

Poverty and Social Exclusion in the UK and EU, 2005-2011

Coverage: **International**

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Theme: **Economy**

Theme: **People and Places**

Key findings

This article examines the extent to which people in the UK were at risk of poverty or social exclusion in 2011 and how this compares with other EU countries and over time.

It shows that:

- In 2011, 22.7% of the UK population were considered to be at risk of poverty or social exclusion, equivalent to 14.0 million people. This is lower than the EU average of 24.1%.
- 16.2% of people in the UK were at risk of poverty in 2011, down from 18.7% in 2008. However, this fall is at least partly explained by a real-terms fall in median income, leading to a reduction in the poverty threshold.
- 5.1% of people in the UK were considered to be experiencing severe material deprivation, compared with an EU average of 8.8%. The UK's severe material deprivation rate is broadly unchanged since 2005 when comparable figures were first produced.
- The percentage of people who say they are unable to meet unexpected financial expenses has increased considerably since the start of the economic downturn, up from 26.6% in 2007 to 36.6% in 2011. The proportion of people unable to afford an annual holiday has also increased from 21.4% to 29.7% over this period.
- The proportion of people in the UK living in households with low work intensity fell to 11.5% from 13.1% the previous year. Despite this fall, the level of low work intensity in the UK remains higher than in most other EU countries.

At risk of poverty or social exclusion

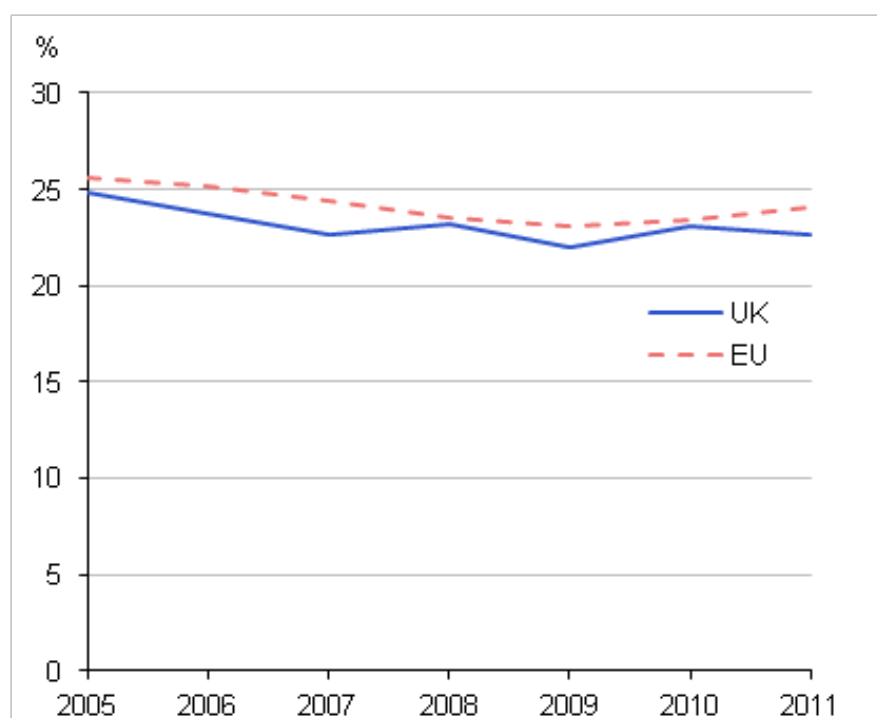
In 2011, 22.7% of the UK population were considered to be at risk of poverty or social exclusion according to the official EU definition. This is equivalent to 14.0 million people.

This measure combines a number of different dimensions of poverty and social exclusion into a single indicator. According to this definition, people are considered at risk of poverty or social

exclusion if they are experiencing at least one of three conditions – having a household income below the poverty threshold, being severely materially deprived, or living in a household with low work intensity. Reducing the number of people in the EU at risk of poverty or social exclusion on this measure is one of the key targets in the European Commission’s Europe 2020 strategy.

Looking at how this rate has changed over time, the proportion of people in the UK who were at risk of poverty or social exclusion in the UK fell between 2005 and 2007, from 24.8% of the population to 22.6%. This was largely due to a reduction in the percentage of people living in households with low work intensity. However, since 2007, the rate has remained broadly unchanged.

Figure 1: UK and EU average at-risk-of-poverty or social exclusion rates for total population: 2005-2011



Source: Office for National Statistics, Eurostat

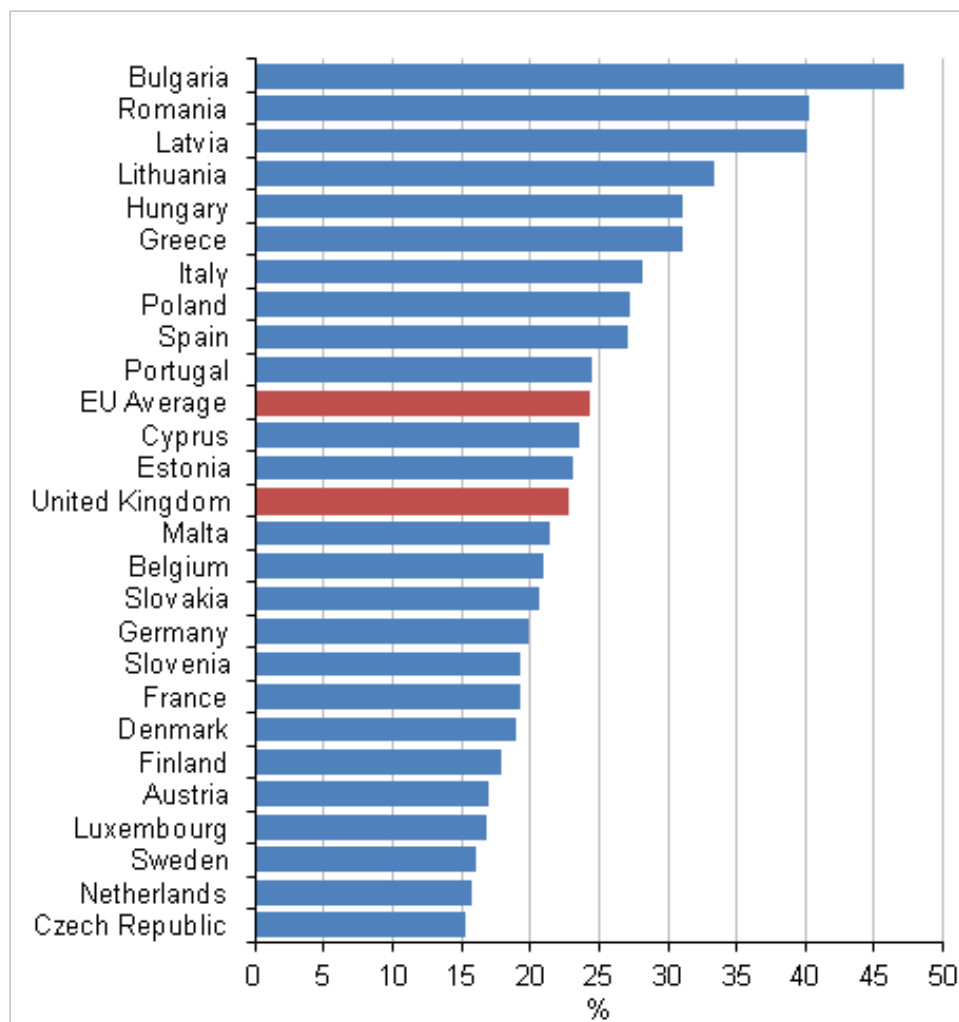
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In 2010, the proportion of people at risk of poverty or social exclusion in the UK was very close to the EU average (23.1% and 23.4% respectively). However, since then, there has been some divergence, with the EU average at 24.1% in 2011 (compared with 22.7% in the UK).

Looking at how the proportion of people at risk of poverty or social exclusion across the EU as a whole has changed over time, the rate fell between 2005 and 2009 from 25.6% to 23.1%, but since then has risen to 24.1% in 2011. The increase in the EU average since 2009 can be partly explained by large changes in the at-risk-of-poverty or social exclusion rates in Spain and Italy. The rate for Spain rose by 3.6 percentage points between 2009 and 2011 to 27.0% and in Italy the rise was 3.5 percentage points to 28.2%.

Figure 2: At-risk-of-poverty or social exclusion rates by country: 2011

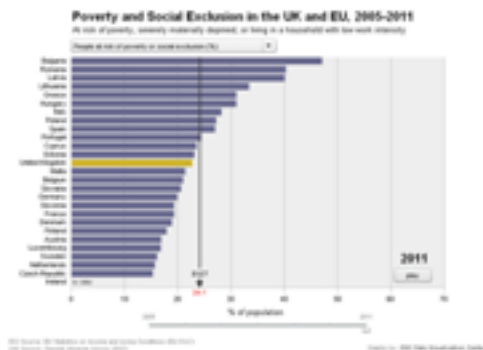
Source: Office for National Statistics, Eurostat

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Animated Figure 2



[View animated version of this chart \(opens new window\)](#)

In 2011, the UK had the 13th highest rate out of the 26 countries for which individual data is currently available. There was considerable variation in the rates across individual EU countries, with less than 16% of people at risk of poverty or social exclusion in the Netherlands and Czech Republic compared with 47.1% in Bulgaria.

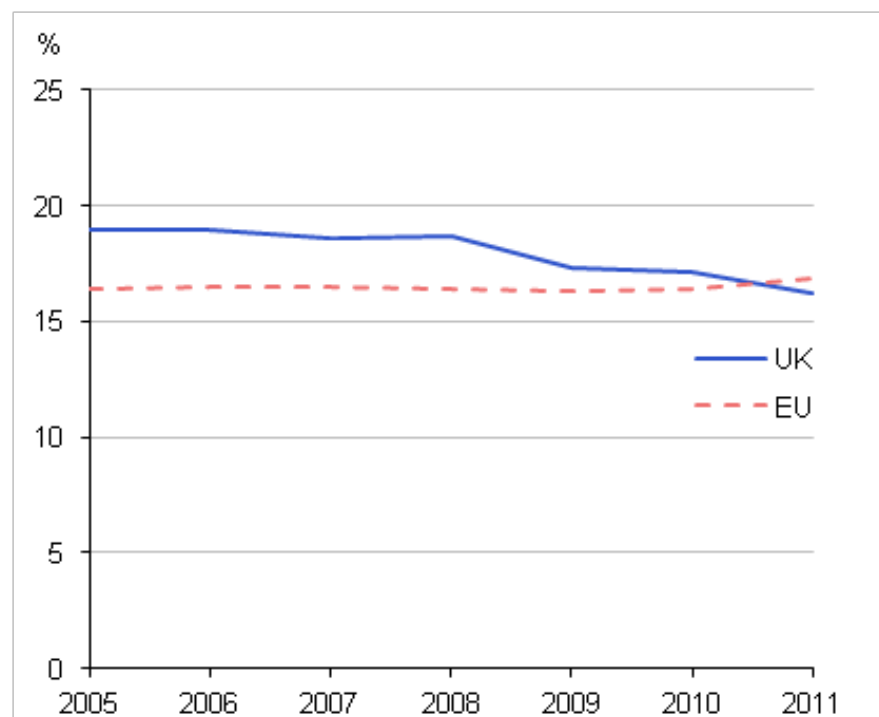
At risk of poverty

In the UK, the proportion of people at risk of poverty fell by almost one percentage point between 2010 and 2011 from 17.1% to 16.2%, equivalent to approximately half a million fewer people. The decrease in the at-risk-of-poverty rate was largest for those aged under 18, for whom the rate fell by 2.3 percentage points.

Someone is described as being at risk of poverty if their equivalised disposable income (after social transfers such as direct income support, child benefits, and non-contributory pensions) is below the poverty threshold. This threshold is 60 per cent of national median equivalised disposable income. This type of relative indicator does not measure absolute wealth or poverty, but low income in comparison to other residents in that country, which in itself does not necessarily imply a low standard of living.

The most recent fall in the at-risk-of-poverty rate for the UK is part of a continuing trend. Since 2008, the UK rate has fallen 2.5 percentage points from 18.7%. In contrast, between 2005 and 2008 the rate was relatively constant.

Figure 3: UK and EU average at-risk-of-poverty rates for total population: 2005-2011



Source: Office for National Statistics, Eurostat

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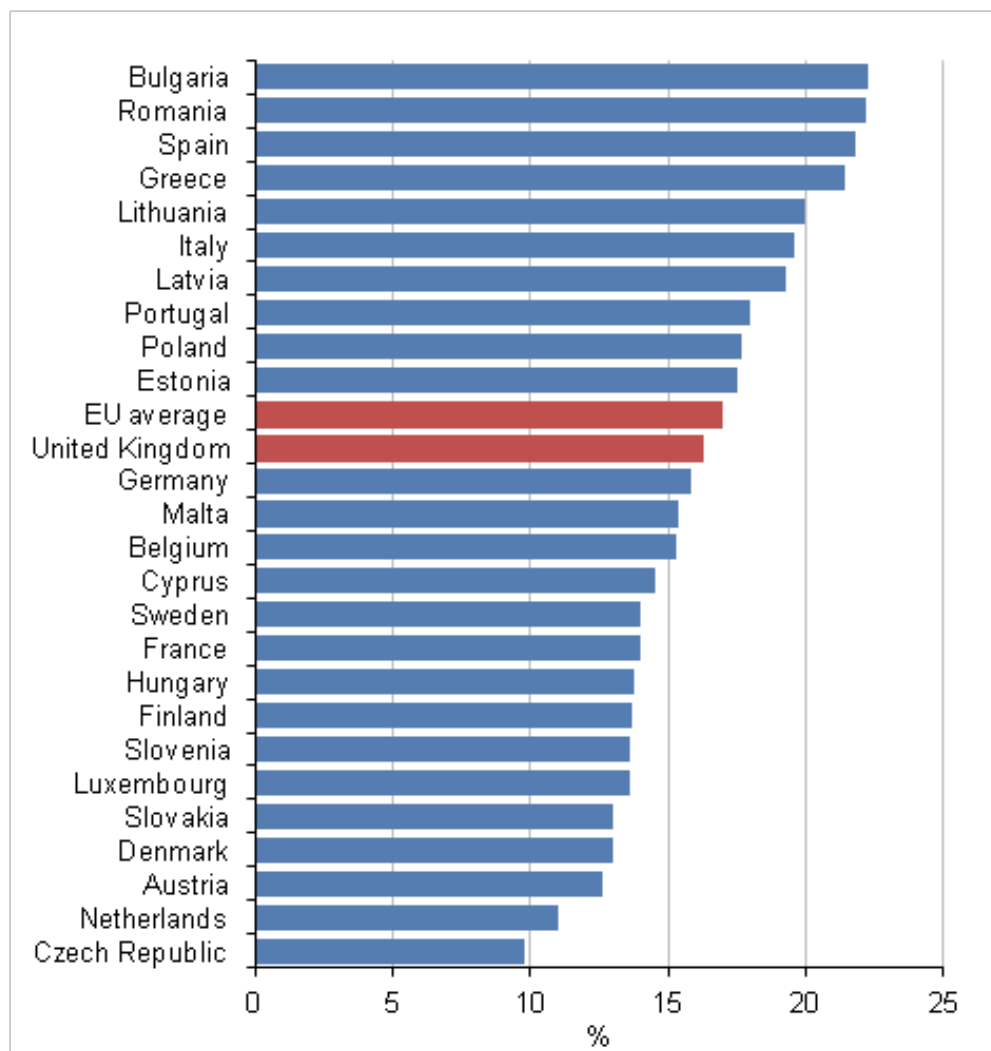
These falls in the at-risk-of-poverty rate can be at least partly explained by the poverty threshold actually decreasing by £117 between 2008 and 2011, due to a corresponding fall in median disposable income from £15,068 to £14,873 in annual cash terms. Once inflation is taken into account, this is equivalent to a £1,702 fall in the median in real terms.

This fall in the income of those in the middle of the income distribution - and therefore the poverty threshold - may lead to households with incomes that were previously just below the threshold no longer being identified as at risk of poverty, even if their situation has not actually changed significantly.

This feature of relative poverty measures such as this highlights why it is often beneficial to consider them alongside other indicators of poverty and social exclusion in order to provide a more complete picture of people's situations. This is one of the main reasons that the Europe 2020 indicator combines this poverty measure with others on severe material deprivation and low work intensity.

2011 was the first year in the time period since comparable data has become available that the UK had a lower at-risk-of-poverty rate than the EU average, with the overall EU rate increasing slightly to 16.9% of the population. By far the biggest contributor to this increase in the EU average is Italy, where the rate rose by 1.4 percentage points, meaning that approximately 900,000 more Italians were at-risk-of-poverty in 2011 than in 2010.

In 2011, the highest at-risk-of-poverty rates were in Bulgaria (22.3%), Romania (22.2%), Spain (21.8%) and Greece (21.4%). The lowest rates were in the Czech Republic (9.8%), the Netherlands (11.0%) and Austria (12.6%).

Figure 4: At-risk-of-poverty rates by country: 2011

Source: Office for National Statistics, Eurostat

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Severe material deprivation

Material deprivation figures complement relative poverty rates by providing an estimate of the proportion of people whose living conditions are severely affected by a lack of resources. The severe material deprivation rate measures the proportion of the population that cannot afford at least four of the following items:

1. To pay their rent, mortgage, utility bills or loan repayments,
2. To keep their home adequately warm,
3. To face unexpected financial expenses,
4. To eat meat or protein regularly,

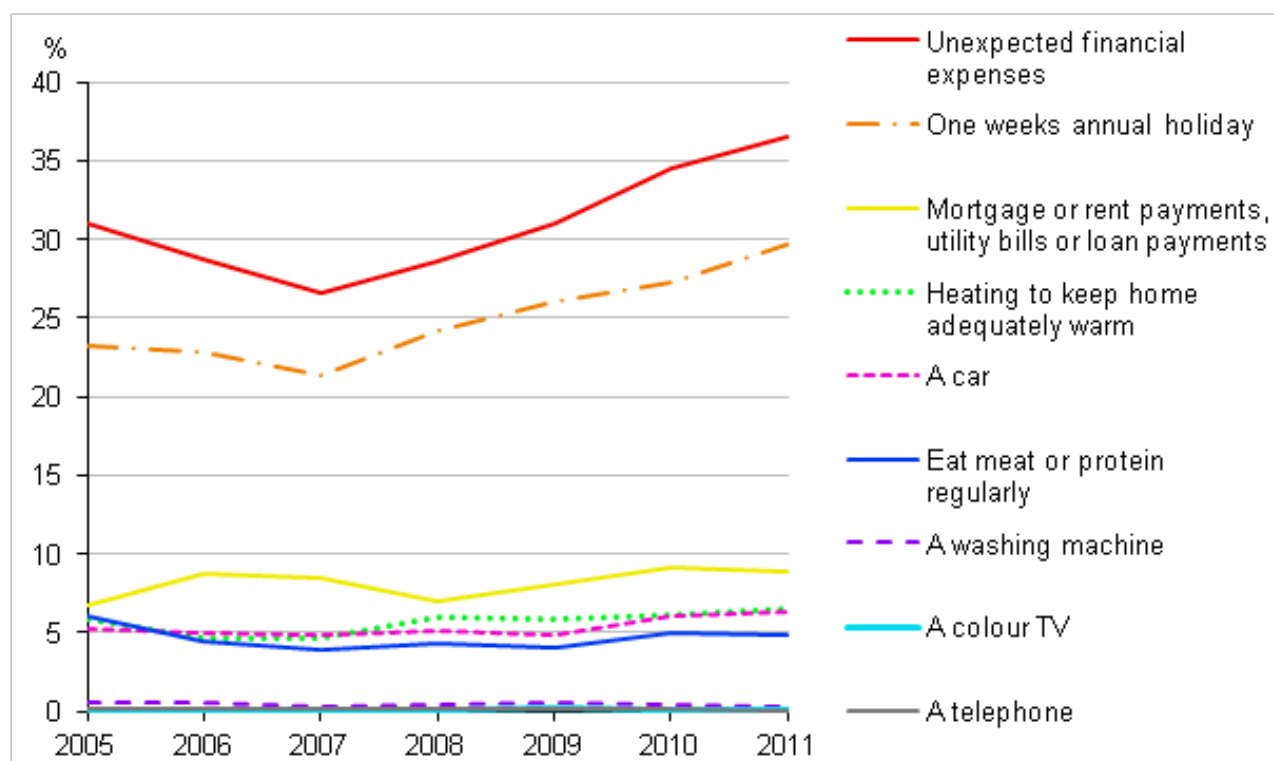
5. To go on holiday for a week once a year,
6. A television set,
7. A washing machine,
8. A car,
9. A telephone.

In the UK, the overall severe material deprivation rate has remained broadly unchanged between 2005 and 2011, with 5.1 per cent of the population being deprived in 2011. Levels of severe material deprivation in the UK are significantly below the EU average of 8.7%.

Although overall levels of severe material deprivation in the UK have changed little in recent years, there have been some significant changes to the extent that people can afford individual items. In 2011, 36.6% of people felt that they would be unable to meet an unexpected but necessary financial expense, an increase 10 of percentage points from 26.6% in 2007. Over this period, there was also a substantial increase in the percentage of people who feel they cannot afford to go on holiday for a week, up to 29.7% in 2011 from 21.4% in 2007. There have also been smaller increases in recent years in the percentage of people who say they are unable to afford a car, to heat their home adequately or to pay their rent/mortgage, utility bills or loan repayments.

In the UK, the percentage of people who say they are unable to afford a television set, telephone or washing machine is negligible.

Figure 5: Percentage of population unable to afford items, UK 2005-2011



Source: Office for National Statistics

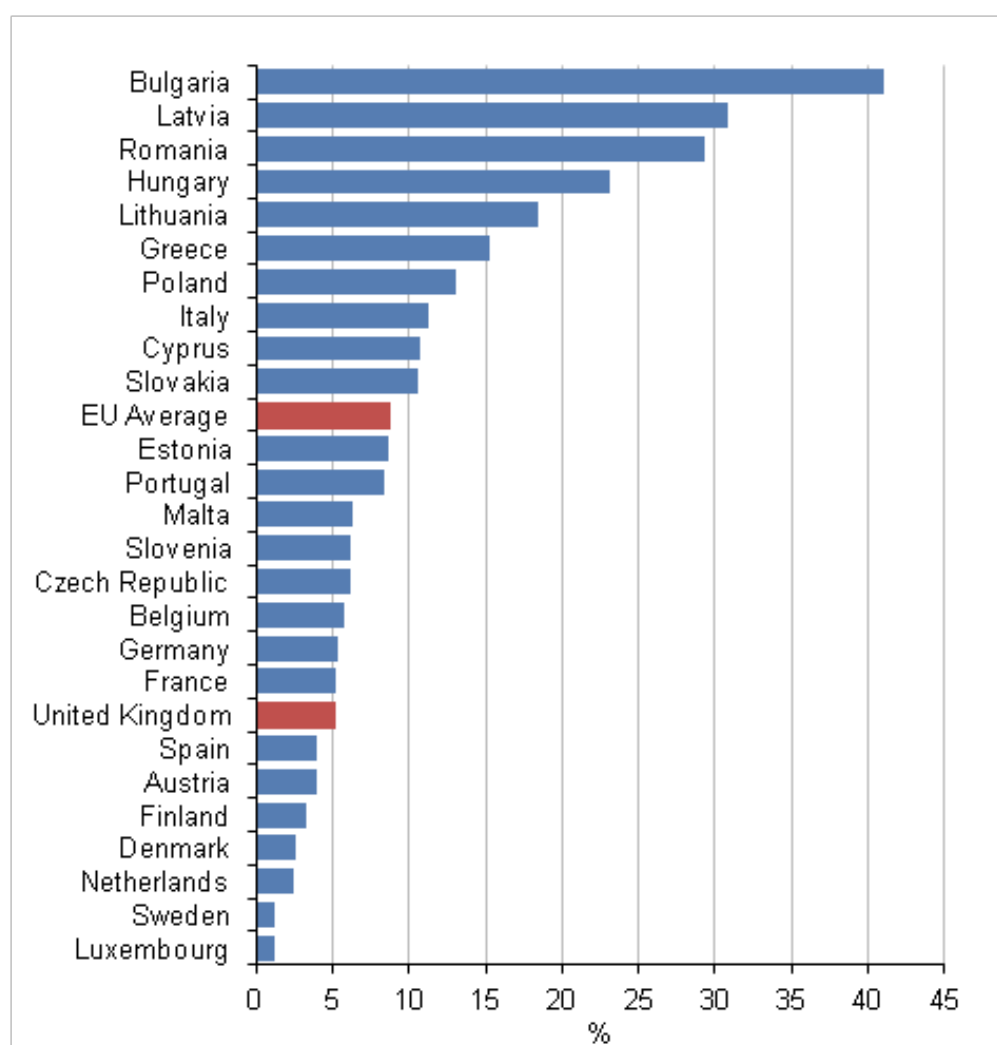
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Across the EU there is a wide divergence in the severe material deprivation rate between countries. For instance, Bulgaria had the highest levels of severe material deprivation in the EU, with a rate of 41.0%, followed by Latvia and Romania with 30.9% and 29.4% respectively. In contrast, only 1.2% of the populations of Sweden and Luxembourg are considered to be severely materially deprived. Between 2010 and 2011, the largest changes in levels of severe material deprivation were in Bulgaria, Italy and Greece where rates increased by 8.6, 4.3 and 3.6 percentage points respectively.

Figure 6: Severe material deprivation rates by country: 2011



Source: Office for National Statistics, Eurostat

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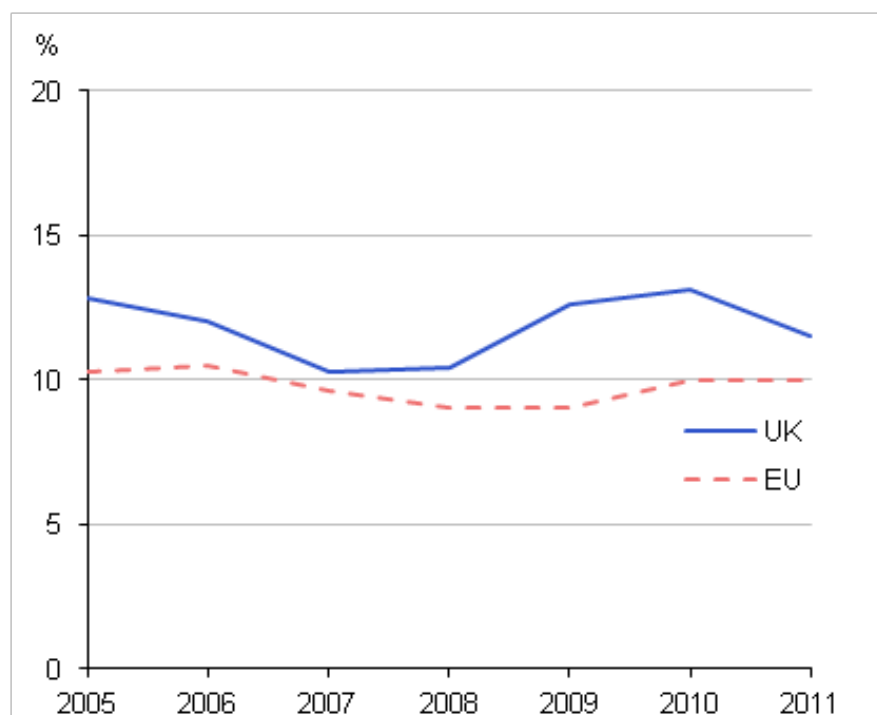
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Low work intensity

Work intensity captures the extent to which working age members of a household are fully employed. People are defined as living in a household with very low work intensity where the adults worked less than 20% of their total potential during the previous year.

In 2011, 11.5% of people in the UK under the age of 60 were living in households with low work intensity – down 1.6 percentage points from 13.1% in 2010. The longer term trend has seen levels of low work intensity falling in the UK between 2005 and 2007 from 12.8% to 10.3%, before rising again during the economic downturn, to a peak in 2010.

Figure 7: Percentage of people aged under 60 living in households with low work intensity, UK and EU average: 2005-2011



Source: Office for National Statistics, Eurostat

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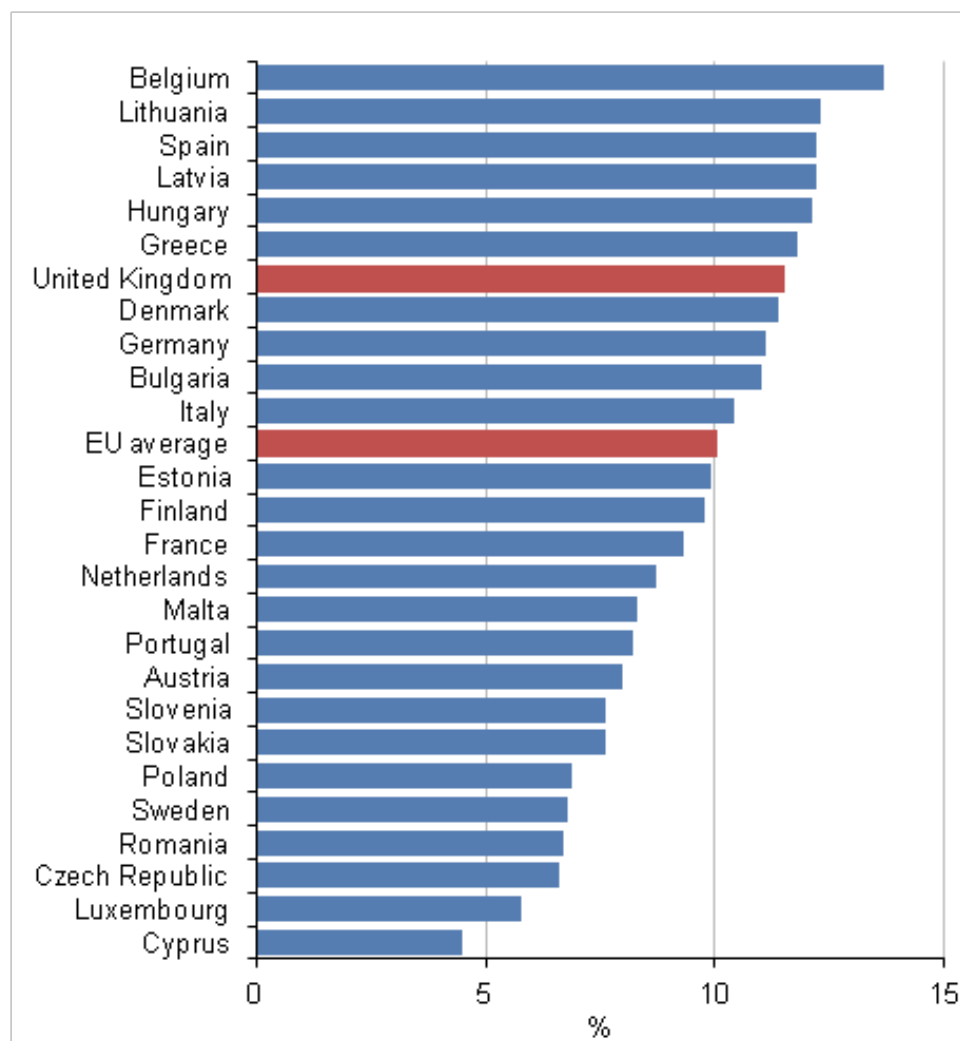
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Despite the recent fall, the level of low work intensity in the UK remains relatively high compared with most other EU countries (7th highest out of the 26 for whom data is available in 2011), and is above the EU average of 10.0%.

In 2011, the highest rates of low work intensity were in Belgium, Lithuania and Latvia with 13.7%, 12.3% and 12.2% respectively. The lowest rates were in Cyprus and Luxembourg (4.5% and 5.8% respectively).

Figure 8: Percentage of people aged under 60 living in households with low work intensity by country: 2011



Source: Office for National Statistics, Eurostat

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Background notes

1. The figures in this article are based on [European Union Statistics on Living Conditions \(EU-SILC\)](#). EU-SILC is coordinated by [Eurostat](#) (the European Commission's statistical agency) under EC regulation and provides cross sectional and longitudinal data on income, poverty and living conditions across Europe. In the UK, EU-SILC is collected by the Office for National Statistics (ONS) using the [General Lifestyle Survey \(GLF\)](#).
2. The [General Lifestyle Survey \(GLF\)](#) is a module of the [Integrated Household Survey \(IHS\)](#), formerly known as the General Household Survey (GHS). It is a multi-purpose continuous

survey carried out by the ONS collecting information on a range of topics from people living in private households in Great Britain.

3. The data for other EU countries is collected by their national statistical institutes (NSIs). Overall EU figures are calculated by [Eurostat](#) and are computed as the population-weighted averages of the national figures.
4. The estimates for other countries, along with the overall EU figures were extracted from [Eurostat's online database](#) on 11th January 2013. Eurostat update their online database on a regular basis. At the time of writing, no data were available for Ireland.
5. The [EU-SILC](#) data are weighted to take into account different probabilities of selection and levels of response or different types of household and individual. For the UK, this weighting was carried out prior to the availability of the [2011 Census](#) data, so does not take into account the latest population estimates. However, it is anticipated that the impact of these new population estimates on the [EU-SILC](#) weighting will be minimal.
6. Follow ONS on [Twitter](#) and receive up to date information about our statistical releases.
7. Like [ONS on facebook](#) to receive our updates in your newsfeed and to post comments on our page.
8. Watch our videos on [YouTube](#).
9. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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Appendices

Glossary

At-risk-of-poverty rate

The share of people with an equivalised disposable income (after social transfers) below the at-risk-of-poverty threshold. This threshold is set at 60 per cent of the national median equivalised disposable income after social transfers. This type of relative indicator does not measure wealth or poverty, but low income in comparison to other residents in that country, which does not necessarily imply a low standard of living.

Equivalised disposable income

Disposable income is the total income of a household, including cash benefits and after tax and other deductions, which is available for spending or saving.

For the UK, the income figures reflect household's current income. For the majority of other EU countries, the income reference period is the previous calendar or tax year.

In order to reflect differences in household size and composition, these figures are given per equivalent adult. This means that total household disposable income is divided by the number of household members converted into equalised adults. Household members are equalised or made equivalent by weighting each according to their age, using the so-called modified OECD equivalence scale.

Modified OECD equivalence scale

The modified OECD scale gives a weight to all members of the household and then adds these up to arrive at the equivalised household size:

- 1.0 to the first adult,
- 0.5 to the second and each subsequent person aged 14 and over,
- 0.3 to each child under 14.

Material deprivation

The severe material deprivation rate measures the proportion of the population that cannot afford at least four of the following items:

1. To pay their rent, mortgage, utility bills or loan repayments,
2. To keep their home adequately warm,
3. To face unexpected financial expenses,
4. To eat meat or protein regularly,
5. To go on holiday for a week once a year,
6. A television set,
7. A washing machine,
8. A car,
9. A telephone.

Capacity to face unexpected expenses

This indicator reflects the proportion of the population which is unable to afford an unexpected, but necessary, expense equal to 1/12 of the national at-risk-of-poverty threshold using its own resources.

Work intensity

The work intensity of a household is defined as the ratio between the total number of months that all working-age household members (aged 18-59 excluding students) have worked and the total number of months those household members could have worked. Someone is defined as low work intensity if they are living in a household with a work intensity less than 0.2.

Related statistics and analysis

ONS published analysis of [UK and EU at-risk-of-poverty rates for 2005-2010](#) in June 2012.

ONS published analysis of [The Burden of Household Debt in Great Britain](#) in January 2013.

The Stiglitz, Sen and Fitoussi report on the 'Measurement of Economic Performance and Social Progress' (2009) was commissioned in response to increasing concerns about the adequacy of current measures of economic performance, in particular those based on GDP figures, and about the relevance of these figures as measures of well-being. A number of recommendations were made, including to look at income and consumption rather than production, emphasizing the household perspective and giving more prominence to the distribution of income consumption and wealth. This article adds to ONS's growing literature on [Measuring National Well-being](#) by examining income distributions of households.

[Eurostat](#) produce a number of news releases and articles based on [EU-SILC](#). More figures for all EU countries are also available through their online database.

The [Households Below Average Income \(HBAI\)](#) series is an annual publication by the [Department for Work and Pensions \(DWP\)](#) which uses [Family Resources Survey data](#). [HBAI](#) data are used to measure existing UK government targets to reduce poverty. The publication analyses the income distribution generally, and the numbers and characteristics of low income households using equivalised disposable income. The publication covering the period 2010/2011 was released by [DWP](#) on 14th June 2012. [HBAI](#) poverty estimates are not directly comparable with those produced for [EU-SILC](#). This is primarily because the two indicators use different definitions of disposable income. [HBAI](#) is the preferred UK policy measure, due to its larger sample size, though the [EU-SILC](#) indicator is used for this article due to its cross-European comparability.