**A Note on The Extent and Definition of Poverty in the UK**

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The attached document, ‘Poor Lore’, is my contribution to the issue of the extent and definition of poverty in the UK. Although written and published five years ago it is I believe still very much relevant to today. Attached with it is an update and explanation of the current level and extent of state benefits to those who are unemployed, employed on low incomes, ill or disabled, and those who are retired on low incomes, a large proportion of whom are frequently described as living in poverty.

This previously published paper, which concentrates mainly on aspects of child poverty, takes a view and presents evidence that is somewhat different to that typically heard from the ’poverty lobby’ -- charities and academics with a vested interest in the subject. I myself have no vested interest, other than to try to temper the often one-sided representations so often heard from the lobby in the media on the extent and definition of poverty. I should perhaps add, though, that I have had much personal experience of living for many years (in fact most of my life) under the various definitions of first-world poverty used by Townsend and his contemporaries and successors. However, I rarely felt or believed that I was actually living in ‘poverty’. Much of the following are extracts, and/or updates, from ‘Poor Lore’ concerned with child poverty and from my Masters dissertation on pensioner poverty.

**Poverty Definitions**

The most widely-used figure below which poverty is usually defined is 60% of median household income, adjusted for household size, and is given for ‘before housing costs’ (BHC) and ‘after housing costs’ (AHC). The adjustment for household size is made to take account of the different spending needs of single people, couples, and of families with and without children.

According to government statistics, there were 2.3 million children in the UK living in households that were in income-poverty in 2010 on the BHC basis, or 3.6 million under the AHC measure. The latter figure constitutes some 27% of all children in this country. The Children's Society's chief executive, Matthew Reed, had commented that, "It is unacceptable that so many children are still living in poverty in modern-day Britain, denied basic necessities like regular food, decent clothing or a warm home.

If, in 2008/09, 2.8 million children in the UK were living in poverty, what might one expect the number to have been 40 years earlier, back in 1968? Perhaps double, or 75% more? Or perhaps no different at all? The answer is that the figure was, apparently, not **more** in 1968, but **less**. Very much less; in fact half the number in 2008. Is that really believable -- twice as many children in poverty than 40 years earlier?

Under the official definition, the number of children classed as being in poverty almost doubled between 1983 and 1993. Again, is this really conceivable? Did we blink and miss some catastrophic event? Or is there, perhaps, something wrong with the way ‘poverty’ is defined?

**Historical context**

Before the ‘rediscovery’ of poverty by Prof Peter Townsend in the 1960s, poverty had been measured in terms of an income below the state-support levels – then the Beveridge-designed National Assistance rates, the forerunner of the present mix of the Income Support, JSA and Tax Credits systems. Everyone in receipt of National Assistance was deemed to have been lifted out of poverty, since the rates were regarded as sufficient to obtain the necessaries, and a bit on top. Most households counted as being in poverty were those who received an income from work lower than the state’s safety-net, or were those not claiming or getting their benefit entitlement.

Townsend, together with Brian Abel-smith, put forward a case for redefining the poverty line to one that was 40% higher than the standard state benefit rates. There was no scientific, or rational, explanation for choosing this figure other than the fact that the researchers had discovered that ‘some’ claimants were receiving up to this amount either from extra allowances or disregarded income. The 140% of benefit rates quickly became the new poverty line, at least amongst the ‘poverty lobby’ – a mix of social policy academics, socialists and pressure groups. As a result, whenever the extent of poverty was discussed by them, the poverty numbers were swelled by the inclusion of almost all the unemployed and those in receipt of National Assistance, later Supplementary Benefit (SB).

This new poverty line came under a lot of criticism, however, by governments and some other academics. Comparisons were made between the level of income this yardstick represented and the level of pay from working. It soon became obvious that even families with incomes near the national average could be counted among those in poverty. Eventually, this definition was largely either discredited or ignored. As the Left-leaning journal, New Society, put it in 1986;

*“On this definition…a home-owning couple with two children on £10,250 a year can be said to be in poverty. The objections to such a definition are overwhelming. It fails in logic, because it implies that every time benefits go up, so do the numbers of the poor. Norman Fowler, if he wished to abolish poverty in the CPAG sense, need only halve supplementary benefit. It fails as propaganda, since it runs counter to casual observation and common sense. And it fails as a political tactic since the mass of the non-poor, prepared though they may be to contribute to the alleviation of objective hardship, are quite unprepared to transfer their hard-earned cash to people who they regard as little poorer than themselves. The hard task of fighting poverty is not served by the setting of what any good Trotskyist would recognize as impossible goals.”*

This new relative deprivation/poverty definition also came under attack from other poverty researchers, notably Piachaud (1981) and Sen (1983), who objected to Townsend’s choice of deprivation indicators and queried whether there was any consensus on his choice of indicators. Piachaud commented on Townsend’s search for an objective measure as “not only destined to eternal frustration but also profoundly wrong. Social scientists can describe the inequality of resources within and between countries as objectively as possible. *But inequality is not the same as poverty….* The definition by an individual, or by society collectively, of what level represents ‘poverty,’ will always be a value judgment.” (original emphasis) (p.421). The title of his essay summed up his feelings about Townsend’s approach: ‘Peter Townsend and the Holy Grail'.

**The new definitions of Poverty**

Following all the criticisms of the Townsend poverty yardstick, alternative measures were sought to try to bring more credibility to the case for increasing the incomes of the poor. Academics came up with ‘Budget lines’, and ‘society-approved’ or ‘popular consensus’ poverty thresholds. Some of these measures seemed designed more to shore up the discredited 140% of SB poverty lines with fancy mathematical modelling than to shed more light on the nature and extent of poverty. Some were criticised as being measures of deprivation, rather than poverty, while some others were more localised and largely ignored as irrelevant to the national picture.

Following this new, and controversial approach to defining and operationalising poverty, Mack and Lansley (1985), although agreeing with Townsend’s basic methodology, also thought that the choice of which indicators to use to determine relative deprivation/poverty should not be the researcher’s alone. They embarked on a modified version of Townsend’s study using a “popular consensus” poverty standard involving members of the public in the choosing of items deemed necessary to participate fully in contemporary society.

Unlike with the Townsend study, Mack and Lansley avoided the difficulty of whether items deemed ‘necessities’ were absent due to a lack of money or whether the items were not present because respondents did not want them. The researchers specifically asked respondents whether they did not possess any particular ‘essential’ because they could not afford them or because they did not regard them as necessities.

A decision was taken that if households lacked at least three ‘essential’ items, this would constitute ‘poverty’. Using their survey results, Mack and Lansley put the proportion of the population in poverty at 13.8% and ‘in or on the margins of poverty’ at 22.2%. The proportion of those in poverty who were elderly was ’relatively small: only about 13 per cent.’ This the researchers put down to the elderly’s ‘low expectations’. They claimed that by making an adjustment for this the proportion would rise to more like one-fifth (p.187).

However, what was being defined by Mack and Lansley was not poverty but deprivation. Nor was it clear that they had overcome the same difficulty that Townsend had in convincing a number of his peers about the selection of ‘essentials’ as a measure of either poverty or deprivation. As Piachaud asks;

“Is a household poor that cannot afford necessities but affords non-necessities? Ashton (1984, p.98) puts it as follows: ‘The lack of three or more items has to be because the household cannot afford them in order for it to be counted among those in poverty. But the reason for lacking them is self-assessed. Many people who say they cannot afford an essential may have, or may have had, the resources to purchase it but allocate their resources instead for an apparent non-essential. To give an example, a household might lack the items 'carpets in the living room and bedroom' because they claim they cannot afford them, but may possess, say, an expensive hi-fi stereo unit. We are asked to accept that when someone says they cannot afford a particular item, they have not chosen instead to spend their money on something else that they regard as more essential (or desirable), but which does not appear on LWT's list.’ Without some judgement about what margin, if any, is to be allowed for non-necessities, it is hard to see how any social consensus approach can move from a list of necessities to a determination of the income necessary to provide these necessities” (Piachaud, 1987).

One further matter of contention was the choice of three lacked essential items to constitute poverty. This was not a ‘society approved’ decision but was decided upon by the researchers themselves. Had they gone back to their respondents and asked whether they agreed that the absence of any three items from their list constituted ‘poverty’ and got that approval then Mack and Lansley would have advanced a step nearer to a consensus with the public. However, they would still have had to justify their conversion of the new concept to an income level.

Later, the European Commission (EC) came to the rescue with its now widely-used poverty threshold of 60 per cent of the median household income, adjusted to take account of variations in household size and composition. Although most often written and spoken of as a poverty line, in fact it was not intended as such. The EC definition was actually devised as a measure of an income below which puts the household ‘at risk of poverty’, and not in poverty itself.

Notwithstanding that the EC measure is not directly of poverty, and that it is widely used, it too has been criticised as an indicator of poverty, let alone ‘at risk of’. This is because of what the definition means in practice, i.e. it is a measure of inequality of incomes rather than of poverty.

People in work on modest and reasonable earnings could be counted as in poverty under the 60% of median income yardstick. For example, a couple with two children with one partner as the breadwinner on a salary [in 2012] of £27,000 a year (just above median average earnings in 2010/11) and the other as a homemaker could have been classified as living in poverty, once account is taken of all taxes, benefits and housing costs. This suggests that the European measure of poverty is, at the very least, questionable.

In fact, there is no good reason for the European Commission choosing a level of income of 60% of net equivalised household income. Why not 50% or 70%? The percentage decided upon, like Townsend’s 140% level of SB, was arbitrarily chosen. Prof Donald Hirsch makes the point:

“Most people accept that poverty has a relative element – that a basic living standard acceptable in Dickens’ time may be unacceptable today. *But the decision to draw the line at 60 per cent is arbitrary.* So when a progressive government redistributes income to bring families above this abstract poverty line, there are always those who challenge whether being in relative poverty really constitutes a hardship" (emphasis added). Hirsch, 2008.

The EC’s poverty line is not only an arbitrarily chosen one, as Hirsch confirms, but it is merely a measure of the unequal distribution of incomes. Proof of which is demonstrated by the drop in the ‘poverty’ rate in 2010/11. The main reason for its fall was simply because the incomes of higher income households fell over the year by a larger percentage than lower income households. The real (after inflation) incomes of the poorest actually fell, yet so too did the numbers counted as being in poverty.

**What next?**

I am not here proposing a new poverty definition; although there are other definitions out there that space prevents further analysis of. What I would like to introduce, however, is a slightly different but highly significant and relevant suggestion put forward by Brewer and O’Dea 2017; Serafino and Tonkin, 2017; United Nations Economic Commission for Europe (UNECE), 2017), among others.

One of the problems of defining poverty by virtue of what income people have relative to their household type, or what ‘essentials’ they do not have, is that the data alone on what their income is or what possessions they lack because of an ‘inadequate’ income, is that income alone does not necessarily indicate their spending potential. Whilst household income as a measure is a good proxy for the resources available to an individual to consume or save, and as the DWP contends, “ is also attractive as a measure as it can be directly influenced through government policy, particularly through the tax and benefits systems”, there are nonetheless some theoretical and pragmatic arguments for considering household spending, perhaps alongside income, which researchers should be turning their attention towards.

One of the most interesting set of figures turned up by the DWP’s special analysis of their HBAI of the relationship between household income and expenditure show that the proportion of the UK population that is in poverty is almost halved when the two together are considered. Using a ‘poverty’ threshold of 60% of median equivalised household income, and 60% of equivalised expenditure for the financial year ending 2017, 22.8% of the UK population was considered to be in income poverty and 21.8% was deemed to be in expenditure poverty. Yet when looking at the two variables together, only 11.5% of the population was in both income and expenditure poverty in FYE 2017, and 17.7% of all children were also deemed to be in both income and expenditure poverty.

To coin a phrase popular among academics, ‘more research needs to done’.

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