

# UNDERSTANDING RECENT TRENDS IN UK POVERTY RATES

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March 2024

From the period of austerity that followed the 2008 financial crash and subsequent government economies, through to the present cost of living crisis, many outward signs of poverty have been widely documented. Earnings have stagnated, many benefits have been cut in real terms and latterly prices have shot up. Many more people struggle to afford the basics<sup>1</sup>, and food banks have emerged as a major pillar of support, with three million parcels a year now being given out by the Trussell Trust.

Yet official figures seem to show a mixed picture of poverty rates. As set out below, the “relative poverty” rate barely changed overall between 2010/11 and 2022/23, although for children it increased by nearly three percentage points. Measured against a poverty line that is fixed in real terms rather than varying with median income (labelled “absolute” poverty), the overall rate fell by about three percentage points, over the same period, and for children by two percentage points.

This short briefing paper notes some key features of the poverty figures, to help interpret them and assess the overall trends in a wider context. An overarching point, considered within each of these themes, is that child poverty has risen by more than general poverty since 2010.

Four key points set out below are that:

- 1) Relative poverty is high by historic standards, having risen sharply in the 1980s and early 1990s, fallen by a smaller amount from 1995 to 2010, levelled off in the 2010s and is now rising again in the 2020s, most markedly for children.
- 2) Trends in relative poverty are taking place in a changing overall economic context. Median incomes were growing by over 2% a year in the 1980s and 1990s but recently have not grown at all.
- 3) “Absolute” poverty has previously gone down sharply as a result of a general rise in incomes. It has reduced by much less since 2010 than in the previous 12 years.
- 4) Since 2019, while incomes and poverty rates have not changed much, growing destitution, material deprivation and food insecurity suggest that life has become a lot tougher for people below the poverty line.

Before turning to each of these key points in turn, the following section notes the overall changes in poverty rates in the past 12 years for which data are available.

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<sup>1</sup> See for example abrdn Financial Fairness Trust's [Financial Fairness Tracker](#).

## Changes in poverty numbers and rates since 2010/11:

The following changes have taken place in the number and percentage of people in households below the poverty line between 2010/11 and 2022/23, the latest survey data. In each case household income is measured net of rent and mortgage interest (“after housing costs”) and adjusted to take account of household size (“equivalised”).

### Below the relative poverty line:

The standard measure of relative poverty is the number of people in households with incomes below 60% of median income in the current year. A relative poverty measure shows how many people’s incomes fall a long way below incomes in the middle of the income distribution.

**Table 1 - relative poverty, 2010/11 and 2022/23 the relative poverty line**  
**Numbers and percentage in households below 60% median income after housing costs**

	2010/11	2022/23	Change	percentage change
<b>Whole population, millions</b>	13.0	14.3	1.3	<b>10.3%</b>
<b>Whole population, %</b>	21.1	21.4	0.4	<b>1.7%</b>
<b>Children only, millions</b>	3.6	4.3	0.7	<b>20.2%</b>
<b>Children only, %</b>	27.2	29.9	2.7	<b>10.0%</b>

Note: changes in percentage figures in the third column are percentage points; the final column shows these as a proportion of the overall rate.

An additional 1.3 million people are in relative poverty compared to 2010, 700,000 of whom are children. This partially reflects a growing population, so the increase in the percentage rates shown are less steep than in the numbers in poverty. However, the child poverty rate in particular has risen to very high levels, with nearly three in ten children now below the relative poverty line.

### Below the absolute poverty line:

The Government’s so-called “absolute” poverty measure is used as an indicator of the change in low income over time, against a poverty line that remains fixed in real terms rather than changing according to median income. This monitors the number who are unable to afford a fixed living standard. It should not be confused with an absolute poverty line defined as a very low and never-changing level of basic need. The present government uses 60% of median income in 2010/11, uprated by inflation, to represent a poverty line fixed in “real” value. Note that on this measure the “absolute” poverty line was the same level as the relative poverty line in 2010. Since then, there has been about 10% growth in median income, so the “absolute” poverty line is about 54% of median income in 2022/23 (i.e. a tenth below the 60% threshold).

**Table 2 – “absolute” poverty, 2010/11 and 2022/23**

**Numbers and percentage in households below 60% of 2010/11 median income after housing costs**

	2010/11	2022/23	Change	percentage change
<b>Whole population, millions</b>	13.0	12.0	-1.0	<b>-7.8%</b>
<b>Whole population, %</b>	21.1	17.9	-3.2	<b>-15.0%</b>
<b>Children only, millions</b>	3.6	3.6	0.0	<b>0.8%</b>
<b>Children only, %</b>	27.2	25.0	-2.1	<b>-7.8%</b>

Note: changes in percentage figures in the third column are percentage points; the final column shows these as a proportion of the overall rate.

A significantly smaller proportion of the overall population are in poverty defined by this fixed standard than in 2010. A million fewer people fall below it now than in 2010/11, but the number of children below the threshold has not changed significantly. Since the child population has risen, this still represents a decline in

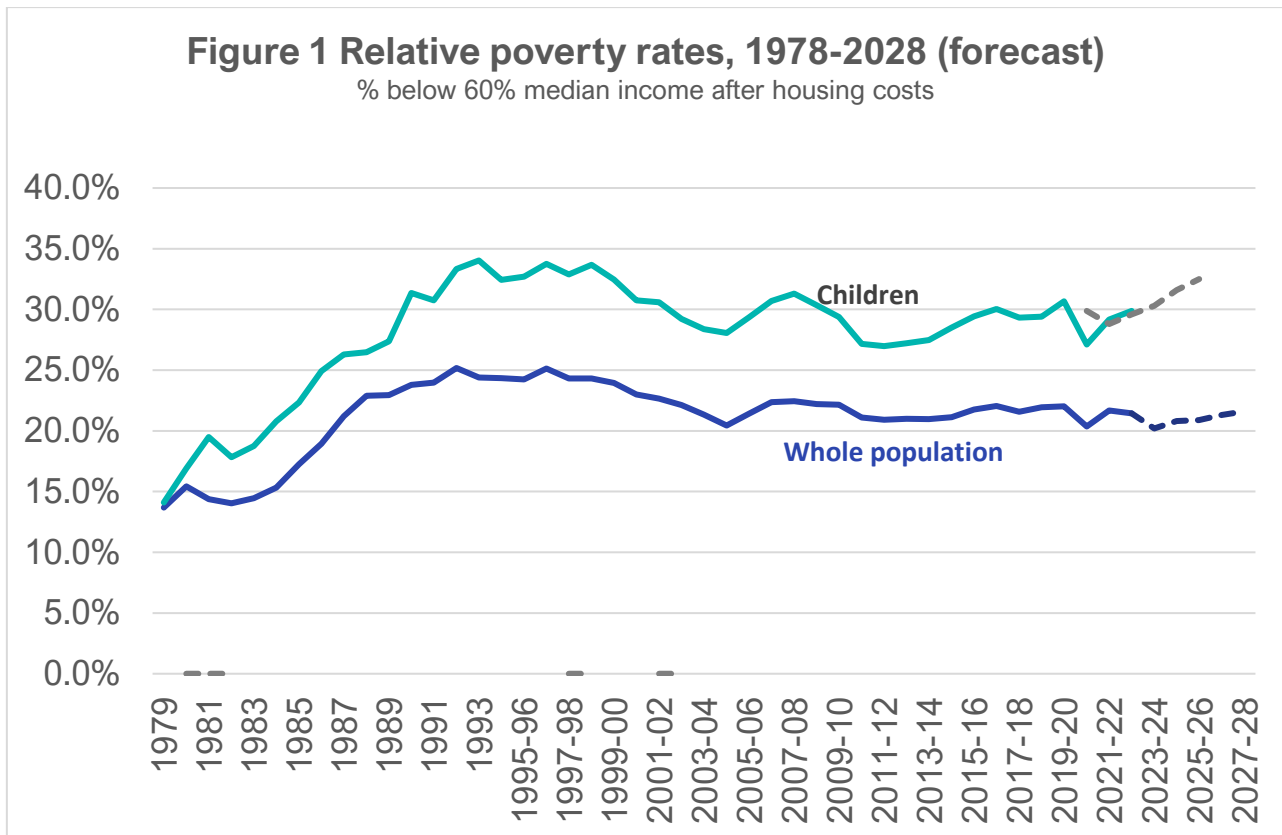
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the percentage of children in “absolute” poverty.

## Key point 1: Relative poverty is high by historic standards, and rising

Relative poverty is a particularly helpful indicator of long-term trends. It would be hard to argue that the same “absolute” benchmark of poverty should be used today as, say, fifty years ago, during which time median incomes have more than doubled in real terms. Indeed, government “absolute” thresholds are reset from time to time, to track shorter-term changes in the number falling below a fixed line close to 60% of the contemporary median. Relative poverty indicators monitor, over longer periods, changes in the proportion of the population falling behind contemporary norms.

Figure 1 shows what has happened to relative poverty, and to relative child poverty, over half a century, ending in 2028 based on projections.



Note: Forecasts for 2023-28 from Resolution Foundation (Living Standards Outlook, 2023)

The graph shows some striking results:

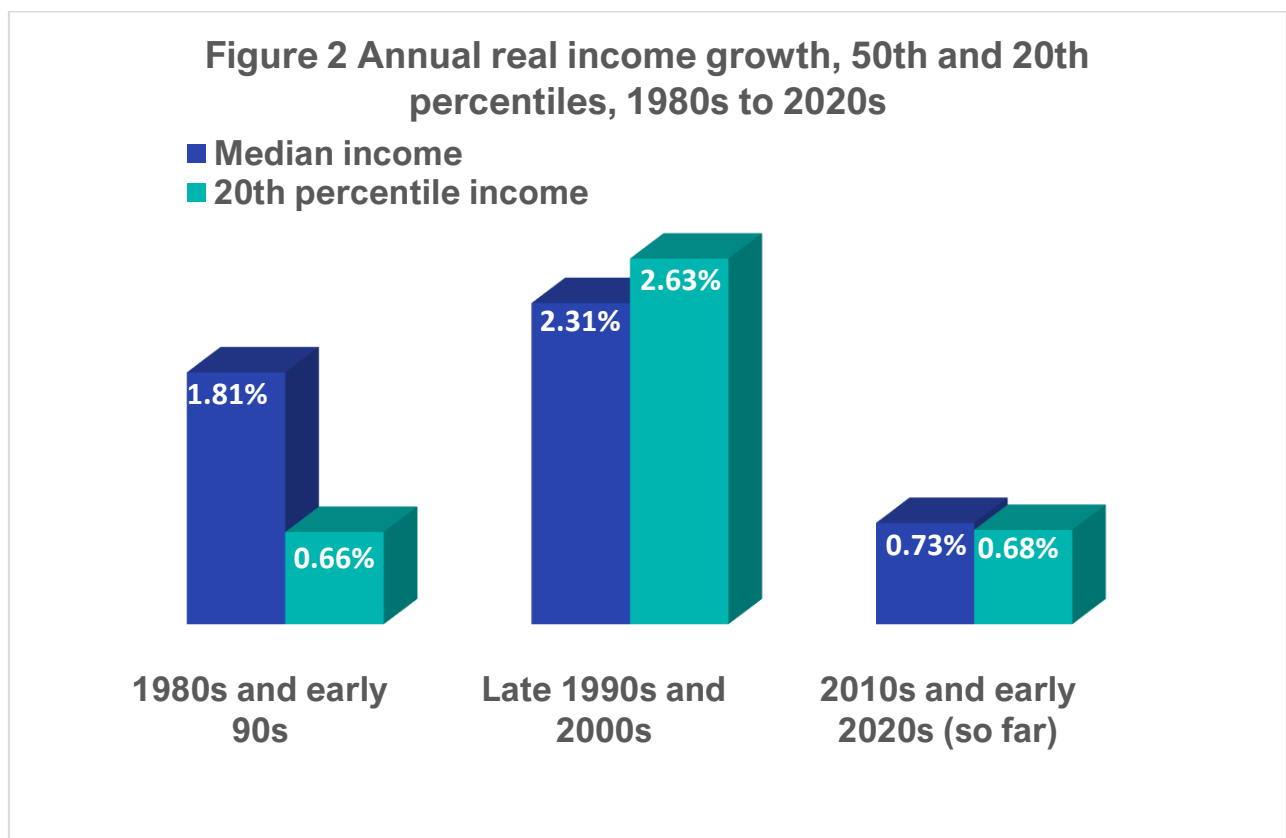
- Relative poverty rose sharply in the 1980s and 1990s, to levels from which it has still not recovered.
- Child poverty rose especially quickly, and is currently more than double its 1980 level. Its rate is 40% higher than the overall poverty rate, whereas child poverty was the same level as general poverty at the start of the period shown.
- Between the mid-1990s and early 2010s, child poverty fell, from a high point of 34% to around 27%.
- In the past decade, relative poverty rates have fluctuated, largely influenced by ups and downs in the median income level.
- In the next four years, relative poverty is set to rise again. Although for the whole population it will remain close to levels seen over the past decade, a continuation of current policies and trends could extend this increase.
- Child poverty is rising more sharply. Later in this decade it could be close to the high point of the mid-1990s.

Overall, therefore, the comparatively small changes in relative poverty in recent years need to be seen in the context of its historically high levels especially for children. The progress made in the late 1990s and 2000s in bringing these rates down has been largely undone, with child poverty now heading back towards record levels.

## Key point 2 – poverty trends need to be seen in the context of the fizzling out of household income growth

For many years, steady economic growth in the UK made poverty an issue of whether some groups are being left behind in a country becoming generally more prosperous. During the first quarter of the 20<sup>th</sup> century, however, the general growth in household incomes appears to have fizzled out. In real terms, median income grew by an average of over 2% a year in the 1980s and 1990s, falling to less than 1.5% in the 2000s, to less than 1% in the 2010s and, so far, to zero in the 2020s. This makes the future challenge of poverty alleviation dependent *both* on raising general household incomes *and* ensuring that the worst-off groups get additional help.

Figure 2 divides recent decades into three periods based on what was happening to relative poverty and to general incomes, adjusted for inflation. First, in the 1980s and early 1990s, households became more generally prosperous, but the poorest groups got little share in this growth. A rising tide did not lift all ships.



Note: the three periods are, more precisely, 1980 to 1995/96; 1995/96 to 2010/11; 2010/11 to 2022/23.

Second, from the mid-1990s and through the 2000s, general incomes continued to grow, and the incomes of households near the bottom of the distribution grew faster, allowing a reduction in relative poverty as shown in Figure 1. In this period, the least well-off “ships” rose faster than the general tide. (In fact, income growth slowed greatly after 2005, although some reduction in poverty, especially child poverty, continued until the end of that decade).

In the third period, since 2010, the tide has almost stopped rising: both general incomes and the incomes of the least well off have barely grown on average, meaning that many households have seen a fall. Recently, median incomes have not grown at all, but there have also been very short-lived periods of faster growth in the mid and late 2010s.

If more healthy income growth returns in the next few years, relative poverty will start to rise again, unless measures are taken to increase incomes of the poorest groups faster than inflation. On present policies, benefit incomes will at best keep up with prices, and thus not improve in real terms, and in some case fall because of cuts still working their way through the system, especially the two-child limit affecting larger households. Relative poverty will also be heavily influenced by the extent to which worse-off groups are able to work and to improve their earnings.

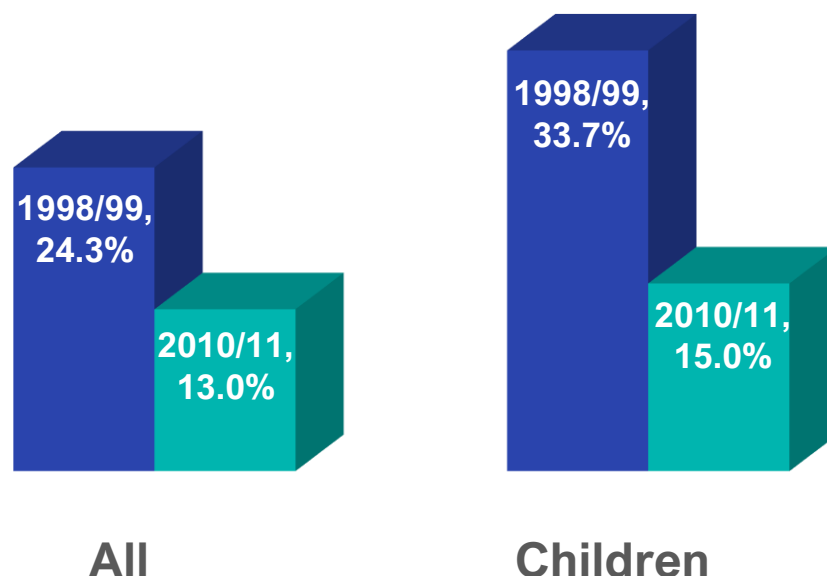
### Key point 3: “Absolute” poverty is falling less sharply than in the past

The one indicator that shows some progress in reducing poverty in recent years is the fall in the number in “absolute” poverty, from 13 million below 60% median in 2010/11, to 12 million below the same benchmark, uprated for inflation, in 2022/23. This means that, due to factors such as modest wage growth and more people entering the labour market in this period, a million fewer individuals are in households below a fixed poverty line.

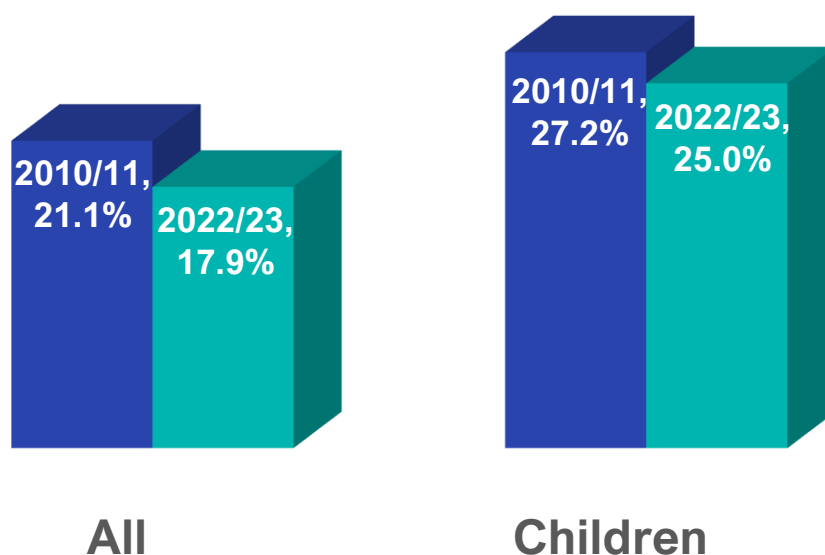
For those who have benefited, this marks a real improvement. However, overall, it is not a large one, by historic standards. When general incomes grow, even modestly, some households on low incomes will rise above a fixed poverty line. Eventually, only small numbers of people tend to end up living below a line based on median income from a previous era.

As shown in Figure 2 above, in the late 1990s and the 2000s, income levels for those near the bottom of the distribution rose faster than average, and this had a dramatic effect on “absolute” poverty levels. The first part of Figure 3 shows a halving of their numbers for the whole population, and an even steeper fall for children, from 34% to 15%. By comparison, against a renewed fixed line set in 2010/11, “absolute” poverty rates have only fallen slightly in the past 12 years. Comparing these rates of reduction, “absolute” poverty fell only a quarter as much in the later period than the earlier one, and a ninth as much for children.

**Fig 3, reduction in “absolute” poverty rates over two twelve-year periods**  
a) 1998/99 to 2010/11, based on 60% of 1998/99 income



**Fig 3, reduction in "absolute" poverty rates over two twelve-year periods  
b) 2010/11 to 2022/23, based on 60% of 2010/11 income**



[Key point 4: Recent changes in poverty rates understate the increase in hardship shown by other indicators.](#)

The past five years have been turbulent, with a pandemic and a sudden period of high inflation creating unique new conditions deeply affecting living standards. Poverty rates give us only part of the picture of these changes. Relative poverty was almost identical in 2022/23 to its level just before the pandemic, partly because median incomes as well as low incomes were hit by the cost-of-living crisis. Absolute poverty rose rapidly in 2022/23 as a result of incomes not keeping up with inflation but was also similar to its 2019 level.

Yet over a similar period:

- Destitution shot up, with the number unable to access bare essentials like food, warmth and shelter [rising by 61%](#) between 2019 and 2022.
- The number of food parcels given out by the Trussell Trust [grew by 57%](#), between mid-2019 and mid-2022.
- The number of people saying they were in serious financial difficulty [rose by about 50%](#) between early 2020 and mid-2022, according to abrdn Financial Fairness Trust's financial impact tracker survey.

Multiple reasons could account for this discrepancy between the incidence of income poverty and levels of hardship. These include:

- That an "absolute" poverty line pegged to the Consumer Prices Index [understates the rising cost of living for the poorest households](#). This is because expenditures on low income are more concentrated on certain essentials such as food and home energy than the average household's consumption, on which the CPI is based. Since mid 2019, the CPI has risen 21% overall, while food has become 30% and home energy 67% more expensive.
- That the cumulative effect of persistently hard times has reduced people's resilience, including by causing households to go into debt and/or run down their savings. The Financial Fairness Tracker survey shows substantial increases in the use of credit and of savings to cover everyday expenses.

Two pieces of evidence from the official poverty figures confirm that being below the poverty line is bringing greater risks than previously:

- **Food insecurity**, measured in survey questions about ability to access adequate food, has risen among those classified as being in income poverty. Nearly one in four people in relative poverty were classified as food insecure in 2022/23, up from one in six just the previous year. Among the whole population, food insecurity rose from 4.7 million to 7.2 million in the same year.
- **Material deprivation**, defined as not being able to afford certain essential items, also became more common among people below the relative poverty line. The proportion of children in relative poverty facing material deprivation rose from 25% to 30% in 2022/23 compared to the previous year.

## Conclusion

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Since 2010/11, the number of people in relative poverty has risen by 1.3 million, including 700,000 children. Overall this reflects population growth, but for children the percentage rate is also growing fast. Poverty on this measure remains historically high, having risen sharply in the 1980s and 1990s and fallen modestly between 1998 and 2010.

When measured relative to median income in 2010/11, adjusted for inflation only, there are a million fewer people in poverty, but no fewer children. This overall fall in “absolute” poverty is modest by historic standards, with the rate falling only a quarter as fast as in the previous 12-year period.

While there has been no single clearcut trend in poverty figures since 2010, there is multiple evidence that hardship has recently been increasing, with people on low incomes becoming more likely to be food insecure, materially deprived or at worst destitute.

Projections suggest that relative poverty rates will continue to rise going forward, with child poverty heading back towards record levels. Part of this is due to a working through of reforms to Universal Credit, such as the two-child limit, which affect progressively more families each year. Part is due to the projection that median incomes will start growing again in real terms, while government support for low incomes is pegged at best to inflation, with potential real-terms losses including the end of cost-of-living payments. Without new policies to address these headwinds, child poverty in Britain is set to reach the highest levels in living memory.

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### abrdn Financial Fairness Trust

An independent charitable foundation supporting strategic work which tackles financial problems and improves living standards. Its focus is improving the lives of people on low-to-middle incomes in the UK.

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