Briefing:

Poverty During The Covid-19 Crisis

SUMMARY: POVERTY DURING THE COVID-19 CRISIS

This November 2020 briefing presents original analysis from the Legatum Institute using the Social Metrics Commission's approach to poverty measurement to demonstrate both the likely impacts of Covid-19 on poverty and the insulating effect that Government policy has had.

Results that follow should be regarded as our best assessment of the likely course of poverty since the start of the crisis. It is our attempt to measure the poverty impacts that have happened, the protective impact of Government action that has already been taken and choices that still need to be made.

The need for this is clear; survey data that underpins the measurement of poverty in the UK and covers the pandemic period will not be available until 2022. As such, this briefing presents the results from a "nowcasting" exercise. This uses the most up-to-date data on employment, earnings and Government policy available (including the Coronavirus Job Retention Scheme (furlough scheme), and its likely distribution amongst different groups of employees), along with a range of assumptions to model the likely level and distribution of poverty in Summer 2020 and Winter 2020. Given the uncertainties present in current estimates of labour market activity in the Summer and Winter of 2020,[1] we have used a range of different scenarios.

The results in the summary below reflect our high unemployment (summer) and high unemployment and furlough (winter) scenarios. These assume:

- **Summer 2020:** Unemployment rate of 5.8% (based on fall in employment observed in HMRC PAYE real-time data)[2] and 5.2m people furloughed,[3] with the impacts of this distributed as we have observed in the SMC / YouGov poll of 80,000 people between March and May 2020.[4] Two million self-employed people are assumed to have taken on the Self-Employed Income Support Scheme.[5]
- **Winter 2020:** Unemployment rate of 7.5% (based on continuation of the trend observed in fall in employment in HMRC PAYE real-time data) and 5.2m people furloughed, (impacts distributed as observed in the SMC / YouGov poll). Two million self-employed people are assumed to have taken on the Self-Employed Income Support Scheme.

More detail on the assumptions used in this, and our other scenarios, along with full results for each scenario can be found in the main body of the report.

Summary of findings

UK poverty is a significant long-term issue. Prior to the pandemic, more than one in five people in the UK (22%) lived in families in poverty. This has hardly changed over the last 20 years. This means that prior to the pandemic 14.4 million people lived in poverty in the UK.[6]

As well as significant health and social impacts, the Covid-19 pandemic has had economic impacts. These have most clearly been seen in falling employment levels, wage reductions for furloughed workers and falling earnings for the self-employed.

These impacts have not been evenly spread. Partly as a result of the nature of the lockdowns needed to stem the rise in infections (which, for example, have seen specific sectors closed down completely for extended periods), the economic impacts of the Covid-19 crisis have been felt particularly hard in certain sectors and by people with a range of specific characteristics. In general, those hardest hit have been young workers, those in relatively low-paying employment and those working in sectors such as hospitality and retail.

Poverty has risen as a result of the Covid-19 crisis. Table 1 shows what the nature of these impacts means for the overall level of poverty in Summer 2020 and Winter 2020.

Our projections suggest that, compared to the situation where the Covid-19 pandemic had not hit the country, 440,000 more people were in poverty in Summer 2020 and 690,000 more in Winter 2020.

Table 1: Projections of poverty in Summer and Winter 2020

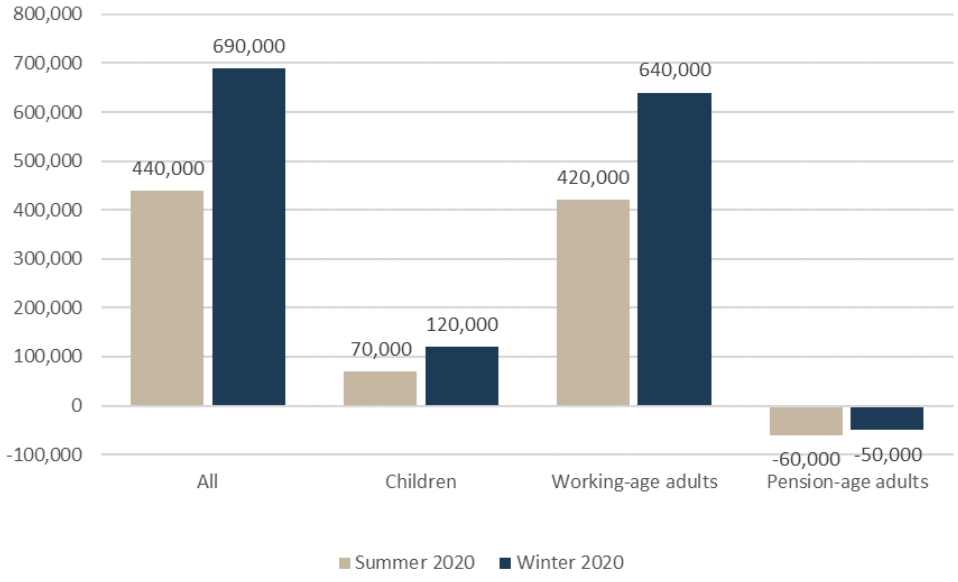
	Individuals in poverty (millions)	Change in poverty compared to no-Covid-19 scenario	Poverty rate	Change in poverty rate compared to no-Covid-19 scenario (percentage points)
Summer 2020	14.8m	+440,000	23%	1 ppt
Winter 2020	15.2m	+690,000	23%	1 ppt

Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model.

Notes: Summer 2020 scenario is our high unemployment scenario. Winter 2020 is our high unemployment, high furlough scenario.

The largest impacts have been seen in poverty amongst working-age adults. The distribution of economic impacts has meant that poverty has risen most amongst working-age adults. Figure 1 shows how the changes in poverty are distributed between children, working-age adults and pension-age adults. It shows that, compared to the situation where Covid-19 had not hit the UK, 640,000 more working-age adults are in poverty in Winter 2020.

Figure 1: Changes in poverty in Winter 2020, compared to no-Covid-19 scenario

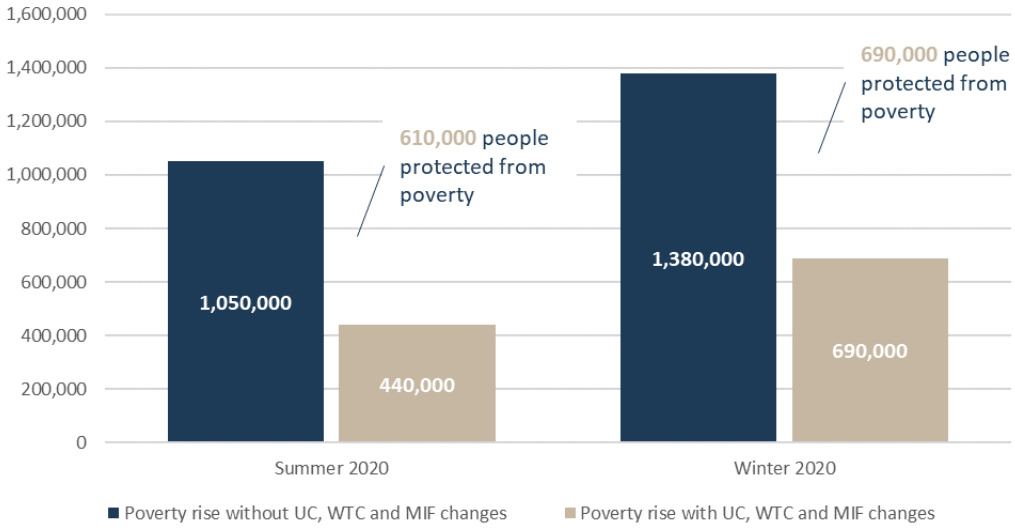


Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model.

Notes: Summer 2020 scenario is our high unemployment scenario. Winter 2020 is our high unemployment, high furlough scenario. Fall in poverty for pension-age adults is a result of a small reduction in the poverty line due to the median of Total Resources Available falling. Sum of elements may not match totals, due to rounding.

Government policy has insulated many families from poverty. In an attempt to mitigate some of the financial impacts of the Covid-19 crisis, the Government has introduced a range of financial support for families and businesses. These include a temporary increase of £20 a week to Universal Credit and Working Tax Credits and the suspension the Minimum Income Floor (that applies to self-employed people claiming Universal Credit). We estimate that these policies alone have protected some 690,000 people from poverty in Winter 2020 (figure 2).

Figure 2: Changes in poverty in Summer and Winter 2020, compared to no-Covid-19 scenario, with and without increased generosity in Universal Credit and Working Tax Credit and the suspension of the Minimum Income Floor in Universal Credit



Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model.
Notes: Summer 2020 scenario is our high unemployment scenario. Winter 2020 is our high unemployment, high furlough scenario. Sum of elements may not match totals, due to rounding.

Poverty has reduced amongst some groups. The increases to benefits have also meant that some groups have seen a fall in poverty. This is because many non-working families have seen their benefits increase, meaning that they are less likely to be in poverty than would have been the case in the absence of the Covid-19 pandemic. Table 2 shows projected changes in poverty in Winter 2020 compared to a situation where the Covid-19 pandemic had not hit the UK. It shows a reduction of 100,000 in poverty in lone-parent families and a reduction of 170,000 in poverty in workless families in Winter 2020, compared to the case where the Covid-19 crisis and resulting increases to benefit generosity had not happened. Conversely, there have been significant increases in poverty amongst families that were working prior to the Covid-19 crisis. These have resulted from job losses and earnings reductions that have tipped them into poverty.

Table 2: Projections of poverty in Winter 2020

	Individuals in poverty (millions)	Change in poverty compared to no-Covid-19 scenario	Poverty rate	Change in poverty rate compared to no-Covid-19 scenario (percentage points)
Family type				
Single, no children	3.4m	+130,000	28%	1 ppt
Lone parent	2.4m	-100,000	49%	-2 ppts
Couple, no children	1.6m	+290,000	13%	2 ppts
Couple with children	6.3m	+420,000	27%	2 ppts
Single pensioner-age adult	0.7m	-30,000	16%	-1 ppt
Pensioner couple	0.8m	-20,000	10%	-
Family work status prior to Covid-19 pandemic				
Full-work family	3.7m	+660,000	11%	2 ppts
Full/ part-time work family	4.2m	+220,000	30%	2 ppts
Part-time work family	2.0m	+60,000	57%	2 ppts
Workless family	4.0m	-170,000	67%	-3 ppts
Retired family	1.1m	-70,000	12%	-1 ppt

Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model. Winter 2020 is our high unemployment, high furlough scenario.

Notes: Work status describes the family's situation prior to Covid-19.

Poverty depth has also changed. Table 3 shows how the UK population is distributed across different thresholds of poverty. It shows that, compared to the situation where the Covid-19 pandemic had not impacted the UK, 270,000 more people are in the deepest form of poverty. However, the majority of the increase in poverty is seen in the shallowest form of poverty, with 370,000 more people in this situation because of the impacts of the Covid-19 pandemic.

Table 3: Projections of poverty depth in Winter 2020

Poverty depth	Individuals (millions)	Change compared to no-Covid-19 scenario	% of UK population	Change in % of UK population compared to no-Covid-19 scenario (percentage points)
50%+ below the poverty line	5.3m	+270,000	8%	0.4 ppt
25-50% below the poverty line	4.3m	+160,000	7%	0.2 ppt
0-25% below the poverty line	5.7m	+370,000	9%	0.6 ppt
0-10% above the poverty line	2.3m	+90,000	4%	0.1 ppt
10-25% above the poverty line	3.6m	+240,000	5%	0.4 ppt
25%+ above the poverty line	44.3m	-1,130,000	68%	-1.7 ppt

Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model. Winter 2020 is our high unemployment, high furlough scenario.

Notes: Work status describes the family's situation prior to Covid-19.

Conclusion. It comes as no surprise that the economic fallout from the Covid-19 pandemic has increased poverty in the UK. However, the strength of reaction from the Government has insulated hundreds of thousands of people from poverty. This shows that, with the right tools and the right information, Government can ensure that, at a time of crisis, many of those who are vulnerable to poverty are protected. To ensure this continues as we begin to adapt to life after, or living with Covid-19, there is a clear need for the Government to push ahead with its creation of Experimental Poverty Statistics and to place a comprehensive anti-poverty strategy at the heart of its Covid-19-recovery response.

CONTEXT

The health, personal, social and economic impacts of the Covid-19 crisis have been significant and widespread. However, whilst all parts of the country and all segments of society have been impacted, they have not been equally so. A wide range of research has already demonstrated that those who were struggling most before the crisis have been hit the hardest. For example:

- Covid-19 mortality rates are highest in more deprived areas. Even after controlling for a range of other factors, there have been an average of 21 more Covid-19 deaths per 100,000 population in the 20% most deprived neighbourhoods, compared to the 20% least deprived.[7]
- Those in working poverty prior to the crisis have been more likely to experience negative employment impacts (reduced hours or earnings and / or been furloughed or lost their job). Nearly two in three (65%) of those employed prior to the Covid-19 crisis who were in deep poverty have experienced some kind of negative labour change compared to one in three (35%) of those who were employed and more than 20% above the poverty line prior to the Covid-19 crisis.[8]
- The prevalence of moderate to severe symptoms of depression has risen most amongst those unable to afford an unexpected expense. More than a third (35%) of this group now report moderate to severe symptoms (compared to 21% prior to the crisis).[9]

These findings are of great concern. Previous briefings from the Legatum Institute have already highlighted the fact that poverty rates in the UK have been at or around 22% of the population for at least the last 20 years. They have also shown that people in poverty suffer a resilience gap that entrenches and worsens their experiences of poverty. For example, they are more likely to have poor mental and physical health, to be living on their own, and to experience worklessness and indebtedness. This is a situation that the unequal impacts of Covid-19 stands to make worse.

To understand the potential scale of the impacts of the economic fallout of Covid-19 on poverty in the UK, this briefing presents new analysis from Legatum Institute. These provide the first projections of poverty in the UK in Summer and Winter 2020 using the Social Metrics Commission's measurement framework, which the Government is currently developing as Experimental Statistics.[10]

APPROACH

The measurement of poverty in the UK, including the Social Metrics Commission's measurement framework, is typically based on the Family Resources Survey (FRS). This is a long-standing household survey, conducted each year. However, whilst this provides users with a rich picture of the extent and nature of poverty across the UK, the data is published with a significant time lag. This means that data covering the Covid-19 period, will first become available in 2022. This is obviously too late for decision makers who are seeking to ensure that the most vulnerable are shielded from the worst impacts of the pandemic.

To tackle this, this briefing presents the results from a "nowcasting" exercise. This takes the most recently available data (from the FRS, 2018/19) and updates that data based on what we know about changes in the economy (including employment, earnings, incomes and prices) as well as changes to Government policy. To understand the impacts of the economic fallout from Covid-19 we do this to create a "baseline" and a set of "reform" scenarios:

- A baseline scenario updates the FRS as if Covid-19 had not happened; and
- Reform scenarios update the FRS including changes that we think have happened as a result of Covid-19 (to both the economy and Government policy).

Comparing results from reform scenarios to the baseline allows us to create projections, or nowcasts, of the potential impacts of Covid-19 on poverty in the UK. Creating realistic nowcasts relies on creating an accurate set of assumptions on what has happened to key features of the economy, including unemployment and wages as well as Government policy. Here we focus on:

- Reduced employment and increased unemployment;
- The number of employees on the Government's Coronavirus Job Retention Scheme (furlough) and the likely wage impacts;
- The number of self-employed on the Self-Employed Income Support Scheme and the likely earning impacts;
- Changes in benefits policy resulting from the Covid-19 crisis; most notably £20 a week increases in basic allowances of Universal Credit and Working Tax Credit and the suspension of the Minimum Income Floor that applies to self-employed people on Universal Credit.

For each of these, it is also important to understand how they might have been differentially felt by different segments of the population. For example, have those with low incomes seen largest impacts? This is particularly important when measuring poverty impacts because the Social Metrics Commission's poverty measure creates a poverty threshold that is taken with reference to others in society. This means that, as well as how each individual person or family is faring, it matters how these experiences related to how others in society are faring.

Creating estimates of the headline impacts of Covid-19 on the economy

The table below summarises the approach taken to creating assumptions for each of the main aspects of economic changes that we are modelling.

	Existing evidence	What have we done?
Change in employment / unemployment	Statisticians, including the ONS, have faced real challenges in plotting the course of employment and unemployment during the crisis. These challenges include accounting for the effects of the JRS, conducting household surveys in the course of a global pandemic and difficulties in interpreting new claims data for benefits (when usual conditionality regimes have been suspended).[11]	We have accepted a degree of uncertainty and chosen to create "low" and "high" unemployment scenarios. These are based on: • Estimates of unemployment from the Labour Force Survey (low scenario);[12] and • HMRC real time PAYE data, showing falls in employment, which are translated into equivalent rises in unemployment.[13]
Number of people on the JRS (furlough)	Official statistics exist on the number of "employments" that are on the JRS. Note that this is different from the number of people, since one person can hold multiple jobs ("employments").	Used official statistics, adjusted for the number of people in the UK economy holding more than one job (summer). However, official statistics are not available for the Winter yet, meaning that we created two scenarios (high / low) based on existing projections of the likely scale of the JRS following the November lockdown.[14]
Reduced earnings for those on JRS (furlough)	Scheme rules are that employees must receive at least 80% of their pay, up to a monthly limit of £2,500.	All those on JRS receive 80% of previous earnings, up to a monthly limit of £2,500.
Number of people on the SEISS	Official statistics exist on the number of self-employed people who have applied for, and been subsequently given, a grant as part of the SEISS.	Based on analysis of official statistics.[15]
Reduced earnings for those on the SEISS	There have been three waves of the scheme and rules depend on the wave of the grant that is applicable at the time.	Used scheme rules applicable for Summer and Winter 2020.

	Existing evidence	What have we done?
Changes in the benefit system	A number of changes have been introduced by the Government, in response to the Covid-19 crisis.	Focussed on £20 a week increases in basic allowances of Universal Credit and Working Tax Credit and suspension of the Minimum Income Floor that applies to self-employed people on Universal Credit.

Creating estimates of the differential impacts of the economic fallout from Covid-19

A range of sources exist to understand how the labour market impacts of Covid-19 have been differentially felt by different segments of the population. For example, official statistics for the JRS and SEISS provide a breakdown of claims by a range of characteristics including sector and geography. A number of bespoke surveys have also been carried out.

One of these bespoke surveys was an 80,000 person nationally representative survey conducted between March and May 2020, by YouGov on behalf of the Social Metrics Commission. This survey allows us to analyse how job losses and the use of the JRS have varied across a large range of personal and household characteristics.[16]

From this, there are a range of factors against which we might choose to vary the economic impacts of Covid-19 across. These include sector, region, age, income and family type. Our choice has been driven by ensuring that we are most accurately reflecting those dimensions that are primary drivers or our understanding of poverty, within the constraints of the sample available to us.

In practice, we took the distribution of observed job losses / use of JRS in the YouGov data and imposed this distribution onto the job loss / JRS scheme assumptions in each of the scenarios.

Official statistics for the SEISS suggest that the distribution of take up for the scheme is broadly consistent with the overall distribution of the self-employed across a range of characteristics, except that only those with earnings under £50,000 per annum are eligible. As such, we have not assumed any differential impacts for the take up of this scheme, except excluding those earning over £50,000.

Headline assumptions for economic impacts

Table 4 shows how this approach translates into two scenarios to compare to the Summer 2020 baseline and four scenarios to compare to the Winter 2020 baseline. The table outlines assumptions used for each scenario.

Table 4: Assumptions used for Summer and Winter 2020 poverty Nowcasting

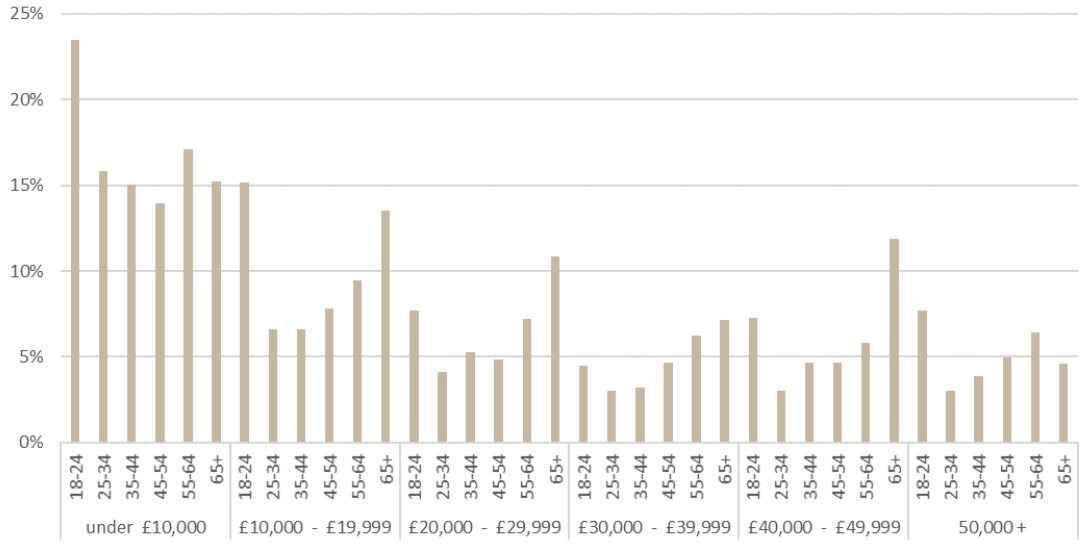
	Name	Unemployment	JRS (Job Retention Scheme)	SEISS (Self-Employed Income Support Scheme)
Summer 2020	Low unemployment	4.5% (0.2ppt increase)	5.2m	2m
	High unemployment	5.8% (1.6ppt increase)	5.2m	2m
Winter 2020	Low unemployment, low furlough	5.5% (1.3ppt increase)	3.9m	2m
	Low unemployment, high furlough	5.5% (1.3ppt increase)	5.2m	2m
	High unemployment, low furlough	7.5% (3.3ppt increase)	3.9m	2m
	High unemployment, high furlough	7.5% (3.3ppt increase)	5.2m	2m

Assumptions for differential impacts of Covid-19 economic impacts

The first thing to note here is that we assume that all job losses and use of furlough takes place in the private sector. As highlighted above, our assumptions for how these headline changes in labour market status (unemployment and furlough) feed through differentially to different population groups within the private sector are based on the observed distribution of job losses and the use of furlough in the SMC's YouGov poll of 80,000 people between March and May 2020.

Figure 3 demonstrates the proportion of those who were employed prior to the Covid-19 pandemic in each age / income group that reported to have lost their job between March and May 2020. It shows that those with the lowest household equivalised incomes were most likely to have lost their job. Within each income band, the youngest and oldest age groups were the most likely to have lost their job.

Figure 3: Proportion of those employed prior to Covid-19 pandemic, who lost their jobs between March and May 2020, by age and household equivalised income



Source: YouGov, Social Metrics Commission, Legatum Institute

Table 5 provides an example, for our low unemployment scenario, of how this observed distribution of job losses feeds through to our assumptions. It shows our assumptions for the unemployment rates of different age / income groups in Summer 2020 and how these have changed since the period when the FRS was collected (2018/19). Full details of assumptions for other scenarios can be found in the annex.

Table 5: Assumptions for unemployment rates and changes for Summer 2020 low unemployment scenario (overall unemployment rate of 4.5%), by age and household equivalised annual income

	18-24		25-34		35-44	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	59%	0.6	32%	0.6	37%	0.5
£10,000 - £19,999	38%	0.5	20%	0.3	15%	0.3
£20,000 - £29,999	16%	0.3	6%	0.2	4%	0.2
£30,000 - £39,999	6%	0.2	2%	0.1	1%	0.2
£40,000 - £49,999	3%	0.3	2%	0.1	1%	0.2
50,000 +	6%	0.4	0%	0.1	1%	0.2

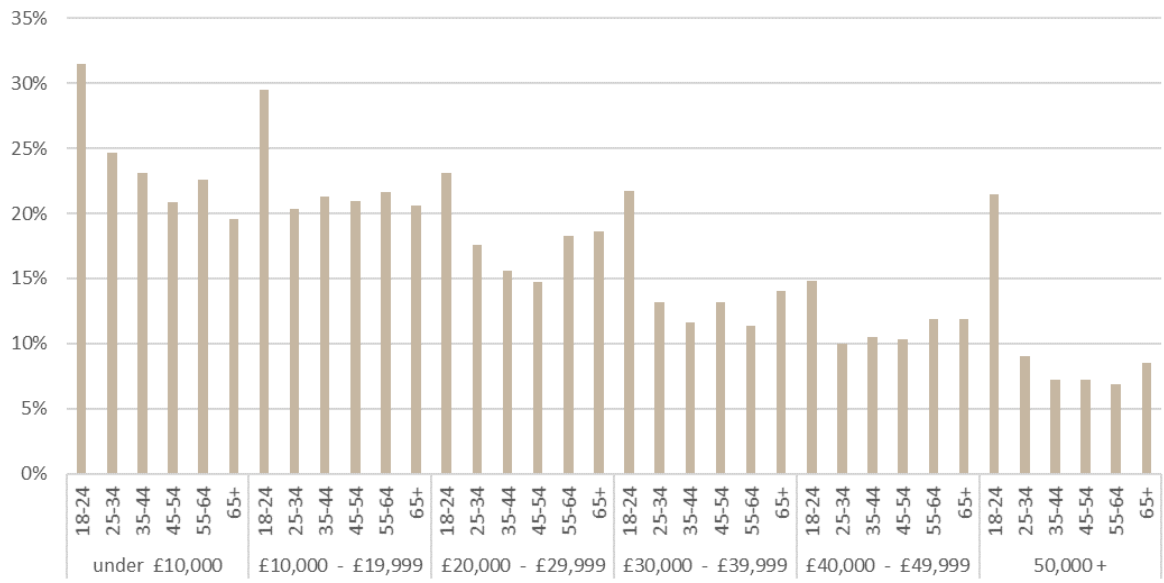
	45-54		55-64	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	27%	0.5	25%	0.7
£10,000 - £19,999	16%	0.3	18%	0.4
£20,000 - £29,999	5%	0.2	3%	0.3
£30,000 - £39,999	2%	0.2	1%	0.3
£40,000 - £49,999	1%	0.2	2%	0.3
50,000 +	1%	0.2	1%	0.3

Source: YouGov, Social Metrics Commission, Legatum Institute

Figure 4 demonstrates results from the SMC/YouGov polling for the proportion of those who were employed prior to the Covid-19 pandemic in each age / income group that reported to have been

furloughed between March and May 2020. It shows that those on with the lowest household equivalised incomes were most likely to have been furloughed. Within each income band, the youngest age groups were the most likely to have been furloughed.

Figure 4: Proportion of those employed prior to Covid-19 pandemic, who were furloughed between March and May 2020, by age and household equivalised income



Source: YouGov, Social Metrics Commission, Legatum Institute

Table 6 shows how this observed distribution of job losses feeds through to our assumptions. It shows our assumptions for the number of people furloughed in different age / income groups in Summer 2020. Full details of assumptions for other scenarios can be found in the annex.

Table 6: Assumptions for number of people furloughed, Summer 2020, by age and household equivalised annual income

	Number of people					
Household equivalised annual income	**18-24**	**25-34**	**35-44**	**45-54**	**55-64**	**All ages**
Under £10,000	12,500	25,500	19,500	29,000	34,500	121,000
£10,000 - £19,999	101,000	155,000	171,500	160,500	125,000	713,000
£20,000 - £29,999	230,000	263,000	259,500	219,000	193,000	1,164,500
£30,000 - £39,999	252,500	259,000	197,000	239,000	150,000	1,097,500
£40,000 - £49,999	129,500	168,000	158,000	171,500	128,500	755,500
50,000 +	264,500	350,000	255,500	290,500	181,500	1,342,000
All incomes	990,000	1,220,500	1,061,000	1,109,500	812,500	5,200,000

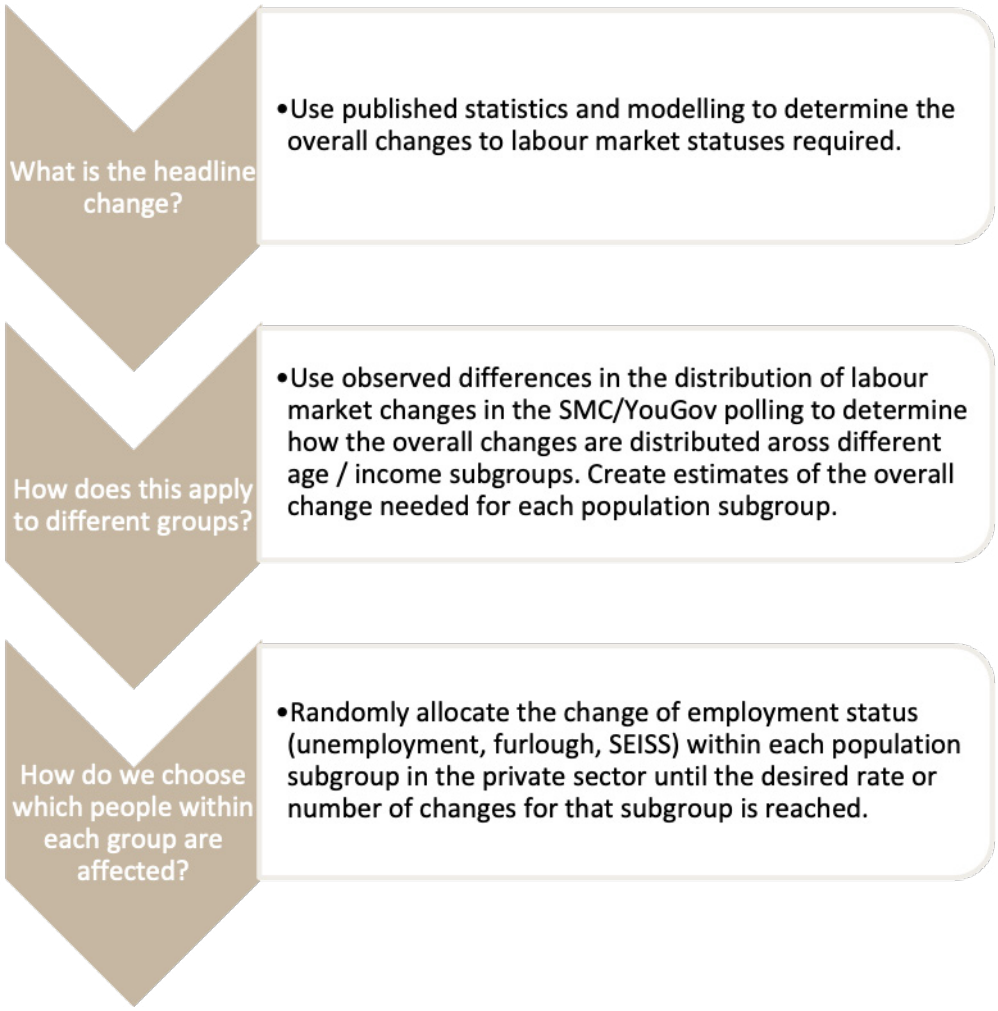
Source: YouGov, Social Metrics Commission, Legatum Institute

Applying assumptions to our nowcasting scenarios

The previous sections have outlined a range of assumptions that underpin our nowcasting scenarios, both for headline changes in the labour market and for how these related to changes for specific age / income subgroups of the population.

Once this is understood, we can then apply these to our nowcasting, by changing the underlying FRS dataset in our reform scenario. For a given change in employment status (e.g. increase in unemployment rate, or furlough) for one population subgroup, this requires us to "allocate" these status changes to datapoints in the survey to individuals within this subgroup, until we reach the required labour market change for this group. This is undertaken via a randomisation process, within each population subgroup. Figure 5 demonstrates this process diagrammatically.

Figure 5: Process of creating and applying labour market assumptions to form our nowcasting scenarios



POVERTY IN SUMMER 2020

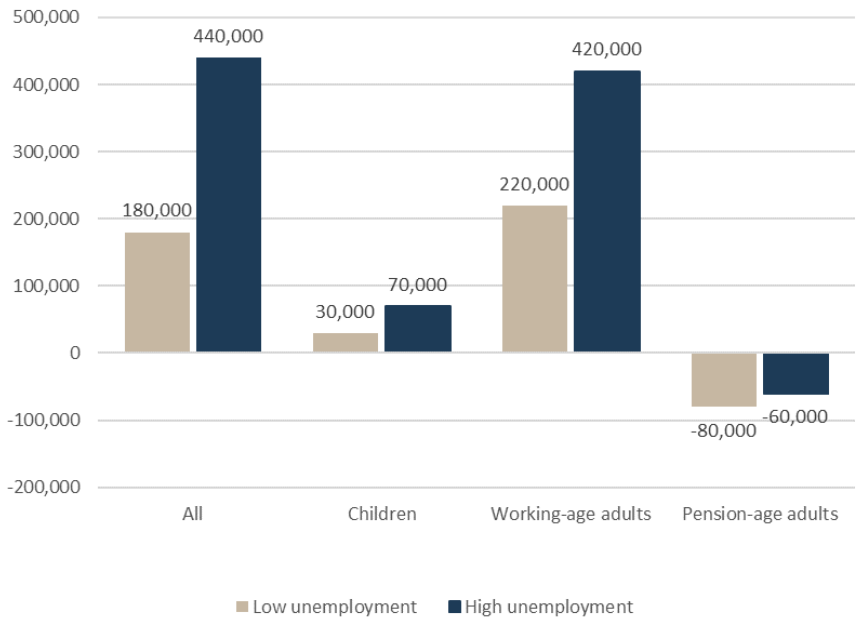
Table 7: Summary of key scenario assumptions for Summer 2020

	Unemployment rate	Number on JRS	Number on SEISS
Low unemployment scenario	4.5% (0.2ppt increase)	5.2m	2m
High unemployment scenario	5.8% (1.6ppt increase)	5.2m	2m

Table 8: Overall change in number of people in poverty, Summer 2020, compared to the situation where Covid-19 pandemic had not occurred

	Low unemployment	High unemployment
All	+180,000	+440,000
Net difference in poverty by age		
Working-age adults	+220,000	+420,000
Children	+30,000	+70,000
Pension-age adults	-80,000	-60,000

Figure 6: Changes in poverty in Summer 2020, compared to no-Covid-19 scenario



Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model. Fall in poverty for pension-age adults is a result of a small reduction in the poverty line due to the median of Total Resources Available falling.

Table 9: Summary results, Summer 2020, low unemployment scenario

	Number in poverty (millions)	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
All	14.6m	+180,000	22%	-
Net difference in poverty by various characteristics				
Net difference in poverty by age				
Working-age adults	8.7m	+220,000	22%	1 ppt
Children	4.6m	+30,000	33%	-
Pension-age adults	1.3m	-80,000	11%	-1 ppt
Net difference in poverty by family type				
Single, no children	3.3m	+30,000	27%	-
Lone parent	2.4m	-80,000	48%	-2 ppts
Couple, no children	1.4m	+130,000	11%	1 ppt
Couple with children	6.0m	+180,000	26%	1 ppt
Pensioner, single	0.7m	-50,000	15%	-1 ppt
Pensioner couple	0.8m	-40,000	10%	-
Net difference in poverty by family work status				
Retired family	1.0m	-80,000	11%	-1 ppt
Full-work family	3.3m	+300,000	10%	1 ppt
Full/part-time work family	4.1m	+80,000	29%	1 ppt
Part-time work family	1.9m	+10,000	56%	-
Workless family	4.0m	-130,000	67%	-2 ppts
Net difference in poverty by whether the family includes a disabled person				

	Number in poverty (millions)	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
Family includes disabled adult or child	7.2m	-100,000	28%	-
Family does not include disabled adult or child	7.4m	+280,000	19%	1 ppt

Table 10: Summary results, Summer 2020, high unemployment scenario

	Number in poverty	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
All	14.8m	+440,000	23%	1 ppt
Net difference in poverty by various characteristics				
Net difference in poverty by age				
Working-age adults	8.8m	+420,000	22%	1 ppt
Children	4.7m	+70,000	33%	1 ppt
Pension-age adults	1.3m	-60,000	11%	-
Net difference in poverty by family type				
Single, no children	3.4m	+90,000	28%	1 ppt
Lone parent	2.4m	-90,000	48%	-2 ppts
Couple, no children	1.5m	+200,000	12%	2 ppts
Couple with children	6.1m	+290,000	27%	1 ppts
Pensioner, single	0.7m	-30,000	15%	-1 ppt
Pensioner couple	0.8m	-30,000	10%	-
Net difference in poverty by family work status				

	Number in poverty	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
Retired family	1.1m	-70,000	11%	-1 ppt
Full-work family	3.5m	+490,000	11%	2 ppts
Full/part-time work family	4.1m	+140,000	30%	1 ppt
Part-time work family	1.9m	+20,000	56%	1 ppt
Workless family	4.0m	-140,000	67%	-2 ppts
Net difference in poverty by whether the family includes a disabled person				
Family includes disabled adult or child	7.3m	-30,000	28%	-
Family does not include disabled adult or child	7.6m	+470,000	19%	1 ppt

POVERTY IN WINTER 2020

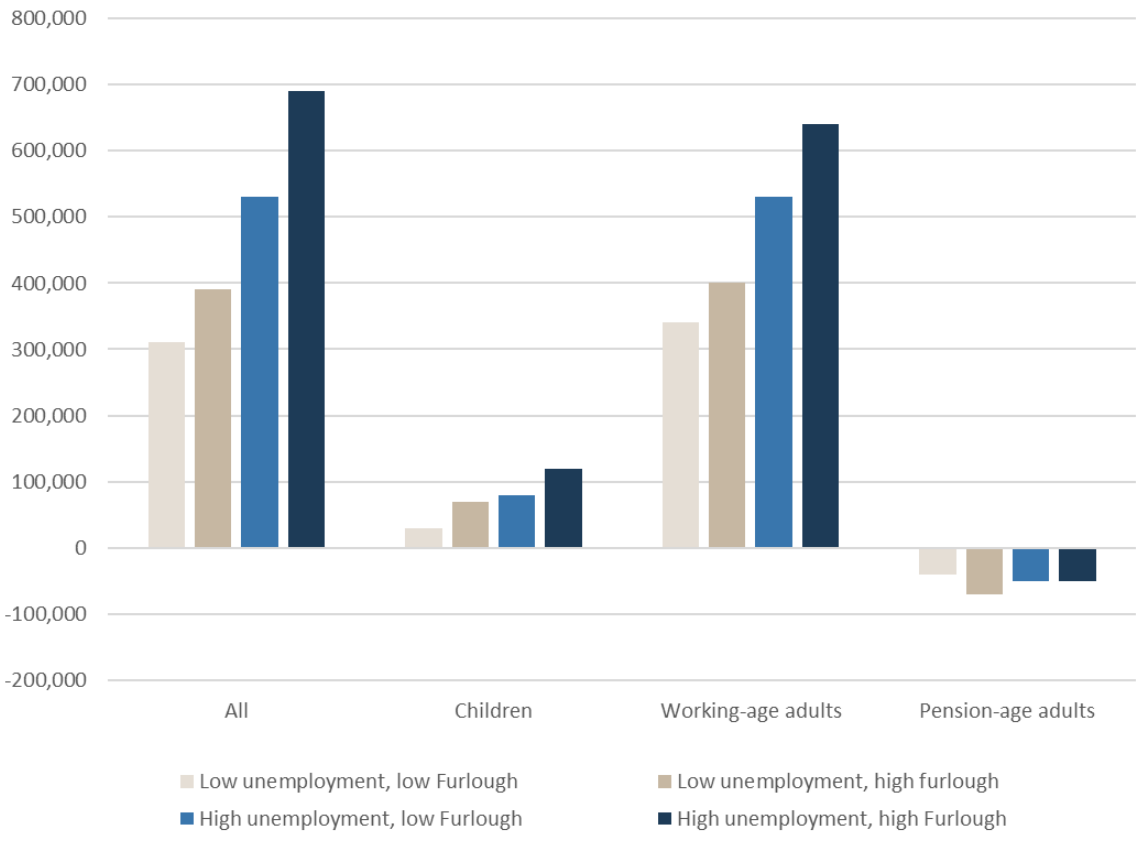
Table 11: Summary of key scenario assumptions for Winter 2020

	Unemployment rate	Number on JRS	Number on SEISS
Low unemployment scenario, low furlough	5.5% (1.3ppt increase)	3.9m	2m
Low unemployment scenario, high furlough	5.5% (1.3ppt increase)	5.2m	2m
High unemployment scenario, low furlough	7.5% (3.3ppt increase)	3.9m	2m
High unemployment scenario, high furlough	7.5% (3.3ppt increase)	5.2m	2m

Table 12: Overall change in number of people in poverty, Winter 2020, compared to the situation where Covid-19 pandemic had not occurred

	Low unemployment, low furlough	Low unemployment, high furlough	High unemployment, low furlough	High unemployment, high furlough
Net difference in poverty	+310,000	+390,000	+530,000	+690,000
Net difference in poverty by age				
Working-age adults	+340,000	+400,000	+530,000	+640,000
Children	+30,000	+70,000	+80,000	+120,000
Pension-age adults	-40,000	-70,000	-50,000	-50,000

Figure 7: Changes in poverty in Winter 2020, compared to no-Covid-19 scenario



Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model.

Table 13: Summary results, Winter 2020, low unemployment, low furlough scenario

	Number in poverty (millions)	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
All	14.8m	+310,000	23%	-
Net difference in poverty by age				
Working-age adults	8.8m	+340,000	22%	1 ppt
Children	4.7m	+30,000	33%	-
Pension-age adults	1.4m	-40,000	12%	-
Net difference in poverty by family type				
Single, no children	3.3m	+50,000	27%	-
Lone parent	2.4m	-120,000	48%	-2 ppts
Couple, no children	1.5m	+190,000	12%	1 ppts
Couple with children	6.1m	+230,000	27%	1 ppt
Pensioner, single	0.7m	-30,000	16%	-1 ppt
Pensioner couple	0.8m	-10,000	10%	-
Net difference in poverty by family work status				
Retired family	1.1m	-60,000	12%	-1 ppt
Full-work family	3.4m	+400,000	11%	1 ppts
Full/part-time work family	4.1m	+110,000	29%	1 ppts
Part-time work family	1.9m	0	55%	-
Workless family	4.0m	-130,000	68%	-2 ppts
Net difference in poverty by whether the family includes a disabled person				
Family includes disabled adult or child	7.3m	-100,000	28%	-

	Number in poverty (millions)	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
Family does not include disabled adult or child	7.5m	+410,000	19%	1 ppt

Table 14: Summary results, Winter 2020, low unemployment, high furlough scenario

	Number in poverty (millions)	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
All	**14.9m**	**+390,000**	**23%**	**1 ppt**
Net difference in poverty by age				
Working-age adults	8.8m	+400,000	22%	1 ppt
Children	4.7m	+70,000	34%	-
Pension-age adults	1.3m	-70,000	11%	-1 ppt
Net difference in poverty by family type				
Single, no children	3.3m	+80,000	27%	1 ppt
Lone parent	2.4m	-120,000	48%	-2 ppts
Couple, no children	1.5m	+180,000	12%	1 ppt
Couple with children	6.2m	+310,000	27%	1 ppt
Pensioner, single	0.7m	-40,000	15%	-1 ppt
Pensioner couple	0.8m	-20,000	10%	-
Net difference in poverty by family work status				
Retired family	1.1m	-80,000	11%	-1 ppt
Full-work family	3.5m	+450,000	11%	1 ppt
Full/part-time work family	4.1m	+140,000	30%	1 ppt

	Number in poverty (millions)	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
Part-time work family	1.9m	+30,000	56%	1 ppt
Workless family	4.0m	-140,000	68%	-2 ppts
Net difference in poverty by whether the family includes a disabled person				
Family includes disabled adult or child	7.3m	-70,000	28%	-
Family does not include disabled adult or child	7.6m	+460,000	19%	1 ppt

Table 15: Summary results, Winter 2020, high unemployment, low furlough scenario

	Number in poverty (millions)	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
All	15.0m	+530,000	23%	1 ppt
Net difference in poverty by age				
Working-age adults	9.0m	+530,000	23%	1 ppt
Children	4.7m	+80,000	34%	1 ppt
Pension-age adults	1.4m	-50,000	12%	-
Net difference in poverty by family type				
Single, no children	3.4m	+100,000	28%	1 ppt
Lone parent	2.4m	-90,000	49%	-2 ppts
Couple, no children	1.6m	+250,000	12%	2 ppts
Couple with children	6.2m	+320,000	27%	1 ppt
Pensioner, single	0.7m	-30,000	16%	-1 ppt
Pensioner couple	0.8m	-20,000	10%	-

	Number in poverty (millions)	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
Net difference in poverty by family work status				
Retired family	1.1m	-60,000	12%	-1 ppt
Full-work family	3.6m	+610,000	11%	2 ppts
Full/part-time work family	4.2m	+160,000	30%	1 ppt
Part-time work family	1.9m	-	55%	-
Workless family	4.0m	-160,000	67%	-3 ppts
Net difference in poverty by whether the family includes a disabled person				
Family includes disabled adult or child	7.3m	-30,000	28%	-
Family does not include disabled adult or child	7.7m	+560,000	19%	1 ppt

Table 16: Summary results, Winter 2020, high unemployment, high furlough scenario

	Number in poverty (millions)	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
All	15.2m	+690,000	23%	1 ppt
Net difference in poverty by age				
Working-age adults	9.1m	+640,000	23%	2 ppts
Children	4.8m	+120,000	34%	1 ppt
Pension-age adults	1.4m	-50,000	12%	-
Net difference in poverty by family type				
Single, no children	3.4m	+130,000	28%	1 ppt
Lone parent	2.4m	-100,000	49%	-2 ppts

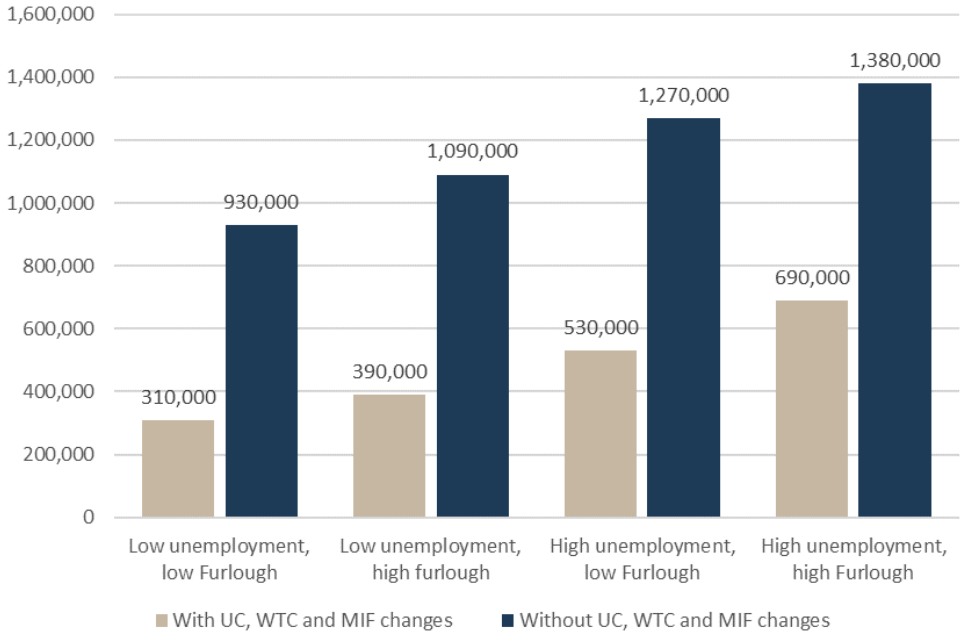
	Number in poverty (millions)	Change in numbers in poverty	Poverty rate	Change in poverty rate (percentage points)
Couple, no children	1.6m	+290,000	13%	2 ppts
Couple with children	6.3m	+420,000	27%	2 ppts
Pensioner, single	0.7m	-30,000	16%	-1 ppt
Pensioner couple	0.8m	-20,000	10%	-
Net difference in poverty by family work status				
Retired family	1.1m	-70,000	12%	-1 ppt
Full-work family	3.7m	+660,000	11%	2 ppts
Full/part-time work family	4.2m	+220,000	30%	2 ppts
Part-time work family	2.0m	+60,000	57%	2 ppts
Workless family	4.0m	-170,000	67%	-3 ppts
Net difference in poverty by whether the family includes a disabled person				
Family includes disabled adult or child	7.4m	+20,000	29%	-
Family does not include disabled adult or child	7.8m	+670,000	20%	2 ppts

POVERTY WITH AND WITHOUT BENEFIT CHANGES

To understand the extent to which Government choices on benefits policy have insulated people from poverty during the Covid-19 crisis, we also ran each of the scenarios under the assumption that increased generosity in Universal Credit and Working Tax Credit and the suspension of the MIF in Universal Credit had not taken place.

Figure 8 compares the results of this analysis to the previous projections, which include the increased generosity. It clearly shows the significant reduction in the increase in poverty that has resulted from the increase in generosity of these benefits. In each Winter 2020 scenario, these choices have insulated more than 600,000 people from poverty. For the high unemployment, high furlough scenario in Winter 2020, some 690,000 fewer people are in poverty as a result of the changes introduced to benefits and have been protected at a time of crisis.

Figure 8: Comparison of increases in poverty under each Winter 2020 scenario, with and without increased generosity in Universal Credit and Working Tax Credit and the suspension of the Minimum Income Floor in Universal Credit



Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model.

DETAILED METHODOLOGY NOTES

As outlined in the approach section, our methodology in creating reform scenarios is to update the FRS 2018/19 data. We do this to create pseudo population samples that account for the following changes:

1. Changes to overall population in employment, stratified by different population segments (by age and household equivalised income);
2. Movement of employees onto the JRS (furlough) scheme;
3. Claims to the SEISS by self-employed workers;
4. Impact of tax, and take-up of benefits; and
5. Other macroeconomic changes (earnings, inflation, rental costs, etc.).

We modelled changes to the FRS data to simulate the impact of the first three on the population via a method of stratified random selection. The latter two were modelled through the IPPR's Tax & Benefit model. Our modelling of the first three such changes to the population broadly breaks down into two steps:

a. **Selection:** How to select individuals to undergo a status change (e.g., lose employment, become furloughed, go onto SEISS); and

b. **Application:** How such a change will impact on their characteristics within the FRS data.

Selection

Prior to selection, we disaggregate the FRS data (which is a weighted sample), to represent the economically active population on an individual. We then apply selection randomly, within each population subgroup, until the overall target change is met. We also incorporate assumptions about who may experience such a desired change. For loss of employment, and movement onto the JRS, we assume that no public sector workers will lose their jobs or become furloughed. For the SEISS, as per the eligibility criteria, we assume that only those earning under £50,000 per annum are eligible for the scheme.

Following random selection, we reaggregate to a new weighted sample, based on the original household profiles, and selection profile of the disaggregated data.

For example, consider a specimen household, consisting of two adults, one employed in the private sector, and one unemployed, representing 1,000 households in the UK population. In 100 selection profiles, the employee may be selected to be made unemployed, 100 selection profiles may have the employee placed on the JRS, and the remaining 800 selection profiles may have no change.

Such a household would be represented by three new households in the reaggregated data: (1) a household of weight 100 with two unemployed adults, (2) a household with weight 100 with one furloughed adult and one unemployed adult, and (3) a household with weight 800 identical to the original household.

Application

To apply such changes, we modify the characteristics of selected individuals and households within the FRS data to reflect expected changes. For the three selected changes, this translates into the following:

1. **Loss of employment:** Earnings variables and bonus income = 0, hours worked = 0, employment status set to "Unemployed";
2. **Furlough:** Earnings variables set to 80% of original, capped at a weekly equivalent of £2,500 per month. This assumes nobody furloughed receives a top up of income from their employer;
3. **Self-Employment Income Support Scheme (summer):** Earnings variables set to 70% of the original, capped at a weekly equivalent of £6,570 over a three-month period. This assumes that self-employed workers did not work during this period; and
4. **Self-Employment Income Support Scheme (winter):** Earnings variables set to 55% of the original, capped at a weekly equivalent of £5,160 over a three-month period. This assumes that self-employed workers cannot work during this period.

Accounting for sensitivity of results to randomisation

The use of randomisation in selecting who loses their employment, becomes furloughed and takes up the SEISS, as well as randomisation to account for less than 100% benefit take up and Universal Credit roll out (undertaken within the Tax and Benefit model), means that results from running the model are not fixed. In short, the random nature of selection leads to differences in the results each time the model is run. To minimise sensitivities to the random selection used, we ran the same analysis with three different randomisations, averaging the results across the three separate runs of the model.

ANNEX 1: FULL DETAILS OF ASSUMPTIONS FOR SUMMER AND WINTER 2020 SCENARIOS

Summer – low unemployment scenario

Table 17: Summary of key scenario assumptions for Summer 2020

	Unemployment rate	Number on JRS	Number on SEISS
Low unemployment scenario	4.5% (0.2ppt increase)	5.2m	2m

Table 18: Unemployment rates and changes for Summer 2020 low unemployment scenario, by age and household equivalised annual income

	18-24		25-34		35-44	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	59%	0.6	32%	0.6	37%	0.5
£10,000 - £19,999	38%	0.5	20%	0.3	15%	0.3
£20,000 - £29,999	16%	0.3	6%	0.2	4%	0.2
£30,000 - £39,999	6%	0.2	2%	0.1	1%	0.2
£40,000 - £49,999	3%	0.3	2%	0.1	1%	0.2
50,000 +	6%	0.4	0%	0.1	1%	0.2

	45-54		55-64	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	27%	0.5	25%	0.7
£10,000 - £19,999	16%	0.3	18%	0.4
£20,000 - £29,999	5%	0.2	3%	0.3
£30,000 - £39,999	2%	0.2	1%	0.3
£40,000 - £49,999	1%	0.2	2%	0.3
50,000 +	1%	0.2	1%	0.3

Source: YouGov, Social Metrics Commission, Legatum Institute

Table 19: Proportion of previously employed population that are furloughed, Summer 2020, by age and household equivalised annual income

Household equivalised annual income	Proportion of previously employed population becoming furloughed					
	18-24	25-34	35-44	45-54	55-64	All ages
Under £10,000	31%	25%	23%	21%	23%	24%
£10,000 - £19,999	29%	20%	21%	21%	22%	22%
£20,000 - £29,999	23%	18%	16%	15%	18%	17%
£30,000 - £39,999	22%	13%	12%	13%	11%	13%
£40,000 - £49,999	15%	10%	11%	10%	12%	11%
50,000 +	21%	9%	7%	7%	7%	8%
All incomes	28%	17%	16%	16%	17%	

Source: ONS, YouGov, Social Metrics Commission, Legatum Institute

Table 20: Number of people furloughed, Summer 2020, by age and household equivalised annual income

Household equivalised annual income	Number of people					
	18-24	25-34	35-44	45-54	55-64	All ages
Under £10,000	12,500	25,500	19,500	29,000	34,500	121,000
£10,000 - £19,999	101,000	155,000	171,500	160,500	125,000	713,000
£20,000 - £29,999	230,000	263,000	259,500	219,000	193,000	1,164,500
£30,000 - £39,999	252,500	259,000	197,000	239,000	150,000	1,097,500
£40,000 - £49,999	129,500	168,000	158,000	171,500	128,500	755,500
50,000 +	264,500	350,000	255,500	290,500	181,500	1,342,000
All incomes	990,000	1,220,500	1,061,000	1,109,500	812,500	5,200,000

Source: ONS, YouGov, Social Metrics Commission, Legatum Institute

Summer – high unemployment scenario

Table 21: Summary of key scenario assumptions for Summer 2020

	Unemployment rate	Number on JRS	Number on SEISS
High unemployment scenario	5.8% (1.6ppt increase)	5.2m	2m

Table 22: Unemployment rates and changes for Summer 2020 high unemployment scenario, by age and household equivalised annual income

	18-24		25-34		35-44	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	63%	4.0	35%	3.8	40%	3.5
£10,000 - £19,999	41%	3.4	22%	1.8	16%	1.9
£20,000 - £29,999	18%	2.2	7%	1.3	6%	1.6
£30,000 - £39,999	7%	1.4	3%	1.0	2%	1.0
£40,000 - £49,999	5%	2.3	2%	1.0	2%	1.5
50,000 +	8%	2.4	1%	1.0	2%	1.2

	45-54		55-64	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	30%	3.5	28%	4.5
£10,000 - £19,999	17%	2.2	20%	2.6
£20,000 - £29,999	6%	1.5	5%	2.3
£30,000 - £39,999	3%	1.5	3%	2.0
£40,000 - £49,999	2%	1.5	3%	1.8
50,000 +	2%	1.6	2%	2.1

Source: YouGov, Social Metrics Commission, Legatum Institute

Table 23: Number of people furloughed, Summer 2020, by age and household equivalised annual income

	Number of people					
Household equivalised annual income	18-24	25-34	35-44	45-54	55-64	All ages
Under £10,000	12,500	25,500	19,500	29,000	34,500	121,000
£10,000 - £19,999	101,000	155,000	171,500	160,500	125,000	713,000
£20,000 - £29,999	230,000	263,000	259,500	219,000	193,000	1,164,500
£30,000 - £39,999	252,500	259,000	197,000	239,000	150,000	1,097,500
£40,000 - £49,999	129,500	168,000	158,000	171,500	128,500	755,500
50,000 +	264,500	350,000	255,500	290,500	181,500	1,342,000
All incomes	990,000	1,220,500	1,061,000	1,109,500	812,500	5,200,000

Source: ONS, YouGov, Social Metrics Commission, Legatum Institute

Winter 2020 – low unemployment, low furlough scenario

Table 24: Summary of key scenario assumptions for Winter 2020

	Unemployment rate	Number on JRS	Number on SEISS
Low unemployment scenario, low furlough	5.5% (1.3ppt increase)	3.9m	2m

Table 25: Unemployment rates and changes for Winter 2020 low unemployment – low furlough scenario, by age and household equivalised annual income (change compared to Summer 2020)

	18-24		25-34		35-44	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	62%	2.6	35%	2.5	39%	2.3
£10,000 - £19,999	40%	2.2	21%	1.2	16%	1.2
£20,000 - £29,999	18%	1.4	7%	0.8	5%	1.1
£30,000 - £39,999	6%	0.9	3%	0.6	2%	0.7
£40,000 - £49,999	5%	1.5	2%	0.6	2%	1.0
50,000 +	7%	1.5	1%	0.6	1%	0.8

	45-54		55-64	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	30%	2.3	28%	2.9
£10,000 - £19,999	17%	1.4	19%	1.7
£20,000 - £29,999	6%	1.0	5%	1.5
£30,000 - £39,999	2%	1.0	3%	1.3
£40,000 - £49,999	2%	1.0	3%	1.2
50,000 +	2%	1.0	2%	1.3

Source: YouGov, Social Metrics Commission, Legatum Institute

Table 26: Number of people furloughed, Winter 2020, low unemployment, low furlough by age and household equivalised annual income

	Number of people					
Household equivalised annual income	18-24	25-34	35-44	45-54	55-64	All ages
Under £10,000	9,500	19,000	14,500	22,000	26,000	91,000
£10,000 - £19,999	76,000	116,500	129,000	120,500	94,000	536,000
£20,000 - £29,999	172,500	197,500	195,000	164,500	145,000	874,500
£30,000 - £39,999	189,500	194,500	148,000	179,500	112,500	824,000
£40,000 - £49,999	97,500	126,000	118,500	128,500	96,500	567,000
50,000 +	199,000	263,000	191,500	218,500	136,500	1,008,500
All incomes	744,000	916,500	796,500	833,500	610,500	3,900,000

Source: ONS, YouGov, Social Metrics Commission, Legatum Institute

Winter 2020 – low unemployment, high furlough scenario

Table 27: Summary of key scenario assumptions for Winter 2020

	Unemployment rate	Number on JRS	Number on SEISS
Low unemployment scenario, high furlough	5.5% (1.3ppt increase)	5.2m	2m

Table 28: Unemployment rates and changes for Winter 2020 low unemployment – high furlough scenario, by age and household equivalised annual income (change compared to Summer 2020)

	18-24		25-34		35-44	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	62%	2.6	35%	2.5	39%	2.3
£10,000 - £19,999	40%	2.2	21%	1.2	16%	1.2
£20,000 - £29,999	18%	1.4	7%	0.8	5%	1.1
£30,000 - £39,999	6%	0.9	3%	0.6	2%	0.7
£40,000 - £49,999	5%	1.5	2%	0.6	2%	1.0
50,000 +	7%	1.5	1%	0.6	1%	0.8

	45-54		55-64	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	30%	2.3	28%	2.9
£10,000 - £19,999	17%	1.4	19%	1.7
£20,000 - £29,999	6%	1.0	5%	1.5
£30,000 - £39,999	2%	1.0	3%	1.3
£40,000 - £49,999	2%	1.0	3%	1.2
50,000 +	2%	1.0	2%	1.3

Source: YouGov, Social Metrics Commission, Legatum Institute

Table 29: Number of people furloughed, Winter 2020, low unemployment, high furlough by age and household equivalised annual income

	Number of people					
Household equivalised annual income	18-24	25-34	35-44	45-54	55-64	All ages
Under £10,000	12,500	25,500	19,500	29,000	34,500	121,000
£10,000 - £19,999	101,000	155,000	171,500	160,500	125,000	713,000
£20,000 - £29,999	230,000	263,000	259,500	219,000	193,000	1,164,500
£30,000 - £39,999	252,500	259,000	197,000	239,000	150,000	1,097,500
£40,000 - £49,999	129,500	168,000	158,000	171,500	128,500	755,500
50,000 +	264,500	350,000	255,500	290,500	181,500	1,342,000
All incomes	990,000	1,220,500	1,061,000	1,109,500	812,500	5,200,000

Source: ONS, YouGov, Social Metrics Commission, Legatum Institute

Winter 2020 – high unemployment, low furlough scenario

Table 30: Summary of key scenario assumptions for Winter 2020

	Unemployment rate	Number on JRS	Number on SEISS
High unemployment scenario, low furlough	7.5% (3.3ppt increase)	3.9m	2m

Table 31: Unemployment rates and changes for Winter 2020 high unemployment – low furlough scenario, by age and household equivalised annual income (change compared to Summer 2020)

	18-24		25-34		35-44	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	67%	4.3	40%	4.1	44%	3.7
£10,000 - £19,999	45%	3.6	24%	1.9	18%	2.0
£20,000 - £29,999	20%	2.3	8%	1.3	7%	1.7
£30,000 - £39,999	8%	1.5	4%	1.0	3%	1.1
£40,000 - £49,999	8%	2.4	3%	1.0	4%	1.6
50,000 +	10%	2.5	2%	1.0	3%	1.3

	45-54		55-64	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	34%	3.8	33%	4.7
£10,000 - £19,999	20%	2.4	23%	2.8
£20,000 - £29,999	8%	1.6	8%	2.4
£30,000 - £39,999	4%	1.6	5%	2.1
£40,000 - £49,999	4%	1.6	5%	2.0
50,000 +	4%	1.7	5%	2.2

Source: YouGov, Social Metrics Commission, Legatum Institute

Table 32: Number of people furloughed, Winter 2020, high unemployment, low furlough by age and household equivalised annual income

	Number of people					
Household equivalised annual income	18-24	25-34	35-44	45-54	55-64	All ages
Under £10,000	9,500	19,000	14,500	22,000	26,000	91,000
£10,000 - £19,999	76,000	116,500	129,000	120,500	94,000	536,000
£20,000 - £29,999	172,500	197,500	195,000	164,500	145,000	874,500
£30,000 - £39,999	189,500	194,500	148,000	179,500	112,500	824,000
£40,000 - £49,999	97,500	126,000	118,500	128,500	96,500	567,000
50,000 +	199,000	263,000	191,500	218,500	136,500	1,008,500
All incomes	744,000	916,500	796,500	833,500	610,500	3,900,000

Source: ONS, YouGov, Social Metrics Commission, Legatum Institute

Winter 2020 – high unemployment, high furlough scenario

Table 33: Summary of key scenario assumptions for Winter 2020

	Unemployment rate	Number on JRS	Number on SEISS
High unemployment scenario, high furlough	7.5% (3.3ppt increase)	5.2m	2m

Table 34: Unemployment rates and changes for Winter 2020 high unemployment – high furlough scenario, by age and household equivalised annual income (change compared to Summer 2020)

	18-24		25-34		35-44	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	67%	4.3	40%	4.1	44%	3.7
£10,000 - £19,999	45%	3.6	24%	1.9	18%	2.0
£20,000 - £29,999	20%	2.3	8%	1.3	7%	1.7
£30,000 - £39,999	8%	1.5	4%	1.0	3%	1.1
£40,000 - £49,999	8%	2.4	3%	1.0	4%	1.6
50,000 +	10%	2.5	2%	1.0	3%	1.3

	45-54		55-64	
Household equivalised annual income	Rate - Summer 2020	Change (percentage point)	Rate - Summer 2020	Change (percentage point)
Under £10,000	34%	3.8	33%	4.7
£10,000 - £19,999	20%	2.4	23%	2.8
£20,000 - £29,999	8%	1.6	8%	2.4
£30,000 - £39,999	4%	1.6	5%	2.1
£40,000 - £49,999	4%	1.6	5%	2.0
50,000 +	4%	1.7	5%	2.2

Source: YouGov, Social Metrics Commission, Legatum Institute

Table 35: Number of people furloughed, Winter 2020, high unemployment, high furlough by age and household equivalised annual income

	Number of people					
Household equivalised annual income	**18-24**	**25-34**	**35-44**	**45-54**	**55-64**	**All ages**
Under £10,000	12,500	25,500	19,500	29,000	34,500	121,000
£10,000 - £19,999	101,000	155,000	171,500	160,500	125,000	713,000
£20,000 - £29,999	230,000	263,000	259,500	219,000	193,000	1,164,500
£30,000 - £39,999	252,500	259,000	197,000	239,000	150,000	1,097,500
£40,000 - £49,999	129,500	168,000	158,000	171,500	128,500	755,500
50,000 +	264,500	350,000	255,500	290,500	181,500	1,342,000
All incomes	990,000	1,220,500	1,061,000	1,109,500	812,500	5,200,000

Source: ONS, YouGov, Social Metrics Commission, Legatum Institute

ANNEX 2: THE SOCIAL METRICS COMMISSION'S MEASURE OF POVERTY

This briefing uses the Social Metrics Commission's measure of poverty as the basis of its analysis. The SMC was established in 2016, as a response to the fact that the UK no-longer has official poverty measures agreed and used by Government. It is hosted by the Legatum Institute and is dedicated to helping policymakers understand and take action to tackle poverty and build prosperity. Its membership includes people from across the political spectrum as well as poverty and measurement experts. The Commission's primary goals have been to develop new poverty metrics for the UK which both:

- Have long-term political support; and
- Effectively identify both those who are in poverty and their experiences of poverty.

The SMC's landmark report in 2018 outlined a new approach to measuring poverty. As well as looking at incomes, this approach allows us to account for a range of inescapable costs that reduce people's spending power, and the positive impact of people's liquid assets on alleviating immediate poverty. These inescapable costs include rent or mortgage payments, childcare and the extra costs of disability. Liquid assets include savings, stocks and shares. The measure also takes account of overcrowding in accommodation. As well as a more accurate reflection of a family's ability to make ends meet, the SMC's poverty measure tracks:

- The degree to which a family is below the poverty line
- The length of time that a family is below the poverty line
- The experience of living in poverty.

Following the 2018 report, and an update in 2019, the Commission's approach received support from across the political spectrum and from a wide range of experts and people involved in taking action to tackle poverty.

In the summer of 2019, the Government committed to establishing Experimental Statistics for poverty based on the SMC's approach; this is the first step to developing new national statistics on poverty.

Data used in this briefing:

Family Resources Survey: Department for Work and Pensions, Office for National Statistics, NatCen Social Research. (2019). Family Resources Survey, 2017-2018. [data collection]. UK Data Service. SN: 8460, http://doi. org/10.5255/UKDA-SN-8460-1. Department for Work and Pensions. (2019). Households Below Average Income, 1994/95-2017/18. [data collection]. 12th Edition. UK Data Service. SN: 5828, http://doi.org/10.5255/UKDA-SN-5828-10.

SMC methodology

More details of the SMC's approach to poverty measurement can be found here: http://socialmetricscommission.org.uk

Endnotes

1. See, for example, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/coronavirusanditsimpactonthelabourforcesurvey/2020-10-13 and https://www.resolutionfoundation.org/publications/the-truth-will-out/ . Accessed 15/11/20.

2. ONS, (2020), see https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted

3. HMRC, (2020), see https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics#coronavirus-job-retention-scheme Accessed 17/11/20.

4. All polling, unless otherwise stated, are from YouGov Plc data, analysed by the Social Metrics Commission. Total sample size was 84,520 adults. Fieldwork was undertaken between 25th March and 18th May 2020. The surveys were carried out online. The figures have been weighted and are representative of all GB adults (aged 18+). After accounting for missing data on income, household size and economic status, all results use answers from 77,668 adults. Social Metrics Commission, (2020), *Poverty and Covid-19.* See https://socialmetricscommission.org.uk/poverty-and-covid-2/ Accessed 15/11/20.

5. HMRC, (2020), see https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-september-2020 Accessed 17/11/20.

6. Social Metrics Commission, (2020), Measuring Poverty 2020. See https://socialmetricscommission.org.uk/measuring-poverty-2020/ Accessed 17/11/20.

7. Covid Recovery Commission, (2020), *Levelling up communities.* See https://covidrecoverycommission.co.uk/our-research-covid-recovery-commission/first-report-communities/ Accessed 15/11/20.

8. Social Metrics Commission, (2020), *Poverty and Covid-19.* See https://socialmetricscommission.org.uk/poverty-and-covid-2/ Accessed 15/11/20.

9. Covid Recovery Commission, (2020), *Levelling up communities.* See https://covidrecoverycommission.co.uk/our-research-covid-recovery-commission/first-report-communities/ Accessed 15/11/20.

10. See https://www.gov.uk/government/news/new-poverty-statistics-developed-to-help-government-target-support . Accessed 15/11/20.

11. See, for example, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/coronavirusanditsimpactonthelabourforcesurvey/2020-10-13 and https://www.resolutionfoundation.org/publications/the-truth-will-out/ . Accessed 15/11/20.

12. ONS, (2020), see https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/october2020

13. ONS, (2020), see https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted

14. HMRC, (2020), see https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics#coronavirus-job-retention-scheme Accessed 17/11/20.

15. HMRC, (2020), see https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-september-2020 Accessed 17/11/20.

16. Social Metrics Commission, (2020), *Poverty and Covid-19.* See https://socialmetricscommission.org.uk/poverty-and-covid-2/ Accessed 15/11/20.