

Press Release

Poverty falls most under Labour in Scotland and the North East, but rises in the Midlands

Changes in poverty under the previous Labour government were uneven, with relative poverty falling most in the North East and Scotland, but rising in the East and West Midlands. Once one takes account of price differences across the regions and nations of the UK, Scotland currently has the lowest poverty rate, and London the highest.

These are amongst the findings of a report by IFS researchers published today, *Poverty and Inequality in the UK 2010*, funded by the Joseph Rowntree Foundation. The IFS research is based on the government's *Households Below Average Income* data, an analysis of which was published yesterday by the Department for Work and Pensions.

Today's report by IFS researchers provides a more detailed analysis of trends in living standards, poverty and inequality, including the differences between regions and nations of the UK, and an assessment of the impact of the start of the recession on living standards, poverty and inequality. Analysis of regional living standards and poverty levels are all based on three years of data combined, the latest period covering 2006–07 to 2008–09, and these poverty rates are calculated using incomes measured before housing costs (BHC). Poverty lines for some typical family types can be found at the end of this press release.

Key findings include:

Taking price differences into account dramatically alters the picture of living standards and poverty across the regions (Tables 1, 2 and 3)

In general, regions with relatively high incomes also have a relatively high cost of living, and vice versa. Hence, Scotland, Wales and northern regions of England look less poor once their lower cost of living is taken into account, and southern regions of England look less affluent. The gap between the richest and poorest regions shrinks, meaning Britain is actually less geographically unequal than appears when using UK-wide prices as the government's official *HBAI* publication does.

Embargo

Embargoed: 10.30,
Friday 21 May 2010

Contacts

**Bonnie Brimstone,
Emma Hyman.**
Institute for Fiscal Studies

020 7291 4800 or
07730 667013

Director:
Robert Chote

Research Director:
Richard Blundell

The Institute for Fiscal Studies
Limited by Guarantee,
Registered in England: 954616
7 Ridgmount Street
London
WC1E 7AE

Registered Charity: 258815
VAT no: GB 394 5830 17

The rest of the regional analysis uses figures that take into account regional differences in the cost of living

The West Midlands has both the lowest median income and the lowest rate of income growth since 1996–97 (Table 1)

The South East and East of England have the highest median household incomes, whilst the North East of England and the West Midlands have the lowest.

The West and East Midlands fare poorly when it comes to income growth. On the other hand, median household income has grown fastest in the North East and South West of England. The reasons for these differences in growth rates are unclear.

Poverty rises in the Midlands (Table 3)

London and the West Midlands have the highest rates of relative poverty, measuring incomes BHC, and Scotland and the South East of England have the lowest.

The North East and Scotland have seen the biggest falls in poverty in recent years, whilst poverty has actually risen in the West and East Midlands. The differences are striking and largely mirror the regional pattern of growth in average household incomes.

Child poverty falls everywhere, except the West Midlands (Table 4)

Child poverty (BHC) has fallen in every part of the UK since the three years starting in 1996–97, except for the West Midlands, where it has risen slightly. It has fallen most in the North East of England and Scotland.

Child poverty is now highest in London and the West Midlands, and is lowest in the East of England and Scotland.

Pensioner poverty falls across the entire UK (Table 5)

The rate of pensioner poverty (BHC) has fallen in every region of the UK with, perhaps surprisingly given the trends in overall poverty, the largest falls being in the West Midlands, and also in Scotland. The fall in pensioner poverty has been smallest in London and Wales.

The rate of poverty amongst pensioners is, as for children, highest in London, followed by Northern Ireland. It is lowest in Scotland and the North East of England.

Poverty amongst working-age non parents up across the country (Table 6)

The rate of poverty amongst working-age adults without children is highest in the North East of England and the East and West Midlands, and lowest in the South East of England and Scotland. The rate of poverty for this group has increased in every region and nation of the UK, with the increase being biggest in the West and East Midlands, and smallest in Yorkshire and the Humber and the South West of England.

Living standards and the recession

One surprising finding in this year's data is that households' incomes apparently continued to grow, on average, even as the recession took hold during 2008-09. This income growth appears to be due to robust growth in earnings from employment (which seems unusual for a recession), and increases in state benefits and tax credits.

The growth in earnings is higher than suggested by other data sources: the broader Average Earnings Index fell in real terms during 2008-09. The growth in income from benefits is more plausible, with increases in the generosity of the child tax credit, working tax credit and cyclical increases in out-of-work benefit spending making 2008-09 a year of rapidly increasing benefits payouts.

The effects of the recession can be seen, however, in the declining employment rate in the 2008-09 data. In particular, the rise in worklessness among working-age non-parents appears to have contributed to a rising risk of poverty for this group.

"With rising poverty amongst children and working-age adults without children, and low income growth, the West Midlands stands out as a relative-loser under Labour," says Ali Muriel, a Senior Research Economist at the IFS. "On the other hand, rapid household income growth and a significant reduction in poverty make the North East and Scotland relative winners under the last government."

"Life certainly looks less grim up north and less rosy down south once one takes into account differences in the cost of living," says David Phillips, a Senior Research Economist at the IFS. "Because the picture changes so much when we do this, the new government should seriously consider taking into account variations in prices across the country when measuring poverty and living standards."

ENDS

Notes to Editors:

1. The full Households Below Average Income publication can be found on the Department for Work and Pensions website at (<http://research.dwp.gov.uk/asd/hbai.asp>)
2. The full report *Poverty and Inequality in the UK 2010* is available at the IFS's website at <http://www.ifs.org.uk/comms/comm116.pdf>
3. The authors are very grateful for financial support from the Joseph Rowntree Foundation for the project 'Poverty and Inequality in the UK: 2010. Co-funding from the ESRC-funded Centre for the Microeconomic Analysis of Public Policy at IFS is also very gratefully acknowledged.
4. The ONS's official estimates of employment and earnings growth are based on the Labour Force Survey. For the most recent figures see <http://www.statistics.gov.uk/pdfdir/lmsuk0510.pdf>
5. The ONS's official estimates of changes in the price of housing are available on their website www.statistics.gov.uk, series CHBF.

Poverty lines (60% of median household equivalised income) in 2008-09 include:

£ per week	Childless couple	Single individual	Couple, one child (age 8)	Couple, two children (ages 8 & 15)	Lone parent, one child (age 8)	Lone parent, two children (ages 8 & 15)
AHC	£206	£119	£247	£333	£160	£247
BHC	£244	£164	£293	£374	£213	£293

Table 1. Median Income by Region and Country between 1996-97 to 1998-99 and 2006-07 to 2008-09 (GB)

Region or Country	<i>Median income in 2006-07 to 2008-09 (national median = 100), assuming uniform national prices</i>	<i>Median income in 2006-07 to 2008-09 (national median = 100), using regional price relativities</i>	<i>Average annual median income growth since 1996-97 to 1998-99</i>
South East	116.1	109.6	1.5%
London	110.5	100.2	2.0%
East of England	106.5	104.8	1.5%
South West	101.3	99.5	2.1%
Scotland	99.2	104.4	1.8%
North West	93.3	98.5	2.0%
East Midlands	93.2	95.1	1.4%
West Midlands	93.2	94.7	1.3%
Yorkshire and Humber	92.8	95.2	1.7%
Wales	91.2	97.4	1.6%
North East	89.9	94.9	2.2%
Great Britain Median	£407	£407	1.7%

Notes: Incomes have been measured before housing costs have been deducted. Regions are defined as Government Office Regions.

Source: Authors' calculations using Family Resources Survey, various years, and ONS regional price indices (http://www.statistics.gov.uk/articles/economic_trends/ET615Wingfield.pdf).

Table 2. Relative poverty across the United Kingdom (BHC) using national prices

Region	Average poverty rate in period		Change (C) – (A) (ppt)
	1996–97 to 1998–99 (A)	2006–07 to 2008–09 (C)	
North East	24.9%	22.0%	-2.9%
West Midlands	20.0%	21.9%	+1.9%
Wales	22.7%	20.9%	-1.9%
East Midlands	20.3%	20.7%	+0.4%
Yorkshire	23.4%	20.6%	-2.8%
North West	22.7%	20.3%	-2.4%
Northern Ireland	-	20.3%	n/a
London	18.6%	17.7%	-0.9%
Scotland	20.5%	16.9%	-3.6%
South West	18.8%	16.1%	-2.8%
East of England	15.7%	15.1%	-0.6%
South East	13.3%	12.9%	-0.5%
Total	19.4%	18.1%	-1.3%

Notes: Reported changes may not equal the differences between the corresponding numbers due to rounding. Please note that Northern Ireland was not included in the FRS until 2002–03 onwards.

Table 3. Relative poverty across the United Kingdom (BHC) using regional prices

Region	Average poverty rate in period		Change (C) – (A) (ppt)
	1996–97 to 1998–99 (A)	2006–07 to 2008–09 (C)	
London (8)	23.5%	22.1%	-1.4%
West Midlands (2)	19.4%	21.1%	+1.7%
East Midlands (4)	19.2%	19.8%	+0.6%
North West (6)	21.2%	18.9%	-2.3%
Northern Ireland (7)	-	18.2%	n/a
North East (1)	21.2%	17.7%	-3.5%
Yorkshire (5)	20.5%	17.4%	-3.0%
Wales (3)	19.0%	17.4%	-1.6%
South West (10)	19.8%	17.0%	-2.8%
East of England (11)	16.5%	16.1%	-0.5%
South East (12)	15.6%	15.2%	-0.5%
Scotland (9)	17.8%	14.6%	-3.1%
Total	19.4%	18.0%	-1.4%

Source: Authors' calculations based on Family Resources Survey, various years and ONS regional price indices. Notes, as table 2.

Table 4. Relative child poverty across the United Kingdom (BHC) using regional prices

Region	Average poverty rate in period		Change (ppt)
	1996–97 to 1998–99	2006–07 to 2008–09	
North East	30.5%	21.6%	-8.9%
North West	30.7%	23.8%	-6.9%
Yorkshire	28.5%	22.1%	-6.5%
East Midlands	24.2%	23.1%	-1.1%
West Midlands	27.4%	28.1%	0.7%
East of England	20.8%	17.0%	-3.9%
London	34.1%	29.3%	-4.7%
South East	19.7%	18.1%	-1.6%
South West	24.7%	19.0%	-5.7%
Wales	25.1%	20.9%	-4.3%
Scotland	26.4%	17.8%	-8.6%
Northern Ireland		21.0%	n/a
Total	26.6%	22.1%	-4.5%

Table 5. Relative pensioner poverty across the United Kingdom (BHC) using regional prices

Region	Average poverty rate in period		Change (ppt)
	1996–97 to 1998–99	2006–07 to 2008–09	
North East	20.6%	17.0%	-3.6%
North West	24.4%	20.6%	-3.8%
Yorkshire	24.2%	21.0%	-3.2%
East Midlands	27.9%	25.7%	-2.1%
West Midlands	26.2%	20.8%	-5.4%
East of England	26.7%	22.5%	-4.2%
London	27.9%	27.4%	-0.5%
South East	25.6%	21.7%	-3.9%
South West	27.6%	22.8%	-4.8%
Wales	21.5%	20.5%	-1.0%
Scotland	20.8%	15.5%	-5.3%
Northern Ireland	-	26.8%	n/a
Total	25.2%	21.8%	-3.5%

Notes: Reported changes may not equal the differences between the corresponding numbers due to rounding. Please note that Northern Ireland was not included in the FRS until 2002–03 onwards.

Source: Authors' calculations based on Family Resources Survey, various years and ONS regional price indices.

Table 6. Relative poverty across the United Kingdom (BHC) for working age adults without dependent children using regional prices

Region	Average poverty rate in period		Change (ppt)
	1996–97 to 1998–99	2006–07 to 2008–09	
North East	14.2%	16.2%	+2.0%
North West	12.7%	14.6%	+1.8%
Yorkshire	12.8%	12.9%	+0.1%
East Midlands	12.3%	15.8%	+3.5%
West Midlands	10.2%	15.8%	+5.6%
East of England	9.3%	12.9%	+3.6%
London	14.7%	16.1%	+1.4%
South East	8.6%	10.4%	+1.8%
South West	12.4%	13.4%	+1.0%
Wales	13.0%	14.4%	+1.4%
Scotland	11.0%	12.7%	+1.6%
Northern Ireland	-	13.8%	n/a
Total	11.8%	13.9%	2.2%

Notes: Reported changes may not equal the differences between the corresponding numbers due to rounding. Please note that Northern Ireland was not included in the FRS until 2002–03 onwards.

Source: Authors' calculations based on Family Resources Survey, various years and ONS regional price indices.