Trends and Foresight

Report 1 – Poverty & Inequality

Prepared for Big Lottery Fund

January 2014

trajectory

the futures partnership

POVERTY & INEQUALITY

trajectory
the futures partnership

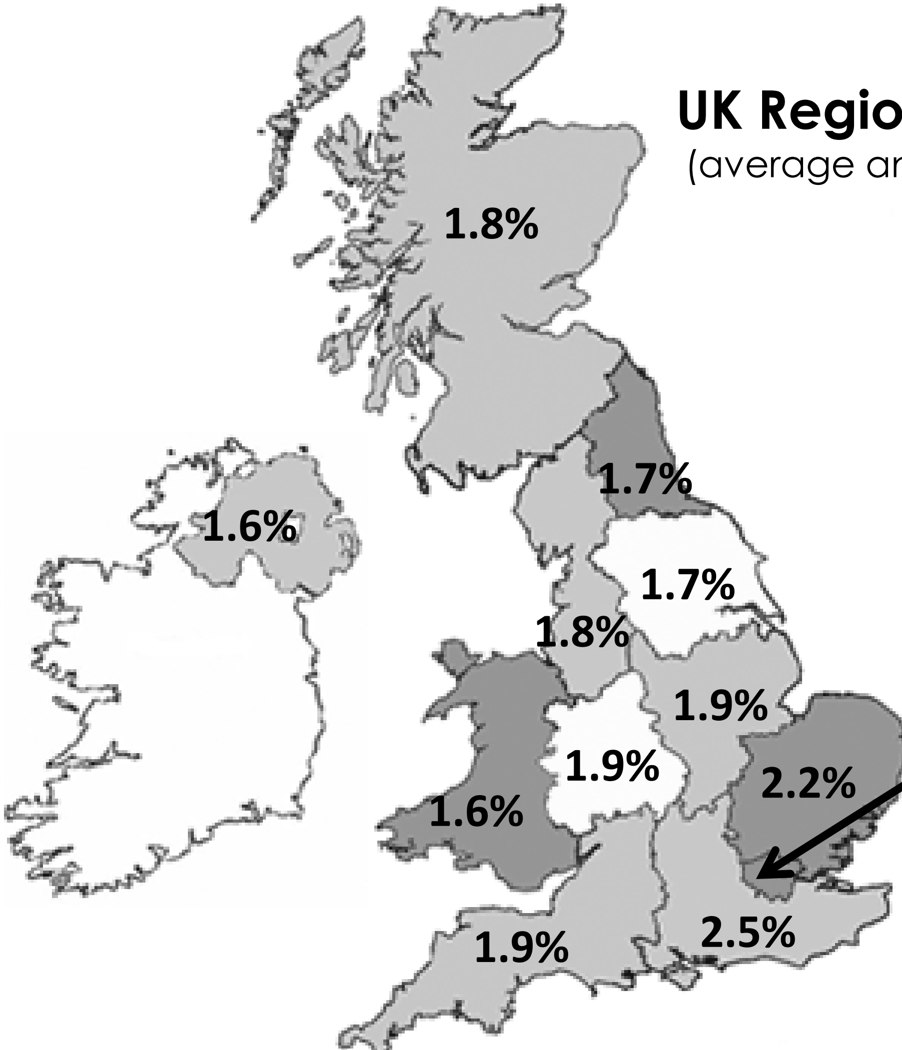
Introduction

- With the wider political narrative switching to a focus on the rising cost and basic affordability of living, poverty and inequality is of central importance to many individuals in the country.

- One complication is the broader national economic picture – which shows that the economy is recovering and GDP growth is forecast to increase over the medium term.

- The data and analysis in this section examines how much of this wider national growth individuals can expect to experience.

Economic prospects vary by region



UK Regional Growth 2014-19
(average annual GDP growth forecast)

Greater London
2.7%

Source: ONS/Experian

trajectory
the futures partnership

...and there are even bigger local disparities

Average annual GDP growth forecast 2014-19

Local Authority	Average growth rate	Region
Harrogate	2.5%	Yorks & The Humber
East Yorkshire	1.4%	Yorks & The Humber
Richmondshire	0.3%	Yorks & The Humber
Manchester	2.5%	North West
Blackpool	1.4%	North West
Copeland	0.6%	North West
Kens & Chelsea	3.0%	Greater London
Merton	3.0%	Greater London
Greenwich	2.3%	Greater London
Lewisham	2.1%	Greater London

Source: ONS/Experian

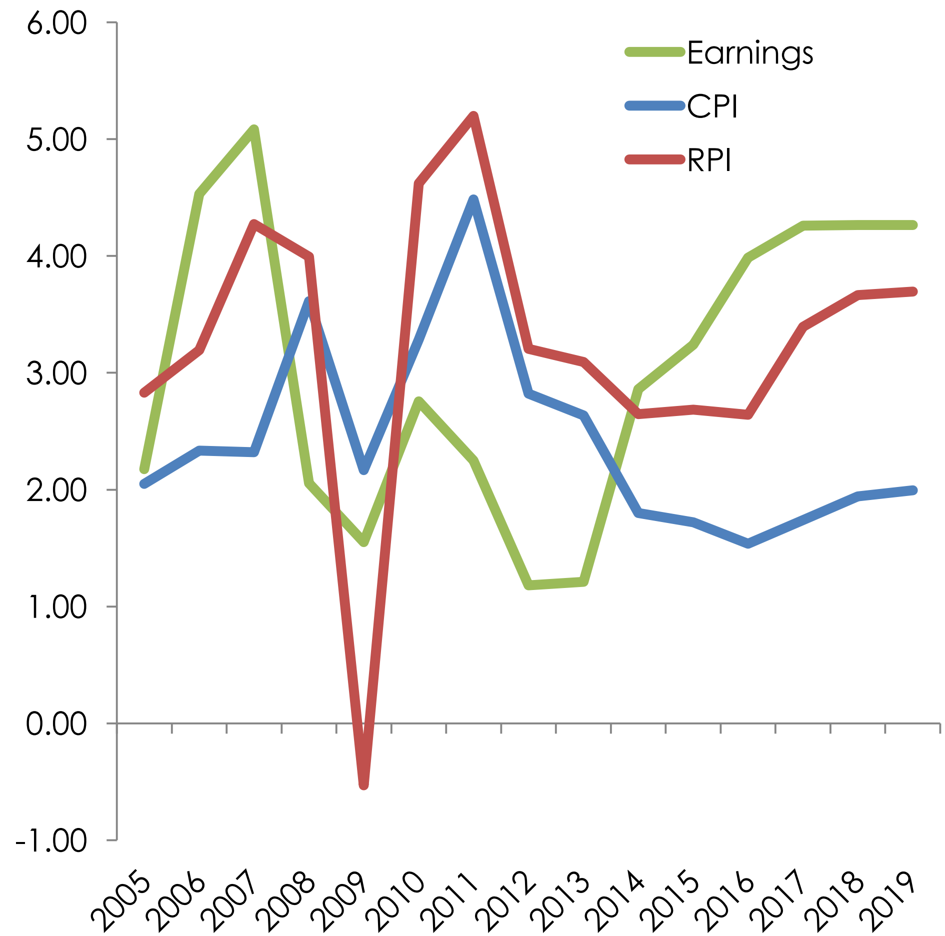
trajectory the futures partnership

Growth without gain?

- As the national economic forecasts show, some areas of the country will grow far faster than others , causing large disparities between different local economies.

- The individual level, however, adds another complexity – many consumers in recovering areas won't feel the effects of growth as wage growth remains lower than inflation.

- As the chart shows, earnings growth are not expected to outstrip inflation until next year at the earliest.

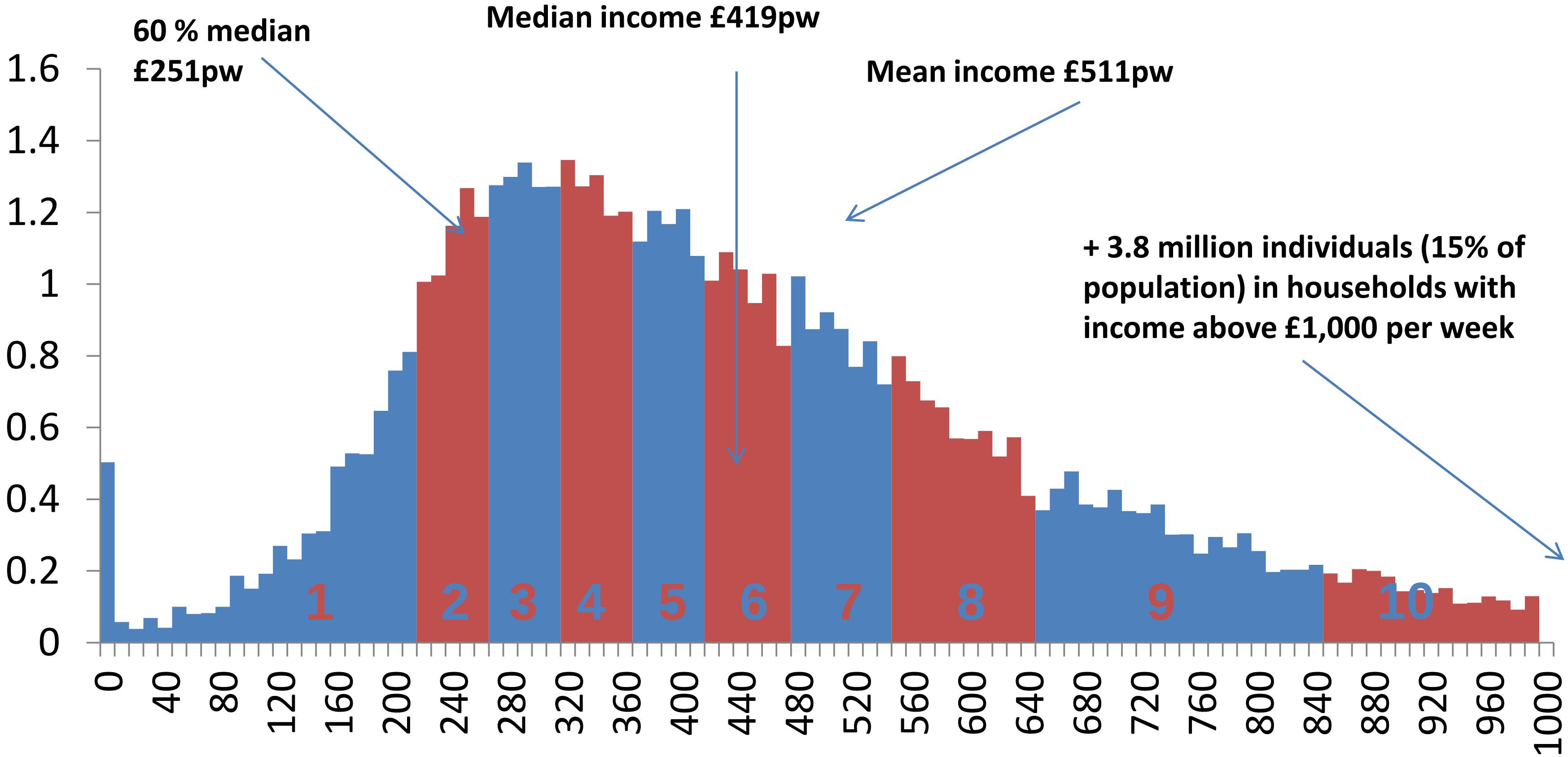


Source: Oxford Economics

trajectory the futures partnership

Income distribution 2012

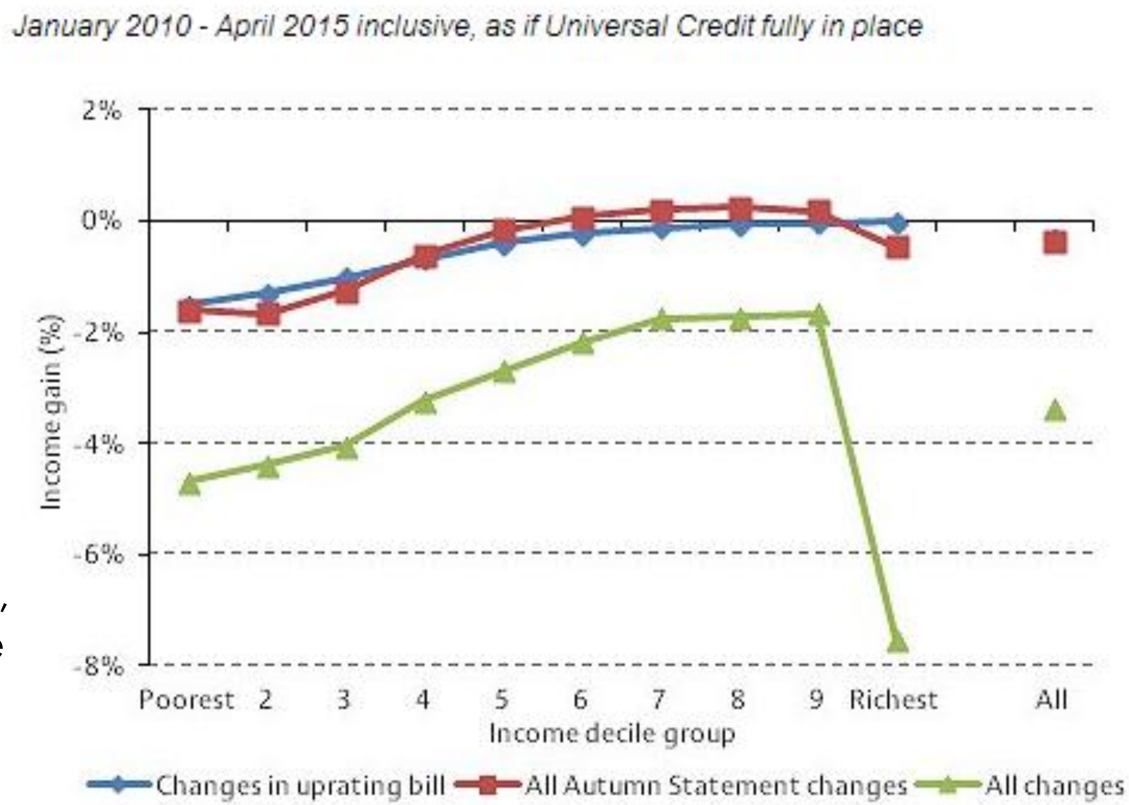
The income bands at either end of the scale are very broad, but those in the middle are far narrower – for example, 40% of the population earn between £270 and £470 a week



Source: DWP 2012

Impact of welfare and tax changes

Impact of changes to tax and benefits during 2010-15 (as of January 2013)



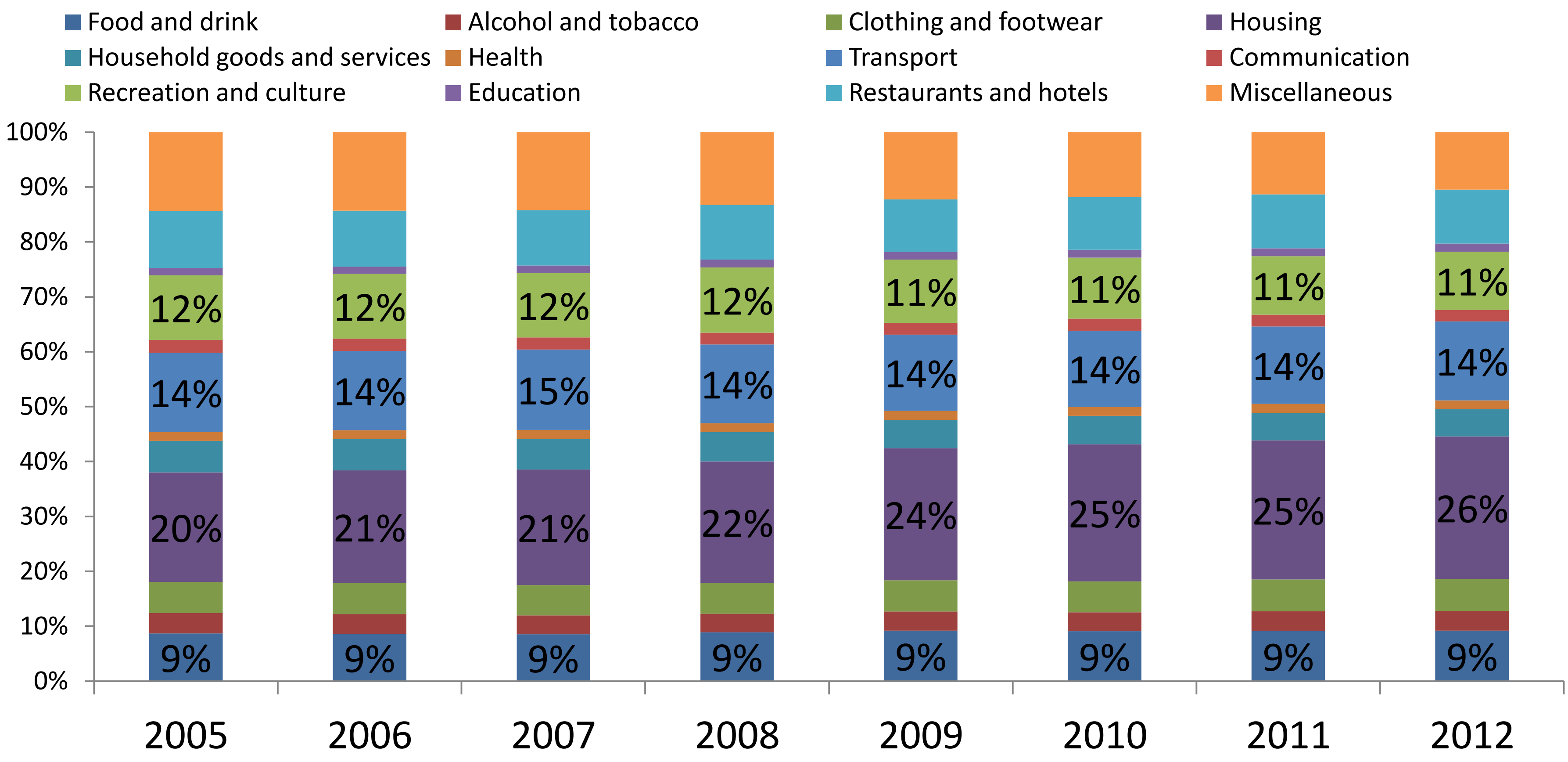
- Individuals at the top and bottom of the income spectrum are far more significantly effected by changes to government spending than those in the middle, despite focus on the so-called 'squeezed middle'.

- The poorest decile will see their income decline by 5% over the course of this period, compared to just 2-3% for the middle deciles.

Source: IFS 2013

Household expenditure over time

Increases in the cost of living are primarily being driven by rises in housing costs. As a proportion of total spending, other major areas (including leisure, food and drink and transport) have all remained stable



Source: ONS, Household final consumption expenditure

trajectory the futures partnership

Spending priorities vary widely

Individual spending priorities vary widely across the country, marking the need for targeted action rather than a blanket approach. Housing costs in London, for example, are £30 a week higher than the UK average – and twice as high as the lowest spending area

Commodity or service	Lowest weekly expenditure		Highest weekly expenditure		UK
	Country	£	Country	£	£
Food and non-alcoholic drink	England (North East)	45.70	Northern Ireland	57.90	53.40
Alcoholic drink, tobacco and narcotics	England (London)	10.10	Northern Ireland	16.60	11.70
Clothing and footwear	England (East Midlands)	18.80	Northern Ireland	40.90	22.00
Housing (net) fuel and power	England (North East)	46.20	England (London)	91.30	60.30
Household goods and services	Wales	21.10	England (London(	34.10	28.90
Health	Wales	3.10	England (South East)	8.50	5.70
Transport	England (North East)	50.10	England (South East)	74.80	63.00
Recreation and culture	England (North East)	50.50	England (South East)	71.40	59.80
Restaurants and Hotels	Wales	31.80	England (London)	53.30	39.10

Source: ONS, Household final consumption expenditure

trajectory
the futures partnership

Emerging areas of need

- The topline national picture – which shows a strongly growing economy – masks an inconsistent regional picture, which shows some areas (such as Wales or Northern Ireland) growing much slower than other (such as London).
- Beyond this, there are even more sharply varying local pictures, which reveal the disparities between individual local authorities (often within the same region). There is some danger that at a local level, many groups will be left behind by a national economic recovery.
- Further fragility emerges from analysis of the income distribution in the UK, which shows that relatively minor changes in financial circumstances can cause individuals to fall (or rise) by several income bands, and into one definition of poverty (60% of median income, currently £251 per week).
- Need will also arise from specific local issues, determined by variances in the cost of living and specific priorities.

Thank You

tom@trajectorypartnership.com
carolin@trajectorypartnership.com
paul@trajectorypartnership.com

www.trajectorypartnership.com

Trajectory Ltd
Enterprise House
1-2 Hatfields
London SE1 9PG
T 020 3567 5801
#TrajectoryTweet

trajectory
the futures partnership