

UK Poverty 2020/21

This report is being published in the midst of the coronavirus storm – a turbulent time when all of us have felt insecurity and instability. But our analysis shows too many of us entered the pandemic already at risk of being cast adrift into poverty, while often lacking secure housing, a reliable income or adequate support. It also shows that those of us already struggling to keep our heads above water have often been hit the hardest. Our response to the pandemic should be measured by how just and compassionate it is to people in poverty, whether they were already experiencing hardship or have been swept into it.

By the **Evidence and Impact team** at the **Joseph Rowntree Foundation (JRF)**.

Recommendations

- **We need as many people as possible to be in good jobs.** Unemployment is expected to rise in the coming months, and we need to see further bold action to retrain workers and create good quality new jobs.
- **We need to improve earnings for low-income working families and ensure more people are in secure, good quality work.** Government must support people in the lowest-paid jobs, or people working part-time, to move into higher pay and access sufficient and secure working hours, including bringing forward the Employment Bill.
- **We need to strengthen the benefits system.** At a minimum, we need the temporary £20 per week increase to Universal Credit and Working Tax Credit to be made permanent, extending this same lifeline to people on legacy benefits such as Jobseeker's Allowance and Employment and Support Allowance.
- **We need to increase the amount of low-cost housing** available for families on low incomes and increase support for households who have high housing costs.

Background

This is the 2020/21 edition of JRF's annual report on the nature and scale of poverty across the UK and how it affects people. It highlights early indications of how poverty has changed in our society since the start of the coronavirus outbreak, as well as the situation revealed by the latest poverty data, collected before the coronavirus outbreak. It examines overall changes to poverty, with sections looking at the impact of work, the social security system and housing. It also benefits from powerful insights from members of our Grassroots Poverty Action Group, who have direct experience of living on a low income.

Key findings

Before coronavirus, an unacceptable 14.5 million people in the UK were caught up in poverty, equating to more than one in five people. Child poverty and in-work poverty had been on the rise for several years and some groups were disproportionately likely to be pulled into poverty. Many of those groups already struggling most to stay afloat have also borne the brunt of the economic and health impacts of COVID-19. These include:

- part-time workers, low-paid workers and sectors where there are much higher rates of in-work poverty, such as accommodation and food services
- Black, Asian and minority ethnic households
- lone parents – mostly women, many of whom work in hard-hit sectors – who are more reliant on local jobs, and are more likely to have struggled with childcare during lockdown
- private renters, who have higher housing costs, and social renters, who tend to have lower incomes, both leading to higher poverty rates. Renters in work are also more likely to be in a sector more affected by coronavirus
- areas of the UK where there were already higher levels of unemployment, poverty and deprivation.

We cannot be sure what happened to overall poverty levels in the first phase of the coronavirus outbreak, when the furlough scheme and temporary benefit uplift were both in place. However, it is clear that poverty will increase if this government support is removed from April 2021, as we face much higher unemployment than pre-coronavirus, as well as the continuing uncertain impact of the end of the Brexit transition period.

Solutions

During the coronavirus outbreak, the Government has quickly – and rightly – implemented some radical policies to protect people from the huge economic forces unleashed by the coronavirus storm. The Government must continue to be bold and compassionate as it decides how to redesign policies on work, social security and housing so that they work better for everyone after coronavirus.

These policy solutions would help:

- **We need as many people as possible to be in good jobs.** Despite government support to protect jobs during the pandemic, unemployment is still expected to rise in the coming months. Government has implemented a series of employability programmes, such as Kickstart, Job Entry Targeted Support and Restart, but there has so far been less investment in skills and retraining to help adults find work in new jobs and sectors. We need to see further bold action to retrain workers and create good quality new jobs.

- **We need to improve earnings for low-income working families and ensure more people are in secure, good quality work.** Government must support people in the lowest-paid jobs, or people working part-time, to move into higher pay and access sufficient and secure working hours. Progress on the National Living Wage is positive. Government must now bring forward the Employment Bill to reduce insecurity for low-paid workers by extending employment rights and investing in strong and effective enforcement.
- **We need to strengthen the benefits system** so that it provides an anchor that we can all depend on in tough times. At a minimum, we need the temporary £20 per week increase to Universal Credit and Working Tax Credit to be made permanent, extending this same lifeline to people on legacy benefits such as Jobseeker's Allowance and Employment and Support Allowance. The Government will then need to consider further improvements to the current system, to ensure it gives adequate support and provides a better service for people using it. We also need to shift public thinking so that a poverty-reducing social security system is seen as an essential public service and receives sustainable investment.
- **We need to increase the amount of low-cost housing** available for families on low incomes and increase support for households who have high housing costs. Now is the time to invest in social housing as part of a stimulus package, and to reverse the long-term trend of falling availability of social housing. This has meant more and more people are stuck in the expensive private rented sector. We also need – at a minimum – to keep housing affordable for people whose income is already low or has fallen, by maintaining the link between benefits for housing and local rents.

“We need to hold the Government to account. You never engage with the benefits system when you are in a good place – ‘I’m here because things have gone pear-shaped, I’m here because I need help’ – it [the system of claiming social security] needs to be more compassionate.”

Member of the Grassroots Poverty Action Group

Stalling progress on solving poverty pre-coronavirus

In our strategy *We can solve poverty in the UK* (JRF, 2016), we used three measures to judge progress towards ending poverty by 2030:

- a poverty rate of less than 10% – it’s currently stuck at 22%, with little change in recent years
- no one should experience destitution – new data for 2019 shows a worsening picture: 2.4 million people, including more than half a million children, were destitute at some point in the year, which is an increase of around half compared with 2017
- no one should be in poverty for more than two years – this has been stuck at either 8% or 9% of individuals in poverty for more than two years.

There has been little change in overall poverty levels for more than 15 years. In 2018/19, 14.5 million people were in poverty in the UK (more than one in five of the population), made up of:

- 8.4 million working-age adults
- 4.2 million children
- 1.9 million pensioners.

Most worryingly, even before coronavirus, incomes were falling – and falling fastest – for people with the lowest incomes. Average income After Housing Costs (AHC) was slightly lower in 2018/19 than in 2016/17 after taking account of inflation. There was a bigger fall in incomes for people in the fifth of the population with the lowest AHC income. This reduction is being predominantly driven by reductions in people’s income from benefits, due to the freeze in benefits rates between 2016 and 2020.

The impact of coronavirus

The effect of the outbreak on poverty is uncertain, but this will depend critically on how the outbreak affects five economic factors – employment, earnings, benefits, housing costs and inflation, as well as UK and devolved governments' responses in each of these areas.

It is clear that the coronavirus storm has battered the labour market, with increasing unemployment and falling earnings. The Government has rightly responded with an unprecedented range of labour market support and benefits changes. Our assessment is that in the early stages of the coronavirus outbreak, relative poverty may have fallen, due to two complementary forces. The relative poverty line would have fallen, as average incomes fell due to the labour market effects. At the same time, the income provided for some by the benefits system will have risen. People benefitting from temporary increases in benefits will be counterbalanced by people being pulled into poverty by losing their income from employment.

Any reduction in relative poverty is likely to be reversed over the next few months and years, and while the temporary support measures are very welcome, families on low incomes have still been hit very hard. JRF polling in May 2020 showed that most families with children in receipt of Universal Credit or Child Tax Credits had to go without essentials, were building up debt and falling behind with their bills or rent.

The period since July 2020 has been marked by a gradual reduction of government support through the labour market and benefit system, with much of the support planned to be withdrawn by April 2021. This means relative poverty is likely to be higher than before the coronavirus outbreak, with families who are already struggling to stay afloat becoming even worse off financially. These increases in poverty will be mainly among working-age families as they will be affected by the negative labour market changes. The Government needs to do the right thing and keep supporting people on low incomes. If it takes the lifeline away, people will be cut adrift and pulled deeper into poverty.

Living through the coronavirus outbreak on a low income

Poverty levels and severity are largely driven by changes to the labour market, the social security system or different types of housing tenures. This report therefore examines the pre-coronavirus situation and how it has been affected by the pandemic in each of these areas. But people's lives are not so easily compartmentalised: someone losing their job may then claim Universal Credit from the social security system, struggle with a five-week wait for payments and rely on Universal Credit to pay something towards their rent. The picture painted by our Grassroots Poverty Action Group brought this home – their experiences of furlough, reductions in working hours and the interaction with Universal Credit had caused even greater uncertainty around finances, making financial planning very difficult.

“Universal Credit is not enough and the five-week wait causes poverty. To survive the five-week wait people borrow money – this can take up to 15 months to repay. Furlough has made it worse as uncertainty in income increased.”

Member of the Grassroots Poverty Action Group

In-work poverty was rising pre-coronavirus

In-work poverty (defined here as the proportion of workers who are in poverty) has risen in recent years and stood at almost 13% in 2018/19. There are some groups who are more likely to experience in-work poverty and have a harder time escaping poverty. The sector, number of hours and hourly pay, location, someone's gender, ethnicity and age, and barriers such as availability of childcare and transport all determine whether someone is in poverty, and whether they are able to escape it through work.

Coronavirus has put even greater pressure on workers in groups already at higher risk of poverty

Low-pay sectors

There were already high rates of in-work poverty in certain sectors long before the pandemic. Accommodation and food services has one of the lowest hourly pay rates of all sectors, and people work fewer hours on average. Workers in that sector are more likely to be women, from Black, Asian and minority ethnic groups, and younger workers. This is also a sector where the coronavirus has hit very hard, including among hotels, and restaurant and bar staff. Some people who were already at the financial brink and in in-work poverty have been put under even greater pressure by this loss of income, especially when compounded by the other factors that can pull people into poverty.

Minority ethnic groups

In-work poverty is also higher for people from some minority ethnic backgrounds. In-work poverty is higher for Black, Asian and minority ethnic workers than White workers, and is highest for Pakistani and Bangladeshi workers, at about 34%. This is partly due to the type of sector they work in and the fact they are more likely to work part-time. There is also a higher prevalence of self-employment in these communities. According to the Runnymede Trust, a third of Bangladeshi men work in catering, restaurants and related businesses, while one in seven Pakistani men work in taxi, chauffeuring and related businesses. These employment patterns make these groups more at risk of losing earnings or employment during the coronavirus outbreak. Because their businesses are more heavily impacted by public health restrictions, they are less likely to be able to work from home and they have less job security.

Lone parents

Lone parents continue to have the highest in-work poverty level of all family types. Single parents are disproportionately affected by barriers that prevent them escaping in-work poverty. They are more likely to be women, working in a low-wage sector, working fewer hours, and restricted by childcare and transport. Again, coronavirus is likely to have a big impact on people in this group because of the sectors they work in, and their ability to work depends on childcare, which may have been unavailable during the national coronavirus lockdown.

People who lose their jobs may find it very difficult to find another

The Institute for Employment Studies analysed vacancy data on the classified advertisements website Adzuna. Their analysis showed that at the height of the lockdown, the number of vacancies was down almost 70% from the same week the previous year. The job market remains very depressed compared with the same period last year, especially in areas that started out with weaker local economies, with much of London and Northern Ireland having more than 20 claimants per vacancy.

“I haven’t got a computer, I haven’t got a laptop, I can’t job search. Since I am in security work, it’s part-time at public stadiums when there’s work on. There has not been any work for ages. So right now, with the second lockdown incoming, I am going to have more months with no work which is obviously very, very stressful.”

Member of the Grassroots Poverty Action Group

Rates of benefit were falling pre-coronavirus

Three years of increases that were limited to 1% (which was below inflation as measured by the Consumer Price Index), followed by a four-year benefit freeze, have eroded the value of many working-age benefits. Until April 2020, these benefits had last been increased in line with prices in April 2012. They didn’t increase at all between April 2015 and March 2020.

Over half of those who live within families who receive Universal Credit, Housing Benefit or any of Employment Support Allowance, Jobseeker's Allowance or Income Support were in poverty even before coronavirus, as were almost half of people who received tax credits. The social security system isn't protecting people sufficiently, leaving many families at greater risk of being pulled deeper into poverty. People who receive income-related benefits tend to have higher levels of debt, lower levels of savings and are more likely to rely on borrowing more money to cover any unexpected bills or a financial shortfall.

Some benefits rates have risen during the outbreak, and a lot more people are claiming benefits

The Government made a range of benefit changes in response to the coronavirus outbreak. The biggest changes were a temporary rise of £20 a week for 2020/21 in the standard allowance (the basic rate) of Universal Credit and basic element of Working Tax Credit, and the Local Housing Allowance being reset to the 30th percentile of local rents.

This was hugely welcome. However, people still receiving the benefits that Universal Credit replaced, such as Jobseeker's Allowance or Employment and Support Allowance, have been left behind, despite being primarily disabled people and carers who are particularly exposed to the effects of the pandemic. While many people receive a higher income from Universal Credit than previous benefits, there are also large numbers who face large income drops, outweighing the gain from the temporary £20 increase.

Some families who receive temporarily-increased benefits have only seen part of their benefit increased. For instance, the child elements of these benefits have not been temporarily increased. Rules capping the maximum amount of benefits paid, such as the benefit cap and 'two-child limit', add to the pressures that people on low incomes are facing and mean that some miss out on the additional support the Government had promised.

By August 2020, almost 4.6 million households were receiving Universal Credit, a startling increase of nearly 90% from the start of the year. Most of these newly claiming households will have seen their incomes fall as they moved onto Universal Credit. The rate of couples, both with and without dependent children, receiving Universal Credit has more than doubled, with huge increases of 108% and 204% respectively. Families with children continue to account for four in ten households on Universal Credit. Many of the large increases are in areas that have had high furlough rates, indicating a high risk that the increases in Universal Credit claims could grow even larger as job retention schemes become less generous.

"I can summarise experiences of social security in three words: FEAR, FIGHT (it feels like everything is a fight) and FREELoader (we are made to feel like this)."

Member of the Grassroots Poverty Action Group

Pre-coronavirus, an increasing number of households were privately renting, and struggling to keep up with the cost

The proportion of households in the UK's private rented sector has increased dramatically in the past 20 years, from 10% in 1998/99 to 19% in 2018/19, and more than a third of these households were in poverty. Fewer households are renting social housing as this option is often unavailable, and fewer people are buying with a mortgage, because they can't afford to.

Lack of social housebuilding over the past decade has meant that fewer of those who need it can access an affordable secure home in the social rented sector. Between 2010/11 and 2018/19, the number of homes built for social rent in England as a proportion of new homes fell from 33% to 3%, with just 7% of the number of social rents needed in a year built. In combination with house price increases, this means many households that may have been in a more secure tenure 20 years ago are now stuck in insecure, expensive homes in the private rented sector.

The combination of high housing costs in the private rented sector and falling support from Housing Benefit has created a strong current pulling low-income families into poverty. Many households are under pressure every month to somehow pay rents far higher than they can afford, because the level of Housing Benefit they receive falls well short. This leads to daily hardship and having to cut back on other essentials and has contributed to the rise in homelessness.

Renters are among the worst hit by the impact of coronavirus

Before coronavirus, around 35% of private renters and 42% of social renters worked in the hardest-hit sectors (manufacturing, retail, accommodation and food, and arts, entertainment and recreation). Between April and June, around 32% of private-renting employees and 34% of social-renting employees were furloughed by their employers.

The Government has put additional support in place, including increasing Local Housing Allowance (LHA) to the 30th percentile of rents in a given area, and differing eviction freezes across each country of the UK. Ultimately, though welcome, these measures do not address the causes of unaffordable housing or the conditions that lead to renters falling into arrears because they are struggling to meet their housing costs.

“Because of supply and demand house prices are going up and up and just becoming unmanageable, so everyone’s worried about not paying the rent because that means being tossed out onto the street. It’s hard to actually come by accommodation, even though the laws have changed allowing people on benefits to rent it’s been slow coming through, and we’re reliant on local authorities for where they’re going to place you, and in some situations the problem of being housed where your support network is often isn’t considered.”

Member of the Grassroots Poverty Action Group

What do we want a post-coronavirus future to look like?

Even before coronavirus, millions of people in our society were living precarious and insecure lives. In many instances, coronavirus will have swept them deeper into poverty, as well as pulling others into hardship, many of whom will have not experienced this situation before.

The Government has put many temporary policies in place to help people who are worst affected to weather the storm. It is right that the immediate emphasis was on dealing with people’s circumstances now. But this is not sufficient for the longer term. We need to build up the public will for action on poverty and design policies that are built around our society’s values of compassion and justice. We know that after the coronavirus outbreak, many aspects of our lives will be different, but if we are to ‘build back better’ for everyone, we need a comprehensive package of policies spanning the labour market, social security and the housing market to support people to get out of poverty once and for all.

For further information

The full report, **UK Poverty 2020/21**, is published by the Joseph Rowntree Foundation. It is available as a free PDF at www.jrf.org.uk

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

email: info@jrf.org.uk
www.jrf.org.uk
Ref: 3344