More than half of all people in poverty now live in a working family. For children in poverty, this figure rises to nearly two-thirds. In each case, this proportion is the highest for all the years for which we have data.

Tom MacInnes from the New Policy Institute unpicks these statistics and looks at the factors driving the increased significance of in-work poverty.

That a majority of people in poverty live with an adult in paid work is a new development, this proportion only moving above 50 per cent in the most recent year. It is at least partly the result of a fall in pensioner poverty, lowering the number of non-working families in poverty. And it is certainly possible that the next set of figures will show in-work poverty back to below a half of all poverty.

But the overall trend has been upwards for several years now, as Figure 1 shows. More than half of children in poverty have been in a work-
ing family since the middle of the last decade. By 2012, 63 per cent of children in poverty were in a working household – the highest share for the 15 years for which we have data, and probably the highest share in decades. The number in working families had risen to 2.2 million, while the number in workless families had fallen to 1.3 million.

This shift has become visible in parts of the social security system. Take, for instance, the number of working people claiming housing benefit. Figure 2 shows the total number of claims going back to 2009, split according to the work status of the claimant.

Although the time series is not very long, the pattern is very clear. The number of working people claiming housing benefit more than doubled between 2009 and 2014, and now stands above 1 million. Over the same period, the number of claims from non-working people rose a little before falling back over the last couple of years.

The Prime Minister David Cameron said in response to these figures that more working people were claiming housing benefit because more people were working. There is obviously more than a little truth in this. It is also true that the average claim for housing benefit from a working person would be, all else being equal, lower than for a person not in employment. Still, the figures show one way that rising in-work poverty is changing our social landscape.

So why is this happening? We can break the figures from Figure 1 down a little and look at different types of family work status. Essentially, what we are doing here is looking at the number of hours worked by each adult in the family. We look at ‘part-working’ families, in which either one of the adults works and one does not, or the only work done is part time, and ‘full-working’ families, in which all the adults are working and at least one works full time. Families in which the main earner is self-employed are shown separately, as are workless families.

Figure 3 shows the proportion of children in each family work status who were living in poverty in 1997 and 2012 – what we call the ‘poverty risk’. What is noticeable is that while this proportion fell for part-working families and, especially, workless families, it rose for self-employed and full-working families.

Figure 3 also shows the proportion of children living in each type of family. Over these 15 years, the proportion in full-working and part-working families rose, and the proportion in workless families fell. So, why did in-work poverty rise as a share of all poverty? Because the number of children in working families rose, and the risk of poverty for those families rose as well.

The rise in part-working families is worth drawing attention to. Over one-third of children in these families are in poverty – much higher than the proportion in full-working families. The proportion of children living in such families rose from 24 per cent to 28 per cent between 1997 and 2012.
By the end of 2013, over 1.4 million people were working part time, but wanting a full-time job

We can see this more broadly in other labour market statistics – the number of people in part-time work rose far faster than the number in full-time work in the years leading up to the recession. This is a trend that has accelerated more recently. Since 2008, the numbers of people in part-time work have risen by 8 per cent, while the number working full time rose by 1 per cent. By the end of 2013, over 1.4 million people were working part time, but wanting a full-time job, more than double the figure of a decade earlier.

If hours worked are one part of the story, so is low pay. But it is only a part. Let us take the ‘living wage’ as our benchmark for low pay. Around half of working-age adults in low-income, working households either earn below this amount or live with a partner who does. So over half of adults in low-income, working families would not receive any extra benefit from a living wage, as either they already receive it or they are self-employed.

What this means is that to ‘solve’ in-work poverty, there must be a focus on pay, but also on hours worked. It is only in those households where all the adults work, and at least one works full time, where there is a low risk of child poverty. In order to move to a position where most children live in full-working families, parental employment would clearly have to rise substantially.

It is not just a matter of numbers of jobs, however. While full-working families are common, they are not the norm. Figure 3 shows that 45 per cent of children live in full-working families, which makes it the largest work status, but it still accounts for less than half of all children. So making more families fully working families would be a substantial shift in the makeup of society.

At the very least, the demand for childcare would increase. That good, affordable childcare is essential to any child poverty strategy is not news, and the arguments need not be rehearsed here. But half of children in poverty live in a family in which the youngest child is already of school age. So when we talk about childcare, we need a much broader concept than free nursery places for three-year-olds. Breakfast clubs, after-school clubs and school holiday provision are vital too.

Even if in-work poverty were to fall, or even reduce significantly, it will clearly still be a substantial part of the poverty picture. So what can be done to alleviate the pressure on low-income, working families, who are short of time and money? Childcare is an example of a service that needs to be reconfigured to meet their needs, as it applies so clearly to the world of work.

But what about services more broadly? We should also think about other services such as GPs, schools, transport and utilities – how they are accessed and paid for. We also need to think about the responsibilities of employers to, for instance, allow employees time to go to the GP, or to attend to a problem at their child’s school.

The real point about such a focus is that it is not at all specific to people in poverty. All working people need services that can fit around their work hours and employers that understand their non-work needs. A policy focus on these issues helps everyone.

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