Briefing

Poverty in Wales 2018

This briefing summarises how poverty rates in Wales are changing, and is part of JRF's annual project to measure poverty rates and trends across the UK. This briefing accompanies UK Poverty 2017, which looks at trends in poverty in the UK as a whole.

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What you need to know

- The proportion of households living in income poverty in Wales has fallen over the last 20 years, especially among pensioners and lone parents, but remains higher than in England, Scotland and Northern Ireland.
- In the three-year period 1994/97, 27% of people in Wales lived in poverty; compared to 23% for the last few years.
- Poverty among pensioners has fallen, but by less than in England, Scotland and Northern Ireland. In 1994/97, pensioner poverty, after housing costs, was similar to England and lower than Scotland; by 2013/16 it was higher.
- Poverty among couples with children has been rising since 2003/06.
- There has been good progress in Wales on three important drivers of working- age poverty: worklessness has fallen, employment rates have risen and adults skills have improved. However, this has not delivered lower poverty and the risk of poverty has increased for working and workless households.
- The drivers of rising poverty across the country are reductions to working-age benefits, rising living costs (particularly for housing) and poor quality work.
- 39% of disabled people are in poverty compared to 22% of non-disabled people. The poverty rate for disabled people in Wales is the highest in the UK.
- Since 2010, children from lower-income backgrounds have been catching up with those from better-off backgrounds on educational attainment, but they remain much less likely to leave school with good qualifications.
- The majority of those in the poorest fifth in Wales are not building up a pension, increasing their risk of future poverty.

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Poverty rates in Wales

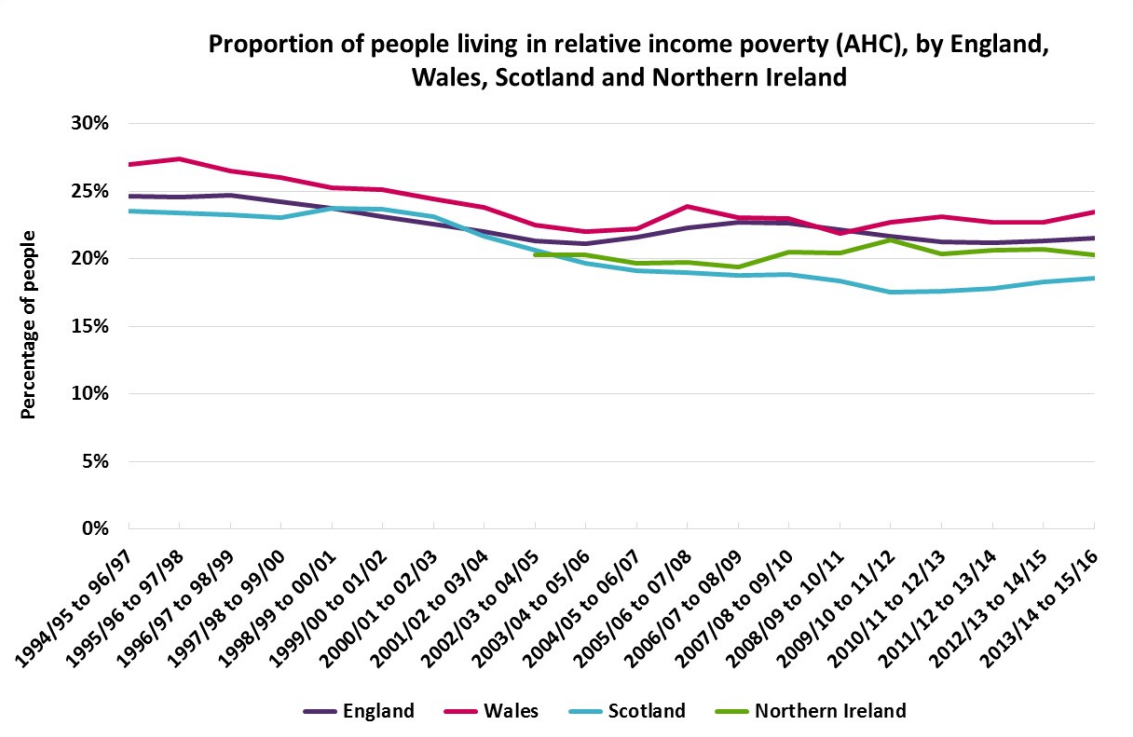
Poverty is when a person's resources are well below their minimum needs, including the need to take part in society. Measuring poverty accurately is difficult, with most measures providing only a partial view. The main poverty indicator used throughout this report is when someone lives in a household whose income is less than 60% of median income, adjusted for their household size and type, and after housing costs (AHC). This is the most commonly used measure both in the UK and internationally. The report also references other measures where these provide particularly important information which is not captured by the headline indicator.

This report looks back over 20 years, examines the trends in poverty and related issues in Wales, and compares these to the situation in the UK as a whole and in England, Scotland and Northern Ireland. Because of small sample sizes for each part of the UK in many of the household surveys which are used in this type of analysis, the report concentrates primarily on three-year averages rather than data for single years, particularly in relation to income and poverty rates.

The latest data shows us that 710,000 people in Wales live in poverty. This figure consists of 185,000 children, 405,000 working-age adults and 120,000 pensioners. Overall poverty rates[i] have seen a gradual decline in Wales over the last 20 years (Chart 1). In the three-year period 1994/97[ii], 27% of the Welsh population lived in poverty. This fell to a low of 22% by 2003/06, rose slightly to 24% in 2005/08 and then remained stable from 2009/12 onwards at 23%.

The poverty rate for Wales is higher than for England, Scotland and Northern Ireland[iii]. Over the last 20 years the poverty rate for Wales has generally been higher than in England, Scotland and Northern Ireland.

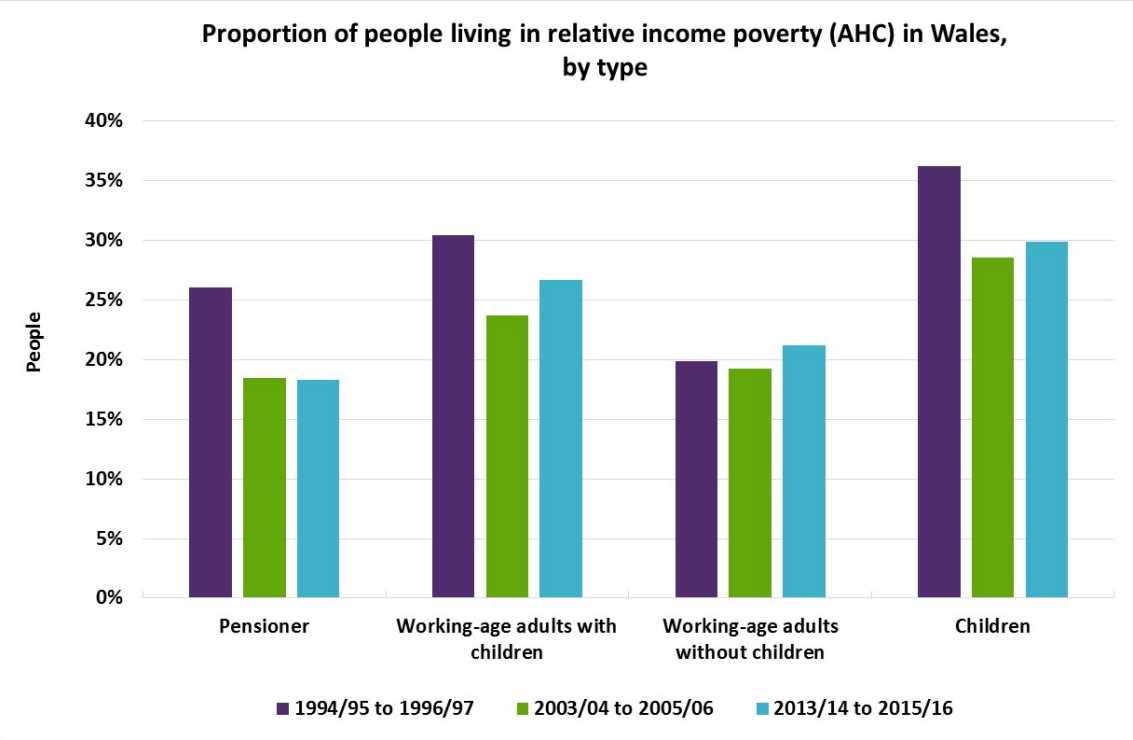
Chart 1: Proportion of people living in relative income poverty (AHC), by England, Wales, Scotland and Northern Ireland



Note:Figures based on three-year averages. Source: Households Below Average Income.

The overall poverty rate masks big variations for different groups in the population. Pensioners have the lowest poverty rate, followed by working-age people without children. Poverty is highest among families with children.

Chart 2: Proportion of people living in relative income poverty (AHC) in Wales

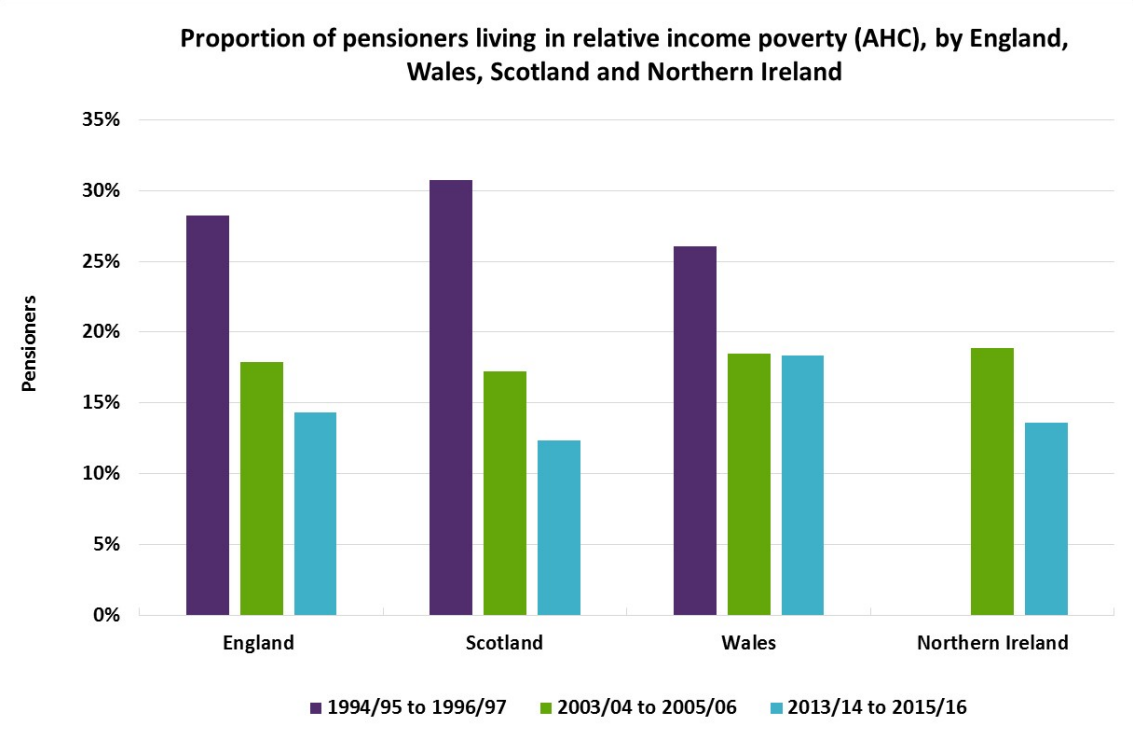


Note: Figures are based on three-year averages.
Source: Households Below Average Income (JRF Analysis)

Pensioners

Among pensioners, the poverty rate in Wales fell from 26% in 1994/97 to 18% in 2003/06 (Chart 3). It continued to fall until 2010/13 (14%), but has since increased again, so that the rate in 2013/16 was the same as in 2003/06 (18%). In 1994/97 the poverty rate for pensioners in Wales was lower than in England or Scotland, but the rate is now higher in Wales than in England, Scotland or Northern Ireland.

Chart 3: Proportion of pensioners living in relative income poverty (AHC), by England, Wales, Scotland and Northern Ireland

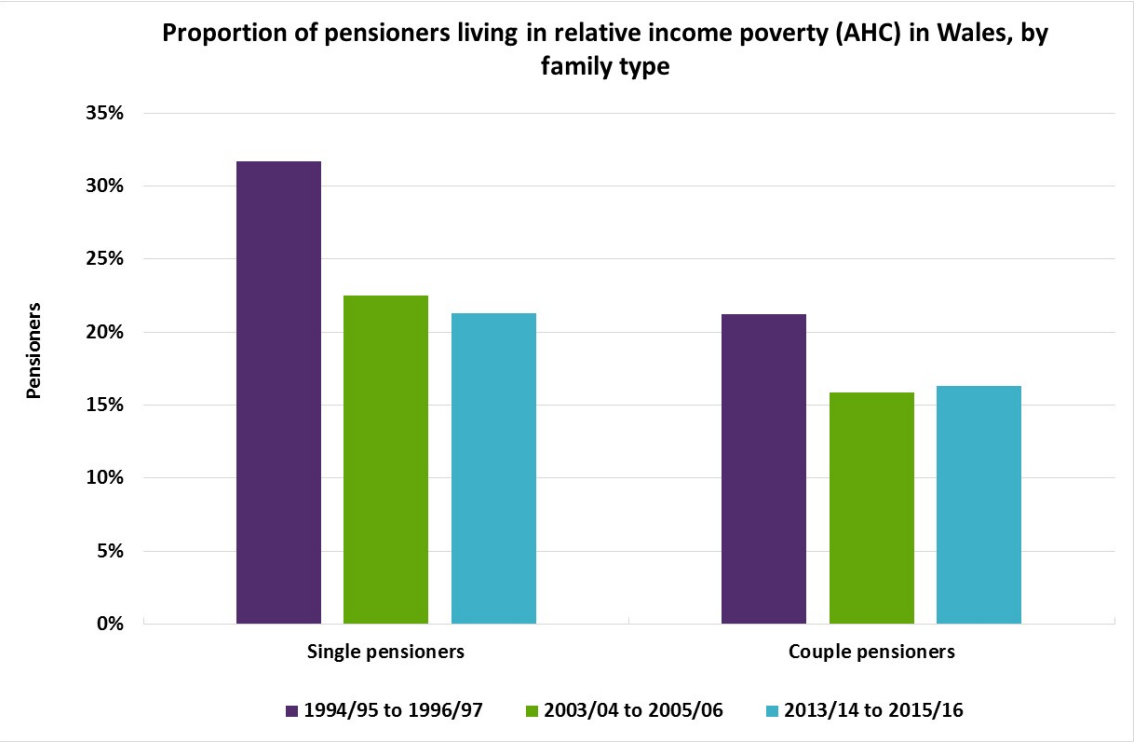


Note: Figures are based on three-year averages.
Source: Households Below Average Income (JRF Analysis)

Poverty among pensioners varies depending on whether they live alone or in a couple. More single pensioners in Wales live in poverty than those in couples, although the fall in poverty has been greater for single pensioners (Chart 4). The poverty rate among single pensioners fell from 32% to 22% between 1994/97 and 2003/06, but has stayed at a similar level since then, at 21% in 2013/16. The poverty rate of 21% for pensioners living in a couple in 1994/97 was much lower than for single pensioners. Over the next 10 years to 2003/06 it fell to 16%. It has remained at this level in recent years and is still at 16% in 2013/16.

These patterns are broadly in line with the rest of the UK, except for the recent trends among pensioners living in a couple. The poverty rate for this group has remained unchanged in Wales between 2003/06 and 2013/16, but has fallen over the same period from 17% to 12% in the UK as a whole.

Chart 4: Proportion of pensioners living in relative income poverty (AHC) in Wales, by family type

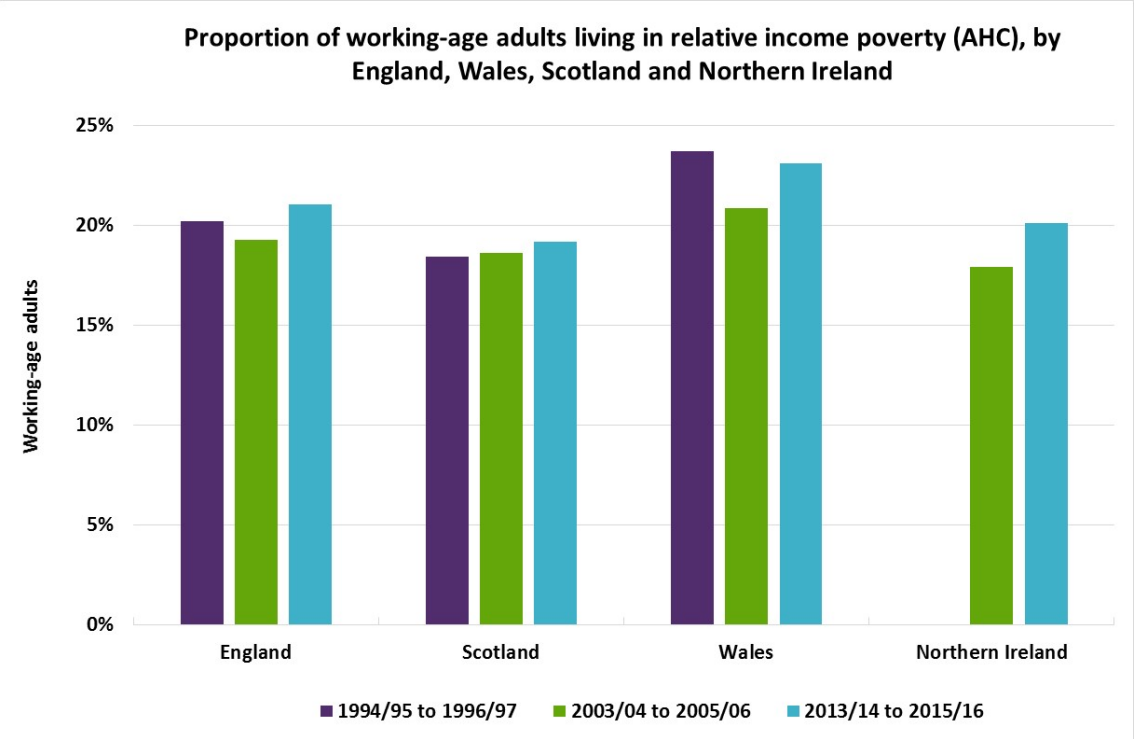


Note: Figures are based on three-year averages.
Source: Households Below Average Income (JRF Analysis)

Working-age poverty

In 1994/97, Wales had the highest rates of working-age poverty compared to England, Scotland and Wales, at 24% (Chart 5). This fell to 21% by 2003/06 but has since risen again to 23%, and remains higher than in England, Scotland or Northern Ireland.

Chart 5: Proportion of working-age adults living in relative income poverty (AHC), by England, Wales, Scotland and Northern Ireland

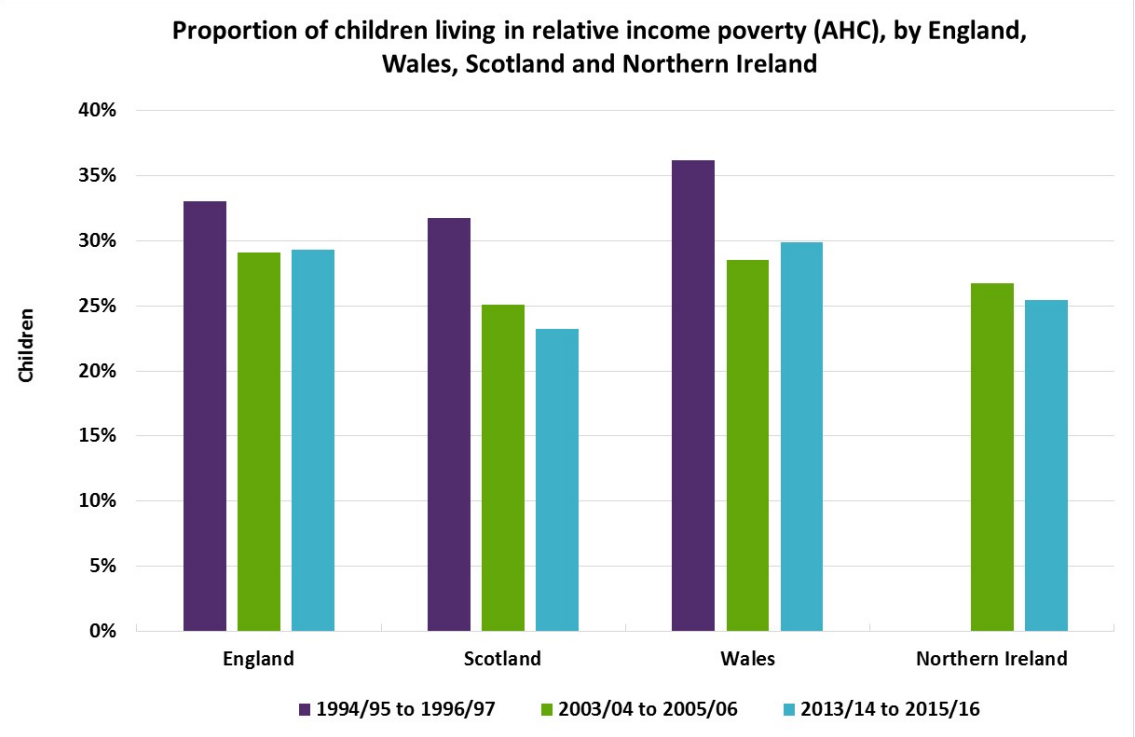


Note: Figures are based on three-year averages.
Source: Households Below Average Income (JRF Analysis)

Child poverty

Child poverty in Wales fell from 36% to 29% between 1994/97 and 2003/06, but is at a similar level in 2013/16 (30%), although it increased to 33% during the intervening years before decreasing again. Child poverty in the UK as a whole started at a lower level (33% in 1994/97), but fell less sharply between 1994/97 and 2003/06 (from 33% to 29%), and is at the same level in 2013/16 (29%), although it decreased to 27% in the intervening period before rising again[iv]. The child poverty rate in Wales is now similar to England but higher than Scotland or Northern Ireland (Chart 6).

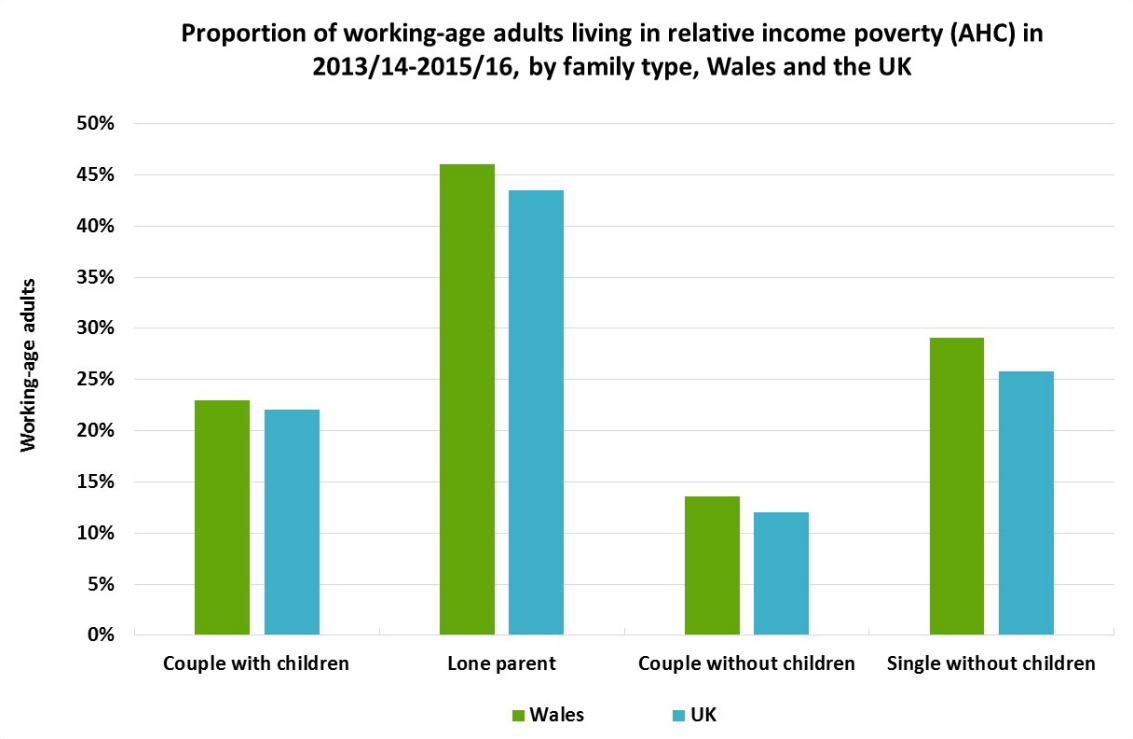
Chart 6: Proportion of children living in relative income poverty (AHC), by England, Wales, Scotland and Northern Ireland



Note: Figures are based on three-year averages.
Source: Households Below Average Income (JRF Analysis)

Poverty rates for adults in different types of working-age family are generally similar in Wales to the UK as a whole (Chart 7).

Chart 7: Proportion of working-age adults living in relative income poverty (AHC) in 2013/14-2015/16 by family type, Wales and the UK

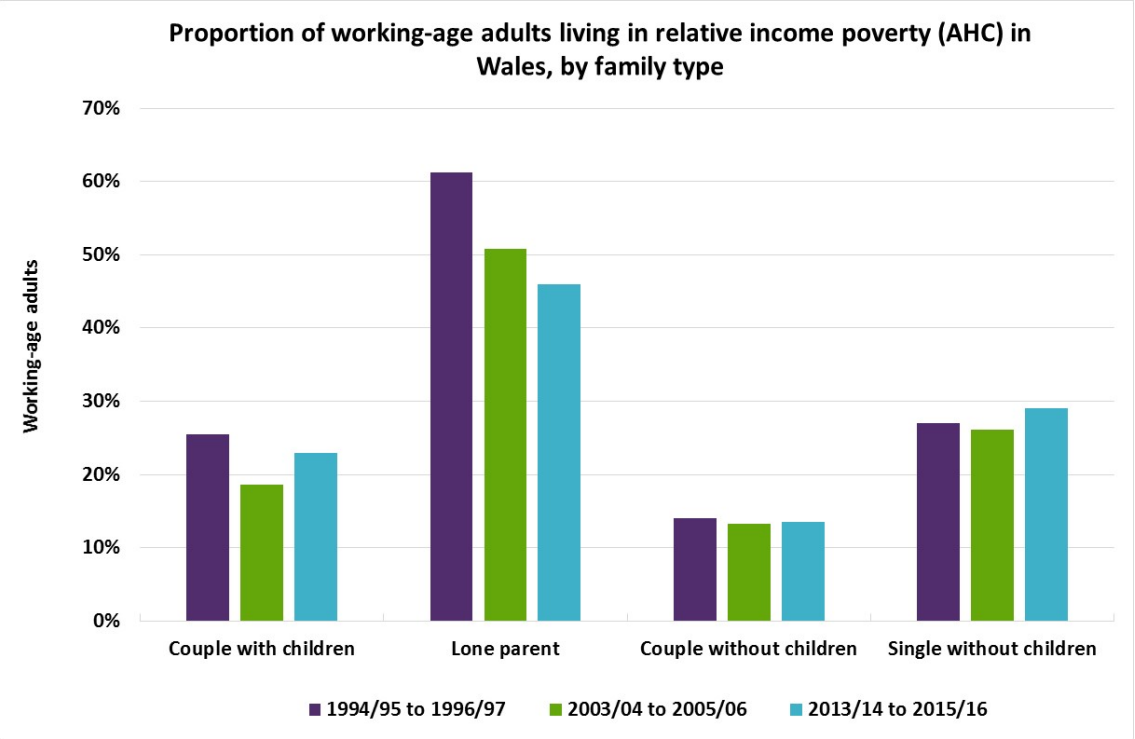


Note: Figures are based on three-year averages.
Source: Households Below Average Income (JRF Analysis)

Over the last 20 years there have been large falls in poverty for some groups, but rates for several have started to rise again (Chart 8).

Poverty among *lone parents* fell considerably from a high starting point, but nearly half of lone parents still live in poverty. Around a quarter of *couples with children* were in poverty 20 years ago; after falling to below one fifth, this figure has risen again to 23% in the last 10 years. Poverty among *single people without children* has consistently been between 25% and 30% between 1994/97 and 2013/16. *Couples without children* consistently have had the lowest poverty rates, and these have remained steady for 20 years.

Chart 8: Proportion of working-age adults living in relative income poverty (AHC) in Wales, by family type



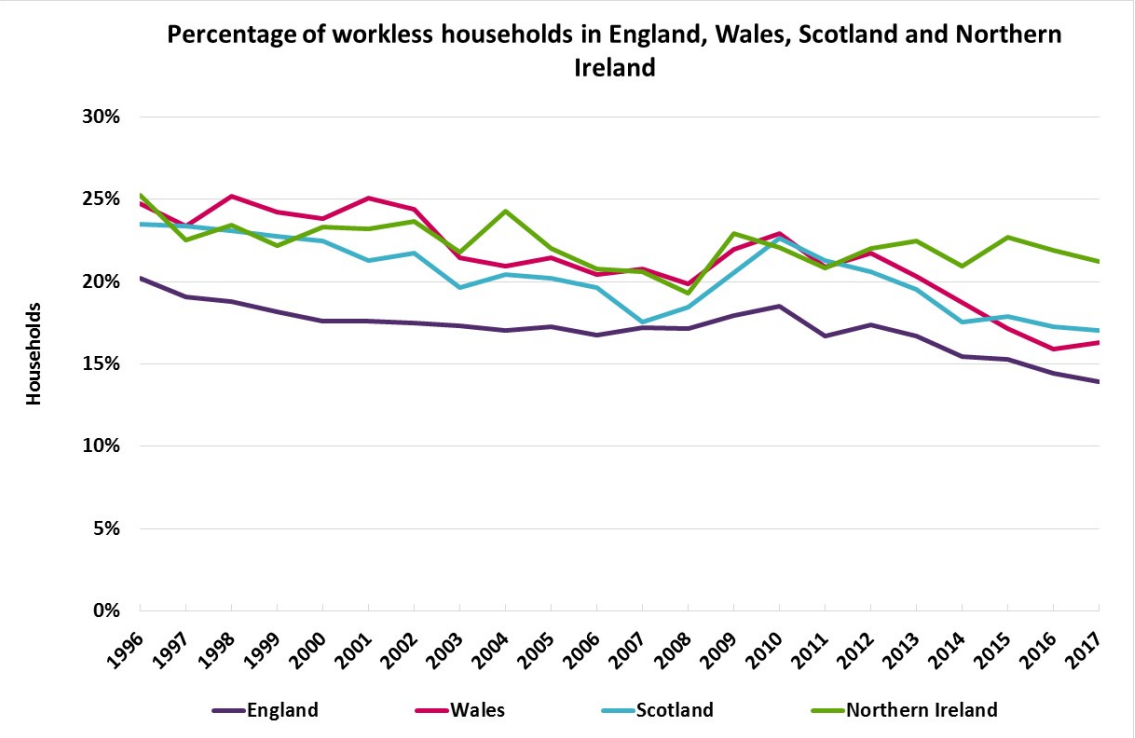
Note: Figures are based on three-year averages.
Source: Households Below Average Income (JRF Analysis)

Work and worklessness

The risk of poverty is much lower for people in households where one or more people are in paid employment. Overall, in Wales the 2013/16 poverty rate for working-age adults living in workless households was 65%, compared with 16% in households where at least one adult was in work (30% in households where some but not all adults were working and 10% in households where everybody is working.)[v]. The 65% was a rise from 60% in 1996/99.

In Wales, 16% of households were workless households in 2017 (Chart 9). The level of worklessness has fallen across the UK over the last 10 years. Wales began with the joint highest rate of worklessness (with Northern Ireland) but, after 2001, this fell considerably from 25% to 20% in 2008. There was an increase to 23% in 2010 before a steady decrease to the current value. Wales now has a lower rate of worklessness than Northern Ireland and Scotland, but the rate is still higher than England.

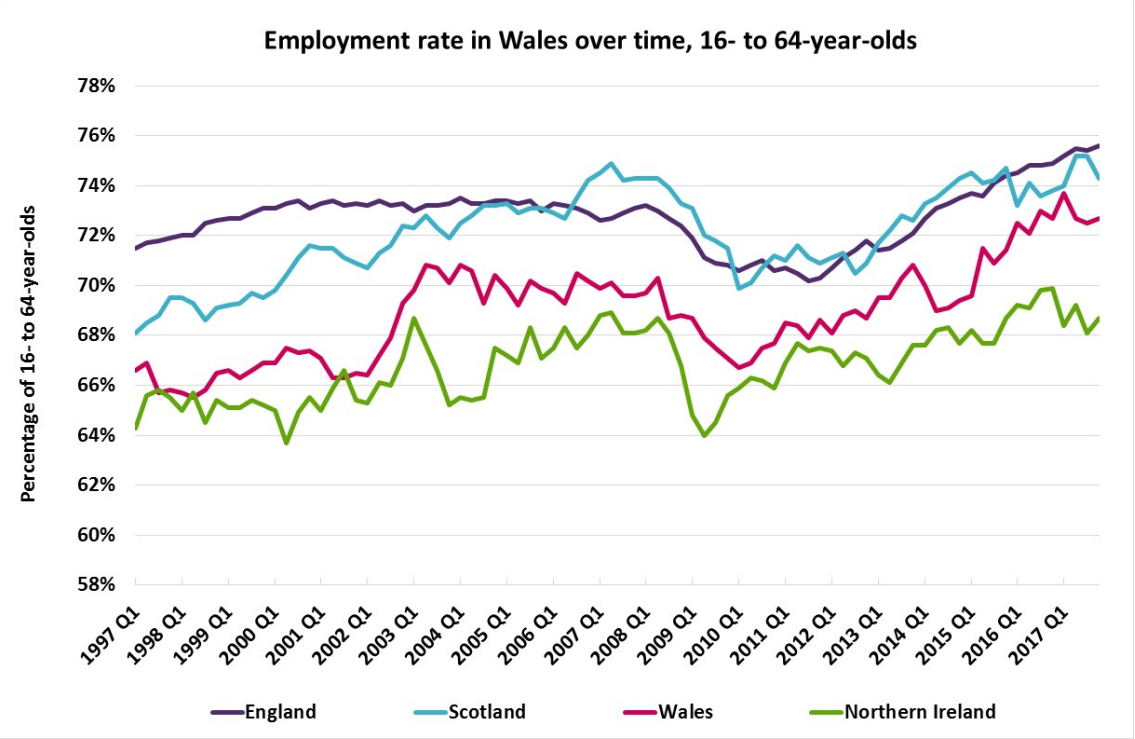
Chart 9: Percentage of workless households in England, Wales, Scotland and Northern Ireland



Note: Figures are based on estimates for the second quarter of each year.
Source: Labour Force Survey Household Data

Likewise, in Wales and across the UK, overall employment rates have risen considerably over the last 20 years (Chart 10). In Wales, the rate rose from 66% in the last quarter of 1997 to 70% 10 years later and 73% in the last quarter of 2017. The employment rate in Wales has remained higher than Northern Ireland but lower than England and Scotland. However, Wales has considerably narrowed the gap with employment rates in England and Scotland.

Chart 10: Employment rate in Wales over time, 16- to 64-year-olds

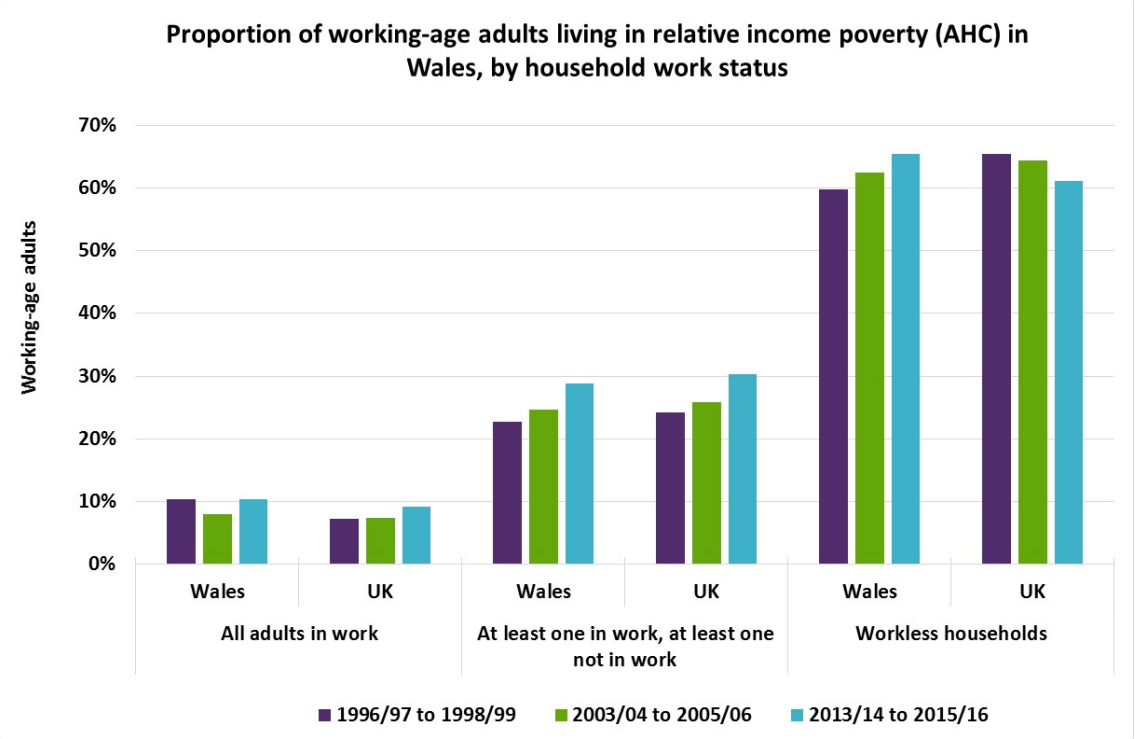


Note: Figures are based on quarterly data.
Source: Labour Force Survey

Over the last two decades, the risk of poverty has been rising in Wales for adults living in both workless households and where at least one person is in work.

- Adults in households where all adults are in work have the lowest levels of poverty, but their poverty rate has increased slightly over the last 10 years, (Chart 11).
- The risk of poverty is nearly three times as high for adults living in households with at least one non-worker compared to households where all adults are in work, and their poverty rate has increased steadily over the last 20 years, as in the UK as a whole.
- Adults living in workless households have always had the highest risk of poverty. However, unlike the rest of the UK, their risk of poverty has increased in Wales over the last two decades.

Chart 11: Proportion of working-age adults living in relative income poverty (AHC) in Wales, by household work status



Note: Figures are based on three-year averages. Analysis of workless households is not available in Households Below Average Income before 1996/97, so the first three-year period shown is 1996/97 to 1998/99.
Source: Households Below Average Income (JRF Analysis)

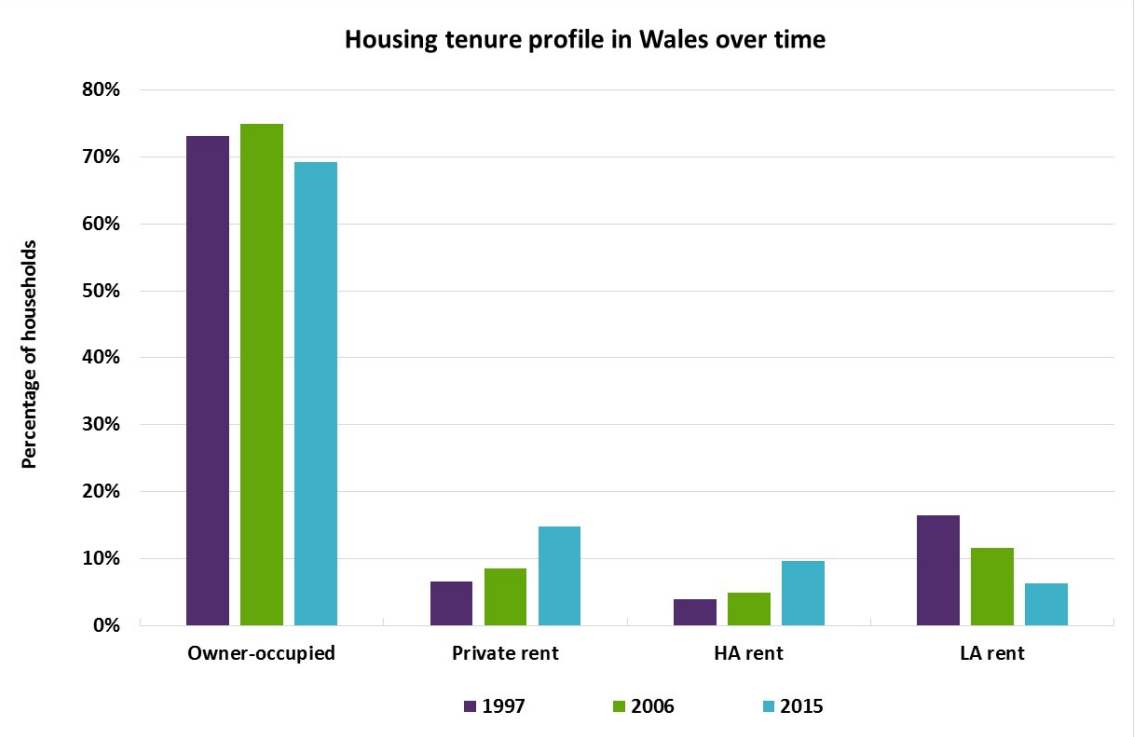
Housing

Paying for housing, whether rent or mortgage payments, is the single biggest cost for many households. Being able to afford a decent, secure home is a fundamental requirement, underpinning mental and physical health, relationships and access to education and work. The cost of housing therefore has a major impact on whether people can meet this basic need, and what resources they have left over to meet all their other needs.

Over the last 20 years there have been rises in the proportion of people renting privately and renting from Housing Associations in Wales, and a reduction in the proportion renting from local authorities (Chart 12). The social rented sector (Housing Association and local authority housing) is about the same size proportionally in Wales as in England and Northern Ireland. It remains slightly bigger than the private rented sector, as is the case in Scotland, whereas in England and Northern Ireland the private rented sector is now larger.

Over 20 years, since 1997, the share of social rented housing in Wales has fallen from 20% to 16%. Since 2006 that share has remained generally stable. However, there has been a marked shift away from owner occupation (which fell from 75% to 69%) towards private rented accommodation (which increased from 8% to 15% of all dwellings).

Chart 12: Housing tenure profile in Wales over time

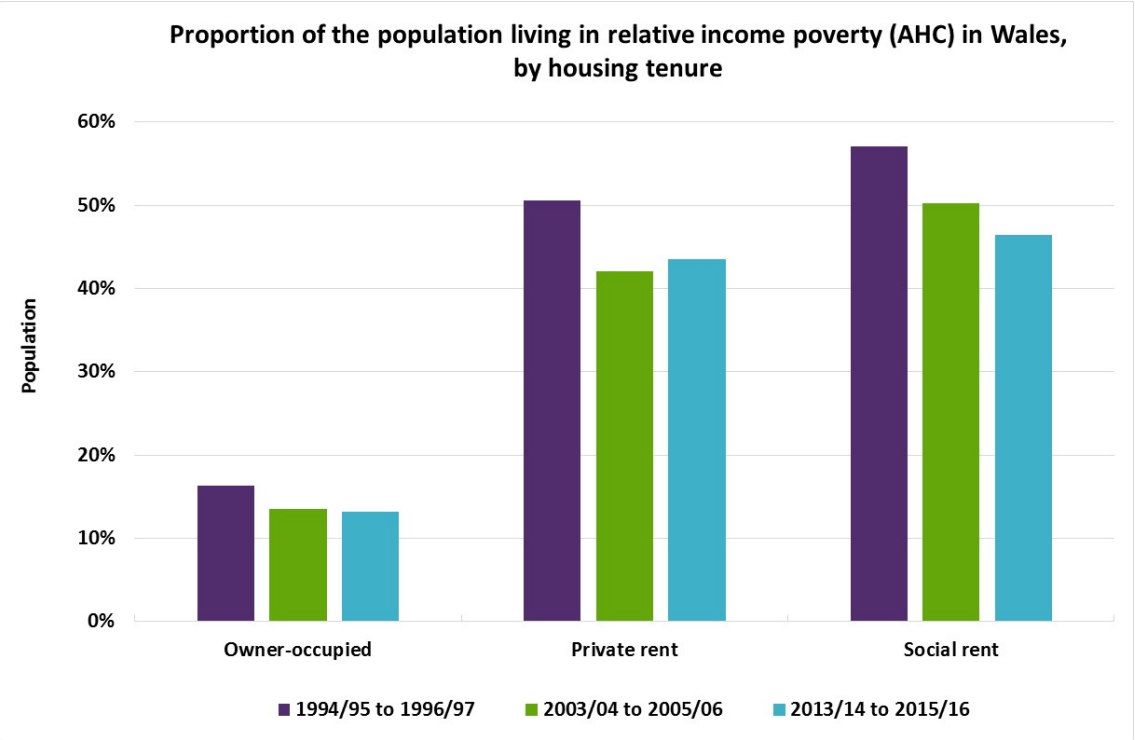


Note: Figures are based on annual data.

Source: Department for Communities and Local Government, dwelling stock statistics

The poverty rate in Wales is much higher for social and private housing renters than for owner-occupiers (Chart 13). In 2013/16, 46% of social tenants and 44% of private tenants in Wales were living in poverty compared with 13% of owner-occupiers. The risk of poverty has fallen over 20 years for people in all types of housing. However, the risk of poverty for people in the growing private rented sector is higher in Wales than in the rest of the UK (44% compared with 37% in the UK as a whole).

Chart 13: Proportion of the population living in relative income poverty (AHC) in Wales, by housing tenure



Note: Figures are based on three-financial-year averages.
Source: Households Below Average Income (JRF Analysis)

Overall, 13% of working-age adults in Wales spend more than a third of their income (including housing benefit) on housing costs. This is lower than in the UK as a whole (16%). In the poorest fifth of the working-age population in Wales, 42% spend more than a third of their income on housing costs compared with 47% in the UK as a whole.

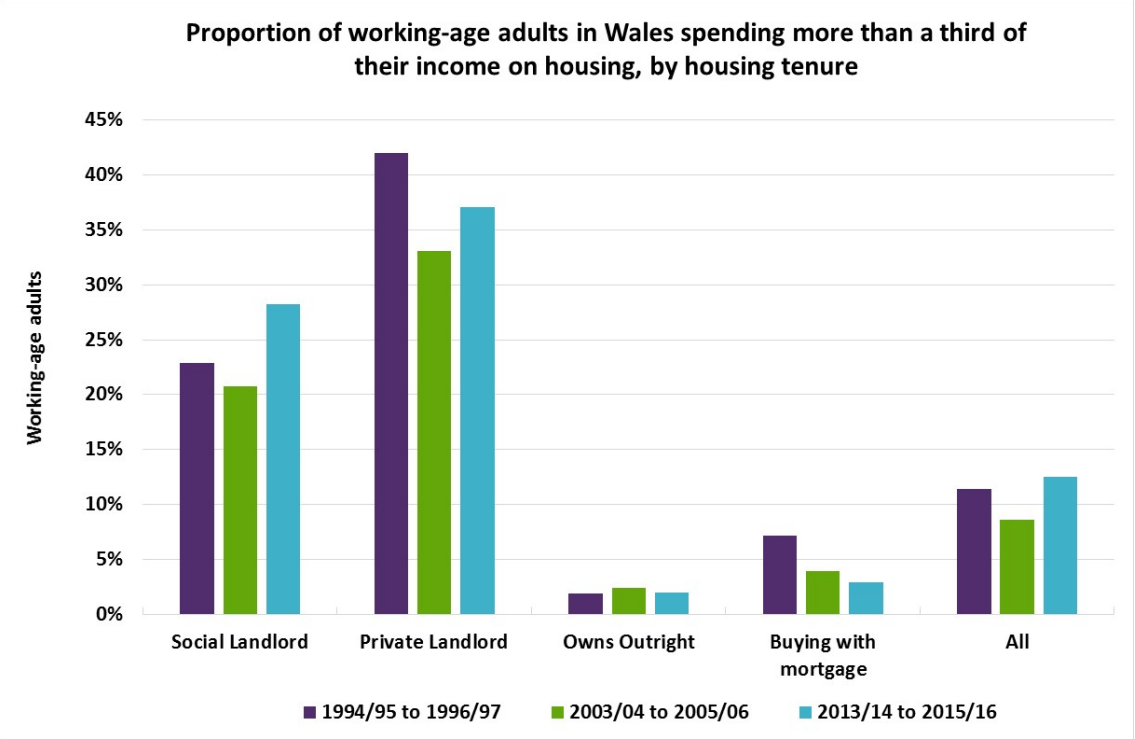
However, the percentage of the poorest fifth working-age adults in Wales spending more than a third of their income on housing costs has increased over the last 20 years; up from 36% in 1994/97 to 42% in 2013/16. These trends are similar to patterns for the UK as a whole, where the proportion of working-age

adults in the poorest fifth spending more than a third of their income on housing has risen from 39% to 47% over the 20-year period[vi].

Working-age adults in the private rented sector in Wales are more likely to spend more than a third of their income on housing than those in other types of housing: 39% in 2013/16, with social renters in second place (33%) (Chart 14). Over 20 years the percentage has decreased steadily among working-age owner-occupiers, from a very low starting point of 4% in 1994/97 to 1% in 2013/16. Among social renters, a decrease between 1994/97 and 2007/10 was reversed over the 10 years to 2013/16: up from 22% to 33%. There has been no clear pattern over time among private renters.

As noted earlier, the overall percentage of working-age adults in Wales spending more than a third of their income on housing costs is lower than the UK as a whole. This difference is concentrated in the rental sector, especially among households renting from private landlords.

Chart 14: Proportion of working-age adults in Wales spending more than a third of their income on housing, by housing tenure



Note: Figures are based on three-financial-year averages.
Source: Households Below Average Income (JRF Analysis)

Housing quality

The cost of housing is an important driver of poverty – high housing costs leave families with less money to pay for the rest of their needs. The quality of housing which an individual or family can afford is also, of course, closely linked to their income, but also to their tenure. The housing system, with social housing, Housing Benefit and support for homeless people, has played an important role in protecting people from some of the impact of poverty. It also broke the link between poverty and poor housing conditions, at least to some extent[vii].

In recent years, however, the protection offered by the housing system to those in poverty has been weakened. The increasing proportion of people in poverty living in the private rented sector has also exposed many more people, particularly in families with children, to the lower standards and greater insecurity of that sector.

Home ownership provides some protection against poverty, particularly for pensioners who have paid off their mortgage and thus have very low housing costs. However, owning a home is not a guarantee of escaping poverty – a third of those in poverty are home owners.

The Welsh Housing Quality Standard (WHQS) was first introduced in 2002 and aims to ensure that all dwellings are of good quality and suitable for the needs of existing and future residents.

The Welsh Government set a target for all social landlords to improve their housing stock to meet the WHQS as soon as possible, but in any event by 2020.

Overall, in 2016, 21% of social housing did not meet the Welsh Housing Quality Standard. This has fallen from 40% in 2013. Quality varies between housing owned by local authorities and that owned by registered social landlords. In 2013, 61% of local authority dwellings failed to meet the standard, falling to 46% by 2016. By contrast, in 2013, 26% of registered social landlords' properties failed to meet the standard, falling to 4% by 2016[viii].

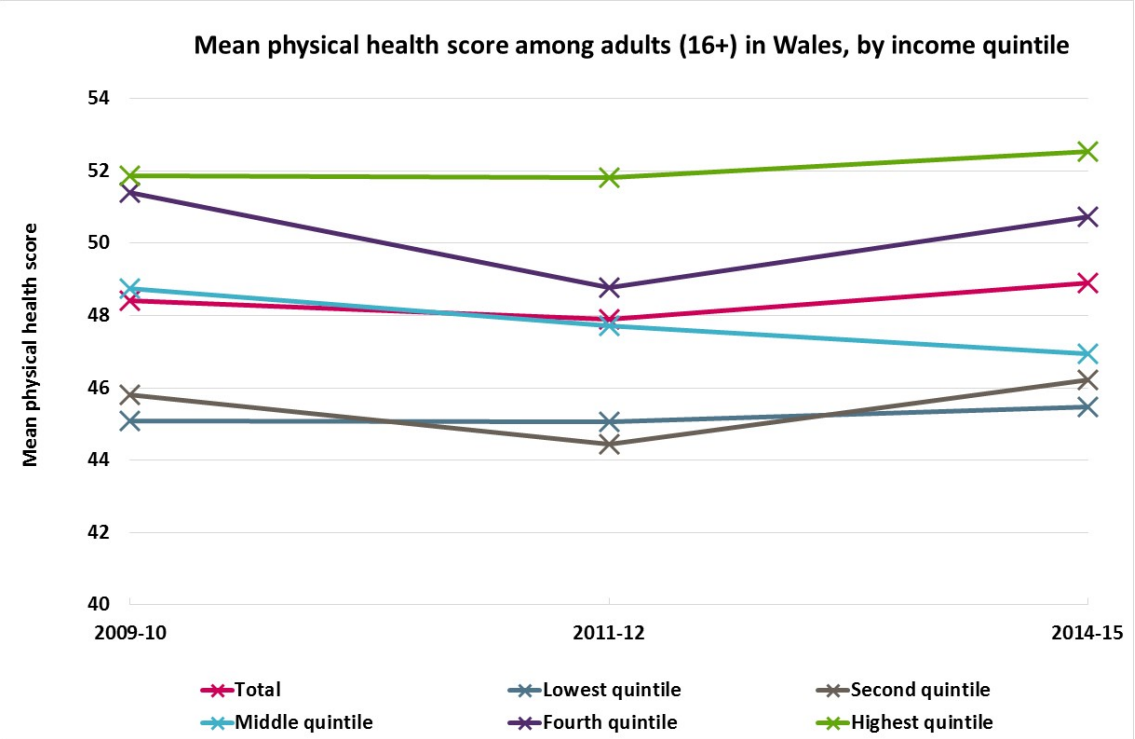
Health

Physical and mental health have close links to poverty. People on lower incomes are more likely to experience poor physical and mental health. The stress of living on a low income can have a negative impact on health. Being disabled or in poor health can also contribute to having a low income since people may find it harder to work, have lower earnings and face additional costs[ix].

Information about the links between physical health and poverty is available for Wales and the rest of the UK, based on a series of questions which are combined to give an individual a score between 0 and 100; a higher score indicates better physical health. In general, people living on low incomes have a lower average score than those on higher incomes, and this applies to Wales as well as the UK as a whole (Chart 15).

Over time, the average score for adults in Wales has remained very steady, and the differences by income have remained consistent between 2009-10 and 2014-15.

Chart 15: Mean physical health score among adults (16+) in Wales, by income quintile



Note: Figures are based on single-year figures. The Understanding Society survey started in 2009-10, so data is not available before this.
Source: Understanding Society Survey (JRF Analysis)

There is some evidence regarding mental health conditions among adults in Wales, but with little information about links with income. The proportion of the population with anxiety or depression in 2014-15 was 17% in Wales, similar to the proportion in England and Scotland. There has been no substantive change in the proportion in Wales since 2009-10, although the proportions have fallen slightly in England and in Northern Ireland over the same time period[x]. There is little information for Wales about the links between adult mental health and income, although data collected for England and Scotland show some evidence of a relationship.

Among *children*, data is available at the UK level and includes some information about income[xi]. In 2013-14, 9% of 10-15-year-olds in the UK had severe mental health conditions, and 12% had moderate conditions. There was a slight association with income – children in the richest fifth are less likely to have severe mental health problems than the rest of the population.

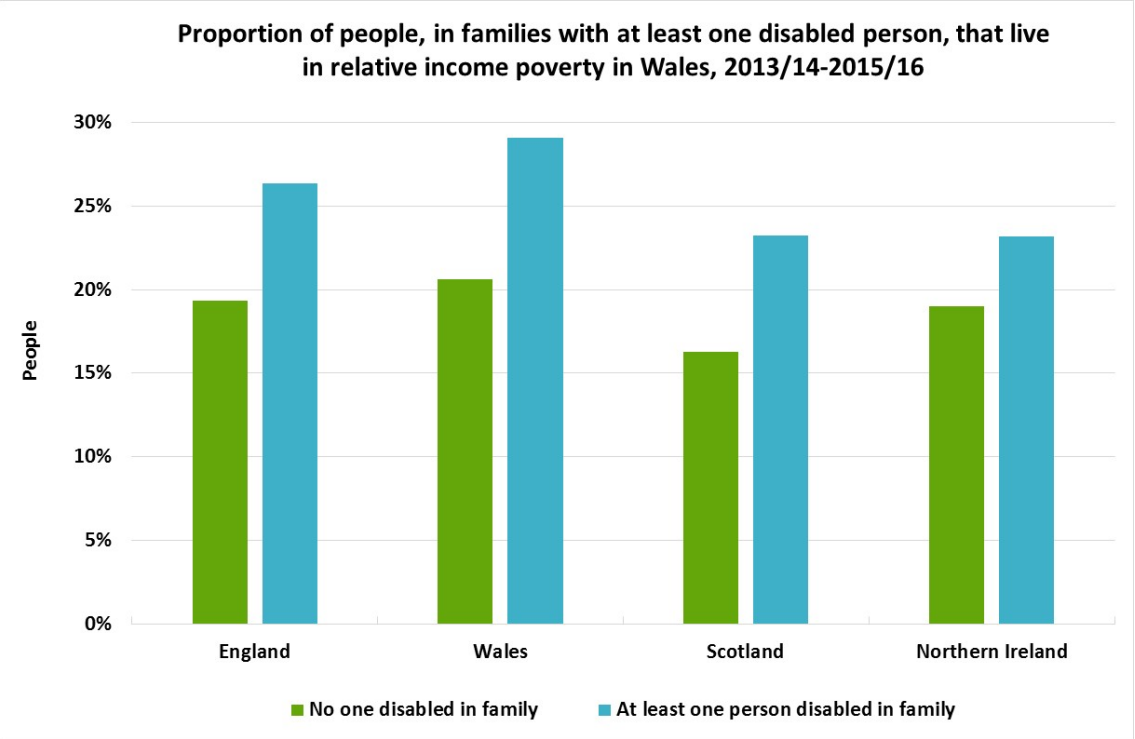
Just over a fifth of 10-15-year-olds in Wales are reported as having severe or moderate mental health conditions. This is similar to the proportion in England and slightly higher than in Scotland and Northern Ireland.

There are strong links between disability and poverty. Disabled people are much more likely to have low incomes than non-disabled people, as are people who live in a household with someone who is disabled.

In Wales, 39% of disabled people are in poverty compared to 22% of non-disabled people. The poverty rate among disabled people in Wales is the highest in all of the UK.

The poverty rate among people in families which include at least one disabled person is also higher in Wales than elsewhere in the UK; 29% of those in Wales who live in a family that includes someone who is disabled are in poverty, compared to 21% of people in Wales in families which do not include a disabled person, and between 23% and 26% of people in the rest of the UK in families which include at least one disabled person.

Chart 16: Proportion of people, in families with at least one disabled person, that live in relative income poverty in Wales, 2013/14-2015/16

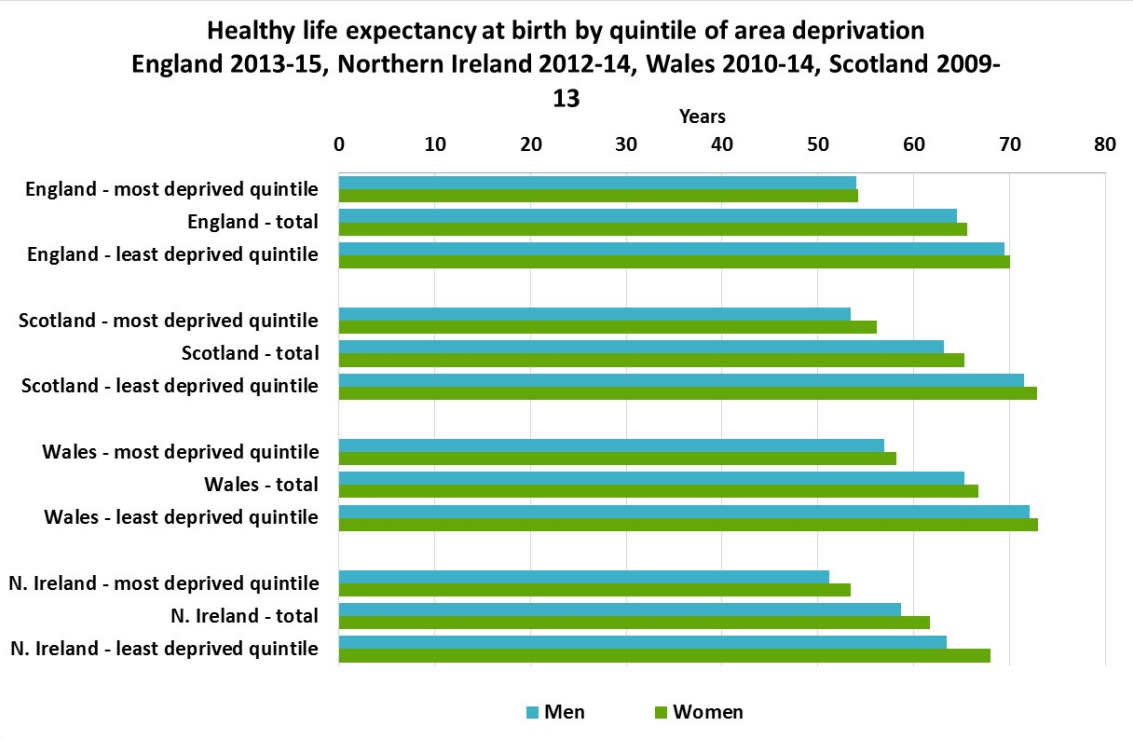


Note: Figures are based on three-year averages.
Source: Family Resources Survey, Households Below Average Income (JRF Analysis)

The lifelong association between health and poverty culminates in large differences in the healthy life expectancy of those with different incomes. Data limitations mean that these are measured according to the level of deprivation of the area people live in, rather than their household income.

Overall, people living in more deprived areas have a lower healthy life expectancy than those in less deprived areas. The difference between the latest healthy life expectancies in the least and most deprived fifth of areas was highest for men in Scotland at 18 years, but in all parts of the UK it was more than 12 years for both men and women.

Chart 17: Healthy life expectancy at birth by quintile of area deprivation England 2013-15, Northern Ireland 2012-14, Wales 2010-14, Scotland 2009-13



Sources: Health state life expectancies by Index of Multiple Deprivation (IMD): England, 2013 to 2015, Office for National Statistics; Scottish Public Health Observatory; Public Health Wales Observatory; Health Inequalities, Department of Health, Northern Ireland

Family and Relationships

The relationships people have with family, friends and wider social networks are crucially important to most people's lives. Support from these sources plays an important role for many people in enabling them to cope with adversity, get by when in poverty or other difficulties and, for some, improve their circumstances and prospects[xii]. Relationships with family and wider social networks are closely linked to factors including income, geography and ethnicity[xiii].

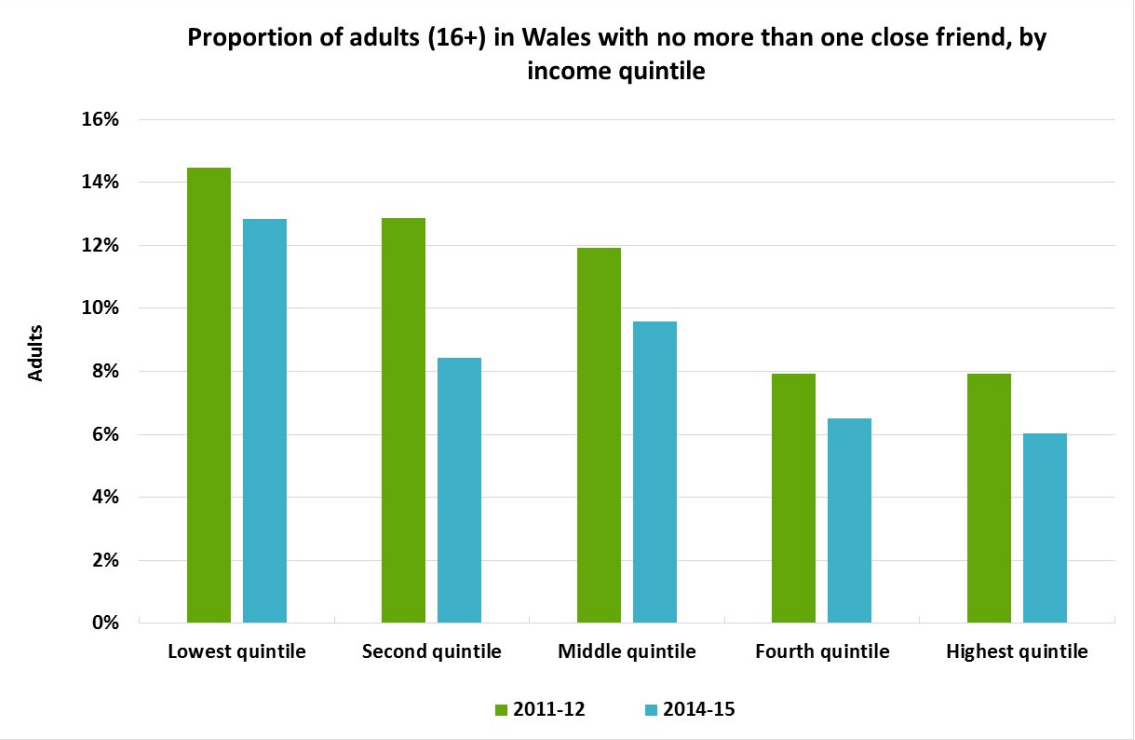
Relationships between parents (whether living together or not) and between parents and children have a major impact on children's well-being and development, as well as on the family's income and the well-being of the adults involved[xiv]. Relationships marked by conflict can also have negative impacts on both children and adults. The stress of living on a low income can be linked to relationship breakdown among couples, and to the relationships between parents and children.

Many people draw on their social networks for material support, information and advice and opportunities to find work or training. However, living in poverty can also affect the family and wider social networks which people are able to draw on and sustain. Wider social networks can also be harder to develop and maintain for people on low incomes[xv].

Social isolation

Social isolation can be measured in many ways. Here the analysis is based on a question asking how many close friends people have and focuses on the proportion of people who say they have no more than one close friend. The proportion of people in Wales who say they have no or only one close friend is higher for those in lower-income groups than for better-off groups (Chart 18). It is also higher among those living in workless households (12%) than households where at least one person is in work (7%). These patterns are the same for the UK as a whole. The overall proportion of people in Wales who have no more than one close friend has decreased since 2011-12, from 11% to 8% (compared with 11% to 9% for the UK as a whole).

Chart 18: Proportion of adults (16+) in Wales with no more than one close friend, by income quintile



Note: Figures are based on single-year figures. This question was first asked in 2011-12, so data is not available before this.
Source: Understanding Society Survey (JRF Analysis)

Support networks

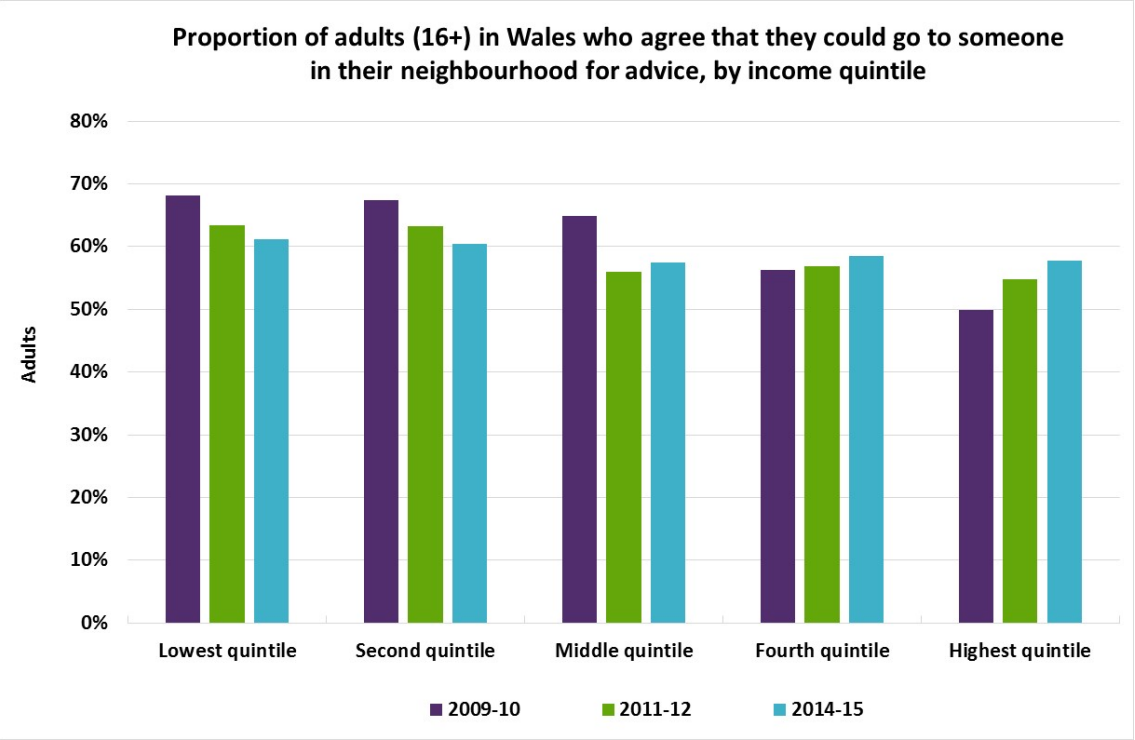
The analysis in this section is based on a question in the Understanding Society survey which asks whether respondents agree or disagree that "if I needed advice about something I could go to someone in my neighbourhood."

The analysis examines respondents who agree or strongly agree with the statement. In 2014-15, 54% of adults in the UK said that there is someone in the neighbourhood that they could go to for advice. The proportion was higher among those in the poorest two-fifths of the population. In Wales, however, there was little difference between different income groups (Chart 19).

Further work is needed to interpret the UK-wide pattern and explore the range of sources of social support drawn on by people in different groups, and how far they feel that these meet their needs. For example, it could be the case that those in groups with lower levels of support in their local area tend to draw on relationships with people who live further away – since they are more likely to have moved away from their extended family and where they grew up, and are more likely to have gone to university away from home.

In Wales the overall percentage of people who say there is someone in their neighbourhood they can go to for advice remained at the same level between 2011-12 and 2014-15 (58%) compared with an increase from 50% to 54% over the same period for the UK as a whole.

Chart 19: Proportion of adults (16+) in Wales who agree that they could go to someone in their neighbourhood for advice, by income quintile



Note: Figures are based on single-year figures. The Understanding Society survey started in 2009-10, so data is not available before this.
Source: Understanding Society Survey (JRF Analysis)

Relationships between children and parents

Measuring the nature and quality of relationships between children and parents is complex. Here, the analysis focuses on situations where children aged between 11 and 15 report that they quarrel with at least one parent more than once a week, and hardly ever discuss important issues with either parent. This is defined as having a poor relationship between the child and parent.

At the UK level, there is some association between these issues and income (sample sizes are too small to look at income differences within Wales). In the UK, the proportion of children reporting that they have a poor relationship with their parents is somewhat higher for those in the poorest fifth of the population (9%), compared with those in the richest two-fifths (5%). This has remained steady for the last few years. In Wales, the proportion of children reporting a poor relationship with parents in 2013-14 was 8%, with no statistically significant change between 2011-12 and 2013-14[xvi].

Relationship distress

Relationship distress is a concept developed by the charity Relate and used by the Department for Work and Pensions in their Improving Lives report[xvii]. A couple family is defined as experiencing relationship distress if they say that most or all of the time they consider divorce, regret living together, quarrel or get on each other's nerves, when asked about their relationship with their partner.

Seven per cent of parents living in a couple in the UK report relationship distress. This varies slightly by income, being higher among parents in the poorest two-fifths of the population (sample sizes are too small to identify differences by income within Wales). In Wales overall, 9% of parents living in a couple reported relationship distress in 2013/14[xviii].

Drivers of future poverty

The biggest driver of future poverty is the educational attainment of children when they leave full-time education[xix]. This has a major impact on their chances of being employed and of earning enough to avoid poverty as adults. For those who have already left full-time education, skill levels are an important predictor of employment, earnings and poverty.

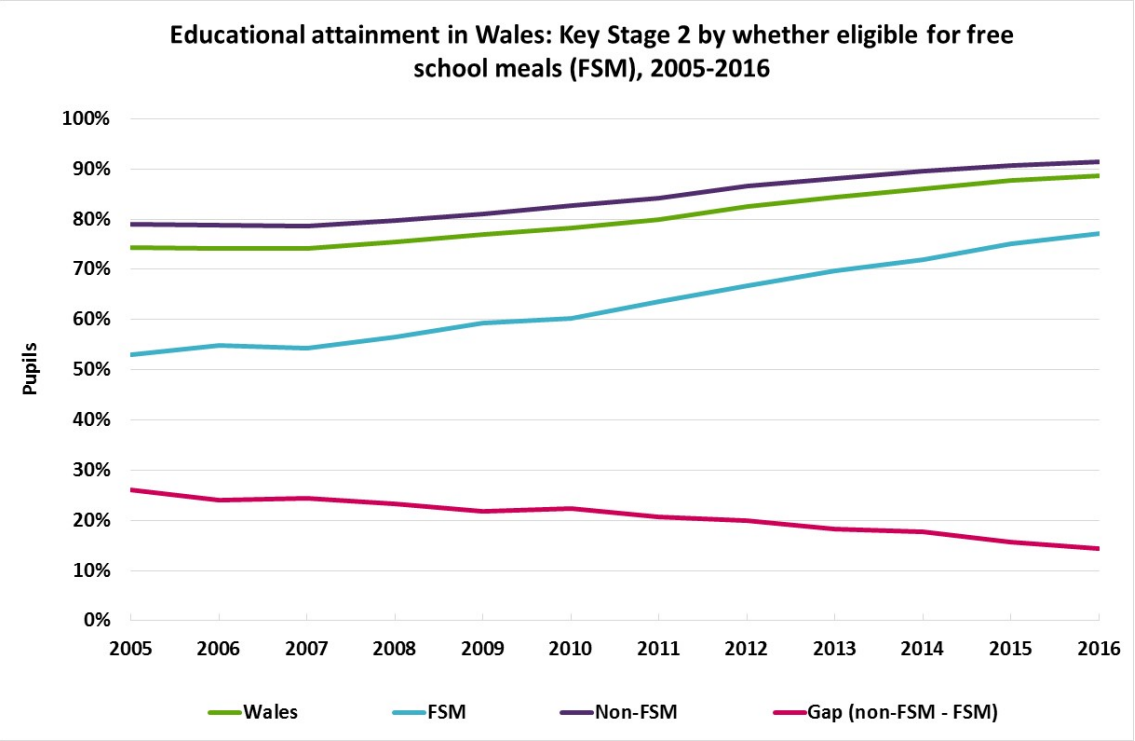
Current income is not the only factor affecting the resources available to meet a household's needs. Having some savings can be an important buffer to cover unexpected fluctuations in income and avoid having to take on high-cost credit in order to meet day-to-day expenses. Likewise, getting into debt by falling behind with bills can make it much harder for someone to reach a reasonable living standard, even if their income increases. Building up a pension is an important factor mitigating the risk of poverty in later life.

Education and skills

Educational attainment figures for Wales show that the proportion of 11-year-olds achieving Level 4 or above in all core subjects (English or Welsh first language, mathematics and science) has increased consistently since 1999, the first year for which data is available, with close to 90% of children achieving this standard.

Results for children who are eligible for free school meals are about 14 percentage points lower than those of children who are not eligible; however, the gap has almost halved since 2005 (down from 26%).

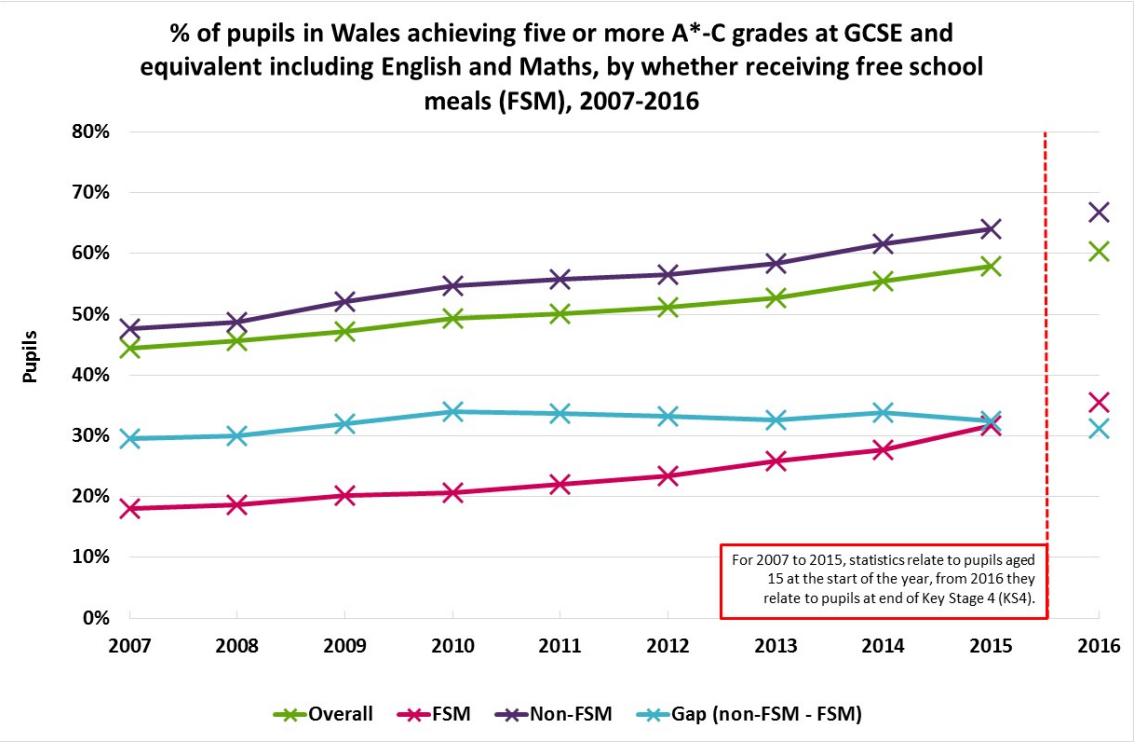
Chart 20: Educational attainment in Wales: Key Stage 2 by whether eligible for free school meals (FSM), 2005-2016



Note: Data are based on annual figures. Published statistics only include data from 2005 onwards. Key Stage 2 is attained upon a child achieving at least the expected level (Level 4) in teacher assessments in all Core Subject Indicator (CSI) subjects: English or Welsh, mathematics and science.
Source: Welsh Government

At GCSE Level in Wales, the gap in attainment between those who are eligible for free school meals and those who are not is higher than at Key Stage 2 Level but has remained broadly the same since 2007 (unlike the gap in attainment for the 11 year olds which narrowed considerably over the same time period. It peaked at around 34 percentage points in 2010 but shows a slight decrease to 31 percentage points in 2016.

Chart 21: % of pupils in Wales achieving five or more A*-C grades at GCSE and equivalent including Maths and English, by whether receiving free school meals (FSM), 2007-2016

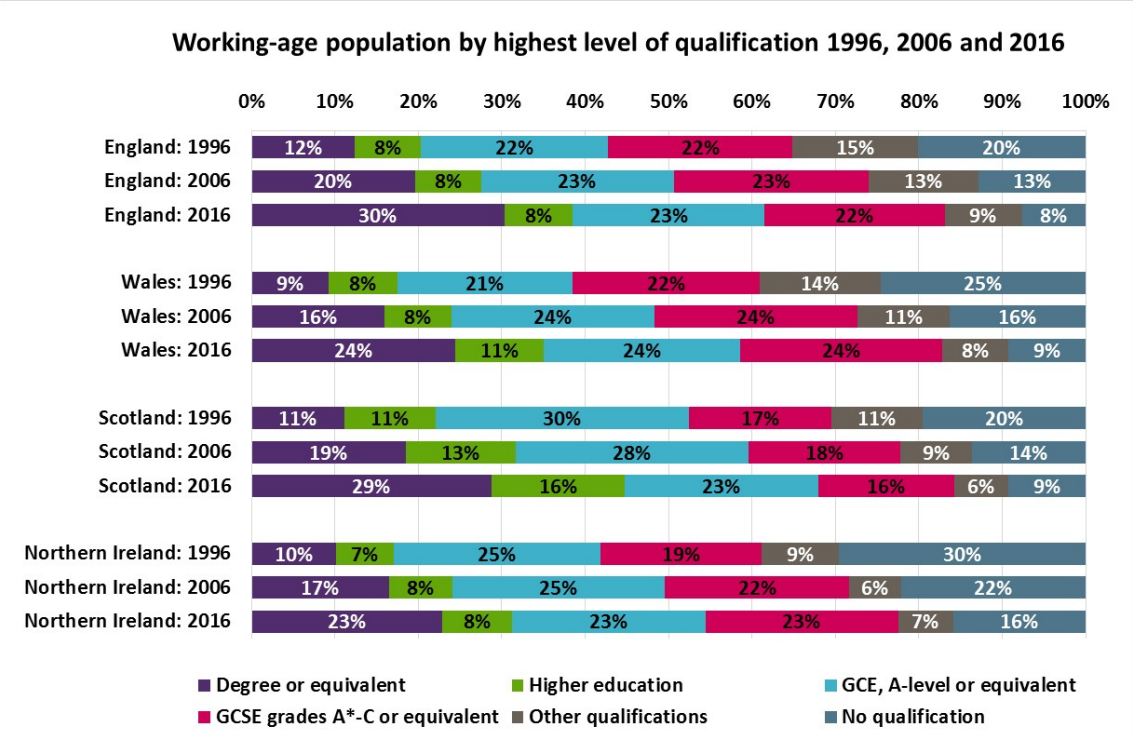


Source: Welsh Government

Adult skills

Twenty years ago, Wales had a higher proportion of working-age adults with no qualifications than England or Scotland; by 2016 this had reduced substantially to be roughly in line with the proportions in England and Scotland, and much lower than in Northern Ireland. The proportion of people in Wales with a degree or other higher education qualification also doubled over that time.

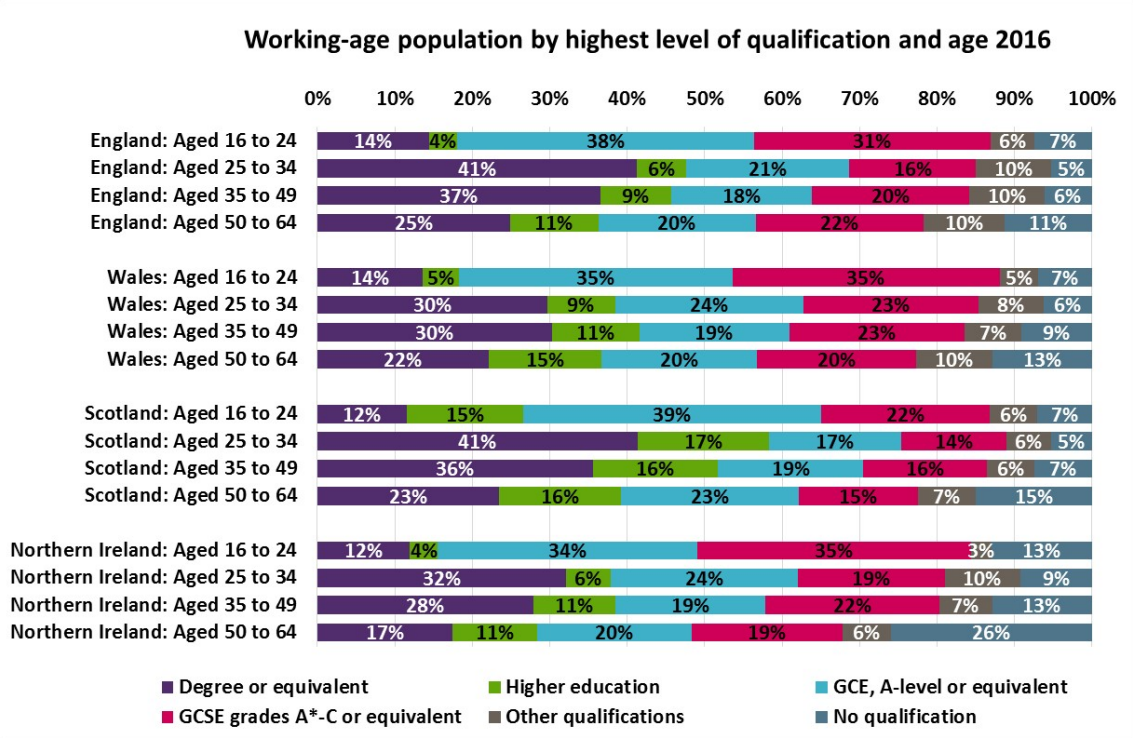
Chart 22: Working-age population by highest level of qualification 1996, 2006 and 2016



Source: Labour Force Survey (JRF Analysis)

Looking at qualifications among different age groups of the working-age population, Wales (like Northern Ireland) has a smaller proportion of 25- to 49-year-olds educated to higher education (including degree) level than England and Scotland.

Chart 23: Working-age population by highest level of qualification and age 2016



Source: Labour Force Survey (JRF Analysis)

Pensions and debt

Among adults of working age and in employment in Wales, 56% are actively participating in a pension scheme (2015/16)[xx]. This is comparable to England, Scotland and Northern Ireland. The proportion in Wales increased between 2011/12 and 2015/16 (from 48% to 56%), following a decrease between 2006/07 and 2011/12.

There are large variations in the proportions contributing to a pension scheme in different groups in Wales:

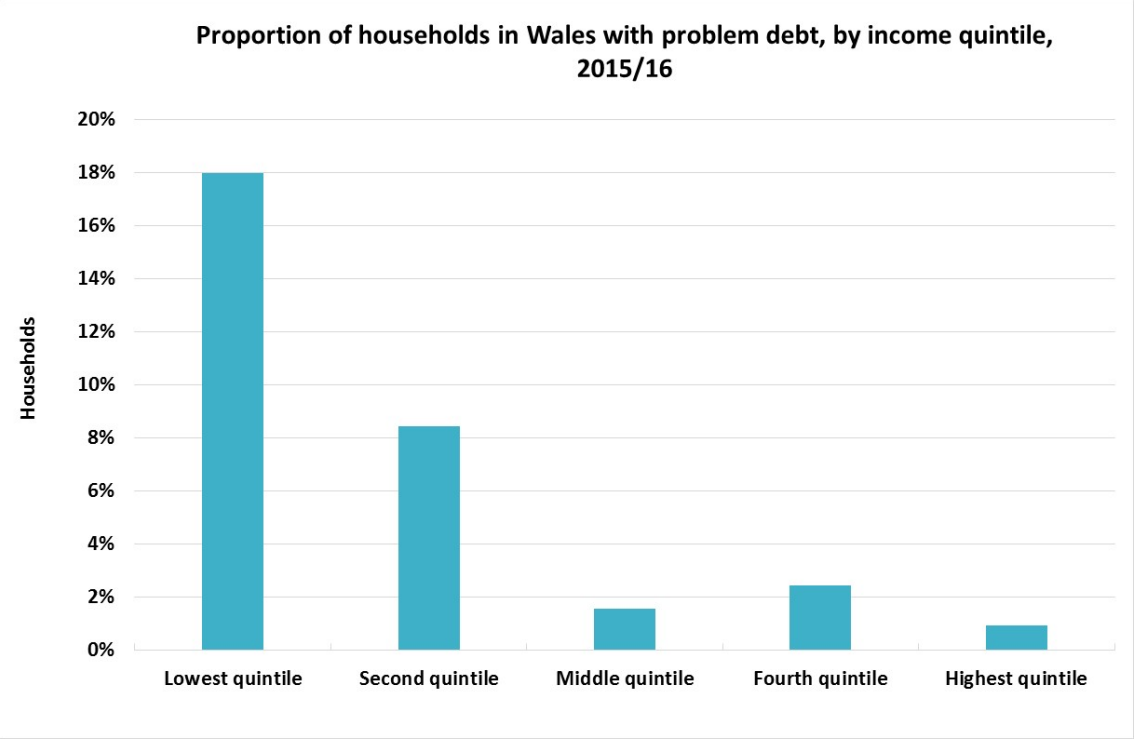
- Employees (59%) are far more likely to have a pension than the self-employed (33%). Analysis for the UK as a whole indicates that the increase after 2011/12 was concentrated among employees, whilst the rate actually fell for self-employed people.
- Full-time employees (61%) are more likely to have a pension than part-time employees (36%).
- Only 26% of people in the poorest fifth of the population have a pension, compared to 72% of those in the richest fifth.

In 2015/16, 7% of households in Wales were facing problem debt, defined by the Family Resources Survey as being behind with any household bill or credit commitment. This proportion fell between 2012/13 and 2015/16 (from 10%), after a period of relative stability between 2005/06 and 2012/13. Figures for Wales are broadly in line with the UK as a whole.

Problem debt is concentrated among lower-income households, in Wales and the rest of the UK. In Wales, 18% of households in the poorest fifth of the population were facing problem debt in 2015/16, compared with just 1% in the richest fifth (Chart 24).

However, it is important to note that this measure of problem debt does not include debt incurred on store cards, mail order payments and information loans from friends or family. It does include; electricity, gas and other household fuel bills, Council Tax, phone bills, hire purchase, water rates and rent or mortgage payments. From 2012/13, the survey also included other loans, and from 2015/16 credit card or other loan repayments.

Chart 24: Proportion of households in Wales with problem debt, by income quintile, 2015/16



Note: Figures are based on single-year figures.
Source: Family Resources Survey (JRF Analysis)

Conclusions

Overall poverty rates have fallen gradually in Wales over the last 20 years. There were very large falls in poverty among those groups for whom it had been very high – pensioners (especially single pensioners) and lone parents. Poverty also fell among couples with children between 1994/97 and 2003/06.

However, pensioner poverty in Wales stopped falling in 2010/13, and has since increased while remaining stable in the rest of the UK. Poverty among lone parents continued to fall in Wales – from 61% in 1994/97, to 51% in 2003/06 and 46% in 2013/16. However, among couples with children and single people without children, poverty started to rise again between 2003/06 and 2013/16.

Worklessness has fallen significantly in Wales, whilst employment has risen; making progress towards closing the gap with England and Scotland on both issues. However, poverty in Wales is now higher than in the rest of the UK for workless households. Worryingly, since 2003/06 the risk of poverty has been rising, even among working families.

Housing costs are lower in Wales than in many parts of the UK, meaning that a smaller proportion of households have to spend more than a third of their income on housing than in the UK as a whole. However, the proportion of those in the poorest fifth of the population in Wales who do have to spend this level of income on housing has risen to 42% in Wales, and is particularly high in the growing private rented sector.

Poverty is closely linked to physical and mental ill health among both adults and children. Higher levels of physical and mental health problems culminate in a gap of around 15 years in healthy life expectancy among those living in the most deprived parts of Wales, compared to those in the least deprived areas.

The stress of poverty also affects relationships, particularly between couples and between parents and children. Young people in the poorest fifth of the UK population are more likely to have poor relationships with their parents. Couples with low incomes also report more difficulties in their relationships and are somewhat more likely to separate, which increases their subsequent risk of poverty. There is a higher proportion of households with children where the parents have separated in Wales (37%) than in England (29%), Scotland (30%) or Northern Ireland (30%).

The education system in Wales has been fairly successful in improving both overall attainment and reducing the gap in attainment between children from richer and poorer backgrounds at age 11. However, children receiving free school meals are still substantially less likely to gain five or more good GCSEs than those who do not, meaning that they are much less likely to be able to gain higher qualifications and get a job which will enable them to avoid poverty as adults.

The majority of people in the poorest fifth are not building up a pension. This increases their risk of being unable to cover unexpected living costs and of living in poverty when they are older. Reducing poverty among the working-age population is vital in itself, and also to enable people to build up savings as a buffer against future costs, and a pension to reduce poverty among future pensioners.

Rising poverty rates, despite increases in skills and employment, suggest that the labour market is not currently finding enough jobs which offer pay and hours that will take people out of poverty. Throughout the UK many people working part time are being paid less an hour than those working full time[xxi]. It is also the case that part- time workers do not get the same pay progression over time[xxii]. Part-time work is clearly an important issue to tackle if we want the labour market to do more towards getting people out of poverty.

Falls in worklessness and increasing employment now need to be translated into lower poverty for both working-age and pensioner households. Great strides were made in reducing poverty between 1994/97 and 2003/06. These now look to be unravelling for several groups. The Welsh Government, business, employers, communities and the UK Government must take steps to halt rising poverty, regain lost ground, and reduce poverty rates still further.

About the Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent organisation working to inspire social change through research, policy and practice.

JRF is working with governments, businesses, communities, charities and individuals to solve UK poverty. The majority of the ideas outlined above were drawn from our recent strategy to solve UK poverty which contains analysis and recommendations aimed at the four UK governments.

All research published by JRF, including publications in the references, is available to download from www.jrf.org.uk

If you would like to arrange a meeting with one of our experts to discuss the points raised please contact: Helen Barnard: Head of Analysis
helen.barnard@jrf.org.uk 01904 735008 @helen_barnard

Notes

[i] 'Poverty' is used here to mean a household income, adjusted for family size, below 60 per cent of family-adjusted median income. Income is measured after housing costs have been deducted.
[ii] All poverty statistics are based on three-year averages due to small sample sizes for Wales in individual years.
[iii] Poverty statistics are drawn from Households Below Average Income. This report has only included Northern Ireland since 2002; earlier data therefore excludes Northern Ireland.
[iv] Figures from Households Below Average Income, three-year average, 1994/97, 2003/06 and 2013/16.
[v] Figures from Households Below Average Income, three-year average 2013/16
[vi] Figures from Households Below Average Income, three-year averages for 1994/97 and 2013/16.
[vii] Tunstall, R. et al (2013) *The links between housing and poverty* London: Joseph Rowntree Foundation
[viii] Figures are from "Welsh Housing Quality Standard (WHQS), as at 31 March 2016", an annual release produced by the Welsh Government.
[ix] *UK Poverty: causes, costs and solutions,* ibid.
[x] Figures are based on single-year estimates from the Understanding Society Survey, 2009-10 and 2014-15.
[xi] Figures are based on single-year estimates from the Understanding Society Survey, 2009-10, 2011-12 and 2013-14.
[xii] *UK Poverty: causes, costs and solutions,* ibid.
[xiii] Finney, N. et al (2015) *How are poverty, ethnicity and social networks linked?* London: Joseph Rowntree Foundation.
[xiv] *UK Poverty: causes, costs and solutions,* ibid.
[xv] Finney et al, ibid.
[xvi] Figures are based on single-year estimates from the Understanding Society Survey, 2009-10, 2011-12 and 2013-14.
[xvii] Improving lives, helping workless families (2017) London: Department for Work and Pensions Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/621364/improving-lives-helping-workless-families-web-version.pdf
[xviii] Figures are based on single-year estimates from the Understanding Society Survey, 2009-10, 2011-12 and 2013-14.
[xix] *UK Poverty: causes, costs and solutions,* ibid.
[xx] Figures are based on single-year estimates from the Family Resources Survey, 2006/07, 2011/12 and 2015/16.
[xxi] UK Poverty 2017 JRF
[xxii] Mothers suffer big long-term pay penalty from part-time working. IFS. https://www.ifs.org.uk/publications/10364