional stress and undermines emotional security, significantly increasing the risks of children beginning offending and continuing into teenage.
- The speed and depth to which people sink into poverty and unemployment is important in influencing the crime rate. The recent recession's relatively muted growth in poverty and unemployment may explain why crime has continued to decline.

## The research

By Colin Webster and Sarah Kingston, Leeds Metropolitan University



# BACKGROUND

Although a profile of known offenders and victims shows that the majority have often experienced unemployment and poverty, any relationship between poverty and crime must be treated with caution. Most people who are poor have no involvement in crime.

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Poverty on its own does not cause criminal behaviour or victimisation. The relationship between poverty and crime is not straightforward. Certain other adverse individual, family, school and neighbourhood conditions, events and experiences are involved. Poverty, nevertheless, generates material, personal and social conditions that mean people are more likely to be victims of, or carry out, crime. Although not all studies agree (opposing views are considered in the main report) our findings include that susceptibility to, and the likelihood of, teenage and young adult offending are substantially increased among children who grow up poor. Another, and strikingly consistent finding, are the strong links found between poverty and violent crimes such as homicide, assault and domestic violence.

The different dimensions of the relationship between poverty and crime are dynamic and complex. They relate to: age, life span and life transitions; gender and poverty seen in the strong link between women's poverty and their offending and victimisation; the relationship between income poverty, parental stress and onset of childhood and teenage offending; the neighbourhood effects of area poverty and crime; the importance of feelings and perceptions of relative poverty in engendering discord and violence; the different relationships of poverty to violent and property crime; the significance of macro-economic trends such as recession and crime; poor and insecure work having an adverse influence on criminal proclivities; and the adverse influence of changes in public, welfare and criminal justice policy on the rehabilitation of offenders.

## How poverty affects crime

### Family

Families living in poverty are more likely to function poorly and conflicts and emotional stress are more likely. Economic disadvantage and family dissolution together can reduce the opportunities available to children, and their emotional security. Parental stress and family disruption and break-up resulting from unemployment and income poverty can thwart childhood development and encourage early onset of offending. At teenage and young adulthood the availability of secure, stable employment in preventing persistent offending becomes more important than parental relationships.

### Unemployment

The relationship between unemployment and crime is the most established when unemployment increases rapidly and is long term. Total unemployment and the rate of increase of unemployment strongly influence property crimes. There is a strong causal relationship between unemployment and crime, and both wages and unemployment are significantly related to crime, but wages play a larger role over periods of economic downturn. The quality and stability of employment has a stronger influence on deterring individuals' involvement in crime than the mere fact of having a job.

### Women

Worsening women's poverty due to increased divorce rates, more women in low-waged jobs, unemployment, lone parenthood and wage inequality lead to increased female crime. Sudden, unexpected events that impoverish women – including having children – can send them into a spiral of decline, from which crime becomes more of a desperate measure of 'survival' than it does for men.

### Age

Adverse early childhood experiences caused by childhood poverty can predict later offending behaviour in teenage years, which can persist into young adulthood and beyond. However different triggers and causes may also precipitate offending at different ages. For example, there are early teenage experiences such as frequent truanting which are age specific that could not have been predicted from childhood experiences.

### Neighbourhood

People living in poor neighbourhoods are generally more likely to be the victims and/or commit crime. Neighbourhoods with high levels of poverty can concentrate the risks of people becoming victims of crime and lessen the ability of people to protect themselves. There are high levels of inequality in the distribution of crime risks between neighbourhoods.

### Economic change

A weaker economy usually quickly leads to more unemployed and underemployed people who may commit crime as alternatives to poor or non-existent work. Increased motivation to commit crime as an alternative to unemployment and underemployment tends to lag behind an economic downturn as structures, routines, expectations and support deteriorate. Changes in the economy, education and welfare have made the legitimate routes out of crime more difficult.

### Costs and benefits

The reduction of crime and poverty through suitable investment in policies such as well targeted and well designed employment programmes offers financial benefits. It has been estimated that in Scotland alone, violence costs the Scottish economy £3 billion each year in healthcare, law enforcement and lost productivity.



## Policy implications and recommendations

Some policies can directly influence and counter the impact of poverty on crime. Others are more concerned with the bigger picture of overall reduction and eradication of poverty, and the resulting significant effect this can have on reducing crime. For example, it has been shown that relatively small reductions in income inequality produce large reductions in homicides.

Successive governments have devised anti-poverty policies that neglect the poverty of unemployed, effectively childless, young men into young adulthood. Their unfavourable treatment compared with poor children and pensioners, lone parents and working families with children (through the Tax Credit system) has impoverished a group renowned for being prone to crime. Before the 2008 recession and financial crisis, poor children and pensioners had benefited substantially from targeted anti-poverty drives. Since 2008, childless working-age adults and childless young men living in poor areas have been hit the hardest.

To prevent them forming the bulk of any future increase of the offender population the prospects and prosperity of poor young men of this and the next generation need attention. The group's propensity to 'connect and thrive' will depend on their access to decent work and security, and the avoidance of poverty.

As well as policies for early teenagers and those leaving school, policies to tackle the relationship of poverty and crime will need to continue to focus on early intervention in children's lives through bolstering and securing long-term, consistent and professionally staffed children's services. The most effective approaches combine improvements in unemployment, family income and housing with targeted interventions designed to meet the needs of children and their families who are disproportionately represented in poorer groups.

Early intervention has long-term benefits for child development and support for parents, helping to prevent later youth offending. Linking *early* intervention with children to *later* interventions in teenage and young adulthood is key, as long as interventions are well-targeted and well-funded, and inclusive and seamless, ensuring children and young people are nourished and flourish. A universal service should recognise the possible adverse, longer term impacts of poverty on crime, combining children's services, childcare, family intervention and parenting programmes (such as that begun in children's centres and Sure Start) with youth inclusion programmes, financial assistance to stay at school, and New Deal.

Policy to tackle the link between poverty and crime must be about 'places, not cases'. There needs to be a simple recognition that the children, young people and families most likely to have contact with the police and criminal justice system are routinely drawn from the poorest neighbourhoods. The focus needs to be on neighbourhoods experiencing concentrated disadvantage, not identifying and labelling childhood behaviour.

The bigger picture of reform requires tackling education and training and the increasing polarisation between the unskilled and unqualified and the rest, through earlier vocational schooling, good quality training and proper apprenticeships. Alongside this, the quality, progression and remuneration of insecure, low waged and unskilled work must be improved and the growth of poor work reversed. Inequalities and poverty are best reduced through knowledge and skill, which is also key to overall productivity growth. Thus investment in education and training means excluded social groups can also share the benefits of economic growth.

It is becoming possible, once again, in the context of unprecedented extremes of wealth, to envisage redistributive measures of income and wealth through taxation. For such measures to contribute to investment in education and training, and a commensurate reduction in poverty, certain conditions must apply. These include the reduction of both tax avoidance and the influence on government of corporations and rich individuals to relax tax rates and law. Gradually and through various steps towards more equality and the eradication of poverty, greater transparency about asset ownership, and the adoption of a wealth tax and higher top tax rates, the impact of poverty creating myriad social problems, including crime, reduces.

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## About the project

The study reviewed the evidence from the academic and policy literature published between 1980 and 2013 that directly or indirectly explored the impact of poverty on crime.

[Read the full report.](#)

# DISABILITY AND LONG-TERM CONDITIONS AND POVERTY

This study considers how poverty among disabled people is underestimated and explores the difficulty in escaping poverty through paid work. It presents recommendations for reducing poverty among disabled people.

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## Key points

- Poverty among disabled people is consistently underestimated. This study uses two different adjustments, each finding at least a ‘missing million’ people in poverty in households with a disabled person.
- Making society less disabling will reduce poverty among disabled people. Possible ways of doing this include improving affordability and accessibility of transport and housing, developing standards for consumer devices, better use of technology, and making markets for assistive technologies work more effectively.
- Disabled people are less likely to be working and more likely to be low-paid. There are four main ways that this could be tackled:
  - **the benefits system:** changes are needed so that the system doesn’t *stop* people from being able to work;
  - **specialist programmes** can help people return to work when they include personalisation rather than sharp targets;
  - **early intervention**, including better workplace practices and responsive health systems, as well as a healthy psychosocial work environment;
  - **employers** – many disabled people simply face limited opportunities. There is a common perception that employing disabled people involves extra costs, and there are limits to ‘reasonable’ adjustments. Stronger actions may therefore be necessary, including regulation and incentives.
- Disabled people stress that work is not always the solution; policies should resist the temptation to simplify the diversity of disability. It may be necessary to change the current public debate; the idea that ‘work is the best route out of poverty’ clearly cannot apply to all disabled people, and reducing the aim of poverty reduction to simply improved access to employment would be counterproductive.

## The research

By Tom MacInnes and Adam Tinson, New Policy Institute; Declan Gaffney, independent policy consultant; Goretti Horgan, University of Ulster; Ben Baumberg, University of Kent

## BACKGROUND

Most studies underestimate the levels of poverty among people with disabilities. This study shows the likely size of these underestimates, and explores the difficulty in escaping poverty through paid work.

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Disability is a huge part of the poverty picture in the UK. Using the standard measure, one in three people in poverty live in a household with a disabled person. The headline poverty rate for disabled individuals is 23 per cent – slightly higher than the rate of non-disabled individuals of 21 per cent.

However, poverty is about whether someone's material resources *are sufficient to meet their needs*. Disabled people's needs are often greater – some estimates put this at £1,500 a week. This is due to both 'enhanced costs' (things everyone needs but which are more expensive for disabled people) and 'special costs' (things that only disabled people need).

Unfortunately it is impossible to *precisely* adjust for these extra costs – they differ too much between different disabled people. However, this review provides two estimates that adjust for this in different ways.

- **Excluding certain disability benefits from income:** nearly 7 million people live in a household where someone receives a benefit (Disability Living Allowance or Attendance Allowance) to meet some of the extra costs of disability. This is conventionally treated as 'income', even though a disabled person with £100 extra income and £100 extra needs is as poor as someone without a disability. When these benefits are excluded from income an extra 1 million people are found to be in poverty.
- **Estimating extra costs as a percentage of income:** one study found that the average disabled person had extra costs amounting to 24–35 per cent of their income (depending on household composition). Using these figures, the poverty rate among households with a disabled member rises from 25 per cent to 30–32 per cent, amounting to an extra 1.3 –1.8 million people in poverty.

While these estimates are imprecise, we can reasonably say that the official poverty statistics cover up a 'missing million' people in poverty, in households with a disabled person; possibly the figure is even higher.

## Reducing disability poverty by reducing the extra costs of disability

It is self-evident that making society less disabling will reduce poverty among disabled people. While there is little direct evidence on how to go about this, the literature and the author's policy workshop with disabled people suggested the following:

- greater levels of *suitable housing* could be provided, whether by changing policies in social housing, improving the standards of new-build homes, or helping disabled people own (and adapt) their own home;
- there could be greater enforcement of the 'reasonable adjustment' obligation in *public transport*, and the private transport Motability scheme could be made more widely available;
- disabled people are *legally discriminated against* in certain markets, such as insurance and other financial products. Government could legislate to make this discrimination illegal;
- *standards for consumer devices* (and government standards in contracts) could build in accessibility, without the need for separate markets specifically for disabled people;
- *technology* could be used to reduce costs. Prizes could encourage entrepreneurs to think of innovative ways of reducing costs, and government investment could be increased;
- *the markets for assistive technologies* could be made to work more efficiently through e.g. bulk buying and an online portal. There is also an argument for extending government support from 'Access to Work' to a new 'Access to Life' scheme.

## Reducing disability poverty through paid work

Disabled people are less likely to be working and more likely to be low paid than those without disabilities (even those with the same level of qualifications). The evidence review suggested four main areas for policy: benefits, return to work, prevention, and focusing on employers.

Despite an intense policy focus on reforming *disability benefit* systems over recent decades, improvements in employment for disabled people have often failed to materialise. There is no evidence at the national level that disability employment rates are improved by either reducing benefit generosity, tighter eligibility or stepping up activation policies (although these policies might reduce disability benefit caseloads). Disabled people themselves highlighted that the benefits system needs to allow people to move to areas where there are more jobs, and to create a system with fair criteria and processes.

*Specialist programmes* can also help people return to work – although the evidence mainly covers common physical health problems. Effective programmes include longer-term engagement and personalisation, and avoiding sharp work-focused targets that lead to 'cream-skimming' and 'parking'. Some specialist programmes seem more effective but only work with limited numbers of people. Supported employment that combines intensive long-term in-work support and employer subsidies – in particular, the Individual Placement and Support model – is one of the best ways of helping people with severe mental health conditions into sustained employment. However, this type of intervention needs to be properly resourced. Disabled people also highlighted that people may need help to reskill, where there is a mismatch between the jobs they are qualified or experienced and the jobs that their health or disability *allows* them to do.

*Early intervention* can stop people leaving work to begin with. Long-term worklessness due to mental health conditions and musculoskeletal disorders can be reduced through better workplace practices, while responsive health systems can reduce the risk of developing severe mental ill-health. Once sick leave starts to be taken, early healthcare and workplace interventions can help people with common health conditions to retain their jobs. Maintaining a healthy working environment is also crucial.

However, disabled people stressed that they often face limited opportunities in the labour market: it is crucial to ask ‘what should *employers* do differently?’ Individual managers can make a difference, and a radical improvement in advice and training to employers could help. Yet there is a common perception that employing disabled people involves greater cost (which can be true in some circumstances). Employers are also often reluctant to make adjustments as this can induce resentment among colleagues, or involve additional costs, even if these are lower than anticipated. Workplace adjustments could help more people to work, and it is a legal obligation for employers to make ‘reasonable’ adjustments. However the overwhelming majority of disabled people in work have jobs for which they do not need a particular adjustment – they just happen to be in a suitable job.

Disabled people suggested some stronger actions, including regulation (supporting disabled people to assert their existing employment rights) and incentives (targeted help to small companies, expanded access to work, personal budgets for employment support). A number of countries impose stricter job protection for sick or disabled workers. This reduces the risk of loss of employment for workers, but it may also mean employers avoid hiring disabled workers in order to maintain staffing flexibility.

## Further recommendations from disabled people

The disabled people at our policy workshop stressed three further points:

- There is a need to challenge the assumption that paid work is the solution to poverty among disabled people. Some disabled people cannot work, nor is work what everybody wants when they have just found out about a serious health condition.
- ‘Disability’ and ‘sickness’ are diverse and complex. We should resist the temptation to make policies that falsely simplify the issues. Nor should policies be seen as a series of disconnected levers to be pulled – it is about creating a system that works as a whole.
- The current policy debate often seems to deny the legitimacy of social security benefits, and to deny that some people are simply not able to work. It will be hard to tackle poverty among sick and disabled people without fundamentally changing the debate.

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## About the project

This study drew on new data analyses using the Households Below Average Income (HBAI) data, supplemented by other surveys such as the Health Survey for England and international data from the OECD and Eurostat; reviews of published literature on ‘what works’; a policy workshop in October 2013 organised by Disability Rights UK.

Read the [full report](#).

# ECONOMIC MIGRANTS AND POVERTY

This review of economic migrants and poverty in the UK considers the connections between economic migration and poverty, the drivers and experiences of poverty for different groups of migrant workers, and strategies and interventions which can ameliorate poverty among economic migrants.

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## Key points

- Low-paid migrant workers are more likely to experience poverty than UK nationals in low-paid work; migrants from outside the European Economic Area (EEA) are most likely to experience poverty.
- Tighter restrictions on welfare entitlements and access to the labour market may exacerbate poverty for all migrant workers.
- Poverty is largely determined by the position of migrants in the labour market and the precariousness of their employment.
- Extending employment rights to all workers, including agency staff, and ensuring economic migrants are told about their rights is crucial to mitigating the risk of poverty.
- Tighter regulation of employment sectors and businesses where exploitation risks are greatest is needed.
- Improved advice and assistance for migrant workers might be funded by the introduction of a 'tax' on businesses gaining most from cheap migrant labour or by investing a portion of the fees paid by migrant workers for visas.
- Architects and developers might be challenged to develop flexible, short-term, yet good-quality accommodation to alleviate both exploitation and overcrowding in migrant housing and improve local environments.
- Current discussions around 'managing migration' need to more fully consider the potential of poverty to impact on the lives of migrant workers and UK nationals in terms of levels and costs of service provision and accessibility, employer competitiveness and community relations.

## The research

By Simon Pemberton, Keele University, Jenny Phillimore, University of Birmingham, and David Robinson, Sheffield Hallam University

# BACKGROUND

Poverty is an important driver of migration – many people migrate to escape poverty. Far less is known about the incidence and experiences of poverty once economic migrants arrive in the UK. This review explored these issues, developing a series of assertions and recommendations. The explicit focus of the review was on workers most likely to encounter poverty: migrants in low-skilled, low-paid employment.

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The experience of poverty was found to vary according to the position of migrants in the labour market, coupled with their legal status and material and financial assets. A distinction exists between low-skilled and low-paid migrants who are often more vulnerable to poverty and dependent on in-work benefits, and those who are more highly skilled and relatively well paid. Although the highly skilled/paid migrant workers can sometimes fall into poverty, this review focused on economic migrants at greatest risk of poverty; those in low-skilled, low-paid employment, where the growth in the proportion of foreign-born workers has been greatest in recent years.

## Economic migration and experiences of poverty

Much of the literature on economic migration and poverty focuses on the role of migration in alleviating poverty, rather than the poverty experiences of migrant workers. In addition, many studies focus on particular aspects of migrants' experience in isolation. However drawing this information together we can consider the interdependent and frequently reinforcing influences on the poverty experiences of migrant workers.

The deregulated nature of the UK's labour market provides the context for the recruitment of cheap, flexible migrant labour. A range of studies indicate that the overall well-being of economic migrants is largely determined by where they end up in the labour market, irrespective of the routes that have been used to access the UK economy.

The precariousness of migrant employment is important. The evidence highlights how some migrants may have patchy access to the labour market or have lost their jobs and have been forced to look for lower skilled/lower paid employment out of necessity. Research has shown how migrants may be underemployed due to the lack of recognition of overseas qualifications, or experience irregular employment. There is also an acknowledgement that those who enter the labour market may be subject to discrimination or even abuse by employers regardless of their job.

In turn, such instability can mean that many enter or remain in what is frequently a cycle of low-paid, low-skilled work. This, it is reported, can force migrants to maximise their income by various means, such as working long hours and reducing costs, especially given the need for many to send money home.



The impact of poor working conditions and a lack of security and low pay have impacts beyond the workplace. To minimise outgoings, many migrants share housing with others. A number of studies have highlighted how this leads to overcrowding and poor conditions, which combined with low incomes has undermined migrants' health and well-being.

The poor state of migrant accommodation and overcrowding is recognised as an important factor in tensions with long-term residents who blame migrants, rather than landlords, for deteriorating housing stock. Migrants can also become dependent on debt and some migrants have become reliant from support 'back home' to survive. All of these pressures and strains can damage family relationships and impinge on overall well-being.

Working long hours, it has been noted how migrant workers often have little time for socialising or education, including learning English. The lack of opportunities to mix with local residents and pressure on services – as well as the displacement of locals from employment in some areas – can exacerbate tensions and fuel anti-migrant sentiment and calls for further restrictions on migrants' access to employment and welfare.

## **Differential experiences of poverty**

European Union Labour Force Survey (EU-LFS) data, focusing on the economically active 25–54 age group, highlights that levels of poverty are particularly high among migrants in the UK from outside Europe (29 per cent). This is compared with 16 per cent for EEA migrants and 18 per cent for UK citizens although those from the EU8 are more likely to experience in-work poverty than UK citizens. EU-LFS findings reflect lower levels of economic activity and employment among migrants from beyond Europe, although some arrive as students or spouses.

That non-EEA migrants are more susceptible to poverty than EEA migrants and UK citizens can be illustrated through a range of 'proxy' indicators from the Understanding Society dataset. While the data includes those who moved for non-economic reasons and includes refugees and people arriving on spousal visas, it highlights that non-EEA migrants perform less well. For example, over half (57 per cent) of those that were born outside Europe were 'struggling financially', compared with 39 per cent for those born in the UK and EEA. A similar pattern exists in respect of 'housing in a non-decent state of repair', with 37 per cent of non-EEA born migrants stating this was a problem compared with 19 per cent (UK born) and 28 per cent (EEA born). The capacity to 'save regularly' and 'being up-to-date with all bills' were also more of a problem for non-EEA migrants.

Non-EEA migrants may have further difficulties with the ability to access employment opportunities and other services. More than 30 per cent indicated that they did not have access to a car whereas this figure dropped to around 15 per cent for those UK born and around 20 per cent for those born in the EEA.

Analysis over time reveals little change on many indicators. However, there has been a slight improvement for non-EEA migrants in some areas, although any progress may be curtailed by new restrictions on access to welfare and employment.

## Policy recommendations

Insights from the evidence suggest that an anti-poverty strategy tackling many of the issues to which economic migrants are exposed will need to address:

- **Employment rights** – these should be extended to all workers. Improved protection should be given to agency workers (including migrant workers) in a bid to address discrimination, increase job security and enhance employment rights.
- **Resourcing regulation** – there is a need for better resourcing and more proactive inspection, offering protection to those who report exploitation.
- **Outreach** – trade unions should ensure there are no unreasonable obstacles to migrant workers taking up membership and perform a ‘policing role’ to non-members. They might also develop their outreach work – for example with local authority housing teams – to share information on housing tied to employment.
- **Taxing employers of migrant workers** – many employers profit from employing low-paid migrants who frequently earn so little they qualify for in-work benefits. The possibility of taxing such employers to develop a fund that supports vulnerable/exploited workers should be explored (i.e. free language support or a ‘living wage’).
- **Investing visa fees** – an element of increased visa fees charged to non-EEA migrants should be invested in providing advice and support to people at the greatest risk of exploitation.
- **Credit union** – a National Credit Union for Migrant Workers could provide protection from destitution for migrant workers where their circumstances have deteriorated.
- **Language support** – English language skills are key to progression in the workplace. Additional language support could be provided through ‘buddying’, voluntary organisations and ‘English language cafes’.
- **Information on entry** – economic migrants could be provided with better information on arrival in the UK (i.e. fact sheets and regular updates in relation to employment and housing rights).
- **Greater regulation and flexible accommodation** – greater regulation is needed in the private rented sector where many migrants live and where poor housing conditions are found. Architects/developers could be challenged to develop flexible, short-term, good-quality accommodation to alleviate exploitation and overcrowding and improve local environments – e.g. ‘brownfield bedsits’, ‘migrant pods’ and loan deposit schemes.

## Conclusion

As long as key sectors of the UK economy rely on a low-paid, insecure, casualised workforce, economic migrants will encounter poverty. More investment in education and training, better wages and conditions in some low-waged jobs, improved job status and career tracks, and a decline in exploitative low-waged agency work is necessary to improve employment quality, making jobs more attractive to people born in the UK and better for everyone. Current discussions around ‘managing migration’ need to consider more fully the effects on poverty of both migrant workers and UK nationals, particularly in terms of levels and costs of service provision and accessibility, employer competitiveness and community relations.

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## About the project

This study is based on a review of more than 200 pieces of written evidence and data analysis of the Labour Force Survey (LFS) and Understanding Society (Waves 1–3, 2009–13). It focused on economic migrants rather than forced or undocumented migrants.

Read the [full report](#).

# HOMELESSNESS AND POVERTY

This study reviewed evidence regarding the extent and nature of links between poverty and homelessness. It examined the effectiveness of interventions that attempt to break these by protecting low-income households from homelessness and/or reducing the likelihood that people with experience of homelessness are impoverished in the long term.

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## Key points

- Research has consistently demonstrated that poverty is a precursor to homelessness for most (but not all) people who experience it. The effects of poverty can, however, be mediated by protective factors such as welfare interventions and social support networks which reduce the risk of 'poor' households becoming homeless.
- Existing evidence also indicates that most homeless and formerly homeless people experience poverty in the long term. The majority remain workless even after securing settled accommodation and those that obtain paid employment typically continue to struggle financially.
- Welfare reform threatens to strengthen rather than weaken the links between poverty and homelessness. Particular concerns have been expressed about the disproportionately severe impacts on homeless people with complex needs and young homeless people.
- Evidence from the UK and elsewhere suggests that the link between poverty and homelessness can be at least partially broken with effective prevention measures (e.g. financial advice, rent deposit schemes) targeting at-risk groups. These have capacity to reduce the scale and severity of homelessness.
- Poverty is, however, more intractable and difficult to resolve than homelessness. Existing homelessness interventions typically report positive psycho-social, health and housing outcomes, but less success in terms of improving homeless and formerly homeless people's financial well-being.
- For the links between poverty and homelessness to be broken more effectively, greater effort needs to be directed at tackling the structural factors that contribute to economic disadvantage and inequality.

The research

By Sarah Johnsen and Beth Watts, Heriot-Watt University

# BACKGROUND

This review assessed the extent and ways in which poverty causes homelessness, and homelessness causes (or exacerbates) poverty. It also sought to evaluate the effectiveness and costs of policy and practice interventions that aim to break the links between homelessness and poverty.

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## Poverty as a cause of homelessness

The prominence of poverty in accounts of homelessness causation has varied over time, but it is now agreed almost universally that poverty is a key contributory factor. There are some (rare) cases wherein individuals with substantial incomes experience homelessness after a personal crisis, but empirical evidence indicates consistently and compellingly that experience of poverty is shared by the vast majority of homeless people in the UK and elsewhere.

That said, while there is a significant degree of consensus that most people are 'poor' at the point they become homeless and therefore lack the financial and other resources to ride out crises without becoming homeless, there is less evidence and agreement regarding whether the greater majority grew up in poverty, that is, have experienced lifelong poverty. There are some indications that this may be true, but the evidence to support (or refute) this contention is at present weak.

The influence of poverty in causing homelessness is determined in part by macro-level structural conditions such as welfare regimes, housing and labour markets, but also complex interactions between these and micro-level factors such as individual vulnerabilities (e.g. ill-health and/or substance misuse). Notably, the effects of poverty as a causal influence can be mediated (arrested or exacerbated) by a number of factors such as the degree of protection provided by welfare regimes, support programmes, and individuals' access to social, economic and/or human capital.

Concerns have been expressed about a possible increase in the incidence of 'middle-class homelessness' in light of the recent economic recession and current welfare reform in the UK. Recent evidence, however, suggests that the strong causal link between poverty and homelessness appears to have been maintained in the current economic climate, with homelessness continuing to disproportionately affect the most economically disadvantaged members of society.

## Homelessness as a cause of poverty

Existing evidence also makes it clear that the vast majority of homeless individuals in the UK, be they single homeless people or the heads of statutory homeless families, suffer from persistently low incomes, are workless, and reliant on welfare benefits. Evidence on the long-term economic status of homeless and formerly homeless people is limited, but that which does exist indicates that the vast majority remain in poverty even after they have been rehoused: only a small minority participate in the paid workforce and those that do typically continue to struggle financially.

Particular concerns have been expressed about the prevalence of debt among formerly homeless households, especially those accommodated in the private rented sector. Anxieties are also widely expressed regarding the disproportionate (negative) impact of welfare benefit sanctions on homeless people, especially those with complex needs and young people.

Homeless and formerly homeless people face many barriers to accessing and retaining paid employment in the mainstream workforce, including: a lack of stable housing, work disincentives associated with the welfare benefit system, vulnerabilities and support needs, low educational attainment, limited (or no) work experience, poor self-esteem and employer discrimination. These issues are particularly acute for individuals with complex needs such as co-occurring substance misuse issues, mental health problems and/or experience of institutional care.

Evidence suggests that those homeless and formerly homeless people who do succeed in gaining paid work typically experience in-work poverty, in large part because their work tends to be poorly paid and may involve insecure short-term contracts. It remains unclear whether, and if so for how long, this situation is sustained, but significant improvements in income seem unlikely given the limited wage promotion prospects associated with unskilled work.

Thus, existing evidence suggests that neither the provision of stable accommodation nor the facilitation of homeless people's access to paid work will in and of themselves (or in combination) be sufficient to lift the vast majority of homeless people out of poverty. In short, poverty is much more intractable and difficult to resolve than homelessness; the former tends to be chronic and cumulative, the latter episodic.

## **The effectiveness and cost of interventions**

A number of interventions have attempted to break the links between poverty and homelessness. Research has shown that homelessness prevention measures which target at risk households (known as 'secondary' or 'tertiary' homelessness prevention) can operate as a buffer protecting them from homelessness even in the context of difficult conditions such as rising unemployment or worsening housing affordability. Examples of such initiatives include rent deposit schemes, family mediation, tenancy sustainment support, and financial advice.

A number of other programmes have, in addition to other aims, attempted to ensure that people who do become homeless are not impoverished in the long term. Prominent examples include: employment, training and education programmes; Foyers; social enterprises; Emmaus communities; money management and financial inclusion initiatives; and individualised budgets. Most of these have promoted paid employment and/or workforce preparation as offering a route out of poverty.

All these initiatives, which intervene after people experience homelessness, report many positive psycho-social and other outcomes, such as improvements in self-esteem and the acquisition of skills, qualifications and/or work experience. A number are also said to generate substantial cost savings to the state and/or offer broader social returns on investment via welfare benefit savings, tax gains and/or savings in health and criminal justice provision, for example.

That said, none has a particularly successful track record in terms of lifting homeless and formerly homeless people out of poverty. Outcomes regarding getting and staying in employment are generally moderate at best, and in some cases poor. Furthermore, as noted above, service users who do get paid work are rarely much better off financially. In sum, it is incredibly difficult for such initiatives to make substantial inroads into poverty alleviation within the current structural context.

## Conclusions and implications

On the basis of available evidence, it seems that ‘primary’ homelessness prevention – which combats the structural factors that contribute to economic disadvantage and inequality in the first place – offers the most effective means by which to counter both homelessness and poverty, and break the links between them. Primary prevention measures seek to reduce the risk of homelessness among the general population by improving housing supply, access and affordability, and/or by reforming aspects of the ‘welfare settlement’ (e.g. the level of income benefits, housing allowances and employment protection).

The review showcases a need for the homelessness sector to redirect its focus from income maximisation, often reflected in a preoccupation with ensuring that individuals receive all the benefits they are entitled to, to a more ambitious emphasis on poverty alleviation. This would direct attention to improving the accessibility of sufficiently well-paid work or out-of-work benefits and/or strengthening of the wider welfare safety net (via provision of social housing and housing benefit, for example). Longstanding calls for improving the supply of affordable housing and the widespread application of a living wage thus remain highly relevant; so too do efforts to combat the ‘poverty premium’, that is, the comparatively higher prices that ‘poor’ people pay for things like household utilities and consumer credit.

The review also highlighted a need to re-examine the interaction between the benefits system and paid work; if paid employment is to play a role in poverty alleviation for homeless and formerly homeless people, the benefits system needs to be able to respond more flexibly to casual and part-time work. Moreover, there is a clear call for greater use of discretion in the deployment of welfare benefit sanctions with vulnerable homeless people, as well as more robust longitudinal research monitoring the long-term experiences of homeless people and the effectiveness of interventions.

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## About the project

This research involved a ‘rapid evidence assessment’ of the existing evidence based on the links between poverty and homelessness, including appraisal of relevant academic and grey literature from the UK and other developed nations. This was complemented by telephone interviews with eight key informants, including representatives of central government, campaigning agencies, umbrella bodies and service providers across England, Scotland, Wales and Northern Ireland.

# INSTITUTIONAL CARE AND POVERTY

This review examines international evidence about the links between institutional care and poverty and recommends strategies for the UK.

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## Key points

- Both children looked after by local authorities and prisoners are likely to have previously been in poverty and to face an enhanced future risk of poverty.
- They also share characteristics which hinder access to employment. Most looked-after children in the UK have special educational needs. Almost half have diagnosable mental health needs. Prisoners experience higher rates of mental health problems than the general public.
- Up to one in four of the general population has a disability, but as many as 55 per cent of prisoners have a disability if those with anxiety or depression are included. Up to 60 per cent have literacy and numeracy levels below those normal among 11-year-olds. Strikingly, a quarter of adult prisoners have themselves been looked after.
- Preventative support for children and families is key to reducing admission to institutional care and could help reduce hardship and costs in the long run.
- Wasteful costs could be avoided with new policies to prevent young people looked after by local authorities and at risk of poverty from entering the prison system.
- The problems faced by prisoners could be better addressed in community-based settings where they can better access a wider range of support and services.
- Social Justice Premiums, designed to compensate for inequality and social injustice, should be introduced to ensure sufficient anti-poverty assistance for those in need and failed by society.

## The research

By a team from the Centre for Crime and Justice Studies, The Open University and University College London



# BACKGROUND

Clear evidence about successful interventions for people in institutional care is lacking, largely because reducing poverty in relation to institutional care has not been consistently targeted.

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For this research people in institutional care were defined as those living in a setting designated for the purpose of care and relying on public funding rather than purchasing care for themselves.

While the review gathered evidence about institutions for people with mental health needs and with disabilities, as well as immigration detention, the analysis here focuses on the more prolifically studied groups – looked-after children and prisoners.

## Reducing the gap between institutions and the rest of society

In recent decades an international movement towards community placements has sought to counter the disadvantages of institutional living – isolation from society, inflexible regimes and distance from family and friends. Community placements mean that services can be provided from mainstream sources and people live in their own accommodation. Anti-poverty interventions, such as education, training and social security payments can be accessed more directly. There is also a better prospect of service continuity so that users do not ‘drop off a cliff’ when they leave an institution.

However, imprisonment – like immigration detention – has expanded its reach: by restricting earning opportunities and paying for work at very low rates, prisons penalise the already poor and efforts to educate prisoners and give them skills have failed to significantly reduce the risk of poverty after release.

According to a report by the National Audit Office there is no evidence that on average imprisonment is more cost-effective than community sentences in preventing reconviction. Individuals would benefit from a greater number of supportive open settings instead of conventional prison. Closures of prisons should be matched by at least equal provision in community settings.

## Towards new mechanisms for delivery

Social Justice Premiums would represent individual entitlements to services and payments based on lifetime disadvantages, including disability, disrupted upbringing and placement instability, and years of having been looked after by local authorities.

Public Service Agreements (PSAs) have provided a framework for publicly accountable initiatives to increase the proportion of socially excluded adults in accommodation, education, employment or training. Future agreements to reduce poverty over significant target periods should learn lessons from the mixed performance of PSAs.

## Looked-after children

International evidence shows that poverty is significantly found among the families of young people who become looked after, and when leaving care they face risks of unemployment and hardship. In England in 2012, 36 per cent of care leavers aged 19 were not in education, training or employment; although national comparisons are not straightforward, 60 per cent of 19–21-year-olds in Scotland receiving aftercare services whose economic activity was known were not in education, training or employment.

Too often young people fail to progress educationally and lack the equivalent material and personal support that they might receive from parents able to focus significant resources on their development.

Well funded preventive services, such as Intensive Family Support Services in the UK, or Supportive Housing in the US, can help families and avoid the need for children to be looked after. Welfare benefits should not be disrupted, so that families, including kinship carers, are better able to sustain care for their children. Two-thirds of children looked after continuously for a year or more have special educational needs, so educational assessment and services will be key pathways to properly paid employment. Schools should be held strongly to account for pupil premium spending on looked-after children and for preventing their exclusion from school; fully adequate educational bursaries should be provided equally to all careleavers, regardless of the type or duration of post-school education.

Local authorities should be pro-active in preventing deeper engagement with criminal justice by providing multi-disciplinary assessment and stable family placements, promoting family contact, meeting financial needs, and by specialist foster care and therapy.

Looked-after young people need improved financial resources to set up home, to develop personal and vocational skills and to build savings for lifetime goals. Government top-ups for savings accounts should ensure that looked-after young people accumulate assets of at least the median rate for non-looked-after children of the same age.

Working in partnership with colleges and employers, social workers and carers should be enabled to help careleavers prepare for work, and get financial education and access to sources of material support.

The *Children Leaving Care Act* (CLCA) led to improved employment outcomes by delaying a young person leaving care until they are ready, providing personal support and increasing financial help for caregivers. Extending the upper age limit for support further into adulthood would ease transitions.

Just as almost 50 per cent of 20–24-year-olds live with their parents, careleavers up to 25 years of age should be able to live with carers. Building on schemes like *Going the Extra Mile* in Northern Ireland, this extension should be suitably funded and available to all young people being looked after.

Young people can be encouraged to lead service design and delivery through initiatives like *Leading Improvements for Looked After Children* (LILAC).

Because local authorities run local services, effective leadership and co-ordination from the responsible government can prevent damaging variations in local performance and improve provision.

## Prisoners

In England and Wales, surveys have shown the prevalence of poverty and extent of disabilities among prisoners. 64 per cent of prisoners claimed benefits at some point during the 12 months before entering prison, which compares with 14 per cent in the working-age population. Two years after being released from prison in 2008, 47 per cent were receiving out-of-work benefits.

Prisoners experience higher rates of mental health problems than the general public for conditions ranging from schizophrenia, personality disorder, drug and alcohol dependency to neurotic conditions. Whereas up to one in four of the general population has a disability, as many as 55 per cent of prisoners have a disability if those with anxiety or depression are included (a quarter of prisoners suffer from anxiety and depression). Strikingly, a quarter of adult prisoners have themselves been looked after.

Up to 60 per cent have literacy and numeracy levels below those normal among 11-year-olds; 47 per cent have no qualifications compared with 15 per cent of the working population. Research has found a very precise correlation between level of local deprivation and local imprisonment rates across Scotland.

The stigma of imprisonment is an additional risk to prisoners, especially minorities who also face prejudice and discrimination in respect of gender, race and disability.

The evidence about effective interventions for people with mental health problems and for young people leaving care suggests that providing support services is crucial. Because so many prisoners experience the same problems, schemes that provide them with similar support are vital.

The international evidence about the anti-poverty impact of prison-based educational and training interventions shows they have unconfirmed or little effect. Research suggests a much more intensive community-based strategy is required to meet the needs.

Policies which raise employment and pay among the least qualified and in impoverished areas will benefit both people at risk of entering prison and former prisoners. If imprisonment was reduced to the levels in Germany or Sweden, much expanded forms of transitional support and care under probation supervision could be developed. Probation and prison partnerships which work alongside other services to meet needs for accommodation, drug treatment and employment, training and education play key parts in supporting transitions. Across the UK former prisoners should be consistently given full access to appropriate support and accommodation on the basis of their vulnerabilities and multiple needs. Local authorities and primary health care agencies should be held accountable for fairly assessing and meeting these needs.

If long-term strategies for all excluded groups systematically include these transitional schemes in their planning and targets, it will be not only a vindication of social justice but also an opportunity to target effects with truly significant scale and momentum. Moreover the pool of people at risk of entering or returning to prison will be reduced.

To challenge the specific stigma of conviction and imprisonment international evidence suggests it is important to bring in anti-discrimination policies which protect the employment and remuneration rights of the convicted, while taking account of relevant risks to the public. Current positive policies among employers should be adopted as models for general use and written into employment law and regulation.

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## About the project

The findings emerge from a problem analysis in a social justice policy framework, informed by existing evidence and examples of positive practice. Wherever possible the review sought evidence of programme implementation and outcomes. Academic databases and online sources were searched for English language materials published since 2000, from the UK, North America, Europe and Australasia.

[Read the full report.](#)

# POVERTY AMONG ASYLUM SEEKERS AND REFUGEES

This review examined evidence on poverty and asylum in the UK with the aim of identifying strategies for reducing poverty among forced migrants.

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## Key points

- Poverty among asylum seekers and refused asylum seekers has been a feature since the end of the 1990s but has deepened following cuts to welfare entitlements and restrictions on access to the labour market.
- Pre- and post-flight experiences, language ability, social capital and social networks impact on forced migrants' vulnerability to poverty.
- Asylum seekers and refugees are heavily reliant on institutional support yet frequently experience problems in accessing services. They are especially at risk of poverty during transitions in institutional support.
- Asylum support rates are lower than mainstream benefits, which themselves are judged to be below the poverty line. Increasing asylum support rates to mainstream level and tying them to annual increments in the cost of living would improve the situation.
- The current asylum system is failing to protect asylum seekers and refugees from short-term and long-term homelessness while dispersal impacts on refugees' long-term access to employment and well-being.
- Some refugees encounter enduring problems entering the labour market, achieving well-being and accessing welfare services. Forced migrants rely heavily on non-governmental and refugee community organisations for emergency support in a competitive and shrinking funding environment.
- Public opinion shows little understanding of the extent of hardship and poverty among asylum seekers. Initiatives targeted to address widespread misconceptions on asylum seekers and the causes of their dependency on the welfare system would create a more conducive policy environment for an anti-poverty strategy for asylum seekers and refugees.

## The research

By Nando Sigona, University of Birmingham, Jenny Allsopp, University of Oxford, and Jenny Phillimore, University of Birmingham

# BACKGROUND

The introduction of dispersal policy in 1999 weakened the social networks of forced migrants housed by the state, reducing access to community-based support mechanisms and increasing dependency on institutional support. Since the early 2000s, asylum seekers have been denied the right to work, and cumulative cuts have redrawn welfare services and entitlements.

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The review focused on:

- experiences of poverty among refugees, asylum seekers and refused asylum seekers, including women, children, unaccompanied asylum-seeking minors, families, elderly, lesbian gay bisexual transgender (LGBT) people, disabled people, and members of cultural and religious minorities;
- how experiences of poverty changed over time and differed across the UK;
- strategies to prevent and reduce poverty among forced migrants.

## Learning to survive in a ‘hostile environment’

The measures applied to asylum seekers since the early 2000s have encountered strong opposition from advocacy and support groups, while public opinion has become more hostile to the provision of sanctuary.

- Policy-makers should be accountable for guiding a reasoned public discussion on asylum seekers and refugees.

Asylum support rates are insufficient to meet essential living needs, and well below the European average. Germany recently increased asylum support rates substantially after they were deemed unconstitutional. In the UK asylum support rates have fallen beneath 70 per cent of Income Support, the level at which they were set in 1999 on the grounds that the support is for a short duration and housing and utility costs are covered separately. Unlike other benefits, asylum support rates have not been increased incrementally in line with the cost of living. In 2014 Refugee Action initiated a successful judicial review against the government.

- Increasing support rates to 70 per cent of Income Support and linking them to incremental rises in the cost of living would reduce asylum seeker poverty.

Asylum seekers can wait years for a decision on their case. Institutional dependency during this period is experienced as disempowering, leading to loss of confidence, mental health issues and deskilling which reverberate across families. Poverty undermines participation in the asylum process itself (e.g. applicants are unable to travel to appointments) and is associated with high levels of stigma and social exclusion.

- Support should span each stage of the forced migrant's time in the UK and be less dependent on decision-making in the asylum system. Enforced destitution is neither an effective nor humane means to 'encourage' individuals refused asylum to leave the UK.
- All asylum support should be in cash and not pre-paid card or vouchers.

Destitution and deskilling associated with the asylum process, coupled with reduced access to further and higher education, in particular English for speakers of other languages (ESOL) classes, affects refugees' integration into the labour market and society. Employers frequently express uncertainty regarding refugees' right to work. Refugee women face particular challenges accessing employment, for example because of limited work experience or formal education in their country of origin.

- Greater access to ESOL classes and collaboration between local and regional service providers would facilitate improved access to services and work.
- Reinstating asylum seekers' right to work would reduce vulnerability to poverty among asylum seekers, dispel myths about benefit tourism, and facilitate labour market integration.
- The simultaneous granting of National Insurance numbers and legal status would reduce harmful delays during a 'high-risk' period in terms of poverty, supporting refugees' transition into the labour market.
- Support to unaccompanied asylum seekers and refugees as they transition to adulthood should be extended, e.g. the Scottish Guardianship model reduces transitions into illegality and poverty among the young.
- The government should audit the provision of, and co-operation between, support services to ensure that administrative delays and errors do not lead to destitution, debts, arrears or hardships at points of transition.
- Universal Credit should be accessible for refugee families with limited IT competence.
- Social services should adhere to their obligations under the Section 17 of Children Act 1989 and protect refugee children from harm caused by severe poverty and malnutrition.

Non-governmental organisations (NGOs) and refugees' community organisations (RCOs) commit extensive resources to responding to poverty through emergency support such as food banks, emergency accommodation, travel costs and legal assistance. These organisations need greater statutory financial support.

- Interventions are most effective when a regional cluster approach is taken involving statutory and non-statutory actors, although the independence of NGOs and RCOs is key to effective services.

## Housing and homelessness

Many become homeless as a result of poorly managed transitions in support, e.g. when an individual undergoes a change in legal status, moves region, or passes a significant age threshold for support purposes. Most at risk are the young and those evicted from Home Office provided accommodation after gaining refugee status.

- Asylum seekers should be given a choice of where they move to so they can elect to live close to friends and family and gain the support they need.
- The Home Office should consider introducing a scheme whereby friends and family are paid to house asylum seekers. This would mean impoverished peers could afford to offer accommodation and associated support.
- Greater flexibility should be shown with transitions with refugees being able to stay on in Home Office provided housing for longer periods with providers' costs covered retrospectively by Housing Benefit.
- Provision of support to refugees leaving Home Office housing should include access to housing advice, rapid access to Housing Benefit and a deposit loan scheme so they can access private sector housing.
- The Home Office should acknowledge and respond to the financial strain placed on NGOs as they work to prevent street homelessness by making more resources for emergency support available.

Some asylum seekers and refugees experience social exclusion and ill-health because of poor housing conditions. Overcrowding is common among 'hidden homeless' households. Home Office provided housing is often poor quality and in deprived areas. Location within areas with little experience of diversity has led to stigma and racist harassment.

- Giving service users greater voice in the management of housing contracts, e.g. in Nottingham, has had some success in improving conditions and delivering greater accountability among private contractors. Housing associations and local authorities, where possible, may be best placed to respond to the housing needs of asylum seekers.
- The Home Office should establish clarity about the contractual role and responsibilities of private contractors and ensure accountability.

Dispersal is frequently carried out with little sensitivity to the needs of vulnerable individuals who depend upon access to specialist services and support groups.

- Vulnerable individuals should be dispersed only to areas that can meet their needs. Pregnant women should not be detained or dispersed beyond 32 weeks of pregnancy.



## Health

Some asylum seekers arrive in the UK with health problems stemming from experiences of persecution. These conditions, particularly for torture survivors, are exacerbated by experiences of the asylum system and poverty. Mental health provision for asylum seekers and refugees is insufficient.

- For rehabilitation to be effective, comprehensive long-term support is required. Legal status should not be an obstacle.
- Efforts should be made to ensure that individuals are able to build relationships with care workers, and that these are not jeopardised by housing transitions or legal status.

The link between poverty and ill-health is especially acute for asylum seekers and refused asylum seekers where they have limited access to healthcare. Poor awareness of rights and entitlements is coupled with ignorance of rights among medical professionals.

- Clarification is needed on healthcare entitlements.
- Improved access to ESOL and collaboration between local and regional service providers, including RCOs, could help improve access to healthcare services.

Restrictions on secondary healthcare for refused asylum seekers motivated by claims of 'health tourism' are not supported by the evidence. Rather, forced migrants struggle to access care, and pregnant women have very poor access to antenatal and postnatal care, with well-evidenced and costly consequences for the long-term health of mothers and babies.

- Asylum seekers and failed asylum seekers should be supported to access antenatal appointments, develop relationships with midwives and claim the maternity grant.
- Asylum support should reflect fully the cost of raising a child and maintaining maternal health before and after pregnancy.

## Conclusion

Evidence suggests that reducing the incidence of poverty would improve the quality and fairness of participation in the asylum process and lead to improved refugee integration.

Little attention has been paid to the long-term impacts of these measures on refugees' experiences of poverty. There are many causes of poverty among forced migrants, including the asylum regime and lack of statutory support with refugee integration.

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## About the project

The review included a range of academic and policy literature exploring the link between poverty and forced migration in the UK from 1997. Sources included over 30 independent submissions, literature located in key social science databases and drawn from the research team's existing knowledge and expertise of the area.

Read the [full report](#).

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