POLICY
BRIEFING

Taking a different approach to tackling poverty

Joanna Mack has been involved in poverty research for over 40 years, playing a pivotal role in a series of large-scale surveys into poverty in the UK, and authoring several influential books on poverty, including *Breadline Britain* (2015). She is consulting editor of *The Journal of Poverty and Social Justice* and a visiting fellow at The Open University.

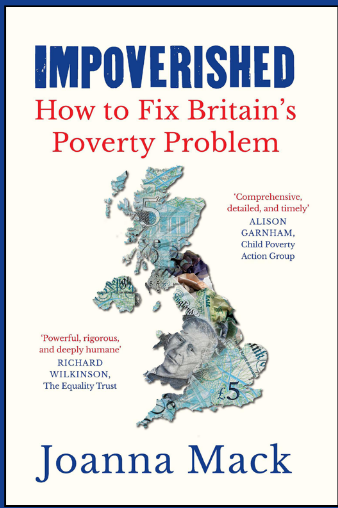
OVERVIEW

Impoverished: How to Fix Britian's Poverty Problem sets out the deep-seated roots lying beneath the persistently high levels of poverty in the UK and, in doing so, identifies what needs to be done to rebuild Britain's worn social contract.

The book argues that much of the current debate on tackling poverty is too narrow, focusing primarily on how to top up insufficient household income through means-tested benefits. Given that the primary measure of poverty used by governments and policy makers, and the one seen in headlines, is based on relative income poverty, this is not surprising. But this measure is arbitrary and has failed to capture the increasing levels of hardship in society that have left millions unable to withstand the rising costs of the 2020s.

Instead of conflating poverty with lack of household income, we need to look directly at the possession, or otherwise, of those items and activities necessary to maintain what society regards as a minimum standard of living. Doing this shifts the way we tackle poverty towards asking who lacks these items and why.

For items purchased on a household level, the question becomes not just whether household incomes are adequate to cover these purchases, but how the costs are set in the first place and whether some would be better provided through universal public services.



Impoverished by Joanna Mack is published by Policy Press, March 2026.

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CONTEXT

Relative income poverty – that is, the proportion of the population who fall below 60 per cent of median income – was stable during the 1960s and 1970s, at around 13 per cent for both before and after housing costs. During the 1980s, inequality rose as a direct result of the policies of the Thatcher government, as did housing costs at the bottom end. The result was that relative income poverty rose sharply and, despite falling slightly during the early years of the last Labour government, has remained much higher ever since. By the mid-2020s, rates for before and after housing costs were hovering at around 17 and 22 per cent, respectively.

In addition, for the last 20 years, the UK economy has flatlined, and living standards – not just at the bottom, but also in the middle and upwards – have hardly improved. At the same time, the costs of the essentials that households can't manage without have become more expensive. This has placed a disproportionate burden on low-income families, who spend a higher proportion of their incomes on such items. The result is a rise in deprivation, with more people going without essential goods and activities, having deep financial problems, suffering food insecurity and cutting back on heating. Among those worst hit have been families with children.

FINDINGS

The book identifies multiple causes of the rising levels of deprivation:

- **Deindustrialisation and the shift to a low-wage, service economy.** Earnings inequality, part-time work and job insecurity have all risen sharply, resulting in work becoming a less successful route out of poverty than it was in the past, and in widening regional and local inequalities.
- **An undervaluing of care.** Those undertaking caring responsibilities, whether for those with disabilities, the elderly or children, suffer severe financial penalties as they move out of full-time work and, consequently, higher poverty rates.
- **A sharp decline in the stock of council housing.** The introduction of 'the right to buy' under the Thatcher government resulted in a decline in the numbers of council houses and led to a rise in the numbers of households renting, at a higher cost, from the private sector. Expenditure on housing has risen sharply for lower-income households, despite a substantial increase in housing benefit spending.
- **The rising costs of basic utilities, such as energy and water.** The privatisation of these monopoly services in the 1990s led to rising costs for consumers as companies prioritised profits for shareholders over investment for the future.
- **Sharp cuts to local authority funding in 2010–2020.** This led to dismantling of local services, such as youth clubs, transport, early years centres and libraries.
- **A long-term outsourcing of public services to private companies.** This has resulted in less inclusive provision at greater costs for local authorities and for households paying for social care, childcare and nurseries.
- **A long-term shift to means-testing benefits.** The share of working-age benefit expenditure on means-tested benefits has risen from under 20 per cent in the early 1980s to over 60 per cent in recent years. Means-testing discourages saving, disincentivises moving from part- to full-time work and work progression, and demeans the lives of its recipients.
- **The collapse of the safety net under austerity.** Substantial cuts to the value of working-age benefits from 2010 to 2020, combined with harsher assessments and sanctions, pushed many of the most vulnerable into deep poverty.
- **Punitive targeting of those with disabilities.** Personal Independence Payments, introduced in 2013 to replace the Disability Living Allowance in providing support with the additional costs of living with a disability, resulted in tighter criteria for qualification and dehumanising and inaccurate assessments of these costs.
- **Tougher treatment of migrants.** The 'No Recourse to Public Funds' rules for those on work visas result in high levels of deprivation for those doing essential jobs, and the proposed extension to the wait for applying for the Right to Remain will deepen this problem.

IMPLICATIONS FOR POLICY

An anti-poverty strategy should be seen as an investment in the future and funded by raising taxes on those with wealth and those on the very highest incomes. It should be based on ensuring access for everyone to the items, activities and services seen as essential to having an acceptable way of life in the UK today. This requires:

Lowering the basic costs of living

- Taking back public control of the basic utilities and introducing a reduced rate for a set level of use, with higher rates for higher levels of use.
- Building new council homes and limiting increases to private rents at the bottom end of the market.
- Tightening regulation to ensure a competitive market for those essentials purchased by households.

Expanding public services

- Taking back local control of bus services and extending free fares to new groups according to local needs.
- Providing free school meals for all primary and nursery children and, over time, to secondary schools.
- Establishing a National Care Service under local control.
- Creating a universal childcare system running from early years to primary age, covering full-time working hours and free for all children.

Making work pay

- Requiring employers to provide access to better flexible working options for those providing care.
- Imposing conditions on pay and conditions when commissioning public and local services.
- Devolving power to enable regional government to set a 'good jobs' strategy with local employers and institutions.
- Improving training for those entering work and for those looking for work after redundancy.

Reforming benefits away from means-testing to supporting people throughout life

- Increasing child benefit and removing the higher earnings limit, thereby providing additional help to all parents.
- Ensuring that the state pension is set at a level sufficient to maintain a minimum standard and is above the level of pension credit, thereby incentivising pensions saving.
- Introducing a time-limited basic income for specific groups at high risk, such as care leavers, those who are homeless and those with disabilities who, with support, could move into work. Those with the most serious disabilities would receive a basic income that is not time-limited.
- Reforming Personal Independence Payments so they are based on a nuanced and flexible assessment of the additional costs resulting from disability.
- Creating a modern, contributory unemployment scheme to insure people against job loss, thereby preventing people from falling into poverty.
- Reforming in-work benefit transfers so they are withdrawn more gradually as incomes increase, thereby incentivising full-time work and career progression.
- Setting out clear rules on those who should be given work visas based on the needs of the UK economy and for successful applicants providing access to public funds.