

Report reveals the new face of UK poverty

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The Joseph Rowntree Foundation's Monitoring Poverty and Social Exclusion 2013 report offers the latest figures on poverty across the UK, revealing a growing social crisis.

Figures for 2011/12 show 13 million people are in poverty, with the study warning that this situation will get worse. What the report calls the "calm surface" of current poverty statistics is hiding "a sharp shift downwards." Noting that pay is still falling relative to prices, and that the real value of benefits will fall further next year, the report warns of the danger that "this downward shift is becoming a downward spiral."

The foundation defines poverty by net household income, adjusted for size (larger households need more money to reach a given standard of living than smaller ones) and after housing costs have been deducted. People are counted as being in poverty if their household income is below 60 percent of the median income for all UK households. In 2011/12 this poverty threshold for a single adult was £128 a week. For a couple with two children it was £357.

The study makes bleak reading. The authors point to the "discipline and demonization" that are exacted as the price of state financial support for those out of work. They note that the real value of state support, already low, is continuing to fall.

The report identifies the increased pressure on the most vulnerable caused by cuts in housing and council tax benefits. The report is written with the aspiration of a workable welfare system, but even within their limited perspective the authors are clear about the impact of the cuts. Cuts in the welfare system mean people are going hungry. The authors identify this as the reason for the growth in use of food banks.

The numbers using food banks are horrific enough, with more than 350,000 people having used them in 2012/13, even before the deepest cuts have been made. Almost half of the referrals to food banks, however,

arise directly from problems with the benefit system that should be assisting the most vulnerable. At a parliamentary debate this month Conservative Party MPs laughed and jeered as the plight of those reduced to using food banks was described.

The Rowntree report examines how poverty has affected income, noting that incomes at all levels have fallen in the last two years. It identifies the group most affected as "working-age adults without dependent children." Some 20 percent of this group now lives in poverty. This is its highest level in 30 years, with the report noting that the percentage has risen "quite steadily" in that period. The falling income level of working age adults has clearly had an impact on overall poverty, while food prices have risen faster than the rate of inflation over the last decade and utility bills have risen even more quickly.

Rising prices of consumer goods are just one of the causes of the rise in poverty. Between 2002 and 2012, the consumer price index (CPI) rose by 29 percent. That means that on average consumer items cost just under one-third more in 2012 than they did in 2002.

The largest price rises have come on utility bills, transport and rent. Over that decade, the cost of electricity, gas and other fuels rose by 140 percent. Domestic water charges rose by 69 percent. The cost of personal transport (excluding the purchase cost of vehicles) rose by 71 percent, while the cost of public transport rose by 87 percent. Over the last decade public transport has become more expensive relative to private transport.

The report does not address rent rises, which are now rising at twice the annual rate of earnings and reaping record dividends of 10.5 percent per annum for landlords. Average rent rose 12 percent from £121.50 per week to £136 per week between 2010 and 2012.

The report's most striking statistics are its findings on work. "For the first time on record," the authors

note, “the majority of people in poverty are in working families.” Two-thirds of adults in these families are in work. Of the 13 million people in poverty in the UK in 2011/12, around 6.7 million were in a family where someone worked. The remaining 6.3 million were in work-less working-age families or families where the adults were retired. This is the first time when a majority of those in poverty have been in work.

The report points to escalating youth unemployment and an increase in low-paid work. Unemployment for young adults rose by 7 percent between 2007 and 2012. During that time the number of unemployed 18-25 year-olds increased by 290,000.

The proportion of low-paid jobs increased in 2012, with 39 percent done by people under 30. In 2012, around 27 percent of female employees and 15 percent of male employees were paid below the nominal “living wage” of £7.45 an hour. This increase in low-paid work for women was the first since figures were first documented in 2001.

The poverty figures reveal the fraudulent character of the “living wage” campaign. Two-fifths of adults in working families and in poverty were in families where the earner was paid *more than* the “living wage”. On average, between 2008/09 and 2010/11, 1.2 million adults were paid below the living wage in the bottom 20 percent of the household income distribution, roughly equivalent to the poverty line. As the report notes, poverty is not just created by low pay, but is complicated by factors such as benefits paid to those in work and housing costs. The report also pointed to a fall in real wages almost every month for over three years.

Its examination of social security and welfare reform also highlighted continued changes in benefits. In February 2013, some 5.2 million people in the UK were claiming an out-of-work benefit. This is around 50,000 fewer than the previous year, but 400,000 more than five years earlier.

The benefit cut which had the greatest impact was the change to Council Tax Support in April 2013. Most of those affected were already living in poverty. In the financial year 2013/14, an estimated 2.6 million families (8 percent of families in the UK) saw their benefit entitlement cut as the result of three welfare reforms. They lost on average £16.90 a week. Two million families saw only a reduction to their Council

Tax Support, the largest group affected by only one benefit loss. Of the 660,000 families hit by the so-called “bedroom tax,” two-thirds have also had their Council Tax Support cut.

The report offers a stark evaluation of government policies on welfare reform. “The problems that this government and the last [Labour] see themselves as addressing through their welfare reforms—a soaring benefit bill, worklessness, poverty—are serious indeed. But their roots do not lie in the people caught up in them. Instead they lie elsewhere, in the behaviour of both financial and non-financial corporations, in the laxity of regulators, in an unwillingness to contemplate a low-cost, good-quality alternative to private rented homes, in confused thinking that treats valid answers to questions about individuals (why this person is unemployed rather than that) as if they were valid answers for social ones too (why there is unemployment at all).”

It ends with the warning that “If poverty is really to be ‘tackled’... it is the shortcomings of powerful institutions and ideas that must be the object of relentless attention, not the poor themselves.”

What cannot be said is that this means putting an end to government of, by and for the super-rich and fighting for socialism.



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