

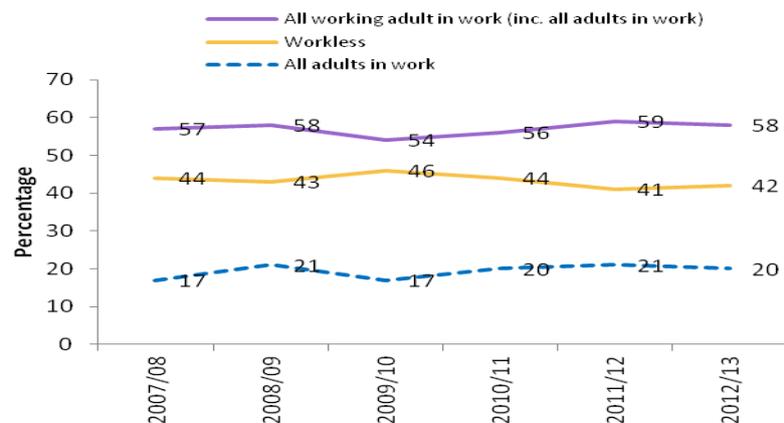
Can you be in poverty if you have a job?

Louise Grieve, DSD Analytical Services Unit

Poverty is not just something that afflicts the unemployed. Since the start of the recession we have seen the rise of in-work poverty. Indeed, over half of the working age population in Northern Ireland who could be classified as being in poverty live in households where at least one adult is working: One-fifth live in households where all adults work.

In 2012/13, approximately 338,000 people (equivalent to the population of the new Belfast Super Council area) in NI were living in relative poverty; 190,000 of these are working-age adults. Out of all the working-age adults living in poverty 111,000 were living in households where at least one adult was working. This was an increase of around 3,300 working-age adults (equivalent to the population of Randalstown) since 2009/10.

Composition of working-age adult population living in households which are in relative poverty by economic status of the household they live in, NI HBAI 2007/08-2012/13.



Why is this happening?

Since the recession (which the Office for National Statistics figures show began in the last quarter of 2008) and up to 2012/13 (the period of the most recent poverty figures) those out-of-work saw many of their benefits rise at rates equal to the increase in the price of goods; as measured by either ROSSI, a derivative of the Retail Price Index (up to 2010/11) or the Consumer Price Index (2011/12 and 2012/13). Conversely, those in work have experienced:

- Average wage increases below the increase in the price of goods (CPI); for the past five consecutive years (since 2009) CPI has been higher than increases in earnings
- A lot of the working tax credits, the childcare element of the working tax credits and

The poverty measure discussed here is the **relative poverty measure** and is based on net UK household income, adjusted for household size and composition, before housing costs (e.g. rent/mortgage interest) have been taken out. It is a measure of whether those in the lowest income households are keeping pace with growth of incomes in the population as a whole.

child benefit being frozen (except for the disability elements)

- Tax credit changes that reduced the amount someone could earn before losing their benefit

Given these factors it is perhaps unsurprising that some of those on benefits lack the incentive to find paid work. In fact, this was stated to be an underpinning rationale for the need for welfare reform by the coalition government.

Furthermore, data from the NI Family Resources Survey, 2012/13 suggests that the

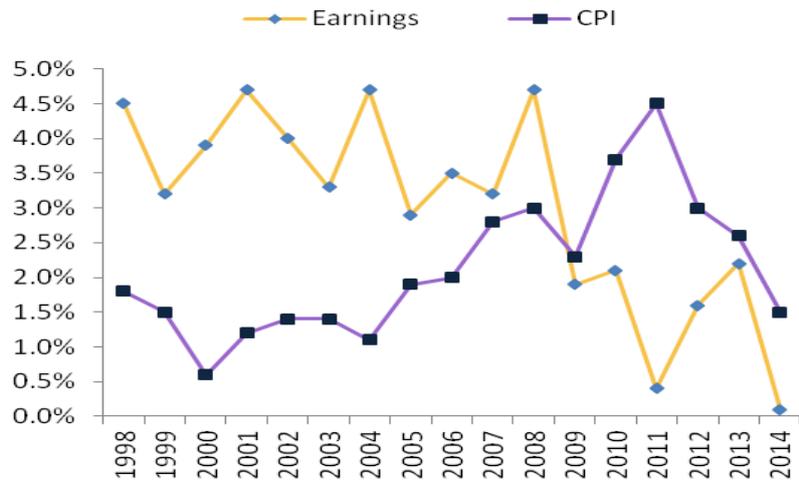
bottom fifth of all earners earned less than £5 per hour; the National Minimum Wage for 18-21 year olds was £4.98 per hour in 2012/13. The bottom two fifths of earners earned less than £8 per hour which was similar to the living wage. The Living Wage was £7.20 per hour in 2012, £2.22 more than the minimum wage – approximately the price of two standard loaves of bread or six cans of value beans. The Living Wage is calculated according to the basic cost of living (For further information check out the living wage website at: <http://www.livingwage.org.uk/>).

The Households Below Average Income publication shows that median household incomes have been falling since 2008/09 (£436 – £395). The fall in incomes could have been due to decreases in earnings and Tax credits, but also to increases in the number of employees working part-time jobs. Figures from the Family Resources Survey 2012/13 show that the proportion of employees who worked part time had increased by 4 percentage points (33,000 employees) since 2008/09.

Is this trend set to continue?

There are two forces likely to create future changes. Firstly, as the UK moves out of recession there are changes in the relationship between wages and benefits. Inflation is reducing, with strong suggestions from the Office for National Statistics that the UK is entering a period of deflation, and there has been growth in employment and wage levels (average earnings up by 0.3% in NI in the last quarter of 2014). The second main change will come with tax and benefit system changes. Benefits have been frozen at 1% uprating since 2012/13 and a range of proposed changes linked to Welfare Reform could impact further on

Percentage change in Consumer Price Index versus percentage change in Earnings, 1998 -2014 UK, Office for National Statistics



the working age population. Also, Universal Credit, which has been designed to allow claimants to retain more of their benefits as they move into work, is expected to reduce the numbers on out of work benefits. Additionally, the personal tax allowance has been increasing over recent years and is expected to rise to a level whereby someone working for 30 hours per week at the National Minimum Wage will pay no Income Tax. These changes combined are likely to increase the difference between earnings and benefits, in favour of earnings. Work though, is still the best way to avoid poverty; as just over three quarters of the working age population are in work and not

experiencing poverty. It remains true though that for some, it is possible to be in work and also living in poverty. Low wages, high cost of goods, an increase in part-time contracts and Tax Credit reforms have helped to drive this phenomenon. As the economy starts to improve and benefit and tax changes are implemented it remains to be seen whether the numbers in work and living in households experiencing poverty will reduce.

For further details on poverty see the publications on the FRS web pages: http://www.dsdni.gov.uk/index/stats_and_research/family_resources_survey.htm

Weekly income at the poverty line by household type (2012-13)



There are other poverty measures (e.g. absolute poverty) but the relative poverty measure before housing costs is generally the headline measure used within the UK and Europe.