

# MONITORING POVERTY AND SOCIAL EXCLUSION IN WALES 2015

This *Findings* from the New Policy Institute analyses the latest data to show trends in work, poverty, housing and benefits sanctions in Wales.

The research looks at measures of low income, low pay and other types of disadvantage. It then considers what challenges these changes and the Summer Budget 2015 pose to policy-making in Wales.

## Key points

- An average of 700,000 people were in poverty in Wales in the three years to 2013/14, equivalent to 23 per cent of the population.
- Compared with ten years earlier, there are more people of working age (particularly young adults) in poverty and fewer children and pensioners. Poverty has risen in working families and fallen in workless families.
- Twenty-seven per cent of people in a family with at least one disabled adult are in poverty, compared with 23 per cent overall. The poverty rate in these families rises to 33 per cent if disability benefits are excluded from income.
- There has been no reduction in the extent of low pay in Wales for a decade, with the proportion of jobs that are low paid remaining at around 25 per cent. In total, 270,000 jobs, mainly held by women, are paid below two-thirds of the UK median hourly wage.
- In 2014 there were 30,000 Jobseeker's Allowance (JSA) sanctions, lower than in 2013, due mainly to fewer claimants. It is still a high figure relative to earlier years. Younger claimants and claimants from ethnic minority groups are disproportionately sanctioned.
- A growing share of people in poverty live in the private rather than social rented sector but there are still more in the latter overall.
- The introduction of the national living wage (NLW) will only partially offset the cuts in tax credits: some families with children in particular will be worse off. Rural Wales will be disproportionately affected.

## The research

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## Poverty in Wales

### Definition of poverty

'Poverty' is used here to mean a household income, adjusted for family size, below 60 per cent of family-size adjusted median income. Income is measured after housing costs have been deducted.

'Absolute poverty' uses 60 per cent of median income in an earlier, fixed year as its threshold.

On average there were 700,000 people in poverty in Wales between 2011/12 and 2013/14, around 23 per cent of the population. Both the number and proportion of people living in poverty are unchanged from the 2010/11 to 2012/13 period and both are below the 1990s figure, when around 26 per cent of the population lived in poverty.

Taking the threshold year as 2010/11, absolute poverty in Wales has increased by three percentage points over the four years to 2013/14.

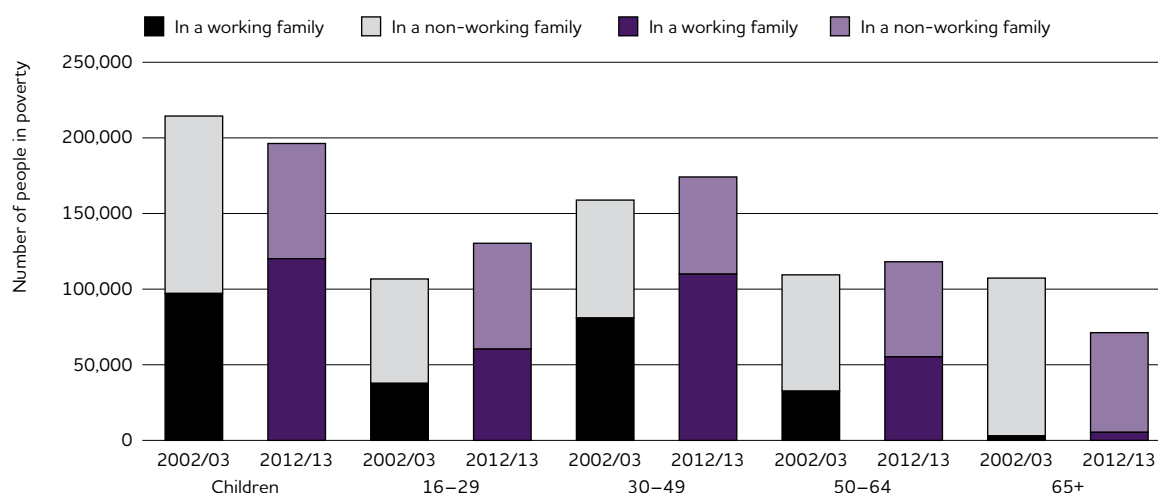
There have been major falls in pensioner poverty, falling from around 26 per cent in the 1990s to 14 per cent now. So despite the number of pensioners growing overall, they make up 13 per cent of people in poverty compared with 19 per cent previously. Child poverty has also fallen, though less dramatically, from 36 per cent to 31 per cent.

There is no difference in the poverty rate for men and women in Wales. This is partly due to the fact that the female population is made up of both a larger share of household types with a higher risk of poverty (such as lone parent households) and a larger share of those with a lower risk of poverty (such as pensioners). However, as income poverty is measured at the household level, it does not reflect, for example, the distribution of resources within households.

The proportion of people in poverty for those in a family with at least one disabled adult is higher than the overall proportion, at 27 per cent compared with 23 per cent. If the proportion of people in poverty is adjusted to exclude disability benefits (which are designed to cover costs not counted in the statistics), then the proportion of people in families with at least one disabled adult rises from 27 per cent to 33 per cent.

## Work and poverty

**Figure 1: Number of people in poverty by age, 2002/03 – 2012/13**



Source: Households Below Average Income, Department for Work and Pensions; the data uses three-year averages

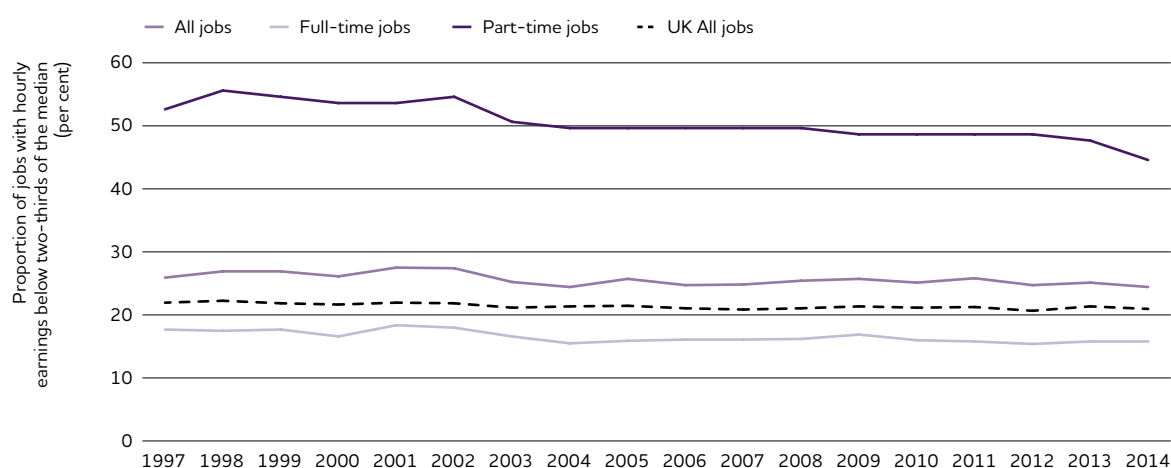
The 16–29 age group has seen an increase in poverty over the last ten years in Wales, but so have those aged 30–49 and to a lesser extent 50 to 64-year-olds (see Figure 1). Pensioner poverty and child poverty have both fallen by around 40,000 and 20,000 respectively.

The numbers in poverty in working families have increased for every age group over the ten-year period. There were 22,000 more children in working families in poverty, but 40,000 fewer in workless families. For those aged 30 to 64, there were increasing numbers in working families, cancelling out falls in workless poverty. For 16 to 29-year-olds, there was no fall in workless poverty to offset the rise in working poverty. The overall rise in poverty for 16 to 29-year-olds was 24,000, roughly equivalent to the combined rise for those aged 30 to 64.

There was a rise of around 10,000 in poverty for those aged 30 to 49 in full-working families, but small decreases for other age groups. The amount of work done within the family makes a big difference to the risk of poverty. For part-working families, where the work is either part-time, self-employed or there is one full-time worker and one adult not working, there was an increase of around 100,000 in poverty over the ten years. In comparison, in families where all the adults are in work with at least one working full-time there was effectively no increase in the number in poverty in the last decade. The increase in working poverty was almost entirely in part-working families.

In Wales 31 per cent of working-age adults are not in employment. For women, this figure is slightly higher at 34 per cent. For ethnic minority groups it is 45 per cent, and for disabled people it is 55 per cent. Wales has seen greater reductions in these rates since 2009 than the UK overall, but still has higher rates of worklessness.

**Figure 2: Proportion of jobs in Wales that are low paid**



Source: Annual Survey of Hours and Earnings via NOMIS, ONS

Figure 2 shows the proportion of jobs in Wales that are low paid, measured by whether they are paid less than two-thirds of the median hourly UK wage (£7.69 in 2014). In 2014, 25 per cent of employee jobs were low paid, equivalent to 270,000 jobs. Since 2003, low pay rates in Wales have been consistently three or four percentage points higher than in the UK as a whole.

In the Summer Budget 2015, the Chancellor announced the introduction of a new national living wage, for those aged over 25. It will be introduced at £7.20 an hour in April 2016, rising to at least £9 in April 2020. Using the Labour Force Survey and deflating these figures to 2014/15 prices using estimates of inflation, 200,000 people or 20 per cent of employees aged 25 or over will benefit from the 2016 rate.

## Housing and poverty

The distribution of housing tenure is changing in Wales; more people are living in the private rented sector or own their homes outright, while the numbers owning with a mortgage and in the social rented sector are declining (although these changes are happening slowly, and Wales has one of the highest owner-occupied sectors and smallest private rented sectors among regions and countries of the UK). As a result, the composition of people in poverty according to their housing tenure is also slowly changing. In the three years to 2002/03, 41 per cent of people in poverty lived in the social rented sector, falling to 33 per cent in 2012/13. For the private rented sector, it rose from 19 per cent to 28 per cent. There was effectively no change for the proportion of people in poverty living in their own homes, whether they owned them outright or not.

**Figure 3: Proportion of social claimants affected by the under-occupancy penalty (left); proportion of Housing Benefit claimants in work (right)**

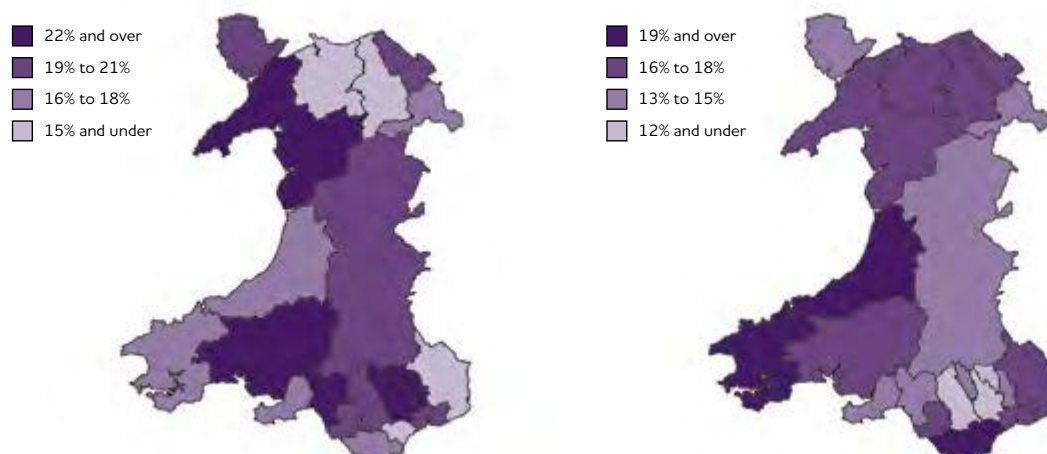
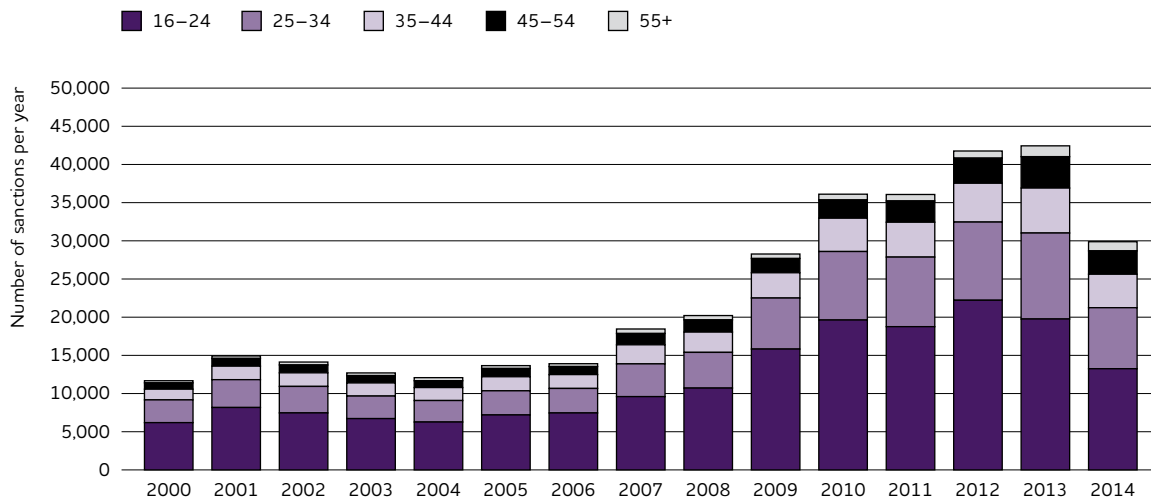


Figure 3 shows the proportion of social rented sector Housing Benefit recipients affected by the under-occupancy penalty (often referred to as the ‘bedroom tax’) in the left-hand map and the proportion of housing benefits recipients (including local housing allowance (LHA) – the housing benefit usually paid to people who rent privately) in work on the right-hand map. The under-occupancy penalty is one of the most visible changes to housing benefits made by the 2010–2015 Coalition Government. In Wales it affects 30,000 or 19 per cent of social tenants (compared with 14 per cent in Great Britain). The local authority areas most affected are in the Valleys, particularly Blaenau Gwent, with over a quarter of social tenants affected. Other areas particularly affected include Neath Port Talbot, Carmarthenshire, and Gwynedd. This can reflect the types of social homes that have been built in these areas, as well as what stage in their lives the tenants are at.

Areas in which a larger proportion of housing benefits claimants are in work can reflect a combination of low numbers of hours or poorly paid work as well as higher costs of renting. These areas have a slightly different geography. The highest is Cardiff at 22 per cent, but the next four highest are all more rural areas such as in Pembrokeshire and Ceredigion.

## Benefit sanctions for Jobseeker's Allowance claimants

**Figure 4: Number of JSA sanctions per year by the age of the person receiving the sanction**



Source: Stat Xplore, Department for Work and Pensions

JSA sanctions involve the suspension of benefit completely for a fixed period of weeks. While there are sanctions for other benefits (Employment and Support Allowance and Income Support for lone parents), JSA sanctions are by far the most common. In 2014, there were 30,000 JSA sanctions, down on 43,000 in 2013. However, this fall is mostly due to the smaller number of JSA claimants in 2014 compared with 2013.

Figure 4 indicates that those aged 16 to 24 have long been the largest age group sanctioned. In 2014, 16 to 24-year-olds received 13,000 of the 30,000 sanctions, 44 per cent of the total. On average in each month in 2014, 7 per cent of 16 to 24-year-old JSA claimants were sanctioned.

The number of sanctions received declined by age, so that 25 to 34-year-olds received the second highest number of sanctions, in this case 8,000. This equates to 4.4 per cent of 25 to 34-year-olds claiming the benefit each month. The sanction rate for every age group is higher than ten years earlier.

The sanction rate for women in 2014 was below the overall rate (4 per cent of claims per month rather than 5 per cent), but the monthly sanction rate for ethnic minority groups was almost twice as high at 9 per cent.

## Conclusion

The overall poverty trends in Wales in the last ten years have echoed those around the UK as a whole: more people of working age, but particularly young adults, are in poverty, as well as more private renters and people in working families. The Summer Budget 2015 has not provided much aid for younger adults: the new national living wage (NLW) does not apply to those under 25, and there were housing benefit cuts for those aged 18 to 21. This is on top of other areas of public policy, such as sanctioning, which disproportionately affect young people. The possible flipside is that a lower minimum wage makes it more appealing to employ under-25s.

The poverty story has generally been more positive for children and pensioners. However, the new round of welfare changes in the Summer Budget 2015 threatens to undermine the progress for children. In 2012/13, tax credits lifted 100,000 children out of poverty in Wales, and supported the incomes of a further 160,000 who remained in poverty. While there is some compensation through the NLW, according to the Office for Budget Responsibility the increase in wages by 2020 does not compensate for tax credit cuts or the cuts to social security for the UK as a whole. Moreover, there are very different distributional effects. Tax credits exist primarily to help those with children, as employers do not pay higher wages to people with children. A greater reliance on higher wages rather than tax credits could therefore be less help to those with children. This is particularly the case for those working relatively few hours, a group that has driven much of the increase in working poverty over the last decade. The last report in this series found that working tax credit recipients disproportionately lived in rural areas in Wales. Another result of the Budget then, is that rural areas in Wales will be hit hard by cuts to in-work support.

Devolution can leave gaps in policy between the UK and Welsh governments. For example, the Budget decreased the age of the youngest child at which lone parents are expected to look for work UK-wide, but the extension of free childcare to three- and four-year-olds announced at the same time only applied to England (since childcare is devolved).

The Welsh Government must respond both to budget measures that risk increasing poverty and to changes within Wales that are causing poverty to become more of a problem for young, working adults living in the private rented sector.

## About the project

This research is part of an ongoing series of reports monitoring poverty and social exclusion in Wales. The paper uses the latest UK public datasets to examine and understand the trends.

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## FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF. The UK-wide *Monitoring poverty and social exclusion* report is available as a free download on the JRF website, [www.jrf.org.uk](http://www.jrf.org.uk)

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