

# Why reducing poverty in Wales matters



## What do we mean by 'poverty'?

In the UK, people are said to be in poverty if they live in a household whose income, whether from work or benefits, is less than 60 per cent of the median. The figures are adjusted to take account of family size and sometimes of housing costs. The figures in this briefing take account of housing costs.

Being 'in poverty' in the UK means that people have much less money than most others, but it does not necessarily mean that they are starving or destitute.

## How many people in Wales live in poverty?

After adjusting for housing costs, around 700,000 people live in poverty in Wales, roughly 23% of the population.

There has been virtually no change in the total number or the proportion of people living in poverty in the last ten years.

Nearly six out of ten people who live in poverty are adults of working age.

## Poverty and work

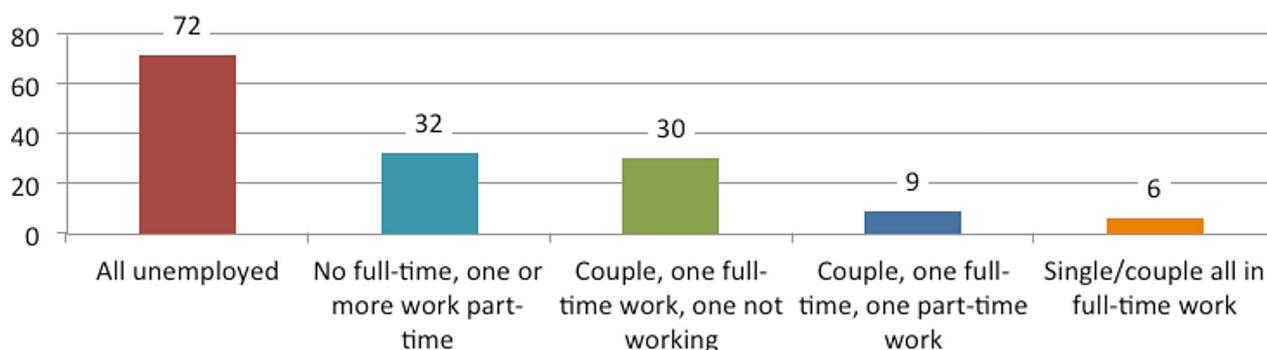
Poverty affects people of all ages and all types of family, including people who are working and those out of work.

Living in a household where somebody works greatly reduces the likelihood of being in poverty. But working does not eliminate the risk of poverty: in Wales around 300,000 people in poverty – almost half the total in poverty - live in households where someone is working. This is sometimes called 'in-work poverty'.

## Poverty and the amount of work done

The risk of poverty falls as the amount of paid work done in a household increases. The amount of paid work done depends on the number of people who are working in a household and whether they work full-time or part-time. Households where only one adult in a couple works full-time have a poverty rate more than three times as great as households where both adults are working and at least one of them is full-time.

### Percentage of people in poverty by household work status (UK, 2015)



**Source:** Department for Work and Pensions Households Below Average Income Table 3.5db: Percentage of individuals in low-income groups by various family and household characteristics.

### Poverty and economic sectors

The economic sector in which people work also makes a difference:

- The biggest risk of poverty is in accommodation and food, where the risk is more than three times the average.
- The risk of poverty is also high in residential care and in wholesale and retail, at twice the average.
- Poverty in these sectors is high for all types of household, even households where two adults are working.

#### Percentage of People in Poverty by Sector of Employment (UK)

Sector	All households	Single person household	Two person household, both working	Two person household, one working
Accommodation & food	36.5	36.8	10.5	64.6
Residential Care	21.9	25.3	9.2	30.8
Wholesale & retail	20.1	22.8	8.0	38.2
Construction	10.4	12.0	3.6	26.3
Manufacturing	9.4	9.7	3.5	24.0
Prof., scientific & technical	6.8	8.0	2.1	16.9
Finance & insurance	6.1	5.2	2.6	16.3
All sectors	11.9	13.8	4.2	26.4

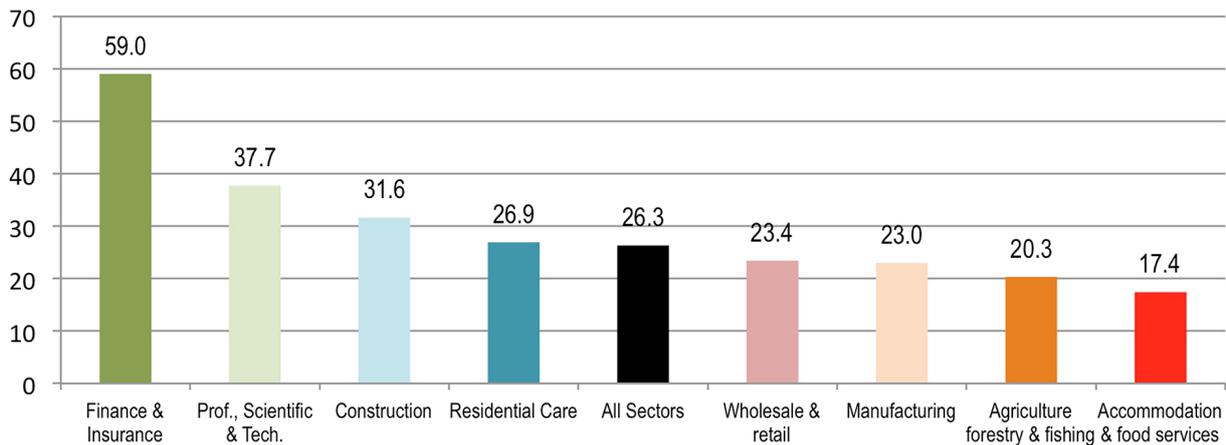
**Source:** Green, A., Sissons, P. and Lee, N. (forthcoming) *Transitioning out of poverty: harnessing growth sectors*. Data are based on authors' estimates from the Family Resources Survey / Households Below Average Incomes

Differences between sectors are found when the characteristics of workers (e.g. age, qualifications) are taken into account. This suggests that characteristics of some sectors themselves can contribute to poverty.

## Moving out of low paid work

In the UK, around a quarter (26%) of employees who were in a low-paid job had moved on to higher paid work a year later. The proportion of people leaving low-paid work after a year is much lower in accommodation and food services than the average for all sectors, with fewer than one in five employees (17.4%) moving out of low pay.

Percentage of low paid employees leaving low pay after 1 year (UK)



**Source:** Green, A., Sissons, P., and Lee, N. (2016) **Transitioning out of poverty: harnessing growth sectors**, Table 3. *Paper presented to the Association for Public Policy Analysis & Management International Conference Inequalities: Addressing the Growing Challenge for Policymakers Worldwide, June 13-14, London School of Economics.*

## Conclusions and implications for Wales

- Being in employment does not guarantee of being lifted out of poverty.
- The risk of being in poverty is affected by the type of household someone lives in and the work that other household members do.
- For people in work, the sector they work in also matters: there is a high risk of poverty among people who work in accommodation and food, residential care and wholesale and retail.
- People are less likely to move out of low-paid jobs if they work in low-paid sectors than if they work in higher-paid sectors.
- Future growth in employment is likely to have an effect on poverty in Wales, because some of the sectors which are forecast to grow are those where poverty rates are high and persistent.

Effective ways of reducing poverty therefore need to:

- reduce in-work poverty as well as increase people's employability;
- improve conditions of employment and improve progression at work;
- develop routes into jobs with good pay and prospects.



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For more information please visit <https://www.bevanfoundation.org/current-projects/can-growth-sectors-reduce-poverty/> or email [info@bevanfoundation.org](mailto:info@bevanfoundation.org)

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