



A new measure of poverty proposed for the UK

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A new approach to measuring poverty has been proposed by The Social Metrics Commission. This may end a dispute between the UK Government and its critics which has been running since 2010. The approach may also be of interest to other EU countries and the European Commission.

Description

Until 2010, the UK official statistics on poverty published in the Households Below Average Incomes (HBAI) series were based on income and deprivation indicators, very similar to the EU poverty and social exclusion measures. A selection of indicators based on this approach was incorporated as the 2010 Child Poverty Act targets with all party support.

When the Government changed from Labour to Coalition in 2010, it expressed criticism of income-based measures, abolished the Child Poverty Act targets and launched a consultation (DWP 2012) on child poverty measurement which advocated alternative measures, including worklessness, family structure, unmanageable debt, addictions, poor housing, skills and education. These proposals were widely criticised by NGOs, think-tanks and academics (Stewart and Roberts 2017) – for confusing the indicators of poverty (i.e. its measurement) with the causes, correlates and consequences of poverty. The Government went ahead despite these criticisms and established two new statutory indicators based on worklessness and educational attainment, with others to come. Parliament managed to persuade the Government to retain the published HBAI series but Ministers have begun to use the so-called absolute indicator (based on an income threshold anchored in time), rather than the one based on a relative one based on a threshold of current median income.

Meanwhile, the Social Metrics Commission was established. It is chaired by Philippa Stroud, previously of the Centre for Social Justice and a former advisor to Iain Duncan Smith, the Conservative Minister who had been instrumental in persuading the Government to move away from income-based poverty measures. There was therefore some surprise when the Commission produced its report (Social Metrics Commission 2018) arguing the case for a relative income-based measure of poverty – although Commissioners had been carefully chosen to represent different views, and there had been wide consultation with experts and others. The proposed measure has been widely welcomed by NGOs, think-tanks and academics.

Outlook & commentary

In its report, the Social Metrics Commission argues that income should be measured net of housing costs (including mortgage repayments and taking account of the costs of renting an additional room to avoid overcrowding where applicable), childcare costs and the costs of disability (measured by deducting the benefits for additional costs of disability). It also proposes that the net income measure should include the value of liquid assets and exclude obligated debt repayments, although currently this information is not available. It also proposes that the unit of analysis should change from a household to an approximation of a “benefit unit” and that the poverty count should include some groups not covered by household surveys, in

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particular rough sleepers. It proposes and indeed presents a new poverty gap indicator (which measures the “intensity” of poverty), which is a promising novelty – poverty gap data have never been produced in the HBAI series. It also proposes measures of persistent poverty and some indicators to assess the lived experience of people in poverty (where the previous non-income indicators come back in again).

In order to match the total number in poverty on the existing HBAI measure, the Commission proposes a threshold of 55% of median income (as opposed to the current 60%), but using a three-year smoothed average. Although the total in poverty does not change with its measure, its composition does. The proportion of children, people with disabilities and single people in poverty goes

up and the proportion of couples and pensioners falls. The Commission supports the validity of the new measure by showing that it has a stronger overlap with deprivation indicators than does the existing measure.

The Commission proposals represent an important step forward. Although they have been widely welcomed and the Institute for Fiscal Studies and the Resolution Foundation have said that they will publish poverty numbers based on the Commission’s methods in the future, the Government has not yet accepted or adopted the proposals. The Social Metrics Commission continues to work on the proposals, including more work on how to adjust income to take account of varying household needs, how to take account of obligated debt etc.

Further reading

DWP (2012), Consultation on child poverty measurement:
<https://www.gov.uk/government/publications/measuring-child-poverty-a-consultation>

Stewart, K. and Roberts, N. (2017), Child poverty measurement in the UK: assessing support for the downgrading of income-based poverty measures, Social Indicators Research, ISSN 0303-8300.

The Social Metrics Commission (2018), A new measure of poverty for the UK. The final report of the Social Metrics Commission:
http://socialmetricscommission.org.uk/MEASURING-POVERTY-FULL_REPORT.pdf

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