

IF WORK is supposed to be the route out of poverty, why do half of the children in poverty in Britain today live in households where someone is working? Given the importance that the Labour government has placed on work since it came to office in 1997, this statistic is at once remarkable, depressing and crucial.

It is remarkable for the gap that it reveals between the rhetoric of poverty – about households where no one is doing any paid work – and the reality, where it turns out that those ‘hard-working families’ who we heard so much about during the general election actually contain as many children in poverty as workless families.

It is depressing because this in-work poverty comes despite both the minimum wage and the reformed system of tax credits.

And it is crucial because the 2010 target for halving child poverty (which means a fall of 1.7 million children compared with the official start year of 1998/99) is out of the question unless in-work poverty falls sharply.

The importance of in-work poverty
The reduction recorded in child poverty so far is 600,000. In practice, lifting another 1.4 million children out of poverty will need sharply lower levels of both in-work and ‘workless’ child poverty. Cutting in-work poverty is the key, though, because it means that not only will work become a more attractive prospect for many of those who are now not working, but room will also be made to raise out-of-work benefits. As it is, the low financial gain from work for many people – reflected in in-work poverty – is what keeps out-of-work benefits so low.

There are a number of reasons why focusing on in-work poverty would now be timely. One is that the government is likely to be very sensitive to the problem. The importance of such sensitivity should not be underestimated.

Equally important, however, is the fact that the situation of most working households in poverty undermines the usual image. The very fact of working is the biggest challenge to the stereotype. But so too is the fact that 60 per cent of the children in in-work poverty live in owner-occupied homes while 80 per cent of them live with two parents.

In drawing attention to the characteristics of those who are suffering from in-work poverty, we need to be careful to avoid doing so in a way that may strengthen prejudice against those



Joanne O'Brien/Photodisc

In-work child poverty

A close look at the evidence on families and their income shows how wrong it is to believe that if people work, own their home and live as couples then they and their children will be free of poverty. If the government is to make further progress in abolishing child poverty, writes Peter Kenway, much more needs to be done to improve pay (including regional variations) and the conditions of work. These are goals that anti-poverty campaigners and trade unions need to join together to realise.

households in poverty where no one is working. It is, however, essential to present the reality as accurately as possible, because by doing so, people will come to recognise it as something which they have some experience of – either directly themselves or through their friends or relatives. The gain to the whole campaign to end poverty that would come from such recognition would be considerable.

The roots of in-work poverty

A number of factors conspire to create in-work poverty. Both housing costs and council tax deserve some blame, especially the latter where the meanness of council tax benefit leaves most households doing some paid work having to pay the tax in full.

The root of in-work poverty, however, is obviously low pay, which itself reflects a combination of too few hours worked and/or too low a rate of pay per hour. The more than 1.5 million children living in in-work poverty can be divided into four groups, according to how much paid work is being done by adult members of their household:

- 400,000 children in in-work poverty are in households classified as **self-employed**.
- 250,000 children are in households classified as **full-time** workers.
- 500,000 children are in households where the only paid work that is being done is **part-time** work.
- 500,000 children are in two-adult households where **one adult is working full time while the other is not doing paid work at all**.

How unusual is it for households with each of these patterns of work to find themselves in poverty? Among those working full time, poverty is fairly rare, the 250,000 children in poverty representing just 5 per cent of all the children in households working full time.

Among the other groups, the risks are much higher. Twenty-five per cent of the children in households counted as self-employed are in poverty, as are 20 per cent of children living with two adults where one works full time and one not at all. Among those households, however, where the only paid work being done is part time, fully 40 per cent of children are in poverty.

The 40 per cent risk reflects the way that part-time work is usually so badly paid. In 2004, half of all those working part time anywhere in the UK were paid less than £6.25 an hour. To put

this in context, two people working 16 hours a week each at £6.25 an hour can, with the help of tax credits, just about lift themselves and two children above the poverty line provided their housing costs are not too high. If fully half of all part-time workers do not reach even that level of pay, it is not surprising that the risk of poverty associated with part-time-only work is so high.

The situation for full-time workers is better than this, with half of full-time workers in 2004 being paid less than £10.40 an hour. With the help of tax credits and provided again that housing costs are not too high, this is a wage rate that is sufficient to allow one full-time worker to provide an income for a family of two adults and two children that is above the poverty line.

The spread of low pay across the UK

Although most part-time workers are women, low paid part-time male workers are as badly paid as low paid part-time female workers. As well as this lack of gender inequality in part-time pay, there is also not much variation in rates of part-time pay across the UK. Part-time pay is lowest in the North-East of England, where half of part-time workers in 2004 were paid less than £5.90 an hour. In every other English region bar two, as well as Scotland, Wales and Northern Ireland, half of part-time workers were paid less than £6.30 an hour. Only in London (£7.40) and the South East (£6.90) is part-time work somewhat better paid, and even here, particular localities (for example, in outer East London) have much lower figures than that.

By contrast, there is a lot of inequality in full-time pay, men on average being paid between 15 and 20 per cent more than women. There is also more variation between different parts of the country. At one extreme is Blackpool, where half of full-time workers were paid less than £7.90 an hour in 2004. At the other is Kensington and Chelsea in West London, where the 50 per cent threshold was £22.60 an hour.

If we put full- and part-time workers together, both men and women, what kind of picture emerges about low pay across different parts of the UK? The following map shows the local authority areas in England, Wales and Scotland where more than half of all workers earned less than £8 an hour in 2004.

Neither London nor anywhere else in the South East of England (apart from Peterborough) appears on the map. But what is really striking is that it is not just London that is missing but all of the major cities in Britain including Glasgow,

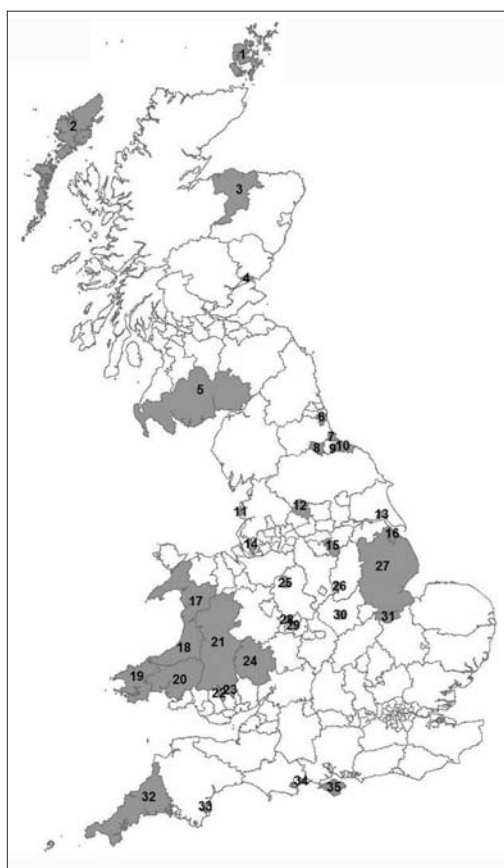
Manchester and Newcastle. Some parts of the big urban conurbations are on the list – Sandwell in Birmingham, Knowsley in Merseyside, and Bradford and Rotherham in West and South Yorkshire – but they do not dominate. The conclusion is that, while all metropolitan areas have many low paid workers, the low pay heartlands of Britain lie elsewhere.

The other places on the map fall into one of four groups. First are the large towns (or even small cities) outside of the major conurbations. These include all the places in the East and West Midlands, the North East, as well as Dundee and Hull. Second are the overwhelmingly rural areas, including Lincolnshire, Herefordshire and much of Wales. Third are the non-urban industrial areas typified by the South Wales Valleys. Last is the coast, including both seaside resorts like Blackpool and Bournemouth and the islands in North and West of Scotland. Many places fall into at least two groups (lots of them are next to the coast) while Cornwall arguably falls into all of the last three.

Drawing a picture of where the low pay problem is deepest in Britain today naturally invites the question of what can be done about it. As that is a whole subject in its own right, it cannot be dealt with in detail here (although for some suggestions, see *Why worry any more about the low paid?* at <http://www.npi.org.uk/reports/low%20pay.pdf>).

Three points, though, are worth stressing. First, a lot of low paid jobs are ones where the public sector is the direct employer. More than a quarter of those aged 25 and over who were low paid at the start of 2005 were employed directly in health, education or social work. Their low pay is to do with taxes, budgets and pay negotiations – not markets. Raising pay at the bottom of the public sector will put upwards pressure on pay rates in the private sector, as the employers there are competing for workers with the public sector.

Second, few low paid jobs are in businesses facing direct competition from abroad and with it the threat that jobs will be lost if pay were to rise. Manufacturing is the sector most exposed, yet that accounts for just one in six of low paid jobs. That is not to say that globalisation has no effect: globalisation, along with technological advances, has been responsible for the loss of many better paying, working class jobs over the past 25 years. Globalisation is one of the factors that has allowed employers to offer low pay but it does not force them to do so. Doing some-



- 1 Orkney Islands
- 2 Eilean Siar
- 3 Moray
- 4 Dundee City
- 5 Dumfries and Galloway
- 6 Sunderland
- 7 Hartlepool
- 8 Darlington
- 9 Middlesbrough
- 10 Redcar and Cleveland
- 11 Blackpool
- 12 Bradford
- 13 Kingston upon Hull
- 14 Knowsley
- 15 Rotherham
- 16 North East Lincolnshire
- 17 Gwynedd
- 18 Ceredigion
- 19 Pembrokeshire
- 20 Carmarthenshire
- 21 Powys
- 22 Merthyr Tydfil
- 23 Blaenau Gwent
- 24 Herefordshire
- 25 Stoke-on-Trent
- 26 Nottingham
- 27 Lincolnshire
- 28 Wolverhampton
- 29 Sandwell
- 30 Leicester
- 31 Peterborough
- 32 Cornwall
- 33 Torbay
- 34 Bournemouth
- 35 Isle of Wight

thing about low pay will not be easy; but it is not impossible either.

Third, the problems faced by low paid workers go beyond the pay itself. For example, low paid workers are more vulnerable to having their employment rights infringed. Low paid workers are less likely than workers on average to have any private pension provision. They are likely to be disadvantaged too by the way that workplace training goes disproportionately to those who are better qualified to start with, thus locking in workplace disadvantage. The people who are most likely to join the ranks of the unemployed are the workers who only recently stopped being unemployed – in other words, people caught in a ‘low pay, no pay’ cycle, moving in and out of work but staying close to poverty all the time.

All of these issues impact directly on child poverty. If the goal of abolishing child poverty in a generation is to be realised, pay and conditions of work, traditionally the province of the trade unions, have to become central to the concerns of anti-poverty campaigners too. ■

Peter Kenway is Director at the New Policy Institute

All of these statistics on both poverty and low pay can be found on the New Policy Institute's website www.poverty.org.uk