City-REDI
Policy Briefing Series

March 2018

What poverty really looks like in the UK?

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Summary and policy recommendations

❑ The integrated nature of well-being produces difficulty in evaluating poverty levels and one issue is an over-emphasis on income. In the light of current structural changes a multidimensional poverty measure (MPI), which includes some of those missing dimensions, closely related to the well-being of individuals, is constructed in **this paper**.

❑ In an attempt to allow policy-makers to identify economically weak households more accurately, the study plots a stark picture of multidimensional poverty by focusing on the multidimensional headcount ratios (obtained by using alternative weighting schemes) to assess whether living conditions have been falling backwards. The fall in most headcount measures of multidimensional deprivation over the period under examination indicates a relatively positive outlook. Indeed, more various facets of poverty seem to follow a declining secular trend.

❑ The study does account that portraying an articulated picture of deprivation conditions using a multidimensional approach, requires a great deal of acceptance among scholars who have been using exiting measures up to this point. Therefore, to disentangle how MPI differentiates from the conventional measures further, households are disaggregated by respective cut-offs to examine the overlap degree. From this analysis, it can be inferred that in the matched data, nearly 80 per cent of those who are income poor are also multidimensionally poor. Such systematic comparisons not only ensure compatibility, but also provide a meaningful insight in terms of consistency for the selected indicators, capturing the severity of the deprivation.

❑ Results suggest that further education, home ownership, and being married are associated with lower probabilities of being deprived on multiple life domains, whilst larger households, unemployment and being female increase the probability of experiencing multidimensional poverty.

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Introduction - How poor is *poor*?

This study aimed to provide an in-depth analysis of poverty in the UK, through an analysis of both deprivation in several life domains and deprivation as a composite, multidimensional phenomenon. The indices represent a development on a flexible, policy focused methodology as proposed by Alkire and Santos (2010) in an effort to develop on a directly applicable framework that can accommodate different indicators, weights, and cut-offs not only for the UK, but also for any other country. Undertaking such an analysis enables: (i) improvements in the targeting of the different deprivations and the relative burden of deprivations affecting households; (ii) the targeting, coordination and flexibility of interventions to achieve better outcomes for people facing deprivation in multiple life domains (Ravaillion, 2011).

Policy Context

In 2012, the UK had a higher poverty rate than most EU member states. While poverty rates have declined since then, this progress is now at risk since policy changes under the 2017 Autumn Budget. **UK Poverty 2017** underlines that "*overall 14 million people live in poverty in the UK – over one in five of the population. This is made up of eight million working-age adults, four million children and 1.9 million pensioners*". Despite the government's efforts to secure a more socially inclusive society with lower levels of multiple deprivation, the UK's mixed record in tackling poverty should not come as a surprise. The integrated nature of well-being produces difficulties in evaluating poverty levels and one issue is the neglected human life aspects and an over-emphasis on income.

Thus, determining who the most deprived social groups are and in which life domains they are experiencing deprivation is crucial for generating more effective, holistic poverty reduction initiatives combined with social protection intervention prioritization. It is this challenge that is explored in this study, attempting to shift the focus of societal development from an income-oriented to a people-centric approach by making the case for an anti-poverty UK agenda that gradually works towards an appreciation of the multidimensionality of well-being.

The first step of the multidimensional approach begins with the selection of various dimensions. Plausible dimensions that are a measure of multiple deprivations are quite abundant and should include empowerment, health, education, standard of living, work, environment, safety from violence, social relationships, and culture (Alkire and Santos, 2010).

To identify a set of indicators and dimensions which would be best suited for the UK as a first cut, the study utilizes existing evidence to guide the preliminary choice of indicators. In particular, to sharpen the focus of UK's multidimensional poverty indicators, this study concentrates on life domains that: (i) are considered to be important for British society (ii) to guide the development of public policy, and (iii) enable empirical exploration (see Table 1).

Table 1. Deprivation in life dimension (% of population)

Deprivation in life dimension, percentage of population	2016
LIVING STANDARDS INDICATORS	
Capacity to afford a meal with meat, chicken, fish every second day	5.28
Ability to keep home adequately warm	6.10
Leaking roof, damp walls/floors/foundation, or rot in window frames or floor	16.20
Capacity to afford paying for one week annual holiday away from home	27.00
Pollution, grime or other environmental problems	9.00
Crime violence or vandalism in the area	25.40
FINANCIAL SECURITY INDICATORS	
Capacity to face unexpected financial expenses	38.00
Arrears on hire purchase instalments or other loan payments	5.95
Ability to make ends meet	16.00
HEALTH INDICATORS	
Unmet need for medical examination or treatment	4.50
Unmet need for dental examination or treatment	4.10
Limitations in daily activity due to health problems	22.00
HOUSING INDICATORS	
Arrears on mortgage or rent payments	2.50
Financial burden of the total housing cost	72.00

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National Context

The first set of multidimensional poverty indicators deals with living standards and draws on five indicators reflecting the capabilities of possessing adequate resources across the life course to enjoy a decent standard of living. These needs are: consumption of meat or proteins at least every other day, ability to provide adequate heating of a dwelling, ability to spend a week long holiday away from home at least once a year, quality of the environment and problems with the dwelling. The analysis reveal that a minimally acceptable diet is a normal element for almost all households in the UK, whereas, crime and vandalism in the neighbourhood, as well as environmental pollution are identified as the most serious problems in this deprivation segment. In addition, as far as economically weak households are concerned, 27 percent of the population cannot afford to go on an annual holiday.

Financial deprivation, being central for almost every form of subjective poverty, is included as a dimension. Three main indicators are taken as component proxies and jointly provide a holistic assessment of capabilities that have been the prime deprivational concern in the UK: capability to face unexpected expenses, arrears on hire purchase instalments or other loan payments. A valid concern here is that, UK households seem to face difficulties to meet both ends. An equally interesting fact is that within the life domain, households are less able to cope with unexpected expenses. In 2016, around 38 percent of the population considered that their current income was too little to face unexpected expenses and 16 percent struggled to make ends meet. The necessities most likely to be out of reach are those requiring either ready cash for emergencies or regular amounts of money for longer term financial planning, as lives are becoming more insecure. The next set reflects financial stress related to housing facilities and household's capability to pay rent, mortgage repayments, and utility bills.

This is the most progressively growing category with 72 percent of the population perceiving housing costs as a burden.

The final focus of the multidimensional poverty indicator is on the area of health inequalities, particularly how much inequality in the health sector is associated with unequal socio-economic structure.

Three indicators are included to provide a holistic assessment of household's health outcomes: two each for presenting a balanced assessment of household's health conditions: (i) access to medical services (ii) access to dental services. The analysis reveals that 4.5 percent of the population have unmet medical needs and this is rather similar in terms of access to dental services, as nearly 4.1 percent of the population have unmet needs regarding dental treatment.

The final health indicator uses data on person's self-assessment of whether they are hampered in their daily activities, by any ongoing physical or mental health problems, illness or disability. This highlights that the UK has one of the highest shares of people reporting severe long-standing limitations compared to other European countries, with 22 percent of the population.

In an attempt to allow policy makers to identify economically deprived households more accurately, I analyse the severity of hardship conditions experienced by in the UK to explore if some socio-economic categories exhibit higher risks of experiencing poverty in multiple life domains.

This opens several lines of debate in terms of policy implications and assesses whether living conditions have been declining. Results suggest that further education, home ownership, and being married are associated with lower probabilities of being deprived on multiple life domains, whilst larger households, unemployment and being female increase the probability of experiencing multidimensional poverty.

Policy Recommendations

❑ The findings suggest attention need to be given to equity considerations, but more importantly, the extent of gendered inequality should not remain under-represented and under-addressed through policy interventions. Across the dimensions of income poverty and multidimensional poverty, there is a relatively steady gender effect, and women are more likely to experience deprivation in multiple life domains compared to men.

❑ Households are partitioned akin to the marital status of the household head to document the relationship between marital status and multidimensional poverty. As regards the marital status; the results suggest that, compared to married couples, for instance, singles with or without children have an especially higher probability of being deprived in multiple life domains.

❑ Home-ownership, which is still most people's aspiration in Britain, is generally associated with better living conditions that can be attributed to its association with accumulation, or capital rich/cash poor owner occupiers. Indeed, owner occupation has been found to decrease the probability of experiencing deprivation in multiple dimensions. Of course, these results are suggestive rather than definitive, but they do point towards the hypothesis that the outcomes of multidimensional poverty are at least mediated by differences in owner-occupancy. This also carries along with the need to be cautious regarding policies intended to alleviate household deprivation and to ensure that they do not under estimate the importance of home ownership.

❑ As far as further education is concerned, less educated and non-working people irrespective of their gender and marital status have generally a higher probability of being deprived in multiple life domains. This not only confirms the need to focus on education but also, implies the need for an efficient anti-poverty game plan in the UK, which includes the advancement of skills and education. In fact, such a policy agenda should be committed to generous investments towards improving educational levels and labour market opportunities.

Sources

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