

# Why doesn't work always offer a safe escape route from poverty?

July 23 2015, by Jason Heyes

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Credit: Pixabay from Pexels

On Monday, British lawmakers will vote on a [welfare bill](#) which reflects a widely accepted idea that paid employment provides an important route out of poverty for people of working age. In fact, the proposals

make it clear that this government regards paid work as the only acceptable route out of poverty; Chancellor George Osborne has even argued that "progressive" [Labour MPs should offer their support](#). But the uncomfortable truth here is that many of those who enter paid employment remain stuck in a cycle of struggle.

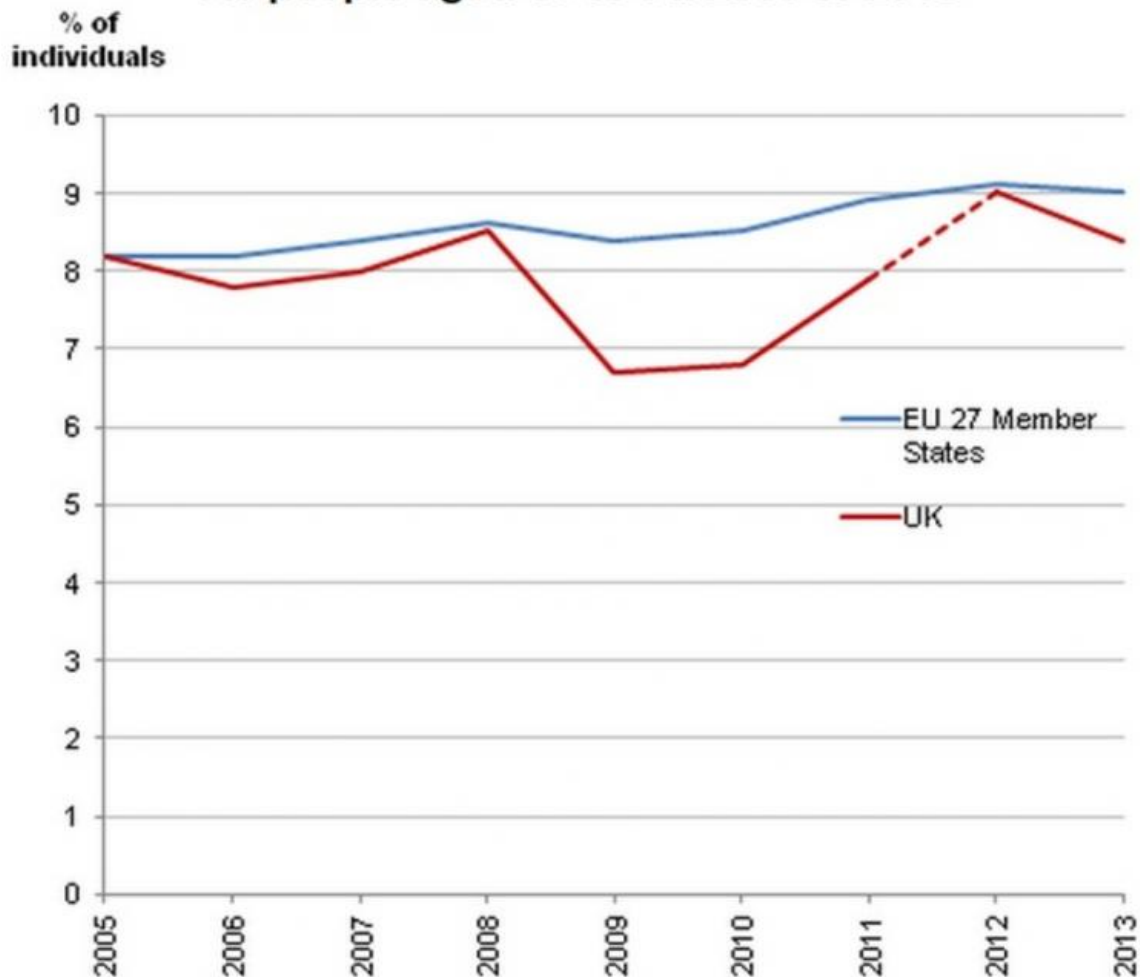
You are considered to be suffering from "[in-work poverty](#)" if you are in employment and the income of your household is below the [poverty threshold](#) – currently at 60% of the median household income. The Office for National Statistics (ONS) has estimated that 8% of people in work in 2013 were also in in-work poverty. It has hovered around this rate since 2005, with the exception of a slight dip in the two years following the start of the financial crisis.

## **Wage restricted**

The ONS figures demonstrate that for many people, entering work does not mean exiting poverty. Over the period 2007-2012, 30% of people aged 18-59 who found a job having previously been without work and living in a household in poverty, remained in poverty after taking up paid employment. Furthermore, poverty among working families has increased over time.

According to the Joseph Rowntree Foundation's [Monitoring Poverty and Social Exclusion 2014 report](#), the proportion of working-age adults in poverty who were also in work reached around two-fifths of the total by 2008/9. This increase reflected a fall (starting in the late 1990s) in workless poverty, particularly among retired families, and a growth in the number of people living in low-income, working families.

## UK and EU average in-work poverty rates for people aged 18 to 64: 2005 to 2013



Credit: Office for National Statistics/Eurostat

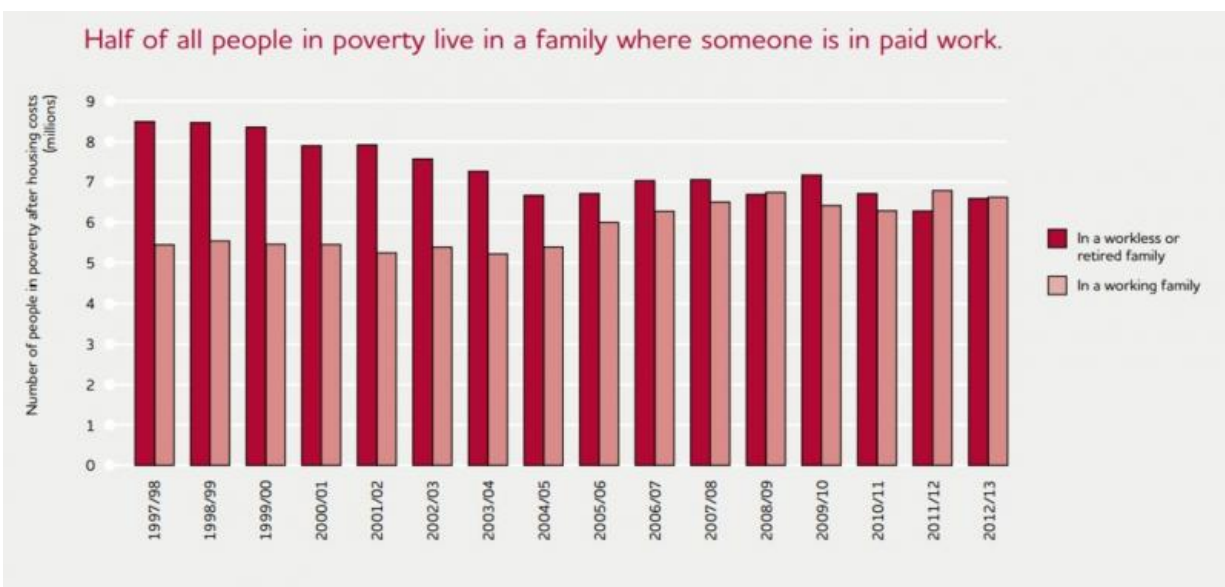
Why, then, does work not offer a better escape route from poverty? One obvious reason is that many jobs are low paid. There has been a substantial expansion over the past 30 years in employment in relatively low-paid service sector occupations such as retail work and security guards. Many of these jobs are paid at or around the level of the

National Minimum Wage and many of them are part-time and/or temporary positions. Across the EU, the average risk of experiencing in-work poverty is greater for part-time and temporary jobs [than for full-time and "permanent" jobs](#).

The insecure nature of much low-paid employment also means that there is a substantial amount of cycling between low pay and no pay, which in itself can have damaging consequences for workers' long term employment opportunities and earnings.

## Zero hours

Some of contributing factors to in-work poverty have become more pronounced since the start of the economic crisis. For example, the proportion of "involuntary" part-time workers (those who cannot find a full-time job) remains stubbornly above its May 2010 level, the number of workers who wish to work more hours than are [available to them has increased](#), and there has been a substantial growth in the number of workers employed on zero-hours contracts.



Credit: Joseph Rowntree Foundation/DWP

Drawing on LFS data, the Office for National Statistics [recently estimated](#) that 697,000 people were employed on zero-hours contracts in their main job between October and December 2014 (amounting to 2.3% of the UK workforce). In October to December 2013, the number had been 586,000 (1.9% of the workforce). Furthermore, the ONS reported that 34% of workers with zero-hours contracts would like more hours, compared with 13% of workers with alternative contracts.

Under-employment, insecurity and moving in and out of work will serve to limit any positive impact on in-work poverty rates resulting from the government's plan to introduce a Living Wage from April 2016. It will initially be set at £7.20 an hour – 50 pence higher than the value of the National Minimum Wage once the impending October 2015 increase is implemented. It should be borne in mind, however, that the current value of the existing "unofficial" Living Wage, as [set by the Living Wage Foundation](#), is £9.15 an hour in London and £7.85 elsewhere.

These figures represent minimum hourly rates that might enable people to enjoy a decent standard of living. The government's own "living wage" falls far short of both figures, which take into account tax credits that were substantially scaled back in the July budget. When combined with the announced freezing of working age benefits and lower earnings threshold for the withdrawal of tax credits, it seems unlikely that the new living wage will result in a reduction in the overall extent of in-work [poverty](#).

The worst off, including young people, who are to be excluded from the



living wage policy, are likely to lose out further. And it is possible that campaigning efforts around the higher Living Wage will lose momentum as employers gravitate towards the government's lower benchmark.

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Source: The Conversation

Citation: Why doesn't work always offer a safe escape route from poverty? (2015, July 23)  
retrieved 28 April 2024 from <https://phys.org/news/2015-07-doesnt-safe-route-poverty.html>

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