

Below Average Resources: Developing a new poverty measure – consultation response from the Poverty and Inequality Commission

April 2024

Below are the Commission's responses to selected questions in the Department for Work and Pensions [consultation](#) on the development of a new measure of poverty based on the Social Metrics Commission approach to poverty measurement.

Section 2: Social Metrics Commission approach

1. Do you have any comments on the value of the Overarching Measurement Framework proposed by the SMC, and how you would like to see this developed in future?

The Poverty and Inequality Commission is an advisory public body that provides independent advice and scrutiny to Scottish Ministers on matters related to poverty and inequality. We have a specific statutory role in relation to child poverty and the Scotland's four statutory child poverty targets set out in the [Child Poverty \(Scotland\) Act 2017](#).

Three of these four child poverty target measures in Scotland are based on the Households Below Average Income (HBAI) dataset which the SMC framework and BAR measure being consulted upon are further developments of. As a result, the Commission has an interest in the SMC framework, its proposed BAR implementation, and future developments of both.

Comment on the overall value of the SMC framework and BAR implementation

In broad terms the Commission supports the continued development of the SMC framework and BAR implementation as an additional, complementary, measure of low income and poverty to be read alongside existing measures. The Commission considers this to be a broadly positive development, as it is an attempt to address some of the known limitations of existing measures of poverty. The Commission welcomes:

- The attempt to incorporate inescapable costs such as those relating to childcare and disability.

- The acknowledgement that different households can have differing levels of access to financial assets outside of income and the attempt to include these.
- The intent to incorporate debt and debt repayment in the future.

As the consultation describes, the Commission understands that this is intended to be an iterative process, being developed over a timescale of multiple years. The Commission recognises that several of the areas of the current BAR implementation have technical challenges in their data capture and subsequent measurement. As a result, some of these elements (including ones the Commission considers to be very important to understand poverty, such as level of household debt repayments) are currently only partly implemented, or not implemented at all in the current iteration. Other aspects of what the Commission would like to see DWP aspire to in relation to its range of measures of poverty are limited by the design of the existing Family Resources Survey (FRS). Many of these limitations also apply to existing measures of relative and absolute poverty and as a result have been carried forward into BAR. These should be a focus for development in the future.

In particular, the Commission would like to see the following future developments prioritised:

- A better approach to estimating inescapable costs relating to disability that comes closer to capturing the true extra costs of disability. See response to Q26 for further detail.
- Developing an approach for the measurement of inescapable costs related to debt, as this is substantial issue for households in poverty, and one in which better data could inform more effective approaches and interventions to manage debt.
- Developing appropriate approaches to gather better data on those who are destitute and/or homeless but *not just* those who are rough sleepers (the acceptability of the exclusion of this group from the current BAR implementation is an issue the current consultation appears focussed on). People who may not be rough sleepers but instead reside in other locations (such as temporary residents in other households, or who live in other forms of accommodation such as hostels, shelters, refuges, hotels, asylum accommodation, etc) should, given the objectives of the BAR measure, be brought into scope for BAR (and other poverty measure) data collection. See response to Q52 for further detail on this.

2. Do you think that there is value in DWP continuing to develop the Below Average Resources measure, based on the SMC approach, to sit alongside existing related poverty measures?

Yes. Over time the development of this measure will provide insights and add value to understanding of poverty in the UK alongside (not instead of) existing measures.

3. What value would this measure add from your perspective as a user?

The Commission has a statutory role in providing independent advice and scrutiny to Scottish Ministers. As a user of data and analysis based on the FRS and HBAI (among other sources of evidence on poverty and low income), the continued development of the BAR measure has the potential to provide additional insights on the trajectory and composition of poverty in the UK and its constituent nations. Due to the inclusion of additional elements of household resource that are materially important to the real world circumstances of people living in poverty, the Commission views the BAR measure as, in principle, adding value to existing measures and of interest and value in assessing progress in reducing poverty and determining the effectiveness of policy interventions at the national level.

4. What would be your priorities for development?

As per response to Q1, the Commission would want to see the following prioritised:

- A better approach to estimating inescapable costs relating to disability that comes closer to capturing the true extra costs of disability. See response to Q26 for further detail.
- Developing an approach for the measurement of inescapable costs related to debt, as this is substantial issue for households in poverty, and one in which better data could inform more effective approaches and interventions to manage debt.
- Developing appropriate approaches to gather better data on those who are destitute and/or homeless but *not just* those who are rough sleepers (the acceptability of the exclusion of this group from the current BAR implementation is an issue the current consultation appears focussed on). People who may not be rough sleepers but instead reside in other locations (such as temporary residents in other households, or who live in other forms of accommodation such as hostels, shelters, refuges, hotels, asylum accommodation, etc) should, given the objectives of the BAR measure, be

brought into scope for BAR (and other poverty measure) data collection. See response to Q52 for further detail on this.

5. Is there value in DWP developing the Poverty Persistence work in the longer-term, and what would it add for you as a user?

Persistence of poverty is important for DWP to continue to develop as the degree of persistence of poverty (including how long individuals and households experience poverty for) is materially important to the negative outcomes people in poverty experience. For this reason one of Scotland's four statutory child poverty target measures focuses on persistent poverty as measured in the Understanding Society Survey.

The Commission understands that other researchers and technical experts in the measure of poverty have raised concerns over the representativeness of the Understanding Society Survey in the post-pandemic period, particularly around attrition for groups who are at high risk of poverty. The Commission has observed that estimates of persistent poverty for children in Scotland have been subject to substantial year-to-year revision (to the point of changing the national-level trajectory observed between different annual releases of survey data). The Commission would want producers of statistics to investigate these issues to provide reassurance to users and further explanation to understand the nature of this variation as it has consequences for the Commission's statutory duty of providing scrutiny of Scottish Government performance on these measures.

6. Is there value in DWP developing the Lived Experience Indicators work in the longer-term, and what would it add for you as a user?

Yes. The Commission has a long-standing commitment to using and providing a platform for evidence that comes from people who experience poverty. This adds value to our work, and wider understanding of poverty, through providing insights that are complementary to quantitative data; allowing the development of better and more valid quantitative data; and providing further understanding as to the impact of poverty, or policy interventions designed to address poverty, in cases where quantitative data cannot.

Given the above, the Commission considered that it is important for DWP to be clear as to what it means by a 'Lived Experience Indicator'. The potential measures listed in the consultation based on SMC work (such as family and community relationships, education and labour market opportunity) may be useful measures to help understand the experience of poverty and the relationships between poverty and other outcomes. However, unless such indicators originate from, and their development and implementation is shaped through collaboration with, people who have experience of living in poverty, then they are not truly 'Lived

Experience Indicators'. The Commission wants to see DWP develop its work on these indicators in collaboration with people who have experience of poverty in order to maximise the potential value of these indicators.

7. Do you agree with the Lived Experience Indicator domains (health, education and skills, working life, social participation, material deprivation, family life and relationships, and access to services) proposed by the SMC? Are there any you would add or remove? If so, what are these and why?

Following from the response to Q6 above, the Commission suggests the DWP closely examine its approach around the development of lived experience indicators, to ensure they are developed in genuine meaningful collaboration with people who have experience of poverty.

From its own work informed by people who have experience of poverty, the Commission suggests that DWP considers the follow indicators that have been repeatedly evidenced in our work as central to understanding 'lived experience' of poverty.

- Health: including mental health and wellbeing, and increased access to supports such as mental health services, assistive devices and technologies and wider services.
- Education, skills and lifelong learning.
- Fair work and fair pay for meaningful work.
- Material deprivation: a decent income and an acknowledgement this may come from work or benefits - or both.
- Social participation: including being able to take part in your own life, family life and your community, including the right to be included in your community with appropriate support to enable agency and choice.
- Participation in cultural life, recreational activities, and sport.
- Participation in communities including communities of identity - peer support, collective support and capacity building for people affected by poverty and factors that can exacerbate poverty like disability.
- Sense of belonging and connection with social groups and place.
- Sense of autonomy: choice and control in life including a sense of purpose.
- Family life and relationships: including having ordinary relationships with family members and the removal of dynamics created by unpaid caring (high quality social care has an important role to play in this).
- Civic participation: including the ability to become actively engaged in participative or representative democracy, ranging from community involvement to becoming elected members.
- Experience of stigma, discrimination and prejudice.
- Access to services: emphasising that services must be adequately resourced, available and accessible, putting particular emphasis on social care services in relation to disabled people. These can either tackle poverty and improve material circumstance by enabling a springboard to learning,

participation, education and/ or work, or they can be involved in creating barriers to desired outcomes (e.g. through charging for social care). Community based services that offer preventative supports often shore people up and sustain them, so it is important that they are included in the scope of 'services' for this purpose.

In particular for some groups who have increased risks of poverty, or who face particular social and economic barriers (e.g. disabled people):

- The availability of accessible housing for disabled people, and the degree to which disabled people have autonomy in choosing their own living arrangements and can access support to live independently (as opposed to being forced into group or institutional accommodation).
- Availability of accessible information and communications around services that can support and facilitate people to progress in their lives and improve their circumstances.
- Availability of an accessible built environment particularly when accessing services (for example, example ramps, signage in Braille, easy to read language, sign language interpretation, captioning, alternative and augmentative modes of communications, and tactile communication).

For all of the above, the Commission would want the DWP to make every effort to not only collect and publish evidence for particular demographic groups at higher risk of poverty (e.g. disabled people or people from minority ethnic group), but also for combinations of groups where people face intersecting barriers. Disabled people who are also minority ethnic (for example) face unique barriers that can exacerbate poverty. It is important that every effort is made to explore and understand the 'lived experience' of these intersecting groups to the greatest extent possible.

8. From a user perspective, how should it be judged whether this measure has achieved its ambition to be a robust measure of poverty which adds new insight and value to existing measures? What would be your key criteria for success?

As the consultation and its presentation of BAR estimates and comparison between BAR and HBAI low income shows, for many comparisons the BAR and HBAI low income measures track relatively closely, but provide some additional insights around the degree of difference between demographic or geographic groups due the inclusion of new variables in the BAR measurement. Over time as BAR is further developed, a criteria for success would be that insights are generated from analysing whether indicators diverge between groups as a result of policy interventions, informed by a better understanding of what it is to be in poverty, and how different groups experience it. A key criteria for success would be if further developed iterations of BAR are examined and discussed by those

involved in the design and delivery of policy (including government officials and ministers), and assessment of government performance in reducing poverty.

Section 4: Detailed review of Total Resources Available components

Assets

13. Should liquid assets be counted as an available resource within the Total Resources Available calculation? What are the relative strengths and limitations of including or excluding it?

The Commission supports the principle of including assets with the Total Resources Available calculation. However, the Commission believes that there are issues that would benefit from further exploration by DWP in relation to how the decision to focus on liquid assets (i.e. those that can be readily converted to income) relates to the overall objectives of BAR in being a meaningful measure of a household resource.

The Commission recognises the design choice of the BAR measure following from the SMC principle that liquid assets are those freely available to be converted into income. While the Commission understands the logic in following this principle that some assets cannot readily be converted into income to support living standards, and as such are excluded, such assets are nevertheless a resource. The Commission would like to see DWP explore the arguments and methodological practicalities further in this area.

There are important consequences of excluding non-liquid assets like housing (and other forms of 'non-liquid' or 'less liquid' wealth such as other forms of physical wealth or financial wealth that is less readily accessible). In the current BAR implementation, not including these will serve to increase observed levels of 'low resource' in demographic groups that have relatively low income (or low liquid assets, such as accessible financial wealth) but who have relatively high non-liquid assets (such as property wealth, or wealth stored in other physical assets). The Commission recognises that in one sense this is a defensible design choice, but also believes it is one that should be subject to more examination and scrutiny than present in the current consultation as to whether it is appropriate or not, and what advantages alternative perspectives could have.

This examination and scrutiny should consider the following observations in relation to income versus wealth: 1) wealth tends to be more unequally distributed than income; 2) wealth has grown faster than income and it has become harder for those without wealth to increase their wealth; and 3) as wealth is typically less heavily taxed than earned income, wealth is likely to continue to accumulate proportionately more to those who already have wealth. Because of these and

other factors, wealth (including non-liquid wealth such as property wealth) appears likely to play an increasingly prominent role in questions of the total level of resource available to households, which, of course, is what the BAR measure is concerned with.

To enhance the unique added value of the BAR measure as a more complete measure of resource, the Commission would like to see the DWP explore further these question more explicitly; consider what the effect would be of incorporating forms of non-liquid wealth in the BAR measure in the future; and determine what methodological approach could be employed to realise this.

To the Commission the priority questions that would benefit from further understanding appear to be:

- How large is the group that has both low income and low liquid assets (as currently implemented in BAR), but has high levels of other assets (e.g. property, other physical, or less accessible financial wealth)?
- What are the living standards of this group?

The Commission believes that a better descriptive analysis and characterisation of this group would allow DWP and users of DWP data like the Commission to better understand the total picture of household resource, and make more informed decisions about what should/should not be included in the TRA measure.

Debt

18. Should obligated debt repayments be counted as an inescapable cost within the Total Resources Available calculation? What are the relative strengths and limitations of including or excluding it?

The Commission knows through the work it has conducted on poverty and inequality in Scotland, including consistently through work the Commission has carried out with people living in poverty, that debt and the management of debt is huge issue for households in poverty. In recent years and particularly through the cost of living crisis, this has included the importance of the management and pursuance of public debt (e.g. Council Tax debt). The Commission has heard that such debt can be pursued in an extremely punitive fashion, to the severe detriment of households in poverty. The Destitution in the UK study (reference below) has consistently shown that aggressive debt recovery by public authorities is very often the trigger than tips people from poverty into destitution.

[Destitution in the UK 2023 | Joseph Rowntree Foundation \(jrf.org.uk\)](https://jrf.org.uk/destitution-in-the-uk-2023)

Because the consequences of debt pursuance can be so severe for low income households, the Commission supports the inclusion of debt repayments in future

iterations of the BAR measure and believes DWP should do the work required to develop the measure so it can be included in the future.

Childcare costs

21. Should childcare costs be counted as an inescapable cost within the Total Resources Available calculation? What are the relative strengths and limitations of including or excluding them?

The Commission considers that childcare costs are indeed necessary and “inescapable” for households, and access to flexible and appropriate childcare is a widely recognised as a key enabler (or conversely, the lack of it being a hugely significant barrier) to members of households entering and progressing in work. For these reasons the Commission believes that childcare costs should be considered an inescapable cost. The Commission also observes that, for some groups such as households with a disabled child, the costs can be considerably higher (as a result of additional costs in relation to transport, adaptations required, and other costs), so it is important that these are taken into account.

22. How should childcare costs be defined, and which should be in scope? Should all types be considered equally?

As above in the response to Q21, it is important to be aware that some groups such as households where children (or another household member) has a disability can experience higher total childcare costs, so data gathering instruments and analysis should be designed to capture this.

Extra costs of disability

26. Should the extra costs of disability be counted as an inescapable cost within the Total Resources Available calculation? What are the relative strengths and limitations of including or excluding them?

It is vital that, for the BAR measure to fulfil its intended aim, that the extra costs of disability be counted as an inescapable cost. Through work the Commission has conducted over the years, it is clear to the Commission that, although the role of non-means-tested disability benefits is purportedly to cover the additional costs incurred by disability, they are inadequate for that purpose and actual ‘inescapable’ costs are frequently higher than the benefit value allowed for. Further, the Commission has observed that disability benefits are often used by their recipients to compensate for the inadequate value of means-tested low

income benefits they receive, further eroding their ability to fulfil their intended purpose of meeting the additional costs incurred by disability.

The work of Scope (see reference below) in their 'Disability Price Tag' series of publications, estimates that, on average a disabled household (with at least one disabled adult or child) needs an additional £975 a month to have the same standard of living as non-disabled households, rising to £1,122 if updated for inflation at the time of publication (2022/23). They also conclude that this extra cost equates to 63% of household income after housing costs.

[Disability Price Tag 2023: the extra cost of disability | Disability charity Scope UK](#)

The Commission welcomes the acknowledgement in the consultation that a more comprehensive approach for the BAR must be developed (rather than the current proxy measure of DLA/PIP/AA received). While the fuller measure is being developed, the Commission agrees that the continued use of a proxy measure is important to include, so at least some measure of the extra costs of disability are included in the first iterations of the measure.

It will be important for the future development of this measure to be consulted on with disabled people and disabled people led organisations (DPOs) – these have experience of the actual costs of living with the impact of poverty and related disability arising from structural barriers and inequalities in response to illness and impairments. It will also be important for the extra costs measures (if they continue to rely in whole or in part on disability benefits as a proxy) to take account of the devolution of disability benefits to Scotland (i.e. the devolved Adult Disability Payment and Child Disability Payment now being delivered by the Scottish Government). Any future changes to the levels of these or other benefits that relate to disability may diverge in future between Scotland and the rest of the UK and it is clearly important for accurate measurement that the BAR takes account of this.

27. How should the extra costs of disability be defined, and which should be in scope?

Should all types of disability be considered equally? How should the severity of disability be considered?

The Commission ascribes to the social model of disability which understands disability as being socially constructed: disabled people face barriers and inequalities – including increased poverty – resulting from these barriers. Barriers can be physical, institutional, attitudinal and socio-economic and derive from structural and systemic inequalities. Whilst there might be no cures for many disabled people who experience illness and impairments, there can be progress removing barriers which also remove or reduce poverty and inequalities.

Poverty threshold

42. Is the determination of a poverty threshold somewhat arbitrary, or is there an objective basis for determining a threshold?

The word 'arbitrary' suggests that a poverty threshold is random and without any defensible foundation. The implied contrast with an 'objective' basis reinforces this impression. This is a misleading contrast (used by successive UK governments) which is not applied to other areas of measurement nor social choices, e.g. calculations of inflation. It is possible to reach a robust definition of poverty and essential need using consensual approaches, as pioneered by Mack & Lansley (1983) and subsequent 'Poverty & Social Exclusion' surveys. This is also reinforced by the work of Hirsch, Padley and Valadez (2016) that does show something of a 'tipping point' at around 60% median income.

[Breadline Britain 1983: overview | Poverty and Social Exclusion](#)

[A poverty indicator based on a minimum income standard \(lboro.ac.uk\)](#)

Section 6: Wider poverty measurement framework

Poverty depth

50. Should poverty depth be considered in addition to who is below the threshold? What value does it add for users?

The Commission welcomes the inclusion of a poverty depth measure. Under the currently implemented BAR approach and the use of a set 54% threshold, poverty depth adds important extra value in outlining the scale of the population under various stages below the BAR poverty line, which is important for understanding progress and the magnitude of interventions required.

Rough sleepers

52. Do you agree with the DWP proposal to focus on developing the BAR measure based on household survey data only, whilst acknowledging the limitation of not representing groups outside typical households?

As mentioned in our response to Q1, the Commission notes that the focus here on the exclusion of rough sleepers alone is anomalous. The Commission disagrees with the principle that the BAR measure should be based on household survey data (as currently designed) only. Research that has been carried out on the issue

of destitution in the UK (see references below) shows that a large portion of households experiencing destitution (28% in 2022) are not currently within scope for household surveys such as the FRS, because they do not reside in private households or, when they do, they are likely to be there as temporary residents and may not be included in the input data for measures like the BAR.

Hence in order for the BAR to meet its intended aims, the Commission believes it is important for DWP to explore and identify ways in which this substantial portion of people experiencing destitution may be included in such measures (including individuals living temporarily in private households in 'sofa surfing' situations, hostels, shelters, B&B, hotels, refuges, asylum accommodation, supported accommodation and other temporary settings).

The Commission is aware that there are methodological challenges to be overcome in doing this, however there also exists a literature exploring options in this area. It appears to the Commission that the most appropriate approach to do this may be to develop multiple parallel supplementary data collection exercises designed for the purposes of gathering data from individuals who: 1) are staying temporarily in other host households through an existing official household survey; 2) are resident in institutional accommodation with tailored questionnaires and approaches for different types of such accommodation; and 3) further surveys of users of crisis services. The first references listed below detail this combined approach further and is one the Commission would like to see ONS and producers of official statistics develop and implement.

For further discussion of these issue see:

[Alternatives for including non-household populations in estimates of personal well-being and destitution - Office for National Statistics & Scoping project to investigate the alternatives for including non-household populations in estimates of personal well-being and destitution: Final 3 Interim Research Report to Joseph Rowntree Foundation and ONS — Heriot-Watt Research Portal \(hw.ac.uk\)](#)

[Destitution in the UK 2023 | Joseph Rowntree Foundation \(jrf.org.uk\)](#)

[Capturing the neglected extremes of UK poverty: a composite modelling approach to destitution and food bank usage in: Journal of Poverty and Social Justice Volume 31 Issue 1 \(2023\) \(bristoluniversitypressdigital.com\)](#)