

Monitoring poverty and social exclusion in Wales 2007

Findings
Informing change

July 2007

This *Findings* updates *Monitoring poverty and social exclusion in Wales 2005*. That report focused on trends over time and differences across Wales. It concluded that Wales was becoming average in UK terms, having not long ago been far behind. By contrast, this *Findings* focuses on the breadth and scale of problems still faced in Wales. If this makes for a darker tone, it reflects the fact that the rate of child poverty and the proportion of people 'lacking but wanting work' are no lower than two years ago. Other problems remain stubbornly unyielding.

Key points

- Child poverty in Wales is around a quarter lower than in the late 1990s but there has been no further progress in the last two years, the rate stalling at around 28%.
- Poverty affects all age groups. There are more working-age adults in poverty than children and pensioners in poverty combined. Poverty among disabled working-age adults is higher than a decade ago.
- The unemployment rate among young adults stands at around 10%, more than twice that for those aged over 25. More than a fifth of both disabled people and lone parents want, but lack, paid work.
- Unemployment was slightly higher in 2006 than in 2005. The proportions of disabled and lone parents who lack but want work have both been rising since 2004.
- A quarter of 19-year-olds lack NVQ2 or equivalent qualifications, a proportion unchanged this decade. Around 10% of 16- to 18-year-olds are not in employment, education or training.
- Up to 1% of children are in situations where they are almost certain to be very seriously disadvantaged (for example, in care or becoming homeless). More than 15% of children live in workless households and more than 20% live with a disabled parent.

The research

By Peter Kenway and Guy Palmer at the New Policy Institute, updating *Monitoring poverty and social exclusion in Wales 2005*.

Background

This *Findings* is an update of *Monitoring poverty and social exclusion in Wales*, published at the end of 2005. Updated versions of the single-subject graphs in that report can be found on The Poverty Site (www.poverty.org.uk) where they form part of a much larger set of some 150 graphs on Wales (as well as data on the rest of the UK).

This *Findings* uses a different style of graphical presentation, with five summary graphs, each containing a number of headline statistics on closely related subjects. The five graphs cover: income poverty, people lacking but wanting work, low pay, few educational qualifications, and children at high risk.

People living in income poverty

A household is defined as being in income poverty ('poverty' for short) if its income is less than 60% of the contemporary UK median household income. The actual value of the poverty threshold depends on how many adults and children live in the household. In the most recent year, 2005/06, it was worth £108 per week for a single adult and £300 per week for a couple with two children. These sums of money are measured

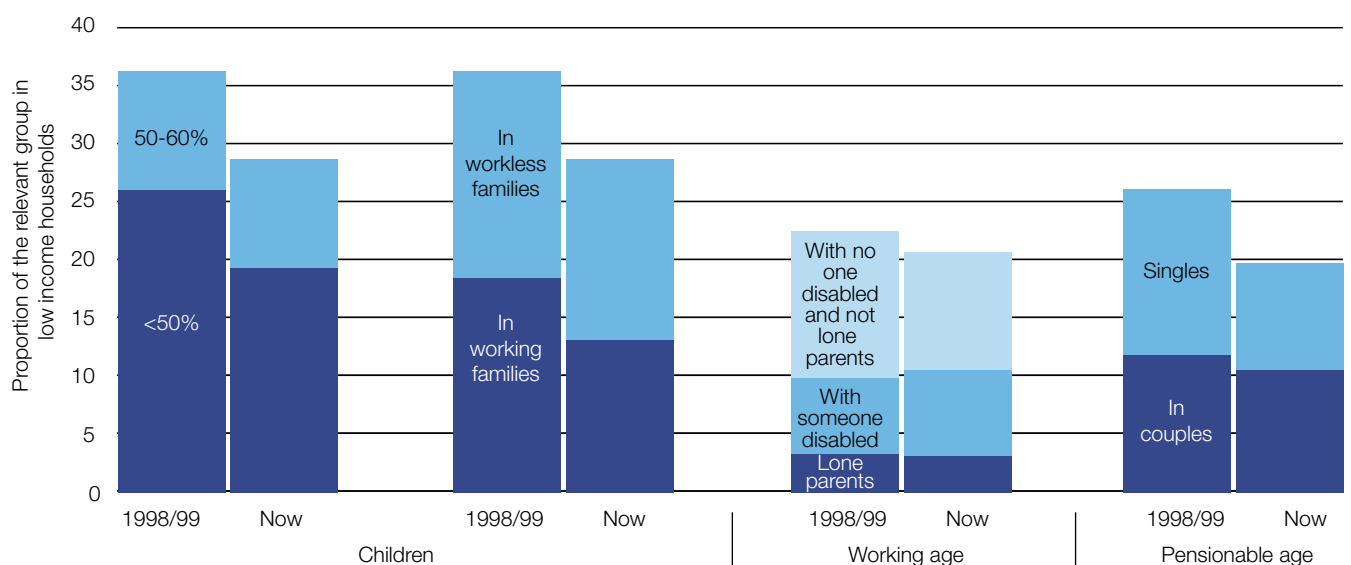
after deduction of income tax, council tax and housing costs (including rents, mortgage interest, buildings insurance and water charges). They represent what the household has available to spend on everything else it needs, from food and heating to travel and entertainment.

Being defined in relation to average income, this measure is self-evidently relative. But that does not mean that it is only something called 'relative poverty' that is being measured. Rather, it reflects the view that poverty is something that is inherently relative, when someone is so short of resources that they are unable to attain the minimum norms for the society in which they live.

Figure 1 compares the average poverty rate in the three most recent years (up to 2005/06) with the average in the last three years of the 1990s (up to 1999/00). The picture is mixed. First among the positives is that since the late 1990s, when it stood at 36%, child poverty has fallen by around a quarter to an average of 28% over the last three years – some 180,000 children. Where once child poverty in Wales exceeded the UK average, it is now close to the average.

But little of this progress has come in recent years. So in 2003/04, the child poverty rate was 29%. In 2004/05, it was 28%. In 2005/06 it was still 28%. Given the uncertainty in all statistical estimates, these three numbers imply no change in child poverty in Wales over that period.

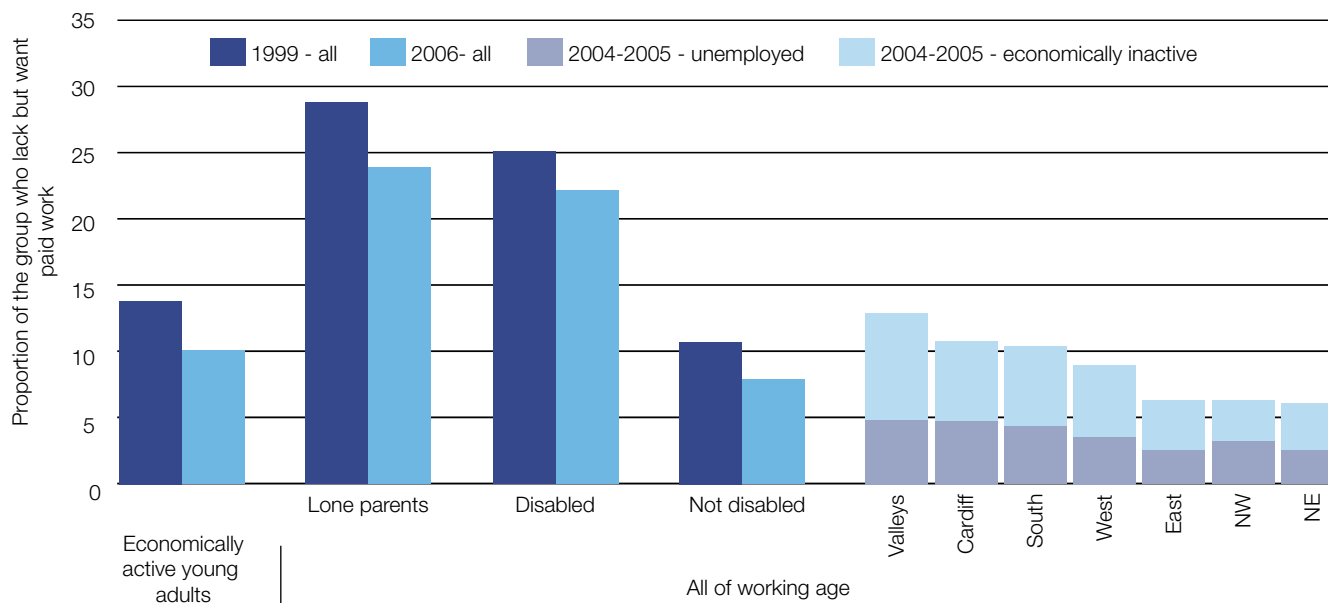
Figure 1: Rates of child, working-age and pensioner poverty; shares by depth, work status and family type



Source: Households Below Average Income, DWP; the data is the average for 1997/98 to 1999/00 and the 'now' data is the average for 2003/04 to 2005/06. All data is after deducting housing costs.

A note on the figures. On all figures, the total height of each bar expresses the proportion of the group named at the foot of the bar in the particular situation described: e.g. in Figure 1, in 1998/99, 36% of children were living in households with an income below the 60% threshold. Bars split horizontally then reflect the mix of people in the situation described: e.g. of that 36%, half were in workless families and half were in working ones, i.e. 18% in each.

Figure 2: Young adult unemployment and ‘wanting work’ rates for lone parents, disabled working-age and non-disabled working age adults; and by sub-region



Source: Labour Force Survey, ONS. Note: ‘Economically active’ young adults excludes students.

Figure 1 also shows that the fall in child poverty since the late 1990s has come about as a result of a fall in ‘deep’ poverty (households below 50% of average income) from 26% to 19%. Any fear that it is only children just below the poverty line who are being helped is therefore not well-founded. A fall is also to be seen in the number of children in poverty living in households where some paid work is being done.

Pensioner poverty has also come down significantly, from 26% to 20%, and especially among single pensioners. But among adults of working age, the fall has been much smaller and the working-age rate is now no longer lower than the pensioner rate – an historic shift. The 350,000 working-age adults in poverty in Wales outnumber the 180,000 children and 110,000 pensioners in poverty combined.

The fall in the number of working-age adults in poverty has been concentrated among those who are neither lone parents nor living in a ‘disabled household’ (that is, where at least one working-age adult is disabled). The number of lone parents in poverty has changed little, reflecting a lower risk but a larger lone-parent population. The number of adults in poverty in ‘disabled households’ has gone up, by around 20,000. This reflects a noticeable rise in the proportion of disabled working-age adults who are in poverty, from 30% in the mid 1990s to around 33% now.

Over all this, a shadow is cast by the UK-wide figures for 2005/06 which were the first in nine years to show a rise in poverty, both for children and adults. A single year’s figures must always be treated with caution and next year may show them to have been a blip. But with unemployment and worklessness no longer falling and

no sign that tax credits are to be increased substantially, it is hard to see where the impetus for further progress on poverty will come from.

Those who lack but want work

Official definitions have long meant that those counted as ‘unemployed’ only make up a minority of those who are recorded as lacking but wanting paid work. In particular, both disabled people and lone parents who want work are usually counted as economically inactive rather than unemployed.

As with poverty, the picture over several years is positive. Young adult unemployment has come down, from 14% in the late 1990s to around 10% now, close to the UK average. On the broader measure, ‘lacking but wanting work’ rates for all adults of working-age have come down for each of lone parents, disabled adults, and other working-age adults.

Yet improvements since the late 1990s have only brought Wales so far. 10% unemployment among young adults is still a substantial proportion and is also more than twice the 4% rate adults aged over 25. The lacking but wanting work rates for both disabled people and lone parents still exceed 20%. Furthermore, as with poverty, the more recent, short-term trends are much less favourable. The annual figures for the rates of young adult and over-25 unemployment were both slightly higher in 2006 than in 2005 and the annual figures for the proportions of disabled and lone parents lacking but wanting work have both been rising since 2004.

Figure 2 also shows how these ‘wanting work’ rates differ across Wales, from around 6% in North Wales, to 13% in the Valleys. As the breakdown shows, both wanting-work categories (that is, unemployed and economically inactive) tend to move together, with all three parts of South Wales having more unemployed and more disabled people and lone parents lacking but wanting work than elsewhere. Within this, the Valleys stand out from the rest of the south because of their high proportion of disabled people and lone parents lacking but wanting work.

The extent of low pay

The link between low pay and income poverty is often misunderstood: while it is certainly true that most individuals who are low-paid do not live in households suffering from poverty, a majority of those in working households in poverty are low-paid.

The measure of low pay used here is the proportion of employees paid at a rate of £6.50 an hour or below. While the precise hourly rate used here does not matter, it is important to measure low pay in this way, rather than by calculating average pay, because the latter is affected by high pay as well as low. Figure 3 shows results separately for full-time male workers, full-time female workers and all part-time workers together. Although most of this latter group are women (and therefore most low-paid workers are women), the more detailed evidence makes it quite clear that part-time male workers are no less likely to be low-paid than part-time female ones.

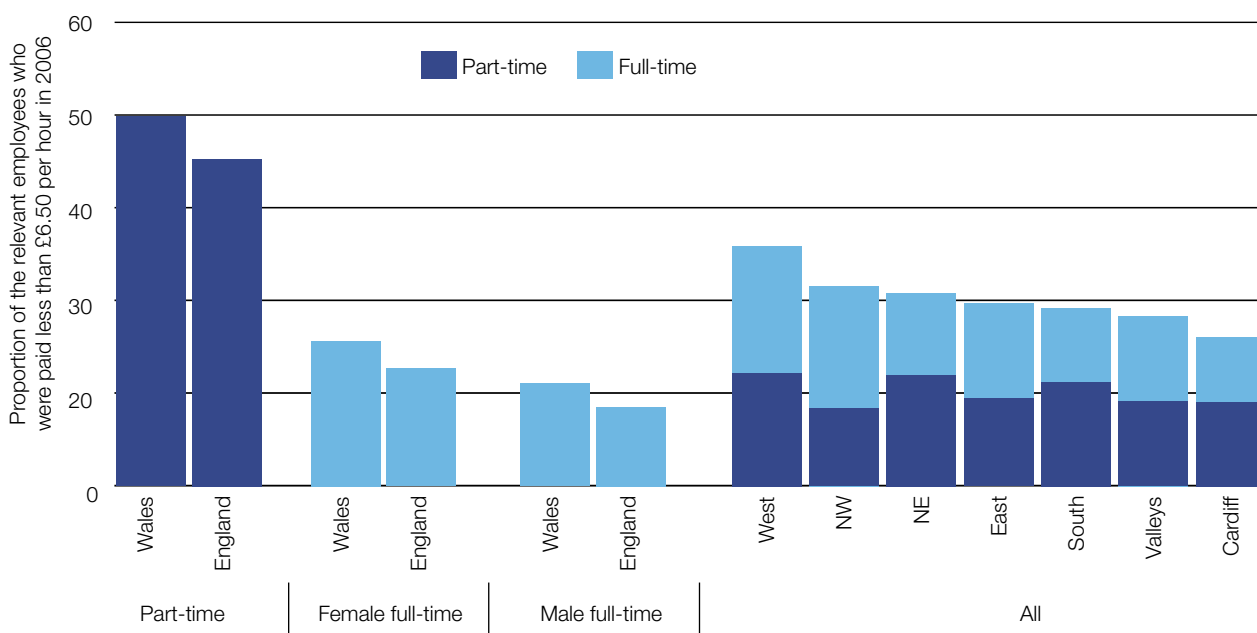
Looked at in this way, Wales remains a low-pay economy. Among full-time workers, around 13% of men and 19% of women are low-paid. In both cases, these proportions are about a quarter higher than they are in England. Among part-time workers, 48% are low-paid in Wales compared with 42% for England.

The seven sub-regional statistics in figure 3 show that around half of low-paid workers in Wales are part-time and the other half are full-time. Low pay is especially prevalent in the West of Wales, where 30% are low-paid, and in the North West too (25%). These are also the parts of the country where low pay among full-time workers is highest (15% of all employees), twice the proportion in Cardiff and the North East. By contrast, the likelihood of low pay among part-time workers is more uniform across the country.

Falling short of ‘minimum’ levels of attainment at 11, 16 and 19

Figure 4 shows the proportion of young people at various ages falling short of what may be deemed ‘minimum’ levels of attainment at the ages of 11, 16 and 19. Also shown is the proportion of 16- to 18-year-olds not in employment, education or training (‘NEET’). In each case, the proportions compare the latest year (2006) with 1999/00.

Figure 3: Proportions of part-time and full-time workers who are low-paid, Wales and England; and by sub-region



Looking at the change over time, while there has been substantial progress at age 11, the proportion falling short of level 4 at Key Stage 2 having come down by a third in just six years to 17%, there has been no equivalent progress in any of the measures at 16 and 19. The proportion of 16-year-olds failing to achieve five GCSEs at any level is at 14% while the proportion getting none at all is at 7%. At 19, the proportion whose highest qualification falls short of NVQ2 or its equivalent remains in excess of 25%. In this, Wales differs little from England.

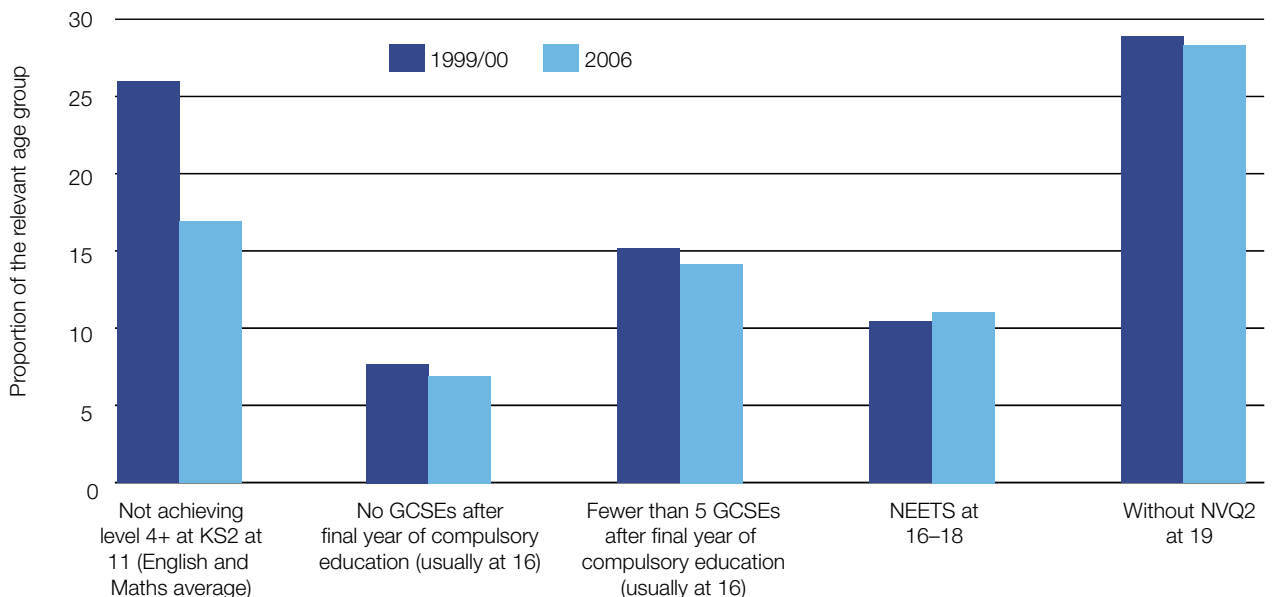
The more than 25% of 19-year-olds whose highest qualification falls short of NVQ2 or its equivalent is really very high indeed. Why does this matter? There is certainly no suggestion that an NVQ2 is all someone needs to have a good chance of thriving in the labour market and NVQ3 may be a better marker of that. What does seem to be the case over the last decade, however, is that if someone has failed to reach NVQ2 by age 19, they are very unlikely to reach, never mind surpass, it in their 20s. Since the risks of both low pay and unemployment/worklessness increase the fewer the qualifications a person has, the sheer size of this group makes it a cause for concern.

These statistics also shed light on a measure which seems recently to have become prominent, namely, the proportion 16- to 18-year-olds in the 'NEET' group. Even if it is accepted that nobody at this age should be 'NEET', the fact that the proportion (around 10%) is far lower than the proportion of under-qualified 19-year-olds means that it is not enough to worry about the 'NEET' group alone. There is also a danger that NEETs' new-found prominence might divert attention from the problem of why there has been no improvement in the numbers getting few or no qualifications while still at school.

Children at risk of disadvantage

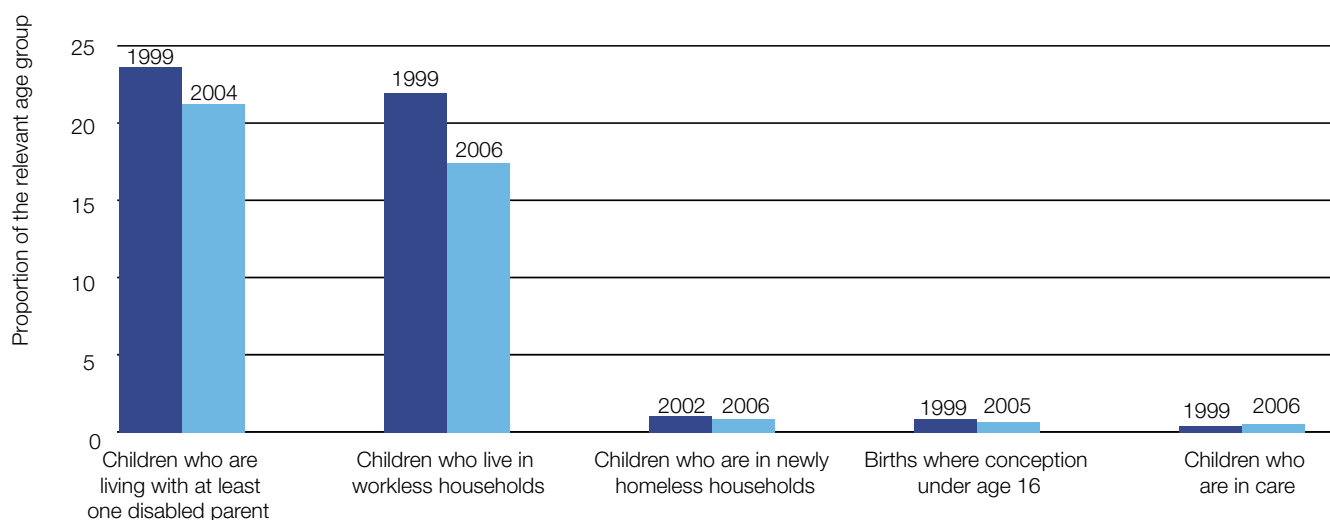
Figure 5 presents a selection of statistics that cover various different situations that can disadvantage children, including some that were not in the 2005 report. In expanding the scope in this way, the *Findings* is responding to a concern in Wales that was sparked by a recent Unicef report showing children in Britain to be at the very bottom of an international league table of well-being. The selection here falls into two groups.

Figure 4: Proportions of 11-, 16- and 19-year-olds falling short of minimum levels of attainment; and proportions of 16- to 18-year-olds not in employment, education, or training ('NEETs')



Source: Welsh education statistics (KS2 and GCSEs) and Labour Force Survey (NEETs and NVQ2), where the latest NEET and NVQ2 data is the average for 2004 to 2006.

Figure 5: Proportion of children who may be vulnerable in various ways



Source: Various

The first, comprising children newly made homeless, children in care and girls conceiving before the age of 16, involve situations that affect 1% or less of children in the relevant group. All three, though, are generally agreed to have very adverse consequences. For example, among looked-after children (the number of whom has been rising in Wales), a sign of the disadvantage is the extremely low rates of educational success among the group, with around half of care leavers in 2006 failing to achieve any GCSEs at all. When the risk of severe consequences is so high, the importance of the problem is in no way lessened just because relatively few are affected.

The second group, comprising children in workless households and children living with a disabled parent, involve situations that affect relatively many children in Wales. Despite recent progress, 17% of children in Wales still live in workless households. Children growing up in this situation are likely to be disadvantaged not just because of their probable low standard of living but because of what they may come to regard as a normal way of life.

Figure 5 also shows that more than 20% of children in Wales have at least one disabled parent. Though not all of these children are disadvantaged, some are, both in their lower standard of living (among children in poverty, the proportion with a disabled parent rises to 30%) and in their additional family responsibilities and reduced opportunities. The high number of children in this situation may just be a reflection of the high rates of working-age disability in Wales; but given how many children are affected, it is a powerful reason for developing a comprehensive anti-poverty strategy that includes working-age adults as well as pensioners and children.

For further information

All the underlying analyses for these *Findings* can be found at the poverty statistics website, www.poverty.org.uk

Detailed technical definitions of each of the bars in each of the graphs can be found at www.poverty.org.uk/wales%20graphs.htm

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