



Department  
for Work &  
Pensions

**THE RT HON THERESE COFFEY MP**  
**Secretary of State for Work & Pensions**

Caxton House  
Tothill Street  
London, SW1H 9NA

Rt Hon Stephen Timms MP  
Chair  
Work and Pensions Committee  
House of Commons  
London  
SW1A 0AA

26 March 2021

Dear Stephen,

I am writing to respond to your letter regarding a new approach to the measurement of poverty, addressed to the Prime Minister on 3<sup>rd</sup> March.

As it stands, DWP tracks and monitors poverty using the four well-established statutory measures of relative income, absolute income, combined low income and material deprivation and persistent poverty, while also assessing and addressing poverty's root causes and long-term impacts. The latest statistics, published yesterday, reflect the situation before the Covid-19 pandemic. They show that even after taking account of inflation average household incomes increased by over £1,000 a year in 2019/20 to reach a record high. This was the strongest annual growth seen since 2001/02. The increases in income were seen across the entire income distribution, and there were 1.3 million fewer people in absolute poverty, after housing costs in 2019/20 than in 2009/10.

Given the enormous pressure placed on our services as a direct result of the pandemic, it was only right that we suspended work that had been agreed with my predecessor on a new poverty metric. Instead, we focussed our attention on delivering targeted and practical interventions to help disadvantaged people throughout this difficult period. Analysis of these interventions to date suggests they have been targeted in the right way, with the poorest 10% of working households having seen no loss to household income as of November last year.

This government believes, and has always believed, that absolute poverty is a better measure of living standards than relative poverty, which can provide counter-intuitive results. In 2019/20 there was very strong growth in median income. This meant the relative poverty line rose, increasing the number of people in relative poverty, even though incomes grew in real terms for the poorest income quintiles. Some people will have moved into relative poverty even though they had a real terms increase in their income, demonstrating how focusing on relative measures can lead to inaccurate conclusions being drawn.

It is important that any poverty measure on which Government may wish to focus should be in line with what the public thinks it means to be poor. The distribution of incomes of those underneath the various poverty lines shows that a couple with two children on over £45,000 in gross income can be under the relative poverty line. We know from the British Social Attitudes Survey that only 28% see poverty as not having enough to buy the things most people take for granted and that nearly 90% of British people see poverty as struggling to afford essentials, such as energy bills, food and transport without getting into debt. This suggests the public sees poverty as an absolute concept rather than a relative one.

Measuring and analysing data on incomes provided by the *Family Resources Survey* (FRS) is also multifaceted. It takes a year from the end of the fieldwork period to clean, analyse and quality assure the data before publication. This lag prevents both our own measures, and the SMC measure, from accurately understanding levels of poverty in the UK in 'real time'. We plan to look at the potential of administrative data so we can enhance decision-making based on more timely and accurate information on incomes and poverty.

The other challenge both our own, and the SMC measure face, is that the current sample size of the FRS is too small to enable fully accurate estimates of poverty, particularly at regional level. To address this, we are working with the Office for National Statistics to expand the survey's sample size to 45,000 households as soon as possible.

My priority is to improve the quality of our statutory measures before considering any further work on the SMC's measure specifically.

As restrictions start to ease, supporting people back to work and towards financial independence will be at the heart of the sustainable, long-term approach we are taking to tackling poverty. Our ambitious £33 billion Plan for Jobs is already creating jobs, supporting people of all ages to move into work or gain the skills they will need in the labour market.

For many low-income households, any 'shocks' to their income can quickly lead to financial difficulties and increased debt. This government is committed to supporting households' financial capability through helping them to manage debt and access suitable and affordable credit, and to improving their financial resilience through saving.

It is crucial that we also bring down the cost of living, particularly those costs that are disproportionately higher for low-income households. This requires cross-government action and, with this in mind, I have convened a series of ministerial roundtables on this topic.



**Thérèse Coffey**  
**Secretary of State for Work and Pensions**



# Work and Pensions Committee

House of Commons, London, SW1A 0AA  
Tel 020 7219 8976 Email [workpencom@parliament.uk](mailto:workpencom@parliament.uk)

From the Chair

Rt Hon Boris Johnson MP  
Prime Minister

3 March 2021

Dear Prime Minister,

## **Measuring poverty**

You will be aware of the work done by the Social Metrics Commission, chaired by Baroness Stroud, to develop a new approach to the measurement of poverty.

The Commission's overarching aim is one that we all share: to measure poverty in a way that better reflects the nature and experiences of poverty that different families in the UK have, and to build a consensus around poverty measurement and action in the UK.

Our predecessor Committee warmly welcomed the Government's decision, in 2019, to develop new statistics for measuring poverty, drawing on the Commission's methodology. We are, however, deeply concerned that work on this seems to have ground to a halt.

Baroness Stroud described the impact of this to us last November:

“My big concern is this: we are walking through a major pandemic in the dark and we are making Government decisions, some of which are very good, but they are in the dark. We really, really need to decide on what we as a society believe is poverty. We need to measure it; we need to track with it and use it as an early warning system to prevent vulnerable people from being hit. It is a serious matter that we are going into Budgets and Spending Reviews and we are spending £200 billion, but we have no sense at all as to the impact on poverty.”

In evidence to us on 3 February, the Secretary of State described this work as something her predecessor had wanted to do. She told us that “it is not my intention to resurrect that yet” and that she did not have “a fixed time at all about restarting.”

We understand, of course, that the Department for Work and Pensions has faced unprecedented pressure during the pandemic. It was quite right for this work to be paused temporarily while the Department prioritised the needs of the millions of people making new claims for benefits. Our concern, however, is that the Department appears to have no intention of restarting it.



## Work and Pensions Committee

House of Commons, London, SW1A 0AA  
Tel 020 7219 8976 Email [workpencom@parliament.uk](mailto:workpencom@parliament.uk)

We would, therefore, be grateful if you could let us know whether – as we hope – the Government as a whole remains committed to this work, and, if it does, bring forward a timetable for it to restart without further delay.

Yours sincerely,

A handwritten signature in black ink, reading "Stephen Timms".

**Rt Hon Stephen Timms MP**

Chair, Work and Pensions Committee