

# Monitoring poverty and social exclusion in Wales 2011

Findings  
Informing change

July 2011

This *Findings* is the third update of *Monitoring poverty and social exclusion in Wales*. It is set against the background of the Welsh Government's recent reaffirmation of the goal to eradicate child poverty by 2020. After looking at what has been a mixed record over the last ten years, it examines how far higher employment might take Wales towards its goal – and what its wider implications might be.

## Key points

- Nearly 400,000 working-age adults, 200,000 children and 100,000 pensioners in Wales are in poverty as measured by low income after housing costs have been deducted. One-third of these adults are either disabled themselves or have a disabled partner. One-quarter of these children live with at least one disabled adult.
- Half the children in poverty belong to working families.
- Half the improvement in the child poverty rate between the mid-1990s and the mid-2000s has been lost in the last five years.
- The qualification level of 25- to 44-year-olds is substantially higher than it was ten years ago, with nearly four in ten now having a qualification above Level 3.
- The Welsh Government's new child poverty target requires the rate to fall four times as fast over the next ten years as it has over the last ten.
- The higher level of parental employment necessary to approach the target requires reductions in the number of both workless and part-working families. Full-working (where all adults have a full-time job or, in couple families, where one has a full-time job and the other a part-time one) will become the norm.
- If this is not to be at expense of the quality of family life, key services, from child and health care to transport, may need to be altered to help families cope. This requires concerted efforts from the Welsh Government on policies relating to employment, skills and childcare, and from the UK Government on matters relating to taxes and benefits.

## The research

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## Poverty in Wales

### Numbers in low income

Figure 1 shows the number of people living in low-income households in Wales in the three most recent years for which this data is available (up to 2008/09).

In total, some 680,000 people live in low-income households in Wales, some 23% of the total population. Of those, the 220,000 adults without dependent children are the largest group, followed by children at 200,000.

Compared with ten years ago the numbers of low-income pensioners, children, and working-age adults with dependent children are all down, while the number of working-age adults without dependent children is up. As a result, whereas children and pensioners then made up just over half of those in low income, they now make up less than half.

A third of low-income, working-age adults without dependent children are either disabled themselves and/or have a disabled partner. Among those with dependent children, this proportion is a quarter. For all people of working-age (and their dependent children), a disabled adult family member increases the risk of low income by about a half. In contrast, although six in ten pensioners are either disabled themselves or have a disabled partner, this proportion is the same irrespective of whether the pensioner family is in low income or not. Reforms to disability benefits, including Disability Living Allowance (DLA), will have a strong impact on working-age poverty in Wales. As they increase the number of people actively seeking work, putting further pressure on a weak jobs market, the reforms will have effects beyond those who are disabled and their families.

### The child poverty rate

Figure 2 shows the proportion of children living in low-income households (the 'child poverty rate') in Wales over the 13 years up to 2009/10 for which the data is available.

### The definition and measurement of poverty

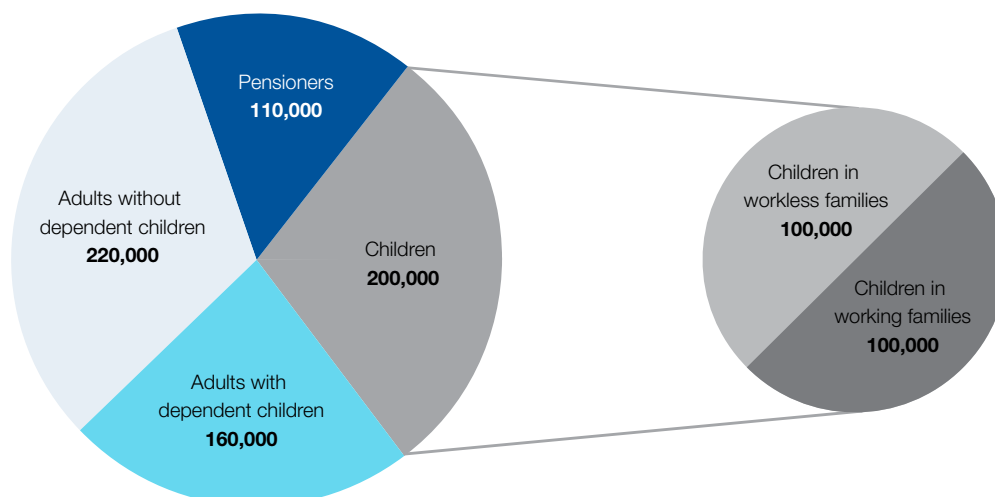
Poverty is when someone's resources are so far below those of the norm for the society they belong to that they are effectively 'excluded from ordinary living patterns, customs and activities'.

Poverty is usually measured by official statistics on low household income. The main measure uses the threshold of 60% of median UK household income in the same year and after adjustment has been made for household size. Other measures, with different thresholds (e.g. 50%), thresholds fixed in time, or including material deprivation, are also used.

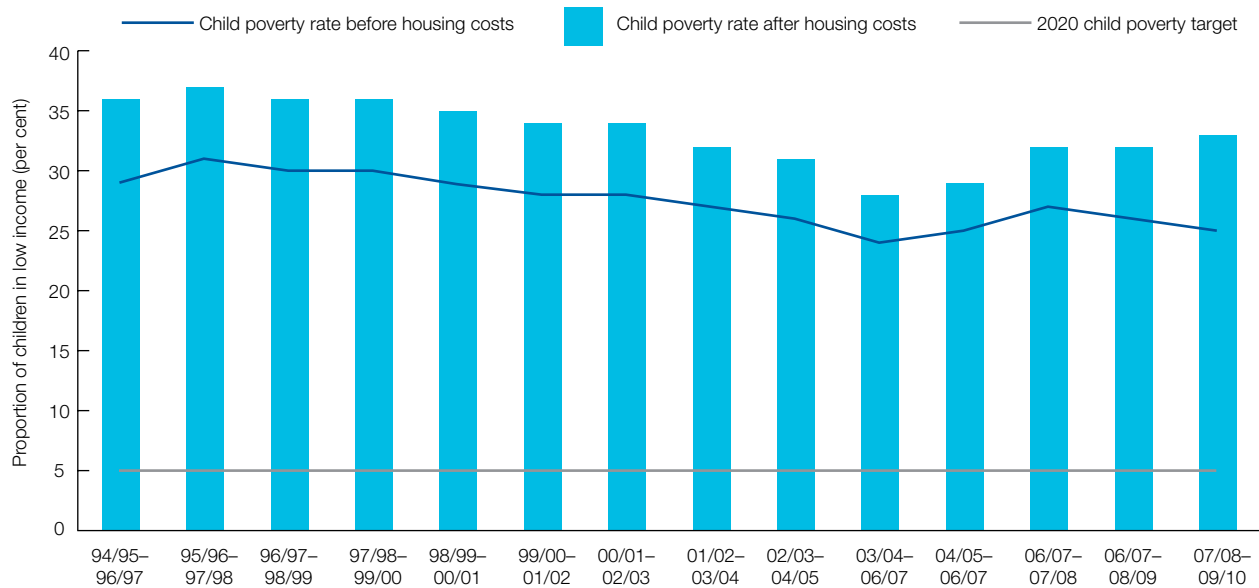
On the latest figures, the 60% threshold is worth £124 for a single adult, £214 for a couple with no children, £210 for a lone parent with two children under 14, and £300 for a couple with two children under 14.

These sums are net of income and council tax and after housing costs (AHC) – chiefly rent or mortgage interest – have been paid. Official statistics are also published on a before housing costs (BHC) basis.

**Figure 1: Number of children, working-age adults and pensioners in low income**



**Figure 2: The child poverty rate (three-year averages)**



Source: Table 4.16ts, Households Below Average Income Survey 1994/95–2009/10, DWP

On the AHC measurement, the child poverty rate fell quite quickly from the early 2000s up to 2005/06, since when it has risen again. At 33%, the rate is still some 3% lower than ten years ago. But it is also 5% higher than at the low point.

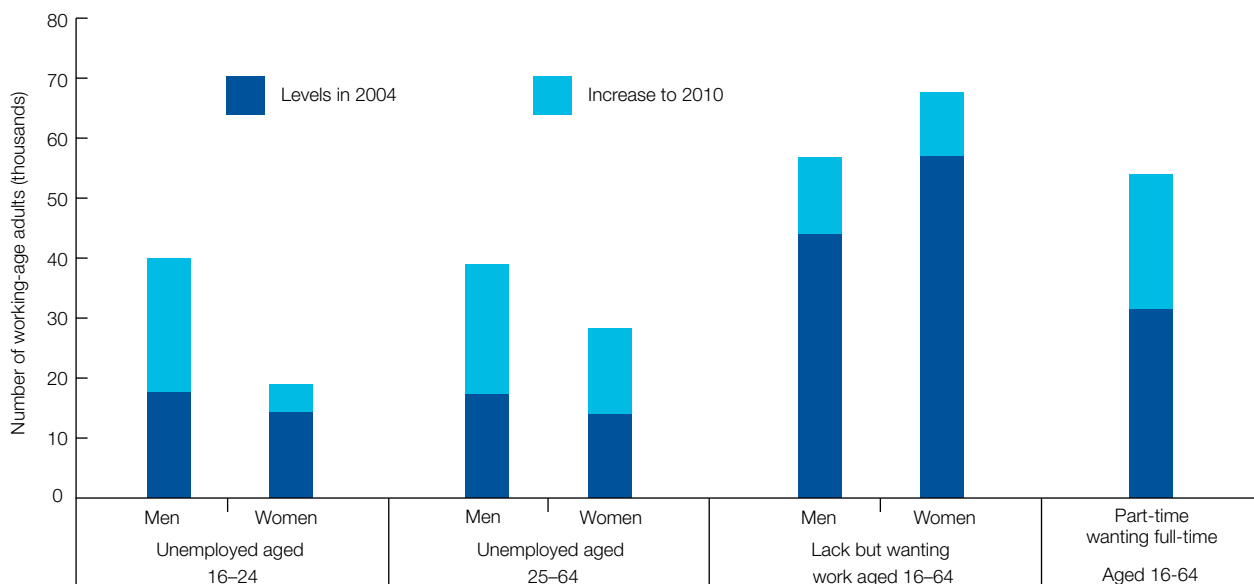
On the BHC basis, the rate is 5% lower than ten years ago and 1% higher than 2005/06. Although it may seem that the AHC and BHC trends are different in the last three years, the degree of uncertainty around the data means that this apparent difference is not significant.

Compared with the other UK countries, Wales has the highest rate on the AHC basis (2% higher than England, 5% higher than Northern Ireland and 8% higher than Scotland) and the second highest on the BHC basis.

**The 2020 target**

Wales’ new child poverty strategy, published in February 2011, reaffirms the commitment to eradicate child poverty by 2020. It defines ‘eradication’ as no more than 5% of children living in a low-income household on the BHC basis, a four-fifths reduction on the current level (Welsh Assembly Government, *Child Poverty Strategy for Wales*, February 2011). This is more ambitious than the 2010 Child Poverty Act, which set a target of 10% by 2020.

**Figure 3: Under-employment by age and gender, 2004 and the increase to 2010**



Source: Regional Labour Market Statistics, April 2011, ONS

## Under-employment

Figure 3 shows several different aspects of a broader notion of under-employment. This includes unemployment (wanting, actively seeking and immediately available for work); those wanting work but either not actively seeking it or not available immediately; and those working part-time but wanting a full-time job. This broad view provides a better picture of the declining demand for labour over time.

The detailed statistics used here have only been available since 2004, when unemployment in Wales reached its lowest level of 4.2%. This compares with a recent (2010) high of 9.3% and a previous (1992) high of 10.5%.

Taken together, there were some 305,000 under-employed working-age adults in 2010, up by half from 195,000 in 2004.

Looking at unemployment, there has been a substantial increase among young men aged 16 to 24, up from 17,000 in 2004 to 40,000 in 2010. In contrast, unemployment among young women has risen by just 5,000. One consequence of this is that, for the first time, there are slightly more young women than young men in employment.

Unemployment has also risen sharply among men aged 25 to 64. In 2010 there were 39,000 unemployed men, up by 22,000 since 2004. The number of unemployed women in this age group has doubled to 28,000.

The number of economically inactive people wanting paid work has risen by 24,000, with almost equal increases amongst men and women. But this number now no longer exceeds the number of unemployed, as it long has, due to the much sharper rise in unemployment.

The number of people with a part-time job who want a full-time job is 23,000 higher. This is equal to the overall increase during the period in the numbers in part-time jobs.

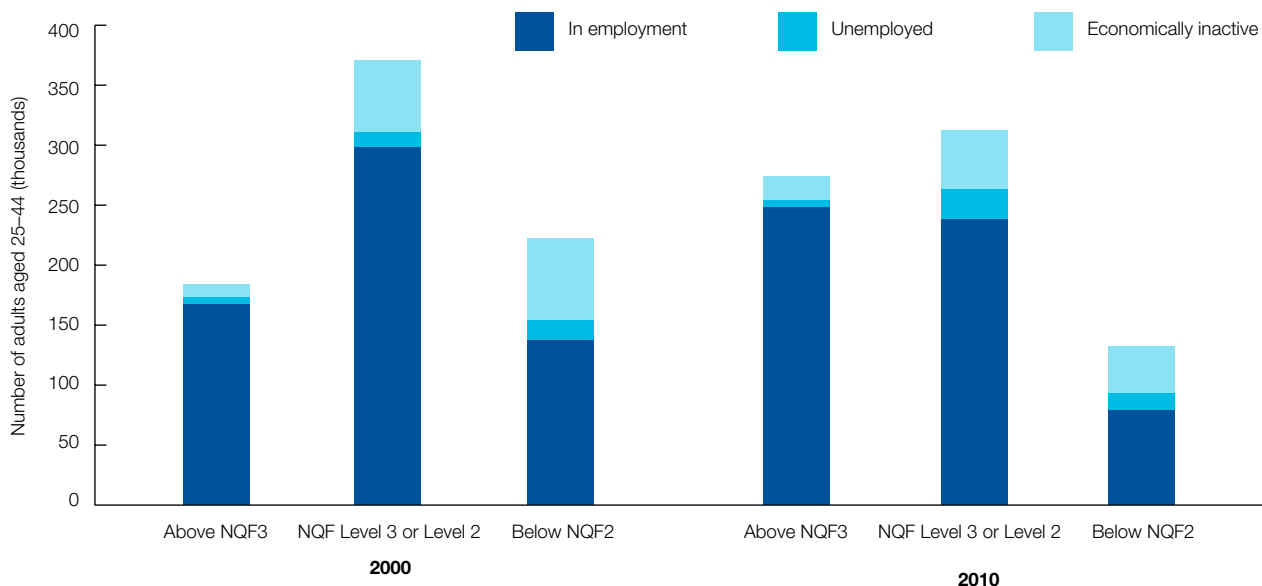
## Qualification levels among 25- to 44-year-olds

Skills are central to improving the life prospects of an individual, in terms of securing work and better wages. A range of skill measures can be used, the most common of which is qualifications, although it is possible to have skills without having qualifications, and vice versa.

Figure 4 shows the qualification level of 25- to 44-year-olds in 2000 and in 2010. This age group has been chosen because most parents with dependent children are in it. NQF Level 2 most commonly refers to five or more A – C\* GCSE or equivalents and Level 3 refers to two or more A-levels.

Ignoring work status, it is clear that 25- to 44-year-olds in 2010 are more qualified than 25- to 44-year-olds were ten years earlier. The figure of 280,000 with qualifications above Level 3 is 90,000 higher. The figure of 320,000 with qualifications at Levels 2 or 3 is 40,000 lower. The figure of 130,000 with qualifications below Level 2 is 100,000 lower. As a consequence, the shape of the distribution changed from something close to 25-50-25 in 2000 to more like 40-40-20 in 2010.

**Figure 4: Highest qualification by work status, 2000 and 2010**



Source: Labour Force Survey, ONS, 2000 and 2010, numbers are averages over four quarters

What lies behind this? In essence, the graph combines two effects. The first is the improvement in qualifications – an ‘adult learning’ effect – among those who were the 25- to 34-year-olds ten years ago and are the 35- to 44-year-olds in 2010. The second is the difference between two groups who are 20 years apart in age – a ‘generational’ effect – namely the 25- to 34-year-olds in 2010 and the 35- to 44-year-olds ten years ago.

More detailed analysis of the statistics shown here suggests that the two effects contribute equally to the increase in the numbers with an above Level 3 qualification. By contrast, most of the fall in the numbers below Level 2 is due to the generational effect. If this tentative conclusion is correct, it suggests that those with low or no qualifications are less likely to progress through adult learning than people with middling qualifications. Overall progress on qualifications may not therefore have quite such a positive implication for reducing poverty.

Turning to work status, qualifications clearly increase the likelihood of being employed. Some 90% of those with an above Level 3 qualification were employed compared with 75% for mid-levels and 60% for those with the lowest levels of education. These proportions have not changed much over the last ten years.

Among those who are economically active, the story is different. Nearly 98% of those with above Level 3 qualifications were employed, compared with only 85% of those with the lowest qualifications. The unemployment rates for those with the lowest and mid-levels have also both gone up over the ten years, by about 5%. By contrast, the unemployment rate for those above Level 3 has actually come down slightly.

Across the working-age population as a whole, (aged 16 to 64), those with the lowest qualifications were hit hard by the recession and saw a drop of almost 10% in their employment rate over three years from 2007.

## Reducing child poverty: How far can higher employment help?

In the light of the new Welsh child poverty target, data on the poverty ‘risk’ associated with different family work statuses can be used to explore how big a fall in child poverty could be expected from higher parental employment.

### Low income and family work status

While paid work is not guaranteed to avoid low income, the likelihood, or risk, that a working family will have a low income is much less than that of a non-working one. But it is not enough just to look at whether a family is working, because there is a big difference in the low-income ‘risk’ between ‘full-working’ and ‘part-working’ families.

‘Full-working’ families are ones where all adults have a full-time job or, in the case of couple families, where one has a full-time job and the other a part-time one. All other families where paid work is being done are ‘part-working’. As well as those where the only jobs are part-time ones, it also includes couples where one has a full-time job and the other stays at home.

The first two columns of Table 1 show the number of children in Wales in each family work status, along with the low-income risk (on the BHC basis to be consistent with the child poverty target). The importance of part-working is clear. Almost 4 in 10 children (240,000) belong to this group. Although the risk of low income is less than half that for workless families (29% compared with 65%), it is still substantial and dwarfs that for full-working families (2%). On the latest figures, the overall low-income risk for children in Wales is 25%.

**Table 1: Low income and family work status**

<i>Family work status</i>	<i>BHC low-income ‘risk’ 2006/7 to 2008/9</i>	<i>Number of children</i>	<i>Example 1: Half the children in workless families are moved to part-working families</i>	<i>Example 2: Half the children in workless and part-working families are moved to full-working families</i>
Non-working families	65%	130,000	65,000	65,000
Part-working families	29%	240,000	305,000	120,000
Full-working families	2%	250,000	250,000	435,000
<b>Overall BHC child poverty rate</b>		<b>25%</b>	<b>21%</b>	<b>13%</b>

The effect of increasing parental employment can be represented in terms of a shift from higher- to lower-risk work status groups, as seen in the two examples. They assume that the low-income risks for each of the three groups remain unchanged.

In example 1, half of workless families become part-working. The result of this shift in work status is a BHC child poverty rate reduction from 25% to 21%.

In example 2, half of workless families and half of part-working families become full-working (for example, by the second parent entering employment). This time, the BHC child poverty rate falls by about a half, from 25% to 13%. It also has the effect of making 'full-working' the norm among families in a way that it is not at the moment.

### **Implications for employment**

Using further information on family size and work status among both couple and lone parent families, it is estimated (with a considerable degree of uncertainty) that the two examples require parental employment to be higher than now by the equivalent of around 20,000 and 85,000 full-time jobs respectively. Compared with the 1.1 million full-time equivalent jobs in 2010 (ONS, *Labour Market Statistics April 2011: Wales*, table 3), the extra parental employment required represents about 2% and 8% of the total respectively.

Set against the 14% increase in employment in Wales in the ten years to the eve of the recession in 2007 (ONS, *Labour Market Statistics April 2011: Wales*, table 1) neither figure looks large. But parents with dependent children (who make up about 40% of those employed at the moment) would obviously not get all – or perhaps even most – of any increase in jobs. The prospects for employment growth – a 3% rise in UK employment by 2015 according to the Office for Budget Responsibility – are not as good as in the pre-2007 period.

## **Policy conclusions**

If the ten-year record is deeply disappointing, it is vital to recognise that it combines a longer period of steady progress with a shorter period of sharp decline. Although not the only factor, unemployment has followed a similar pattern. Poverty is neither inevitable nor unchangeable.

The Welsh child poverty target is extremely ambitious. While increased employment has a big part to play in moving towards it, it cannot achieve this target on its own. A commitment to eradication requires policy to be directed at reducing the number of part-working families as well as the number of workless ones. 'Full-working', which is not the norm at the moment, will need to become so.

Even if it lowers the financial pressure on families, full-working increases the time pressure. A whole range of key services, from child and health care to transport, may need to be extended and adapted to help families cope. This is not just the responsibility of a single minister but stretches across the Welsh Government and beyond, to service providers in public and private sector alike.

### **Assumptions underlying the estimates (based on official low-income statistics)**

- Full-working couple families have 1.5 working adults while part-working have 0.75. The corresponding figures for lone parent families are 1 and 0.5.
- Couple families contain an average of 2 dependent children (1.7 for lone parents).
- 70% of non-working families are lone parent families.
- 80% of part-working families are couple families.

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## **For further information**

Further information regarding the underlying analyses for this *Findings* can be found at: [www.npi.org.uk](http://www.npi.org.uk)

More information about related reports can be found at [www.jrf.org.uk/work/workarea/monitoring-poverty-and-social-exclusion](http://www.jrf.org.uk/work/workarea/monitoring-poverty-and-social-exclusion)

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