

DRAGGED DEEPER: How families are falling further and further below the poverty line

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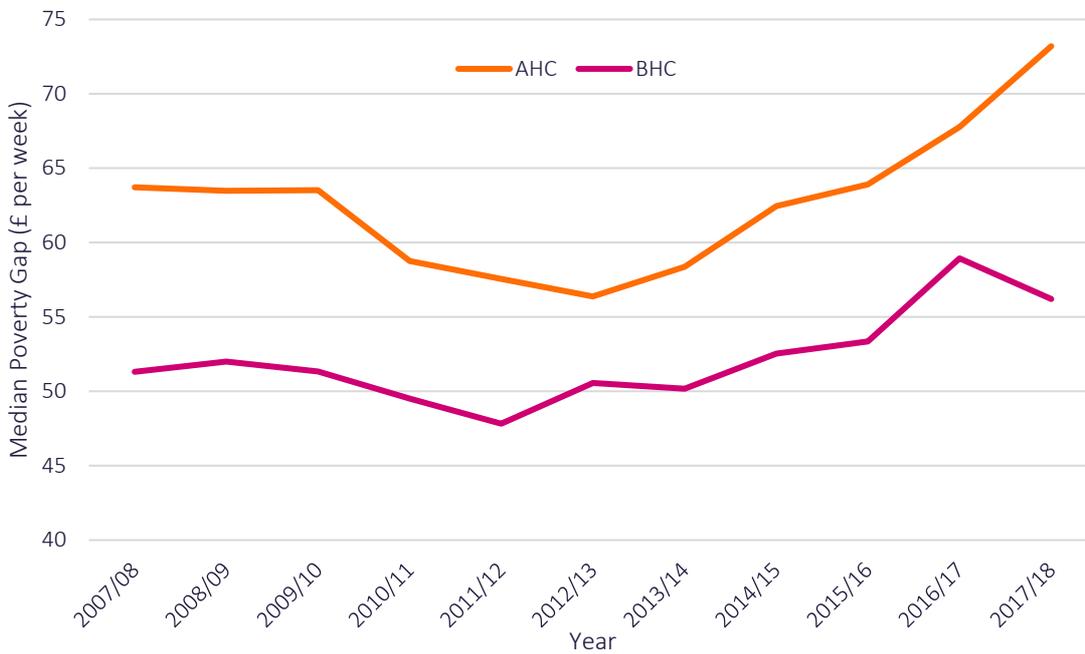
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Lots of attention is given to the number of children in poverty but as a society we do not only care about the rate of poverty but also the depth of poverty. If everyone in poverty is very close to the poverty line we should perhaps worry less than when millions of people are substantially below the poverty line. A good way to measure the depth of poverty is the median poverty gap, which indicates how far below the poverty line the average family in poverty is.

Figure 1 shows how the median poverty gap has evolved since 2007/08. In 2017/18, the median poverty gap before housing costs (BHC) was £56 per week (18% below the poverty line) and after housing costs (AHC) was £73 per week (28% below the poverty line). This is a substantial gap and is growing over time. From 2012/13 to 2017/18 the AHC poverty gap rose by 30%, even after controlling for inflation. Over the same period, the BHC poverty gap rose by 11%, despite it falling from 2016/17 to 2017/18.

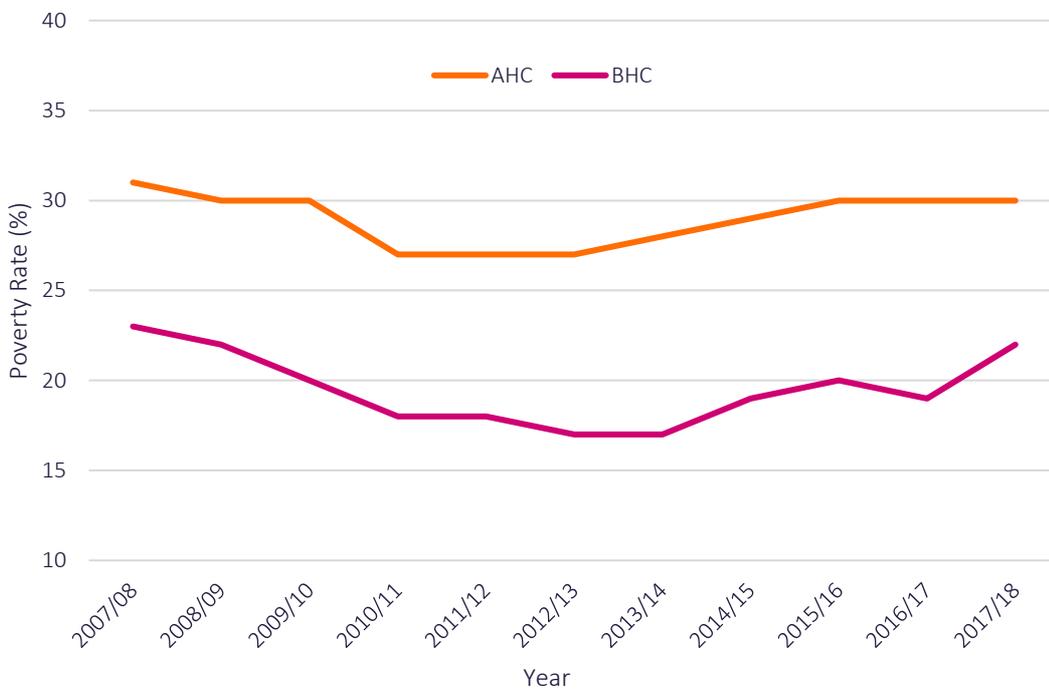
It is important to not just consider the poverty gap in isolation. We also care about the number of families in poverty. There is a relationship between the two measures – but because families move in and out of poverty, the median family in poverty changes from year to year.

Figure 1: Median poverty gap for families before and after housing costs



Note: The figure shows the equivalised (adjusted for household size) real (controlling for inflation) median poverty gap – 2017/18 prices. Source: Author’s calculations using HBAI

Figure 2: Share of children in poverty before and after housing costs

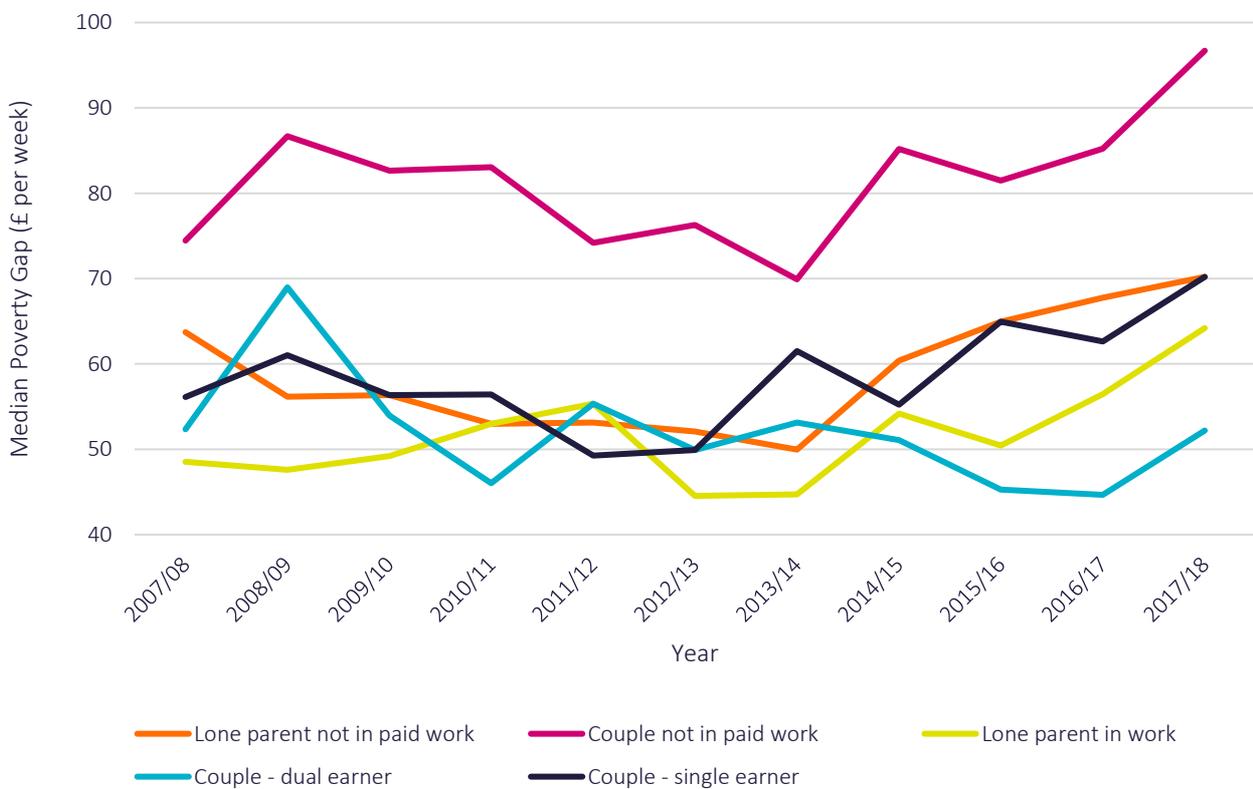


Source: HBAI



Figure 2 shows the change in AHC and BHC child poverty rates since 2007/08. From 2016/17 to 2017/18, the BHC poverty rate rose from 19% to 22%. The fact that over 300,000 children were pushed into poverty meant that the average family in poverty was closer to the poverty line, as those who had just moved into poverty were likely to have incomes relatively close to the line. This explains why the BHC poverty gap fell over the same period. For this reason – people near the poverty line being likely to move in and out of poverty relatively frequently – we might expect that as poverty rates change, the average poverty gap would move in the opposite direction. This mechanical relationship between the poverty rate and the gap makes it especially telling that since 2012/13, both the poverty rate and poverty gap (both BHC and AHC) have risen. This indicates that over the past five years more children have been pushed into poverty, while those in poverty are further away from escaping poverty.

Figure 3: Change in median AHC poverty gap by family type since 2007/08



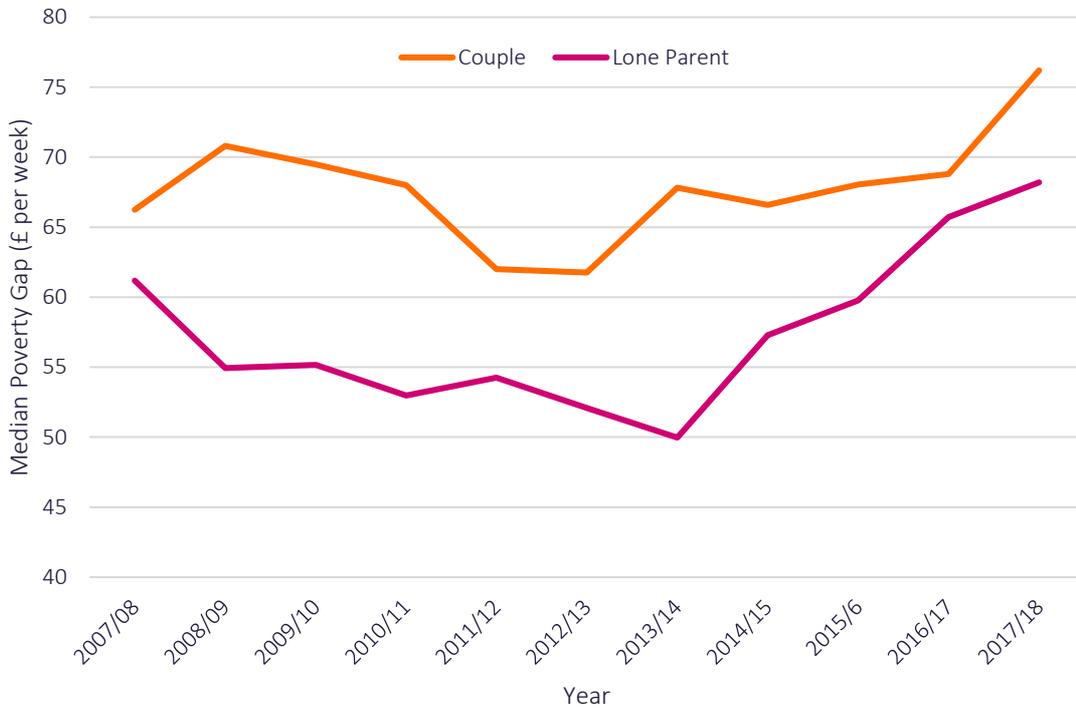
Note: The figure shows the *equivalised* (adjusted for household size) *real* (controlling for inflation) median poverty gap – 2017/18 prices. Source: Author’s calculations using HBAI

Figure 3 shows the evolution of the AHC median poverty gap by number of parents present in the household and the employment status of the parent(s). We can see, perhaps unsurprisingly, that the poverty gap is lower for in-work families and higher for workless families. However, the difference between lone parent families in work and out of work is very small (£6). This is not to say, that if a lone parent enters work they will only be £6 better off. The two groups are likely to differ in their composition, e.g. by disability, geography and age of children. One reason behind why the difference is so small is that the majority of lone parents in poverty work part-time.



Nearly 3 million children are in poverty, where the parents are in some form of work, and for all working patterns the poverty gap is rising. The latest figures indicate that there are 400,000 children in poverty where all parent(s) in the household are in full-time work – be they single or couple-parents.

Figure 4: Change in median AHC poverty gap by number of parents since 2007/08



Note: The figure shows the *equivalised* (adjusted for household size) *real* (controlling for inflation) median poverty gap – 2017/18 prices. Source: Author’s calculations using HBAI

Figure 4 looks at the AHC poverty gap just by the number of parents present in the household. We can see that the poverty gap is consistently higher for couples, although as Figure 3 shows there is substantial variation by the number of parents in work. It is higher for couples as the inadequacy of out-of-work benefits means that poverty is deepest in couples where both parents are not working.

However, the big change since 2013 is that the poverty gap for lone parents has risen by 36%. This is unsurprising if we consider that since 2013 benefits have been cut in real terms and that lone parents get a higher share of their income from benefits. Even though the government has decided to lift the benefit and housing allowance freeze, the effect of successive real cuts is that there are millions of children deeper in poverty.

Conclusion

From 2012/13 to 2017/18 there was a real increase in the AHC poverty gap for all family types. Nearly 3 million children are in poverty, where the parents are in some form of work. The latest figures indicate that there are 400,000 children in poverty where all parent(s) in the household are in full-time work. The government’s policy of promoting work may have reduced the unemployment rate but with the current social security system it is clearly not reducing child poverty.

