

Poor Britain

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Chapter 6: Measuring Poverty

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Measuring Poverty

The implications of the findings on deprivation

It's a well-known fact that people on supplementary benefit get about £1 per day per child. That's to clothe and feed them on. And it's ridiculous because nobody can clothe and feed a kid on £1 a day. [A single parent with two school-aged children]

Deprivation in Britain in the 1980s is both extensive and, for some, intense. However, deprivation is not poverty. Although the two concepts overlap considerably, poverty has a narrower focus and somewhat greater implications for the individual.

The most important aspect of the *Breadline Britain* survey has been to throw light on the nature of relative deprivation, but it is useful to try to draw these findings together to form a measure of poverty. Although this runs the risk of oversimplifying the complex pattern of deprivation, a summary measure does help focus the debate on how many people face unacceptably low living standards.

The classification of people as being in poverty will aim, as far as possible, to be a descriptive exercise rather than one of personal value judgements. It will aim to measure the numbers of people whose *enforced* lack of necessities affects their *way of living*. The fact that there are no sharp distinctions between different levels of deprivation inevitably means, however, that such an exercise can only be rough and will include a degree of arbitrariness. This, in our view, is inevitable in any measure of poverty. To indicate the effects of this, a possible 'range' in the numbers in poverty will also be calculated.

In general, this chapter tries to draw together the findings of earlier chapters and use them to answer three broad questions. First, how many people live in poverty and how far do they fall below the minimum way of life to which everyone is entitled? Second, who are the people in poverty and who are the people most at risk? And last, is it possible to identify a level of income above which the risk of poverty is substantially diminished?

The principles underlying the measurement of poverty

Having identified minimum needs, there are at least two ways in which to identify the numbers in poverty. The first is to look *directly* at those whose needs are unsatisfied; in this study this means counting the numbers who lack necessities. The second is to look for a level of *income* below which people are unable to meet these minimum needs. This method entails drawing a *poverty line*: people with incomes below this line are counted as being in poverty. Both methods have advantages, although, as Sen points out, they embrace different conceptions of poverty:

The direct method identifies those whose actual consumption fails to meet the accepted conventions of minimum needs, while the income method is after spotting those who do not have the ability to meet these needs within the behavioural constraints typical in that community. Both concepts are of some interest on their own in diagnosing poverty in a community, and while the latter is a bit more remote in being dependent on the existence of some typical behaviour pattern in the community, it is also a bit more refined in going beyond the observed choices into the notion of ability. A poor person, on this approach, is one whose income is not adequate to meet the minimum needs in conformity with the conventional behaviour pattern. (Sen, 1982, p. 28)

For such reasons, income has generally been used to measure poverty. However, there are immense problems in drawing a 'poverty line' based on income because of the relationship between income and deprivation (see Chapter 4). Simply, there are some people on the lowest current incomes who have a higher standard of living than others with a higher current income. Townsend tried to overcome this problem in his study by exploring whether there was an income level below which people were disproportionately deprived. While this 'income threshold' may have uses, it is not an adequate indication of poverty because there could still be people in poverty even if there was no threshold.

Although income remains central to any attack on poverty, this study turns to the *direct* method of identifying the numbers in poverty. This approach has its advantages:

In an obvious sense the direct method is superior to the income method, since the former is not based on particular assumptions of consumption behaviour which may or may not be accurate. Indeed, it could be argued that *only* in the absence of direct information regarding the satisfaction of the specific needs can there be a case for bringing in the intermediary of income, so that the income method is at most a second best. (Sen, 1982, p. 26)

In the past, it has been argued that the main disadvantage of this direct method is that observing the people whose needs are unsatisfied without observing their ability to afford these needs ignores 'choice': the ascetic, for example, who fasts. By controlling for 'taste' this criticism has been taken into account. The measure of poverty used is, then, based on counting those who have an enforced lack of necessities.

In doing this, we have aimed to limit the role of personal value judgements. In particular, we have removed from our own judgement the key question of what aspects of life are so important that to go without is to be deprived. Instead, we have taken the consensual judgement of society at large. This has involved developing the concept of socially perceived

necessities, which enables a much more descriptive, as opposed to prescriptive, view of deprivation to be taken.

However, it is not possible to remove subjective judgement altogether. Indeed, we do not claim to have come up with a 'scientifically' objective measure of poverty. Our definition of poverty is based on the concept of an enforced lack of necessities, which does not of itself provide an unambiguous measure of poverty. To move from the concept to a measure, it is still necessary to make judgements about the interpretation of the two main criteria at the heart of this definition. The first of these is the question of when a lack of necessities is *enforced*. This tells us when people are deprived and gives a measure of deprivation. Second, there is the question of how a measure of relative deprivation is translated into one of poverty - that is, what *level* of deprivation constitutes poverty.

Deciding when a lack of necessities is enforced, and when it is not, requires judgements about the extent to which choice and taste should be taken into account - how far, in particular, people's *self-perception* of their situation should be accepted. For example, take an elderly person who says they do not want a holiday. If they are poor and could not afford it anyway, should it be assumed that they are still deprived on the basis that their expectations are distorted - or that they genuinely do not want a holiday, even if they could afford it?

Another question in deciding whether the deprivations are enforced concerns people's *priorities* or the types and pattern of goods lacked. To what extent, for example, can people on higher incomes who say they cannot afford one or some necessities be said to have an enforced lack of necessities? Again, and more importantly, to what extent can people who say they cannot afford necessities be said to have an enforced lack of these necessities if at the same time they spend their money on goods that society as a whole considers to be less important? In what circumstances should these priorities be accepted as 'reasonable' and the deprivations stemming from them as enforced?

These questions need to be answered in order to determine the patterns of enforced deprivation. All those who have an

enforced lack of necessities are deprived in some way or another. Before we can estimate the extent of poverty, however, a further question remains. At what point does deprivation become poverty? Does a lack of one necessity constitute poverty? Or should it be several necessities? This again is a matter of judgement. In this study, we assume that poverty is a situation where such deprivation has a multiple impact on a household's *way of life*, affecting several aspects of living. Thus, a family which just about manages but to do so does without an annual holiday is deprived by today's standards; in our judgement, however, it is not in poverty. Deprivation has to have a more pervasive impact to become poverty.

With these criteria in mind, we shall estimate the extent of poverty and the sensitivity of such estimates to different assumptions on these questions. This helps to provide a range of estimates about the extent of poverty, based on judgements that are likely to be broadly acceptable. At this stage, it is as well to recall the implications of some of our data problems for these estimates. In particular, the problems of the income data (see Appendix C, pp.308-14) mean that some households are misplaced in the income distribution, giving a slightly weaker relationship between deprivation and income than would be expected to be the case. Some of the questions raised above would be easier to answer and the estimates of poverty more precise if the income data were better.

An enforced lack of necessities

In Chapter 4 the measurement of deprivation was examined. In light of the questions above, it is worth summarising briefly the main findings.

First, consider those who lack necessities because they say they cannot afford them. For each level of lack of necessities, can the lack be generally described as enforced? Two criteria have been applied: first, those who lack this level of necessities should have low incomes, falling in the bottom half of the

income range; second, their overall spending patterns should reflect financial difficulty rather than high spending on other goods. This second criterion has been interpreted as meaning that at this level of lack of necessities households should be cutting back in other ways and that they should be more likely to do so than those who are not cutting back on necessities.

Using these criteria, a level of lack of one or two necessities is largely enforced, though not overwhelmingly. Around one-quarter could be considered to have 'chosen' not to afford the necessities even if they say they cannot afford them in the sense that they are in the top half of the income range (it is also the same percentage as those who lack none of the 'non-necessities'. groups that overlap considerably).

A level of lack of three or more necessities is, by contrast, overwhelmingly enforced. Very few of the better-off lack this level of necessities. And nearly all those who lack this level of necessities cut back on non-necessities, a majority cutting back substantially. To a large extent, differences in *priorities* do not arise - people's priorities are similar.

Of course, there will be exceptions: there will be some whose standards of living are intensely low because they gamble or they go down to the pub every night, all night. While such exceptions may be of interest, they in no way invalidate the general conclusions. It is inevitable in any study of social circumstances that there will be exceptions because of the wide variety of highly individual factors that affect behaviour. What is important is that the circumstances described are, in the main, an accurate reflection of people's predicament - and there is no evidence to throw any substantive doubt on that.

To the extent that we feel there is room for doubt we shall investigate the effect of this. Using the dual criterion that those on high incomes and those with otherwise high spending patterns should be excluded, some 10 per cent of those who cannot afford three or more necessities are arguably not in real financial difficulties. Allowance will be made for this by calculating a downward limit to the numbers in poverty. We shall call this a *deduction for high spending*,

There is one other factor worth considering in this context of the extent to which the lack of necessities is enforced - namely, smoking. Some people have argued that no one who smokes can be described as being in poverty. While we have argued that, in the main, it is deprivation that leads to smoking rather than the reverse (see Chapter 4), there remains a small minority whose smoking could be said to cause their deprivations in that they would appear to have enough money to afford the necessities they lack if they did not smoke. We calculate this to affect around 15 per cent of those lacking three or more necessities. We will, therefore, make an allowance for this and call it a *deduction for the effect of smoking*.

Where there is, in our view, more room for interpretation is on the question of the extent to which people who lack necessities because they do not want them should be excluded from the measure of deprivation. The findings suggest that it is worth controlling for 'taste' in that there are many on higher incomes who choose to go without one or other necessity and a few who choose to go without a range of necessities. Among the poor, however, the exercise of 'choice' is limited: when someone who anyway cannot afford a necessity 'chooses' to go without it, the likelihood is that the lack is not being replaced by an adequate substitute. *Low expectations* do indeed appear to be an important influence, particularly among the elderly. For these reasons, while in the main the measure of deprivation taken has excluded those who lack goods because they do not want them, we shall also calculate what effect this factor of low expectations has on the numbers of those in poverty. That is, we shall calculate a measure of poverty based on all those who do not have necessities excluding only those of the people who 'choose' not to have a necessity who could afford that necessity if they so chose. This, of course, entails another judgement about those who could not afford necessities they say they do not 'want'. We have taken all those in the first, second, third and fourth deciles, where the concentration of deprivation based on those who cannot afford the necessity is notably higher.

To some extent, there are arguments for limiting this

‘differential taste exclusion’ to those in the bottom decile, where income constraints are clearly both sharpest and very intense. The point, however, is simply to give an indication of the degree to which excluding people on the grounds of ‘taste’ has had an effect on the upward limits of the numbers of people whose living standards fall below the minimum laid down by society as a whole. We shall call this *adjusting for low expectations*.

The effects of deprivation

In Chapter 5, the effects of deprivation on a person’s way of life were examined. It was argued that the effect of a lack of one or two necessities is in the main relatively marginal, simply because people’s lives are inevitably touched in at most one or two areas. By contrast, those who lack three or more necessities are generally cutting back in a range of ways: in particular, the distribution of the specific necessities lacked by this group showed that they were cutting back in ways that affected a range of *areas* of their life and not just one. Taking the criterion that those facing deprivation will be classed as being in poverty only if those deprivations have widespread effects, then all those with an enforced lack of three or more necessities are in poverty. In our view, this criterion is on its own sufficient. All fall below the minimum way of life laid down by society as a whole.

We will, therefore, take all those who cannot afford three or more necessities as an indication of the numbers in poverty.

However, some people would argue that a criterion of ‘seriousness’ should also be considered. It would be argued on this basis that a person is only in poverty when the deprivations faced are in some sense intense. It would be perfectly possible to make an estimate of the ‘seriousness’ of the deprivations faced. Although the survey did not directly test the comparative importance people placed on each of the necessities, some indication of this is given by the rank order of the necessities; that is, by the proportion of the population classing each item

as a necessity (see Table 3.1, p. 54). This shows that some items are more likely to be considered as necessary than others (for example, heating as compared to holidays), but it is probably also true that the items for which there is a high degree of consensus are also the items about which each individual will feel most strongly are necessary. The deprivation suffered from a lack of these more 'important' necessities is likely to be more intense.

On this basis, the 'seriousness' of the deprivations faced could be taken into account in constructing a measure of poverty. One way of doing this would be to weight necessities so that those that are more 'serious' count for more than those that are less 'serious'. This approach is, however, based on a misconception of the nature of poverty. It assumes that those in poverty should, by definition, all face an equally 'serious' situation, whereas living standards at the bottom of society, as elsewhere, are likely to vary. There will be some in poverty whose problems are more serious than others - and this is a legitimate question for study. However, to try to produce a measure that 'equates' problems is to make an assumption about the nature of poverty that is, in our view, fundamentally incorrect.

The 'seriousness' of the deprivations faced could, none the less, be taken into account without coming up against these problems. It could be done by simply adopting the criterion that the deprivations faced must extend into areas that are 'serious' for the circumstances to be classed as poverty. This approach is, in our view, still misplaced. That the deprivations suffered by some do not extend into the more 'serious' areas does not diminish the fact that their way of life falls below the standards of society as a whole. Their deprivations may be less serious than others but they remain deprivations none the less.

We do not wish, therefore, to add a criterion of 'seriousness'. We will, however, estimate the effect of this assumption in the next section. This is, anyway, of some interest. Even if it is accepted, as we do, that the judgement of a straightforward majority of the population is sufficient to define the deprivations that count in the measurement of poverty, it is still

Table 6.1 *The degree of concern about the deprived: adults*

The 18 adult standard-of-living items	Lack ^a of necessities			
	1 or 2	3 or 4	5 or 6	7 or more
	% of households lacking at least 1 item from each group			
Items classed as necessities by over 75% of people	33	68	91	100
Items classed as necessities by over 66% of people	51	95	100	100
Items classed as necessities by over 50% of people	100	100	100	100

^a'lack' is taken as those who do not have an item because they cannot afford it and excludes those who do not have it because they do not want it.

useful to know the extent of public concern about the problems of those at different levels of deprivation. This is shown for adults in Table 6.1 and for children in Table 6.2.

Looking at those who lack three or four necessities shows that lack of 'important' items is widespread: *virtually all* (95 per cent) lack at least one item classed as a necessity by 66 per cent of the population and over two-thirds lack at least one item classed as a necessity by over three-quarters of the population. This is in sharp contrast to those who lack one or two necessities, where the items lacked are much more likely to be concentrated among the necessities about which there is less agreement: only about one-half of this group lack an item classed by over two-thirds of the population as necessary, even though the majority of necessities fall into this category.

Those who lack three or four necessities do, then, lack at least once necessity about which there is widespread agreement that to go without that item is an unacceptable deprivation. Even if a criterion of 'seriousness' was introduced, it would not make a great deal of difference. If 'seriousness' was judged in terms of two-thirds of the population thinking the deprivation is important then the numbers in poverty are only marginally affected. If 'seriousness' is judged in terms of three-quarters of the population thinking the deprivation is important, then the numbers of those lacking three or more necessities who could

Table 6.2 *The degree of concern about the deprived: children*

<i>The 18 children's standard-of-living items</i>	<i>Lack^a of necessities</i>			
	<i>1 or 2</i>	<i>3 or 4</i>	<i>5 or 6</i>	<i>7 or more</i>
	<i>% of families lacking at least 1 item from each group</i>			
Items classed as necessities by over 75% of people	56	72	95	100
Items classed as necessities by over 66% of people	86	96	100	100
Items classed as necessities by over 50% of people	100	100	100	100

^a'lack' is taken as those who do not have an item because they cannot afford it and excludes those who do not have it because they do not want it.

be classed as being in poverty will be reduced. We shall call this an adjustment for *the marginality of deprivation*. However, using this criterion, it is arguable that those who lack one or two necessities should be included in the estimates of poverty if these necessities are 'serious'. One-third of those who lack one or two necessities lack an item classed by over three-quarters of the population as a necessity. We shall call this an adjustment for *the intensity of deprivation*.

The extent of poverty

With these criteria identified it is possible to calculate the extent of poverty in Britain in the 1980s. This is done by simply multiplying the percentage of adults and children in the survey sample in poverty by the numbers of adults and children in the population as a whole. (The statistical error will be around 2-3 per cent, which is minimal compared to the range that results from the assumptions outlined above.)

Taking first the simple measure of poverty as those who cannot afford three or more necessities, Table 6.3 shows that

Table 6.3 *The numbers in poverty (in millions)*

	<i>In poverty</i>	<i>Adjustments^a for:</i>			<i>Marginality of deprivation</i>	<i>Intensity of deprivation</i>
		<i>High spending</i>	<i>Effects of smoking</i>	<i>Low expectations</i>		
Adults	5.0	4.5	4.25	6.9	4.3	7.9
Children	2.5	2.25	2.15	2.8	2.4	3.8
Total	7.5	6.75	6.4	9.7	6.7	11.7
Percentage of the population	13.8	12.4	11.7	17.1	12.3	21.5

^aThe adjustments are taken separately and are not cumulative.

there are:

**5 million adults and
2.5 million children living in poverty; that is,
7.5 million people - around 1 in every 7 people**

The effects of the adjustments discussed above are shown in Table 6.3.

- *Deduction for high spending*: that is, making an allowance for those whose income and spending patterns are such that their lack of necessities appears not necessarily to be enforced. On this basis, the bottom range of the numbers in poverty would be around 6.75 million people.
- *Deduction for the effects of smoking*: that is, making an allowance for those who would appear to have enough money to afford the necessities if they did not smoke. On this basis, the numbers in poverty would be around 6.4 million.
- *Adjustment for low expectations*: that is, making an allowance for those who have an enforced lack of necessities that is not recognised because of low expectations. Then the numbers in poverty increase to around 9.7 million
- *Adjustment for the marginality of deprivation*: that is, making allowance for the proposition that some who lack three or

more necessities find that their lives are less ‘seriously’ affected because of the type of necessities they lack. This brings the numbers in poverty down to around 6.7 million.

- Adjustment for *the intensity of deprivation*: that is, making allowance for the proposition that some who lack one or two necessities find their lives ‘seriously’ affected because of the types of necessities they lack. This brings the estimate up to around 11.7 million.

Taking the downward ‘adjustments’ together and the upward ‘adjustments’ together gives a range (accounting for overlap in both sets of adjustments) of between about 6 million and 12 million people in poverty. Taking all the adjustments together, the numbers in poverty are estimated to be about 8.5 million.

While it is worth trying to achieve a measure of the extent of poverty for which there is wide agreement, there is a danger that at the margins the argument becomes rather semantic. Whether one chooses to describe 12 million people as ‘in poverty’ or 12 million people as ‘in or on the margins of poverty’ and 6 to 8.5 million people as ‘in poverty’ is less important than the implications that both wordings imply - namely, that there are about 12 million people who are struggling by the standards of today; that, among this group, living standards gradually deteriorate so that somewhat over half of this group face wide-ranging and serious problems.

We shall refer to those who are unable to afford three or more necessities as *in poverty*, and we shall refer to those on low incomes who are unable to afford one or two necessities as *on the margins of poverty*.

What is clear, and it is worth emphasising, is that there are no sharp distinctions. At the margins of poverty, there are many people whose living standards are relatively similar. There are around 4.5 million people in the bottom four deciles who lack one or two necessities. The adjustments for low expectations and for the intensity of deprivation both have the effect of drawing this group into the estimates of poverty. Indeed, their living standards are not all that different from those on low incomes who say they cannot afford three

necessities. People will move in and out of these two groups from month to month (or even week to week) as different problems or bonuses crop up: someone cutting back on two necessities one week may cut back on more the next week to pay, say, the electricity bill.

Similarly, among the 7.5 million people who have been classed as being in poverty, there is a wide variation in living standards. The adjustments suggest that there may be about 1.5 million people whose problems are not as serious as the rest, but even among the remaining 6 million living standards will vary considerably. All fall below the minimum standards of society today - but some will fall further below than others.

This can be demonstrated by looking at the extent of their deprivation. Those who cannot afford five or six necessities are generally finding life more difficult than those lacking three or four, while those lacking seven or more necessities are intensely deprived, cutting back in many ways in all areas of life (these differences are described in detail in Chapter 5). If the criterion of 'seriousness' is taken, nearly all those lacking five or more necessities and all those lacking seven or more necessities are also facing the more 'serious' deprivations (see Tables 6.1 and 6.2).

Broadly speaking, those who cannot afford five or more necessities are *sinking deeper* into poverty; and those who cannot afford seven or more necessities are in *intense poverty*. The numbers of people affected are shown in Table 6.4.

Table 6.4 *The depths of poverty (in millions)*

	<i>In or on the margins</i>	<i>In poverty</i>	<i>Sinking deeper</i>	<i>In intense poverty</i>
Adults	7.9	5.0	3.3	1.7
Children	4.2	2.5	1.4	0.9
Total	12.1	7.5	4.7	2.6
Percentage of the population	22.2	13.8	8.6	4.8

It is striking that there are 2.6 million people, including nearly 1 million children, who live in intense poverty: that is, about 1 in every 20 people. Their lives are diminished and demeaned in every way, so far do they fall below the minimum standards of society today.

The people in poverty

Who, then, are the people whose living standards are too low? There are five groups: the unemployed, single parents, the sick and disabled, pensioners and the low-paid. Of course, these groups overlap to some degree - some people, for example, will be both disabled and unemployed, some both single parents and unemployed - but each of these groups is significant in their own right.

In terms of *numbers*, the households split fairly evenly between those where the head of the household is in work, those where s/he is unemployed and available for work, and those where the head is not working and is unavailable for work. This is shown in Tables 6.5 and 6.6. (For the groups in poverty, the percentages should be treated as a guide to the scale of different factors rather than as a precise measure, as the overall numbers in these groups are relatively small; for statistical detail see Appendix A, pp. 287-8).

The tables show that *low pay* is an important cause of inadequate living standards: one-third of households where the adults are in poverty and 40 per cent of families in poverty have a head of household in full-time work. This affects about 1.75 million adults and 1 million children. Of those in work with inadequate living standards the overwhelming majority are in manual occupations. Low pay is, however, less significant as a cause of intense poverty, accounting for only about one-fifth to one-quarter of this group. Nevertheless, 400,000 adults and 160,000 children are in households where the head works full-time yet the household is in intense poverty.

Generally, as people slip deeper into poverty, the spectre of *unemployment* looms. In nearly one-half of households where the adults are in intense poverty and in two-thirds of families in

Table 6.5 *The work status of the head of household for adults in poverty*

	Not in poverty ^a	In Poverty		
		All those in poverty	Those who are sinking deeper	In intense poverty
		(column percentages)		
Full-time employment	66	35	31	25
Part-time employment	2	3	4	5
Not working	27	29	27	25
Unemployed	5	33	38	45
All	100	100	100	100

^aThose who are not in poverty are taken as those who do not lack any of the necessities because they cannot afford them.

intense poverty, the head of household is unemployed. The effect of the recession of the 1980s has been sharply to increase the numbers of adults and children suffering intense deprivation. Overall, there are about 1.65 million adults and nearly 1 million children in poverty as a result of unemployment; of this group, nearly half the adults and over

Table 6.6 *The work status of the head of household for children in poverty*

	Not in poverty ^a	In Poverty		
		All those in poverty	Those who are sinking deeper	In intense poverty
		(column percentages)		
Full-time employment	91	42	18	18
Part-time employment	(-) ^b	2	3	1
Not working	6	16	17	15
Unemployed	3	39	62	66
All	100	100	100	100

^aThose who are not in poverty are taken as those who do not lack any of the necessities because they cannot afford them.

^bUnder 0.5 per cent.

half the children are in intense poverty: that is, about 0.75 million adults and 0.5 million children.

Those in poverty where the head of household is not working and is unavailable for work fall into three main groups: the elderly, the disabled, and single-parent families.

The proportion of those in poverty who are *elderly* are on these measures relatively small: only about 13 per cent, representing about 0.65 million. The main reason why the elderly do not figure prominently is because of the methodology adopted. The elderly tend to have low expectations and, though many lack necessities, they tend to be excluded on a count based on those who explicitly say they cannot afford necessities. If an adjustment for low expectations is made, the numbers of elderly in poverty rise significantly to about 1.5 million, and would account for more like one-fifth of those in poverty.

Nevertheless, even after this adjustment, the elderly now represent a smaller proportion of those in poverty than throughout the postwar years. The Townsend study fifteen years ago found that the elderly accounted for about one-third of those in poverty. The measure adopted in the Townsend study is, of course, somewhat different from the measure adopted here, but this would not account for the bulk of the decline in the proportion of those in poverty who are elderly. Moreover, the numbers of elderly in the population have been rising, making the drop more significant than it appears. It therefore requires some explanation. The main reason is clear: it results from the impact of the recession. The numbers of unemployed have risen dramatically and have formed an ever-increasing proportion of those in poverty. In addition, other changes have improved the circumstances of some of the elderly: in particular, the state pension has fared relatively well compared to other benefits and an increasing proportion of the elderly have an occupational pension to add to their state pension.

Moreover, it is not only the case that the elderly form a smaller proportion of those in poverty generally, they also form a smaller proportion of those in intense poverty. While nearly

half of the unemployed in poverty are in intense poverty, only about one-fifth of the elderly in poverty are in intense poverty (adjustments for low expectations have been taken into account). Nevertheless, this still represents about 300,000 elderly people whose circumstances are absolutely desperate. It is also worth noting that, although the elderly on supplementary benefit do receive a higher rate than the unemployed, they fare just as badly (see Table 4.13, p. 116). The significance of old age as a cause of poverty may have declined, in terms of both the overall numbers and the intensity of the deprivations, but the state's provision for the elderly remains inadequate.

The importance of *sickness and disability* is shown in Table 6.7. The survey asked people whether they had any long-standing illness, disability or infirmity. Overall, 23 per cent of the sample had some kind of illness or disability that had troubled them over a period of time. This proportion is slightly lower than that found in the General Household Survey, where, in an identical question, around 30 per cent of the population are estimated as having a long-standing illness or disability. The significance of disability as a cause of poverty may, therefore,

Table 6.7 *The extent to which those in poverty are sick and disabled*

	<i>Poverty among adults</i>			
	<i>Not in poverty^a</i>	<i>All those in poverty</i>	<i>Those who are sinking deeper</i>	<i>In intense poverty</i>
	<i>(column percentages)</i>			
Long-term illness or disability	20	33	37	29
Fit	80	67	63	71
All	100	100	100	100

^aThose who are not in poverty are taken as those who do not lack any of the necessities because they cannot afford them.

be slightly underestimated. Among those in poverty, one-third are sick or disabled: that is, about 1.5 million adults. Many of these will also be elderly, but over half are not. Sickness and disability are, thus, important causes of poverty among those below retirement age.

The final group of the poor are *single-parent families*. The number of single parents in the sample was small, so no precise estimates can be drawn, but the data tentatively suggest that about one-fifth of children in poverty are in single-parent families.

Certainly, the *risk* of a single-parent family being in poverty is high. (The 'risk' of poverty is defined as the proportion of a particular group that is in poverty.) The study indicates that at least half of children under the age of 16 in single-parent families are in poverty and many are in intense poverty. In addition, the fact that one-parent families are headed by mothers means that there are many women who face a high risk of poverty; though, in general, women are not significantly more at risk than men. The risk of poverty is also particularly high among the unemployed: around two-thirds are on the margins of poverty and about a half in poverty.

In general, those whose risk of poverty is very low are those in employment with no dependent children - either single people or couples. Families are more likely to fare badly. In particular, children of large families are more likely to be in poverty than are those in small families: families with three or more children are about twice as likely to be poverty as those with just one child. And one-parent families and the unemployed are likely to fare the very worst.

One final characteristic of those in poverty was explored: *the area of the country* in which they live. There is a sharp north/south divide: over two-thirds of those in poverty live in Scotland, the north of England and the Midlands, while under half of the comfortably off live in these areas. This is shown in Table 6.8 (the figures refer to adults in poverty but the percentages for children are very similar). The concentration in the northern cities of those in intense poverty is stark. This reflects the massive extent of inner-city decay in conurbations

Table 6.8 *The areas of Britain in which those in poverty live*

	<i>Poverty among adults</i>			
	<i>Not in poverty^a</i>	<i>All those in poverty</i>	<i>Those who are sinking deeper</i>	<i>In intense poverty</i>
	<i>(column percentages)</i>			
London	14	13	11	11
Rest of the south	37	20	16	10
Northern conurbations	31	40	45	65
Rest of the north	18	27	27	14
All	100	100	100	100

^aThose who are not in poverty are taken as those who do not lack any of the necessities because they cannot afford them.

like Merseyside and the sharp impact of the recession in these areas.

The problems in estimating an adequate income level

The two groups most at risk of poverty - the unemployed and single parents - have one major factor in common. They both, by and large, are dependent on the state's minimum income - supplementary benefit. It was seen in Chapter 4 that supplementary benefit is inadequate (see, in particular, Tables 4.10 and 4.14). The question remains: what level of income *would* be adequate?

This is a difficult question to answer because of the nature of the relationship between income and living standards. The vulnerability to poverty extends throughout the bottom 40 per cent of the income range; indeed, there are few people whose exceptional circumstances mean that they fall into poverty when their incomes are above that level. Many of the problems of those in poverty whose incomes are not currently among the very lowest will have stemmed from times when their incomes were lower. This means that it is very difficult to estimate the precise long-term effects of rises in the minimum income level; it is not possible simply to assume that the proportions now

found in poverty at any given income level would be the same if the minimum income level was higher: the proportions would undoubtedly be lower but by exactly how much is not known.

This problem is compounded by problems with the income data (see Appendix C). For example, Figures 4.1 and 4.2, and the accompanying Tables 4.8 and 4.9, suggest that for virtually everyone to be lifted out of poverty everyone's income would have to be above that of those currently in the middle. It is difficult to estimate to what extent this is caused by misplacement of households in the income range and to what extent it reflects real problems among a small minority of middle-income households.

The problems with the income data cause another quite separate problem. People's incomes have been understated in the survey (see Table C.2, Appendix C). This means that, when estimating an adequate income level, the income figures in the survey have to be adjusted so that they represent more accurately each household's real income. To compare these adjusted income figures with the supplementary benefit level, it is necessary also to take into account housing costs.

Finally, the housing indicators used in the measurement of poverty also cause a problem in estimating the impact of increases in household income on the extent of poverty. Rises in a household's income would not necessarily have any impact on improving their housing conditions. For this to happen there would need to be a substantial programme of housing investment.

These difficulties mean that it is possible to make only very broad estimates of the kind of level of minimum income that would be adequate. While this exercise is imprecise - and must be treated as such - it is worth trying to gain an idea of the *scale* of the problem.

The measurement of an 'income threshold'

Is it possible, therefore, to identify a minimum income level below which people's *risk* of going without necessities is

sharply increased? This is the same question as is asked when attempts are made to define poverty on the basis of an income line or 'threshold'. This was rejected as a way of measuring those in poverty on the basis that, even if there were no such threshold, there may still be people in poverty. Indeed, even if there is a threshold, there may be people on current incomes *below* that level who are *not* in poverty and people *above* that level whose circumstances are such that they *are* nevertheless in poverty. However, the concept of an income threshold remains of interest in the context of identifying an adequate income. If there is a 'threshold' below which people's chances of being unable to afford the necessities increase disproportionately to the drop in their incomes, then this would be a 'cost-effective' point to identify as a minimum income level. So, do the data suggest that there is a 'threshold'?

This concept was pioneered by Professor Peter Townsend in his study *Poverty in the United Kingdom* (1979) and it is worth reviewing his approach briefly (the more general and theoretical aspects of Townsend's approach are discussed in Chapter 2). Townsend's method was to select a list of twelve indicators of styles of living from the sixty items he examined in his survey (see Table 2.1). A 'deprivation index' for each household was then calculated on the basis of the number of these twelve indicators the household did not have. The index was plotted against income and was found to be closely correlated with income, showing an increase in deprivation as income fell. Using this relationship between deprivation and income, Townsend went on to argue that there was also tentative evidence of a kink in the relationship at around 150 per cent of the supplementary benefit level, indicating a 'threshold' separating the poor from the non-poor. On the basis of this income level, Townsend estimated that some 23 per cent of the population lived in poverty in 1969 (1979, p. 273). Townsend's approach has been criticised on both conceptual and technical grounds. The conceptual objections have been discussed in Chapter 2. The technical objections were that Townsend had not provided statistical support for his contention of an income

threshold and that the evidence remained ambiguous (see, for example, Piachaud, 1981).

Subsequently, a set of more rigorous statistical tests were applied to the Townsend data by Professor Meghnad Desai (1981). The central issue is whether there is a discontinuity in the relationship between deprivation scores and income level. In other words, does a given fall in income mean a much sharper rise in deprivation at a lower income level than it does at a higher income level? This can be tested using a statistical technique known as regression analysis. Regression analysis involves fitting an equation to the data on deprivation and income, which shows both the nature and the strength of the deprivation /income relationship. Such an equation both provides a measure of the extent to which deprivation changes as income rises or falls, and shows whether the relationship is significant or not. To test for a threshold involves splitting the data into two groups of low-income and high-income households and fitting separate equations to each sub-sample. If the poor are distinct from the non-poor, then the relationship between income and deprivation would vary between sub-samples, giving two distinct lines instead of a single continuum. The question, statistically, is whether two equations fit the data (in the sense of minimising variations) better than one. In applying this method, Desai found that a break did occur as hypothesised by Townsend.

On our behalf, Professor Desai has applied an identical test to the *Breadline Britain* data to see if there is evidence of such a threshold. The 'deprivation scores' used are for the adult items identified as necessities. Only those items lacked because the household say they cannot afford them are counted in the deprivation score. The test reveals a clear break in the relationship between deprivation and income, at a net equivalent income of around £70 a week per equivalent couple. This point marks a discontinuity in the relationship between income and deprivation. Accounting for average housing costs and adjusting for biases in the income data, this level of income is roughly 150 per cent of the supplementary benefit scale rate. This result is similar to that found using the Townsend data. As

the items in the Townsend index are different from those used in this study, this suggests that there is an income level below which people are forced to withdraw from a whole range of activities and are unable to afford a whole range of goods.

Households with incomes less than this level of about 150 per cent of supplementary benefit are *much* more likely to be deprived than those above. Indeed, the mean deprivation score of those below this level is more than five-and-half times that for those above this level. Moreover, a given percentage fall in income implies a much steeper rise in deprivation for those below than for those above this level. The results do, therefore, provide some additional support for the concept of the existence of a threshold below which there is a sharp increase in the likelihood of deprivation. In the context of the approach adopted in this study, this suggests that there is an income level below which people's *risk* of poverty is greatly increased.

The impact of raising the minimum income level

To demonstrate the impact of raising incomes to 150 per cent of supplementary benefit, we have estimated the effect on the numbers in poverty. It is also possible to make similar estimates for other rises in the minimum income level. Indeed, if there was no evidence of an income 'threshold', calculations of the impact of different minimum income levels on the numbers in poverty could be used as a basis for judging an 'adequate' income level. For illustrative purposes, we have also estimated the impact of a rise in minimum incomes to around 133 per cent of supplementary benefit and to around 115 per cent of supplementary benefit. (The calculation of minimum income in terms of supplementary benefit does not imply, of course, that these minimum income levels would be obtained by raising supplementary benefit itself - just that everyone's income, whether from earnings, national insurance benefits, supplementary benefit or, indeed, any other system, would be equivalent to that level.)

The estimates should be treated only as a guide to the scale of impact of various levels of minimum income and not as a precise measure for the reasons outlined earlier. The calculations are initially based on families with children as their income groupings were more reliable and the response rate on the income data was higher; the effect on the population as a whole is then calculated on the basis that the impact of the increases would be much the same for households generally as it is for families specifically. The estimates refer to the *immediate* impact of increasing minimum incomes. In the long term, the impact would be greater. As has been seen earlier, the problems of some of those in poverty, whose income is currently above these minimum income levels, stem from periods when their household income was lower; gradually the numbers in this situation would diminish.

If the minimum income level was equivalent to *150 per cent of supplementary benefit*, then the impact would be dramatic. The numbers in poverty would drop from the present level of about 7.5 million people to about 1.5-2 million people; in other words, only about 3 per cent of the population would still be in poverty compared to the current level of about 14 per cent. The impact on the numbers in intense poverty would be even more dramatic - poverty at that level would be virtually 'abolished'. (It should be added that this is conditional on a programme of housing investment to ensure that everyone's housing met the basic standards laid down.)

If it was assumed that the minimum income was equivalent to about *133 per cent of supplementary benefit*, then there would still be a considerable impact, with the numbers in poverty being at least halved. There would be about 3-3.75 million people left in poverty, about 6 per cent of the population. Again, the impact on those in intense poverty would be even greater: their numbers would be reduced from about 2.6 million people to about 0.5 million, about 1 per cent of the population.

If a somewhat more modest increase was implemented to raise everyone's income to around *115 per cent of supplementary benefit*, then the impact would also be more modest. Well over half of those in poverty would still be there: about 5.5 million

people, or about 10 per cent of the population. The numbers in intense poverty would be reduced to about 1.5 million, that is, about 3 per cent of the population.

In summary, the evidence suggests not just that supplementary benefit is too low, but that it is *considerably* too low. Although the estimates are not precise, they do provide a firm indication of the scale of increase needed to be effective. To move towards 'solving' the problem of poverty would require raising the incomes of those on supplementary benefit (or equivalently low incomes) by some 50 per cent, though a rise of around one-third would have a significant impact, particularly on those in intense poverty. Rises of less than this would be much less effective and rises of, say, 5 per cent would have little impact on either the numbers in poverty or the numbers in intense poverty: it might make the lives of people on the lowest incomes marginally less difficult, but it would be a long way indeed from solving all their problems.

The implications of the findings for policy

In suggesting that those who lack at least three necessities can be taken as a rough measure of those in poverty, the *Breadline Britain* series was criticised by some for taking too broad a view of the problem. In essence, the alternative view favours a narrow conception of poverty in order to focus policy on those most in need. For example, Victoria Neumark, writing in the *Times Educational Supplement*, argues:

Surely the half-million children who don't have three meals a day are a worse case than the the 10 million who can't afford a hobby or Christmas presents. LWT are wasting their firepower on a blunderbuss when this is a target urgently needing pinpointing. (Neumark, 1983)

Such comments miss the point. It is obviously the case that among those who are below the minimum standards of society

there are some who are more intensely deprived than others. Chapter 5 showed in detail how those who lack seven or more of the necessities find their lives diminished in every respect, lacking almost all elements of choice that would enable them to express their individuality. Day after day, and week after week, life turns into a deeply depressing experience. That there are some 2.6 million people, including nearly 1 million children, in this intense poverty is a matter that, in our view, requires urgent action.

However, although the situation of those at the very bottom is the most desperate, there are others who live below what they should be entitled to in Britain in the 1980s. It is this, in particular, that the *Breadline Britain* survey established by enabling minimum standards to be drawn up based on the view of society at large. The findings have shown that there are many people who, while they are not among the most deprived, *do* fall below what can be described as ‘a minimal acceptable way of life’. In Chapter 2, it was argued that those who fall below this level can be said to be in poverty. It is in this sense that the 7.5 million people who have an enforced lack of three or more necessities can be described as living in poverty. While this group is not sharply defined and while it contains among its members some who are considerably worse off than others, all find their lives affected in more than a peripheral way. That there are among those in poverty some who are in more urgent need than others does not diminish the need they all face relative to others in society.

This debate between those who try to limit the concept of poverty (and the implicit call for concern) to only a very small minority of the very poorest and those who take a wider view of those in need is long-standing. J. C. Kincaid, writing a decade ago, notes exactly the same debate:

It is, of course, reasonable to say that among the many poor there are the smaller number of poorest, and that these should be the most immediate concern of politicians. But in most recent discussions the poorest have somehow ended

up as being presented as the only poor. (Kincaid, 1973, p. 180)

In the past, this tendency to recognise only intense poverty has resulted in action aimed only at helping this group. Gradually since the national insurance acts of the postwar Labour government, and more rapidly since the 1960s, there has been a shift from universally based benefits to a piecemeal arrangement of means-tested benefits. Yet, as this study clearly shows, by the standards of today these measures have failed. The very poorest remain excessively deprived.

This failure stems partly from a lack of commitment to tackling even this intense poverty, but it stems also from the misunderstanding of the nature of deprivation that results when the recognition of poverty is sharply limited to just the very poorest. Without the broader understanding of poverty, the problems of those in intense poverty are completely underestimated. Marginally raising their incomes would improve their living standards but would not lift them out of poverty. Moreover, like the risk of poverty, the risk of intense poverty, though highest in the bottom decile, affects the bottom 40 per cent of households (see Tables 4.7 and 4.8, pp. 107-8).

Even if only those at the very bottom are considered to be in urgent priority need, the action that is required to be effective depends on this broader understanding of the spread of poverty. Indeed, to successfully tackle the problems of those in intense poverty requires substantial redistribution: the findings suggest an increase of at least one-third in minimum income levels.

Moreover, attempts to tackle the problem of intense poverty without a recognition of the problems of others in poverty tend to push down the living standards of those whose poverty is more marginal. This trend has also been apparent over the last twenty years. Many of those who are in poverty or on the margins of poverty are families where the head of the household is in work, while those who are in intense poverty are, in the main, excluded from the labour market and

dependent on benefit. Apart from the introduction of Family Income Supplement in the early 1970s, the problems of low-paid families have worsened; in particular, the taxation burden has steadily shifted towards the low-paid and the state's support for children (now child benefit) has been eroded compared to its immediate postwar level. There has, moreover, never been any consistent attack on low pay.

The reasons for these trends are varied, and the blame cannot be entirely laid at the door of governments. None the less, the consequence is that low pay and the low levels of state support for children are still important causes of inadequate living standards. This holds despite the sharp rise in unemployment, which might otherwise have been expected to outweigh the significance of other factors.

Overall, the findings throw serious doubt on a basic assumption that is sometimes made: namely, that benefits to the poor can be improved to a level that makes a significant impact on their living standards without significantly affecting the overall distribution of income in society. For example, the SDP's proposals *Attacking Poverty* (1982) promise to 'eliminate' poverty on the basis of a plan that involves little redistribution. The survey's findings clearly show that any plan to reduce poverty will have to redistribute resources from the top half of society to the bottom half.

Poverty in the 1980s

The theme of Part I of this study has been that all those who are forced to fall below the minimum way of life of society today are in poverty. Some will be intensely deprived, others less so - but all are entitled to a better standard of living. This entitlement stems from a widespread consensus about what level of living is unacceptable for Britain in the 1980s. This ability to assess people's unmet needs, in our view, provides the basis for assessing anti-poverty policies and, in particular, the tax-benefit system. This is of immediate political significance.

In the spring of 1985, a series of government 'reviews' of

the social security system are due to report. The 'reviews' themselves have a narrow outlook; their compositions are designed to favour the government's approach. They have, however, opened up the debate on the benefits system, with many bodies submitting evidence to the review panels. Much of this evidence has been about the technical workings of various approaches to the tax-benefit question: from, for example, the negative income tax proposed by the Institute of Fiscal Studies (1984) to the general view of a wide range of options compiled by the National Consumer Council (1984).

These technical questions about the mechanism for distributing income are important, but they are, in our view, subsidiary to the question of how much income should be redistributed and to whom. This primary question can be answered only on the basis of an assessment of people's needs.

It seems unlikely that the review panels will tackle this basic question. Set up in the spring of 1984, the evidence to them has been rushed and no work has been commissioned into what people need and the extent to which the benefit system fails to meet these needs. The motivation behind the reviews has been very different: namely, to find ways of cutting social security spending. Few would dispute that there *is* room for more efficiency. However, the most important objective of any changes in the social security system should be to reduce poverty.

Part I of our study has provided a basis for assessing any proposals that come out of these reviews in terms of this central question: 'what is the effect on the numbers in poverty?'. While it is outside our scope to assess the technical mechanisms for redistributing income, we have indicated the *level* of income support needed to tackle poverty.

The basis for all these assessments has been the consensual view of people's needs. Whether the *policy* implications that emerge would also gain the consensual support of society is another question altogether. It is to this question that we turn in Part II.

