

Briefing note: Poverty in Rural England

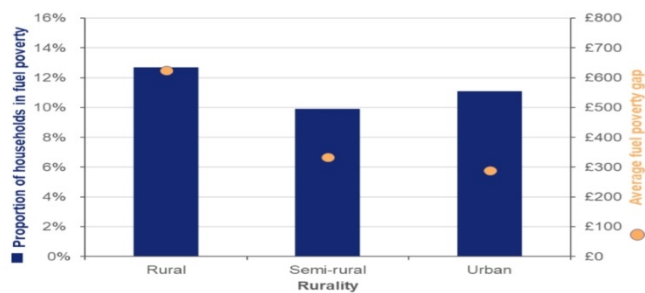
Poverty

The proportion of households in relative poverty (household income below 60% of median income) is slightly lower in rural England (16%) than in urban England (18%) [DWP HBAI 2016/17]. This gap is wider for child poverty (14% rural; 21% urban) than for working-age people (12%; 15%) or for pensioners (16%; 18%). Although these proportions are slightly lower than in urban areas, it still means that more than 650,000 households (or about 1.6m people) in rural England are living in poverty. Given this incidence, and that rural poverty is scattered and hidden, it is misleading to refer to 'pockets' of rural poverty. And many more are at risk of poverty...

These statistics show how many people or households experienced poverty in one year. Analysis of longitudinal data in the British Household Panel Survey from 1991-2008 reveals that poverty touches many more over time, with 50.2% of rural households and 55.2% of urban households experiencing poverty at one time or another during this 18 year period. (Vera-Toscano, Shucksmith and Brown, forthcoming). The risk of poverty is therefore not a minority experience, nor is it exclusively urban, but spells of poverty in rural areas are typically shorter (ibid, and Phimister et al 1998).

There is evidence that poverty is less prevalent in middle-class villages, hamlets and isolated dwellings (although this takes no account of their higher costs of living, notably for transport and domestic fuel); those in rural towns have similar levels of poverty to the national average.

Fuel poverty affects 490,000 rural households (12%), and those in smaller settlements are most prone partly because heating fuels are more expensive (off-mains gas) and partly because houses are typically less energy efficient. The average fuel poverty gap (ie the additional income that would be required to bring a household to the point of not being fuel poor) for fuel poor households in rural villages, hamlets and isolated dwellings in 2015 was £726, much higher than in urban areas.



Low pay

A number of studies have shown that low pay is more prevalent and more persistent in rural areas than urban (Phimister et al 1998). The subsequent introduction of the National Minimum Wage is said to have increased the wages of some of the lowest paid workers and to have prevented wages being depressed by in-migration from other EU states (Social Exclusion Unit 2004). Research undertaken prior to its introduction (Gilbert et al 2001) anticipated its potential impacts would be greatest in remote rural areas but it is not known if later work has confirmed this effect. Recent data show that (work-based) wage rates (eg CRC 2010) and earnings (DEFRA 2018) remain lower in rural and especially sparsely populated areas. Low pay's prevalence in rural areas is thought to arise partly due to employment in low-paying sectors such as agriculture, tourism and retail, and partly because of the small size of rural businesses and a lack of opportunities for training and advancement. The higher incomes of other rural residents typically derive from employment elsewhere.

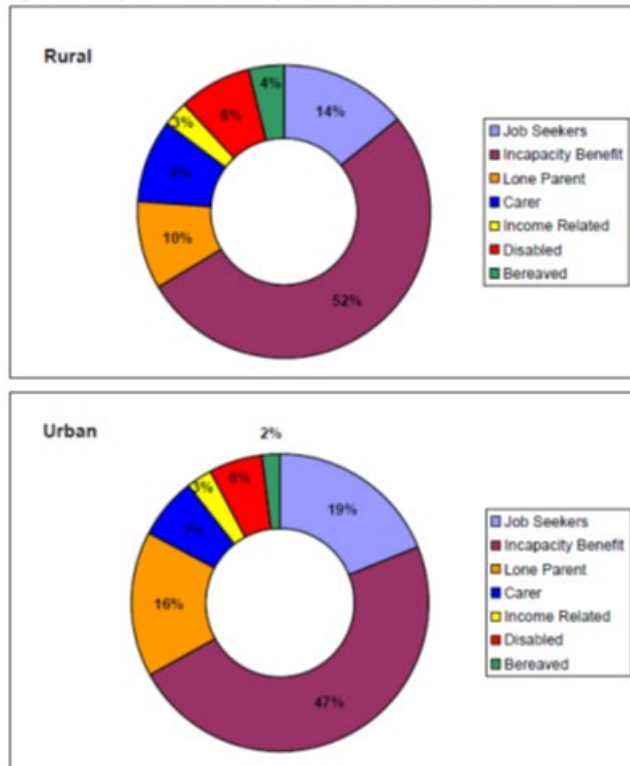
Welfare benefits

Over half a million people of working age claimed a key benefit in rural areas in February 2006 – a similar figure to 2000 – but there is little data available on rural welfare receipt since 2010. From 1996/97, reforms to benefits and tax credits had a marked impact nationally, reducing the proportion of pensioner households in poverty from 29% in 1996/97 to 17% in 2005/06, and the rate of child poverty from 34% to 30% (DWP 2007). Analysis of the Family Resources Survey by council areas¹ shows that in the most rural districts (R80) child poverty (after housing costs) fell from 26% to 22%, and in other rural districts (R50) from 25% to 20%. The decline in poverty among pensioner households was even greater, in the most rural districts (R80) from 27% to 21%, and in other rural districts (R50) from 26% to 18%. The recent analysis of the BHPS by Vera-Toscano, Shucksmith and Brown (2019) found that working family tax credits and pension credits played an important role.

Nevertheless, there is consistent evidence from numerous studies that those eligible for benefits in rural areas are less likely to claim their entitlements. For example, in a definitive study of the take-up of pension credit, Bradshaw and Richardson (2007) analysed the DWP's Family Resources Survey data linked with administrative data and found a statistically significant difference: overall the take-up of Pension Credit was lower in rural areas with 42% of those eligible in rural areas failing to claim compared with 35% in urban areas. In villages and hamlets non-claimant rates was 55%.

The composition of welfare support also differs between rural and urban areas (CRC 2010, quoting DWP analysis – see figure). In rural areas people were more likely to receive Incapacity Benefit and less likely to receive Jobseekers' Allowance than in urban areas. There were also higher proportions of carer, disabled and bereaved claimants in rural areas, with fewer claiming Lone Parent Benefit.

Figure 2: Proportion of working age claimants by key benefit entitlement, February 2006



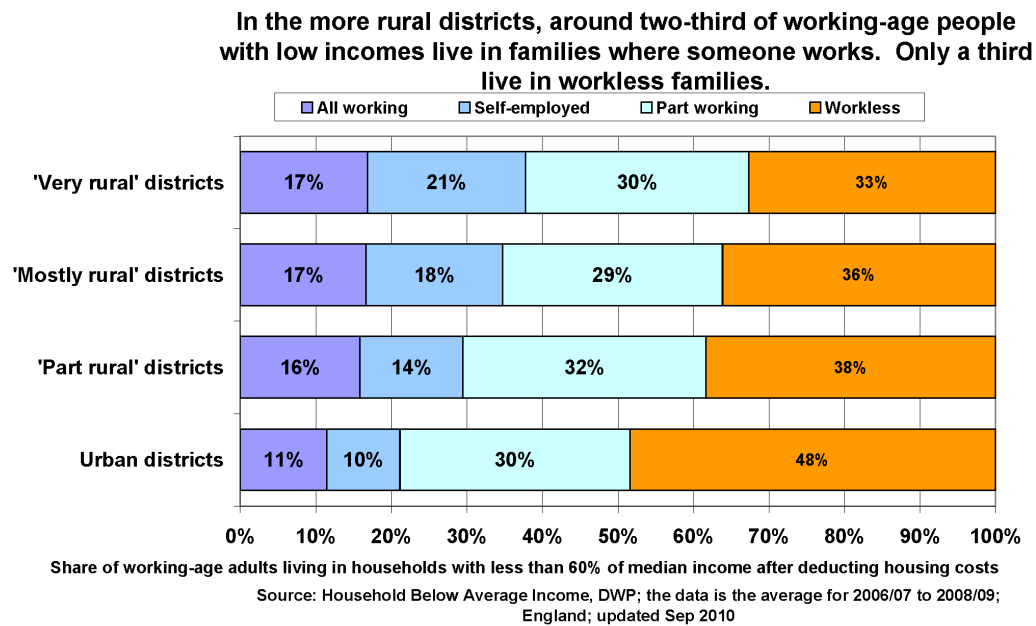
Source: DWP, Working age claimants 2000-06

¹ <http://www.defra.gov.uk/rural/ruralstats/ofa.htm> These rural estimates are not strictly comparable with the DWP figures, since they are relative to the GB median household income, not the English median used by DWP.

Between Feb 2000 and Feb 2006, there were *reductions* in the number of rural residents claiming Job Seekers Allowance, Lone Parent Benefit, Income Related Benefit and Bereavement Benefit, but *increases* in numbers claiming Incapacity Benefit, Carer Benefit and Disabled Benefit.

Poverty in Work and in Self-Employment

In 2010, an analysis of the DWP's Household Below Average Income (HABI) dataset showed that 'poverty in work' was much more likely in rural than urban areas, and highest in the most rural council areas – see figure below. Subsequently, poverty in work has increased nationally.



Another important difference between rural and urban areas is the higher level of poverty in self-employment in rural areas. Phimister et al (1998) found that 24% of those in poverty in rural areas were self-employed, compared to only 6% in urban areas. (A smaller gap was found by Vera-Toscano et al, 2019). This led Phimister et al to suggest that self-employment in rural areas might frequently conceal hidden unemployment, so avoiding the stigma of unemployment in rural communities.

Financial vulnerability

Analysis by the Financial Conduct Authority in 2018 revealed that there is potential vulnerability in the financial circumstances of more rural citizens (54%), than urban citizens (48%). Despite this, people in rural areas were more likely to be satisfied with their financial circumstances. Again, people in rural areas are less likely to have high-cost loans, have less unsecured debts and make less use of credit cards, while on the other hand many more retired people in rural areas (51%) rely mainly on the state pension, compared to retired people in urban areas (37%). The analysis suggests a marked division within rural areas between many who are relatively affluent and those who are in more precarious circumstances, whether from old age, a lack of qualifications or low pay.

Citizens in rural areas do find access to financial services more difficult, partly because they are much less likely to use internet or mobile banking, and they still make much more use of bank branches, despite recent rounds of bank closures. Just 54% of rural citizens use internet banking (72% in urban areas) and only 23% mobile banking (40% in urban areas).

Financial hardship and vulnerability in rural areas are currently being investigated in a major [new study](#) by Shucksmith, Chapman, Atterton and Glass, funded by the Standard Life Foundation.

A Minimum Income Standard

A study commissioned by CRC and JRF in 2010 from Loughborough University (the team which calculates the Real Living Wage each year) compared the minimum income required to enjoy a minimum acceptable standard of living by households in rural and urban areas. The study found that rural households face significant additional costs, notably for transport and fuel, and estimated how much this varies by household type and settlement type. A subsequent study in Scotland, commissioned by Highlands & Islands Enterprise, found even greater rural/urban differentials.

Table 1: Additional weekly rural costs for four illustrative rural household types, compared with UK MIS: cash difference and rural cost as percentage increase on corresponding urban budget (excluding housing costs and childcare)

	Rural town	Village	Hamlet
Pensioner couple	£2.26 1%	£43.00 19%	£48.08 22%
Single working-age adult without children	£15.98 9%	£31.92 18%	£41.37 24%
Working-age couple with two children	£46.67 12%	£59.52 15%	£72.20 18%
Lone parent with one child	£21.98 9%	£33.65 14%	£36.81 16%

Based on April 2010 prices

Young People

Several studies have shed light on youth experiences and transitions in rural areas, but only one has investigated how this has changed since the financial crisis and austerity policies were introduced. The findings (Black, Shucksmith and Scott 2018) reveal that the challenges which young people in rural England faced before the financial crisis (housing, jobs, transport) still persist. Several new factors exacerbate these and new challenges have emerged, specifically in terms of transport and connectivity; a decrease in local opportunities to secure a reasonable livelihood; and an increasing reliance on family to fill widening gaps in social protection provision. Digital exclusion has emerged as a new and important issue, reflecting not just the patchy provision of high-speed broadband, and digital-by-default provision of services, but also its high cost for low income families. Another aspect which came out more strongly in 2016 was the stigma attaching to state welfare support.

Most notable was the overwhelming, and increasing, reliance of young people on family for support which generated further inequalities through what might be termed 'secondary impact austerity': young people feel indirectly and unevenly the economic effects and policy changes which impact on parents' and communities' ability to offer them support. Thus, changes to the welfare system, loss of services and less secure forms of employment exacerbate the transfer of social risk and the deepening of poverty for vulnerable groups and their children. This is worsened in this rural area by the moral imperatives which stigmatise access to state and charitable support.

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