

**Inquiry into Poverty in Wales: The National Assembly for Wales' Communities, Equality and Local Government Committee**

**Strand 1: poverty and inequality  
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1. This evidence focuses on the second question in strand 1: 'the impacts of poverty, particularly destitution and extreme poverty, on different groups of people'. In particular, this evidence focuses on the impact of poverty in work (rather than the issues of destitution and extreme poverty) because it is among working families that poverty rates are rising and also because poverty in work tends to be somewhat hidden. It is sometimes assumed that paid work solves the problem of poverty, and that tax credits and other in-work support are providing adequate support. Understanding, and addressing, poverty as an 'everyday' experience of working people is a key challenge for any anti-poverty strategy.
2. Data from the 'Households below average income' official series show higher levels of poverty in Wales than in the UK in general. One of the most common measures defines income poverty as people in households with income below 60 per cent of the contemporary median, taking account of household composition, and after housing costs. Using this measure, about 13.2 million people in the UK, 21 per cent of the population, were in income poverty in 2012/13. This included 3.7 million children, 8.0 million people of working age, and 1.6 million pensioners. Children have the highest risk of poverty (27 per cent) and pensioners the lowest (13 per cent). Wales, measured as an average over three years, has higher rates than the UK as a whole for all groups: 23 per cent overall (0.7m people), 31 per cent of children (0.2 m), 24 per cent of people of working age (0.4m), and 14 per cent of pensioners(0.1m)<sup>1</sup>.
3. Over the past 20 or so years, the overall levels of poverty have been fairly flat, but pensioner poverty has fallen while poverty among people of working age and children had risen. Thus whereas poverty used to be mainly pensioners and people not in work, increasingly poverty is found among working people. Of course it is true that paid work does protect against poverty, so that for example, just five per cent of single people working full-time with no children are in poor households, compared with 64 per cent of unemployed people.

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<sup>1</sup> Source: Department for Work and Pensions (2014) *Households below average income, 1994/5 to 2012/13*

4. But paid work does not always protect against poverty. In fact the majority - six in ten (62 percent) - of working-age people who are living in poor households are living in households with at least one person in work.
5. Thus it is working people who are increasingly experiencing poverty, especially families with children. Having two earners (or with one full-time and one part-time earner) provides the most protection against poverty. But 30 per cent of families with children and just one earner are in income poverty. Working lone mothers - lone mothers – women bringing up children alone – are particularly likely to be in income poverty. The poverty rate for children in lone-parent families where the parent works full-time is 22 per cent and 30 per cent for part-time work. These women tend to suffer a combination of disadvantage – they often work part-time (where hourly rates of pay are lower than for full-time workers), they are women (with on average lower rates of pay than men), they tend to have low qualifications (which again means lower pay), and they are the sole carers for children (which tends to restrict work options and may mean the need to pay childcare costs). Thus lone mothers, even those in paid work, are one of the groups most likely to remain poor for long periods of time. Living in a lone-parent family is thus a key factor in longer-term child poverty.
6. My research, with my colleague Tess Ridge, explored the challenges that face lone mothers in seeking to sustain employment over time. The research involved three rounds of in-depth interviews with a sample of 50 low-income working lone mothers and their children conducted between 2003 and 2008<sup>2</sup>. The main aims of our study were to examine the impact of paid work - and for some job loss - on family life and living standards for lone mothers and their children over time; and to explore how lone mothers and their children negotiated the everyday challenges of sustaining low-income employment over a period of around five years.
7. This project has given us a rare opportunity to understand the dynamics of employment from the standpoint of the families themselves and to explore how they manage financially and in other ways. Overall the women – and the children – were committed to staying in work. The women were keen to improve their incomes and their lives more generally. The experience of living on income support was a big push into work, not only because living standards were so low but also because of the negative connotations and stigma of being out of work and dependent on benefits. The children also felt that it was better for their mothers to be in work (but preferably only during school hours and terms), again for a mix of financial and social reasons. Poverty can have a profound and immediate impact on children's lives, in terms of what they can and cannot do, and the children were prepared for some changes to their lives if this improved material circumstances.
8. However following the families over a fairly substantial period of time highlighted the difficulties that the women faced in securing stable employment, and in making any progress in their situations over time. There was significant job

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<sup>2</sup> Jane Millar and Tess Ridge, (2013) Lone mothers and paid work: The 'family-work project'. *International Review of Sociology*, 23 (3), pp. 564-577; Tess Ridge and Jane Millar (2008) *Work and well-being over time: lone mothers and their children*. Department for Work and Pensions Research Report; No 536.

turnover, in part for job reasons (temporary contracts, redundancy), but also as the women tried to find hours and location of work that fit best with childcare and other family responsibilities and needs. Staying in work over time was a real challenge, and progress in work (in the sense of better jobs to higher pay) was rather rare.

9. Incomes were very complex, and could include wages, child benefit, child maintenance (for some but often irregular), housing benefit, other benefits, tax credits. Several of the women held more than one job at the same time. But even so, the women would not have been able to manage financially on just their wages. Tax credits were an essential part of incomes, and this could cause considerable hardship if payments were delayed or incorrect. And tax credits – being means-tested on income – were also part of the reason why the women found it so hard to improve their financial situation. If wages went up, then tax credits (and other support such as housing benefit) would go down.
10. It was hard for the families to achieve an adequate and secure standard of living in work, even after several years. Only about a quarter of the women at the third interview were sustaining work, feeling better-off and generally financially secure. The others were either just coping, were out of work, or were still moving in and out of work with limited security.
11. Thus well-being and quality of life for many of these families was compromised by the insecurity of jobs and income. One of the changes we observed over time was that the extent of health problems tended to affect more women and to get worse. About a quarter of the women reported periods of substantial stress and depression. This stress was related to their difficult circumstances: debts and financial problems; ill-health among family members; increased caring responsibilities; bereavement (especially the loss of one or more parents); and pressures at work, including bullying.
12. Other studies of poor working families show the same sort of picture. For example, Tracy Shildrick and her colleagues<sup>3</sup> explored work and poverty in the north-east of England and also found that many people were unable to escape from ‘churning’ between low pay and no pay, trapping people ‘in vulnerability and insecurity’. Nevertheless, as with our sample of lone mothers, ‘a sense of pride at getting by and coping in adversity was clung to in opposition to the stigma and shame’ of poverty (page 195).
13. Evidence is also starting to emerge on the impact of the ‘austerity’ policies on poor families. Social security benefits and tax credits for people of working age are a key target for the cuts in public expenditure aimed at reducing the budget deficit. Low-income families with children are hit hardest, especially large families, families with young children and families in private rented accommodation<sup>4</sup>. It is estimated that child poverty is likely to increase by about

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<sup>3</sup> Tracy Shildrick, Robert MacDonald, Colin Webster and Kayleigh Garthside (2012) *Poverty and Insecurity; life in low-pay, no pay Britain*, Policy Press.

<sup>4</sup> James Browne, Andrew Hood, Robert Joyce (2014) *Child and working-age poverty in Northern Ireland over the next decade: an update* <http://www.ifs.org.uk/bns/bn144.pdf>

one million by 2020, and the recent report from the Social Mobility and Child Poverty Commission concludes that ‘even world-beating performance on employment levels, hours and wages would not enable the child poverty targets to be hit given current public spending plans and the current design of the tax and benefit system’<sup>5</sup>.

14. Further cuts and benefit/tax credit freezes are yet to come. The hardship is already being felt, as indicated by the growth in the number and use of food banks, by the significant rise in the use of very expensive forms of credit, such as payday loans, and in the stress of those affected by new benefit rules such as the bedroom tax (which reduces housing benefit for those judged to have too many bedrooms) and the benefit cap (which restricts the total amount in benefits for those out of work)<sup>6</sup>. Women, especially women with children, are particularly affected by these cuts.
15. The challenge of poverty in work is likely to become more widespread in the everyday lives of many families over the next few years. This issue should therefore be central to anti-poverty policy. If the level of direct financial state support for working families through the benefit and tax credit system is to be reduced it is important to deliver the financial support that is available in ways that are reliable, stable and secure and also to seek other ways to protect living standards.

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<sup>5</sup> Social Mobility and Child Poverty Commission, (2014) *State of the Nation 2014: Social Mobility and Child Poverty in Great Britain* <https://www.gov.uk/government/publications/state-of-the-nation-2014-report>.

<sup>6</sup> Mary O’Hara (2014) *Austerity Bites*, Policy Press; Tom Clark with Anthony Heath (2014) *Hard Times*, Yale University Press