Family Misfortunes

A research report examining the key characteristics of families living in poverty in the UK

July 2016
Methodology

The findings set out in the report are based on a review of the available evidence and statistics on the factors and characteristics of families currently living in poverty within the UK.
YMCA was established in 1844 and is the largest and oldest youth charity in the world, helping more than 58 million people in 119 countries.

Here in England and Wales, 133 YMCAs work to transform more than 660 different communities, impacting on the lives of nearly 600,000 people every year.

We believe every family should have the support they need to develop and lead more fulfilling lives.

Being part of a healthy, stable family gives a young person the best start in life. YMCA offers a range of support to families including childcare services, before and after school activities, family mediation and parenting programmes.
Introduction

- **There are 3.9 million children living in poverty, equivalent to 29% of children in the UK**
- **London is the area with both the highest number and proportion of children living in poverty**

Despite living in one of the most affluent countries in the world, poverty and hardship remain the biggest issues facing many families in 2016 across the UK.

For those families living in poverty, the impact can be profound and pervasive. Few, if any other single issue, has both the immediate and long-term impacts that poverty can have on the health, education and employment prospects of an individual.

Children living in low-income households are nearly three times as likely to suffer mental health problems and more likely to be absent from school due to illness, to be hospitalised, and to report a long-standing illness.

Government figures also show by the end of primary school, pupils receiving free school meals are estimated to be almost three terms behind their peers, and by GCSEs (age 16), their attainment levels are only half of that of their fellow students.

Upon leaving education, those children who received free school meals in Year 11 are more likely than their peers to be not in employment, education and training (NEET).

This impacts not only on the families involved, but society as a whole, with a recent study estimating the cost of child poverty to the public purse to be at least £29 billion each year.

The most common method used to define poverty is those households and individuals that receive below 60% of national median income.

Based on this definition, the latest figures show that before housing costs are taken in account, 2.5 million children live in families that receive below 60% of median income.

However, when you factor in housing costs, the most recent Government data estimates that there are 3.9 million children living in poverty, equivalent to 29% of children in the UK.

The general trend over the last 15 years has been positive, with the proportion of children living in poverty having declined. However, progress has stalled with numbers having levelled out over the past four years and actually increasing over the last year.
Looking across the UK, London is the area with both the highest number and proportion of children living in relative low income families, with 39% of children living in the capital currently being classified as living in poverty.  

However, when housing costs are removed, it is the North West, Yorkshire and Humber and the West Midlands (21%) where the largest proportion of children are living in poverty. This demonstrates the impact that housing costs can have on a families’ living standards, particularly in London where these costs a disproportionately high compared to other parts of the UK.  

Given the impact that poverty can have on families’ life prospects and the trends suggesting it is a worsening problem, third sector organisations should examine the ways they can support families to develop and lead more fulfilling lives and address the issues and causes that leave families in poverty.
While there are a multitude of interrelated factors that leave families in poverty, the available evidence suggests there are some emerging characteristics that mean certain families and young people are more likely to face disadvantage during their lifetime.

The key factors identified are:

1. Worklessness and low pay
2. Low-levels of education and skills
3. Family instability
4. Family size
5. Parental ill-health and disability

This report seeks to explore the evidence behind these five factors and identify ways third sector organisations can support these families.
1. Worklessness and low pay

- 12% of children in the UK live in workless households
- Children in workless households are more than three times more likely to live in poverty than those where at least one adult is currently working
- 66% of children living in poverty in the UK are in families in which at least one adult is currently working

The main factor leaving families in poverty is the lack of sufficient income from parental employment. This is understandably most prominent among families where no-one is working.

In 2015, there were an estimated 1.4 million children living in workless households. While this number has declined over the last 20 years, 12% of all children in the UK still live in a workless household.

For some children, living in a workless household is not a temporary state of affairs, but the only life they know. An estimated 206,000 children in the UK live in households where no one has ever worked, representing 2% of all children.

While London has the highest number, it is in the north of England where the highest proportion of children living in workless households can be found.

The regions with the highest percentage of children living in workless households are the North East (21%), followed by Yorkshire and Humber (15%) and the North West (14%).
The parents of most children living in workless families are classified as economically inactive rather than unemployed.

Individuals who are economically inactive are those neither in work nor seeking employment, this includes those who are long-term sick or disabled, those looking after family/home and those who are studying.

According to the latest figures, 72% of children living in workless households do not have an economically active parent or sole guardian.\textsuperscript{14}

### Economic activity status of parents in workless families

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of children living in workless households</th>
<th>Number of children living in workless households</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>12%</td>
<td>1,431,000</td>
</tr>
<tr>
<td>England</td>
<td>12%</td>
<td>1,209,000</td>
</tr>
<tr>
<td>North East</td>
<td>21%</td>
<td>102,000</td>
</tr>
<tr>
<td>North West</td>
<td>14%</td>
<td>194,000</td>
</tr>
<tr>
<td>Yorkshire &amp; Humber</td>
<td>15%</td>
<td>158,000</td>
</tr>
<tr>
<td>East Midlands</td>
<td>12%</td>
<td>102,000</td>
</tr>
<tr>
<td>West Midlands</td>
<td>12%</td>
<td>127,000</td>
</tr>
<tr>
<td>East of England</td>
<td>8%</td>
<td>90,000</td>
</tr>
<tr>
<td>London</td>
<td>13%</td>
<td>223,000</td>
</tr>
<tr>
<td>South East</td>
<td>7%</td>
<td>121,000</td>
</tr>
<tr>
<td>South West</td>
<td>10%</td>
<td>90,000</td>
</tr>
<tr>
<td>Wales</td>
<td>13%</td>
<td>61,000</td>
</tr>
</tbody>
</table>

While new parents choosing to look after their young children will account in part for the high level of economic inactivity, the status of these households would indicate that many workless families are quite far away from either entering or returning to the labour market, which in turn makes their prospects of getting out of poverty more distant.

The additional challenges faced by this group getting into employment are also reflected when comparisons are drawn with the overall trends in unemployment. While there has been a decline in both workless families and overall unemployment, the rate of the fall in the number of workless households has been much slower than the recent falls witnessed in unemployment.\textsuperscript{15}
More than two thirds (70%) of children in workless households are currently living in poverty, making them more than three times more likely to experience poverty than those children with at least one adult in work.¹⁶

Percentage of children living in poverty by parental employment status (after housing costs)

These workless families are nearly wholly dependent on the social security system for income. With most working age benefits frozen until the end of this Parliament, there is potential for those out of work to be further cut adrift, in real terms, over the next five years. With the introduction of Universal Credit, the expectations of what this group should be doing to find work is also going to increase, with sanctions imposed on those not meeting these.

However, poverty not only affects those in workless households, families on low pay also often find themselves living in poverty. Of the 3.9 million children estimated to be living in poverty, 66% (2.6 million) are in families in which at least one adult is currently in work.¹⁷

These figures demonstrate that while finding work is critical to getting families out of poverty, it increasingly does not guarantee it.

Similarly, it is not just those workless families who are dependent on the social security system to get by. In December 2015, just fewer than five million children in the UK were in working families that received a top-up to their income through tax credits.¹⁸

The introduction of the National Living Wage and the raising of the basic tax threshold should help some families on the lowest incomes that are 25 and over. However, as with workless families, they will still be affected by the freeze on working age benefits meaning the value of their benefits will decrease in relative terms over the next five years. The impact of Universal Credit and how this interacts with other tax elements could also mean that some low income families lose out financially as they start earning.

Family Misfortunes 2016
To support workless families, programmes that help them to gain skills for employment should look to be developed. Despite not guaranteeing an escape from poverty, worklessness has the biggest impact on whether a family are in poverty and schemes which help them to find work offer the best chance of changing this and breaking the cycle for both parents and their children.
2. Low-levels of education and skills

- Fewer than half of those without qualifications are in employment
- 44% of individuals in persistent poverty have no qualifications
- Individuals without qualifications are more than twice as likely as those with qualifications to live in persistent poverty

Low qualifications can have a significant impact on a parent’s employment opportunities and the wages they are able to command, leaving their families more susceptible to poverty.

The difficulties faced by those with low-levels of formal education are demonstrated by fewer than half of those without qualifications being in employment compared with nearly three quarters of those with some form of qualifications.19

Employment rate by highest level of qualification

<table>
<thead>
<tr>
<th>Highest level of qualification</th>
<th>Employment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree level or above</td>
<td>85.3%</td>
</tr>
<tr>
<td>2+ A Levels or equivalent</td>
<td>83.5%</td>
</tr>
<tr>
<td>Apprenticeship</td>
<td>80.7%</td>
</tr>
<tr>
<td>5+ GCSEs or equivalent</td>
<td>78.3%</td>
</tr>
<tr>
<td>1-4 GCSEs or equivalent</td>
<td>73.8%</td>
</tr>
<tr>
<td>Other qualifications</td>
<td>72.3%</td>
</tr>
<tr>
<td>No qualifications</td>
<td>48.5%</td>
</tr>
</tbody>
</table>

Even for those in employment, having limited or no qualifications can have a significant impact on how much families are able to earn. The difference qualifications make in the wages families are able to command is demonstrated by those individuals without any qualifications earning 20% less than those with GCSEs between grades A* to C.20

Pay gap by highest level of qualification (in relation to GCSEs)

<table>
<thead>
<tr>
<th>Highest level of qualification</th>
<th>Median hourly pay</th>
<th>Pay gap to GCSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree</td>
<td>£16.10</td>
<td>+83%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>£12.60</td>
<td>+40%</td>
</tr>
<tr>
<td>A Levels</td>
<td>£10.00</td>
<td>+23%</td>
</tr>
<tr>
<td>GCSE grades A*–C</td>
<td>£8.68</td>
<td>0%</td>
</tr>
<tr>
<td>Other qualifications</td>
<td>£8.07</td>
<td>-7%</td>
</tr>
<tr>
<td>No qualifications</td>
<td>£6.93</td>
<td>-20%</td>
</tr>
</tbody>
</table>

As a result of these factors, more than one in five individuals in persistent poverty have no qualifications.21

This is equivalent to 20% of individuals with no qualifications spending three of the last four years living in poverty, making them more than twice as likely to live in persistent poverty as those with some form of qualifications at A-Level or below.22
A lack of qualifications amongst parents not only increases the risk of them experiencing immediate poverty, it also increases the future risk of their children experiencing poverty when they form their own families.

Consistent findings across numerous countries show that individuals with lower levels of schooling have children who also attain lower levels of schooling.\(^\text{13}\)

In the commitment to protect funding for schools, further education has been one of the victims. Budgets cuts of 24% in the last year alone have the potential to make it much harder for those who leave education with no qualifications and are now hoping for a second chance to learn.

However, one area that has, and will, continue to see investment over the forthcoming years is apprenticeships, with the Government committed to creating an additional three million apprenticeship during the current parliament.

To address the skills gap, organisations should look at programmes they can put in place, such as apprenticeships, that enable parents to participate in training and gain relevant qualifications. By enabling parents to access training, organisations can help them improve their employment prospects and likelihood of escaping poverty.
3. Family instability

- A quarter of children now grow up in single parent households
- More than a third of all children living in poverty are in single parent households
- Children living in one parent families are 1.8 times more likely to experience poverty

As a result of the financial impact that family breakdown and instability can have, this is also linked closely with poverty.

In 2013, 115,000 divorces took place within England and Wales, of which, 60% (69,000) involved children. A total of 95,000 children in England and Wales were affected by divorces in 2013.

As a result of both the divorce rate and non-marital family breakdown, 3.1 million children are now growing-up in single parent households; representing 23% of all children in the UK.
The financial strains on many single parent households are demonstrated by the high proportion of children in these households growing up in poverty, with two fifths (44%) of all children in single parent households living in poverty.\(^7\)

Given that the overall child poverty rate is 29%, children in one parent families are 1.8 times more likely to experience poverty than couples living with children.\(^8\)

The levels of poverty amongst both lone parents and couples with children have remained fairly consistent over recent years.

The relatively high levels of poverty amongst children living with lone parents are in part driven by their economic activity status. Of lone parent households, 64% are classified as working, compared to an employment rate of 92% for married or cohabiting men and 73% for married or cohabiting women.\(^9\)

A large part of the reason why the employment rate amongst lone parents is so much lower than amongst married or cohabiting parents is the challenge of balancing childcare responsibilities with work.

As is the case with workless households, living in a lone parent family not only increases the risk of children experiencing immediate poverty, it can also have a profound effect on their future prospects.
Children who experience family breakdown are more likely to experience behavioural problems, perform less well in school, need more medical treatment, leave school and home earlier, become sexually active, pregnant or a parent at an early age, and report more depressive symptoms and higher levels of smoking, drinking and other drug use during adolescence.¹⁰

The impact of family instability can be even more significant for those children and young people forced to go into care. Last year there were more than 75,000 looked after children in England and Wales, an increase of 4,200 in the last five years.¹¹

The impact that going into care can have on their future prospects is demonstrated by both their education attainment and employment status.

Just 14% of looked after children currently achieve the equivalent of five or more GCSEs at A* to C (including English and mathematics) compared to 53% of non-looked after children. By the time they reach the age of 19, two in five care leavers are not in education, employment or training.¹²

As this report has shown, both lacking qualifications and employment are two of the main characteristics that leave families in poverty, making looked after children at significant risk of facing this hardship in the future.

Given the numbers out of work and dependence on benefits, changes even slight to the social security system can have a significant impact on the relative poverty of lone parent families and looked after children.

The introduction of Universal Credit will mean that there are greater expectations placed on lone parents who are out of work and at a much earlier stage after having children, again with potential sanctions for those not meeting these expectations. Those out of work will also be subject to the freeze in working age benefits and may be impacted upon by the reduced benefit cap.

Those in work may benefit from the increase in free childcare and the raising of the basic tax threshold. However, going forward lone parents may struggle to escape the potential negative impact of limits on tax credits for additional children, the withdrawal rate under Universal Credit, as well as the overall freeze in most working age benefits.

To support single parent families get out and stay out of poverty, organisations should look at schemes that provide low-cost or heavily subsidised support to their children, both in the form of childcare, as well as before and after school clubs and holiday schemes.

Providing single parent families with access to low-cost childcare will increase the financial viability of parents being able to go to work, as the evidence shows that a lack of another parental income is a key barrier to balancing work and childcare.

As well as helping parents work, quality childcare can have a significant impact on a child’s long-term development. The Government’s Effective Provision of Pre-school Education Study found benefits of high-quality pre-schooling for children’s intellectual, social and behavioural development at school entry, at the end of Key Stage 1 (age 7) and at Key Stage 2 (age 11). This was particularly important for children from families where parents had poor or no qualifications.¹³

In addition to this, to help avoid family instability and the additional strain this can place on those involved, both emotionally and financially, relevant organisations should also look at ways to develop and extend the programmes they deliver to reconcile family relationships.

Finally, work should be undertaken to look at programmes that can support looked after children to help improve their outcomes.
4. Family size

- One in seven families in the UK consist of three or more children
- Those living in families consisting of three or more children are 1.3 times more likely to live in poverty than those in smaller family units

The size of a family can also have a significant impact on a child’s wellbeing. While growing up in a large family does not mean a child is destined to live in poverty, increased family size does increase its likelihood. This is for a number of reasons, including the costs involved in raising children and the increased constraints this can put on parents looking to work.

One in seven (1.1 million) UK families now has three or more dependent children. Children from these larger families are much more likely to face poverty during their lifetime than those living in smaller family units.

Of those children living in families with three or more children, 34% (1.3 million) are currently deemed to be living in poverty, making them 1.3 times more likely to live in poverty than children in smaller family units.

A driving force behind the levels of poverty experienced by large families is again employment. While 87% of families with three or more children have at least one working parent, for lone parent families this drops to 38%.

A number of changes to the social security system have the potential to impact on larger families going forward over the next five years. Those in work are likely to benefit from the introduction of a National Living Wage, increased free childcare and a raise in the tax threshold.
However those out of work as well as some working families, may well lose out as a result of the benefit cap, limits on tax credits for additional children, the withdrawal rate under Universal Credit, as well as the overall freeze in most working age benefits.

As with single parent families, to support larger families get out and stay out of poverty, relevant organisations should look at schemes that provide low-cost or heavily subsidised support to their children, both in the form of childcare, as well as before and after school clubs and holiday schemes.

Providing these families with access to low-cost childcare will increase the financial viability of parents being able to go to work, as the evidence outlined previously shows it is due to their family size that they struggle most to balance work and childcare.

Also as previously set out, quality childcare can improve the school readiness of children as well as their overall education attainment and chances of escaping poverty.37
5. Parental ill-health and disability

- Three in ten children live in families where someone is disabled
- Those children who live in families where someone is disabled are 1.4 times more likely to live in poverty than those where no-one is disabled

Families that include someone who is disabled are also at a greater risk of experiencing poverty at some stage in their lives and the negative repercussions this brings.

As with many of the other factors raised, supporting someone with a disability can both add costs to family expenditure while impacting the amount the family are able to earn, either due to balancing additional caring responsibilities with employment or the disability itself reducing a parent’s earning potential.

Three in ten children (4.1 million) in the UK now live in families where someone is disabled. An estimated 35% of these children (1.4 million) who live in families where someone is disabled are currently experiencing poverty.

Those children who live in families where someone is disabled are 1.4 times more likely to live in poverty than those where no-one is disabled.

While there has been a fall since its peak in 2007/08, during the last four years the percentage of children in poverty where someone is disabled is beginning to rise sharply again, which is particular worrying in the context of the reforms to the social security system being taken forward for this grouping over the next five years.
Understandably, the relative impact of disability in relation to poverty is most pronounced when this is a parent. More than two in five (43%) families in the UK where a parent is disabled are currently experiencing poverty.  

This scenario can also put a significant burden on young people. With so many adult responsibilities, young carers often miss out on opportunities that other young people have. This is demonstrated by young carers having higher than average drop out levels from education and missing more days of employment than their peers.

Despite 36% of children who live in families where someone is disabled being in poverty, only 6% are currently in households that receive disability benefits.

To help families mitigate against the negative impacts that having an ill or disabled parent can have, YMCA and other third sector organisations should focus on developing programmes that support them.

These may look at assisting young carers to access suitable respite and support or helping children and parents directly to recover from their health problems and parents gain employment.
Conclusion

Within the UK there are 3.9 million children living in poverty and this impacts every area of a young person’s development. From their long-term health and attainment at school to their access to employment – poverty is the single biggest factor in determining the future prospects of a child.

There is no one single cause or characteristic of poverty in the UK today, there are a multitude of interrelating factors that can leave families in poverty. This report seeks to highlight some of the most common characteristics that place families at greater risk of facing poverty during their lifetime.

As there is no single cause or characteristic, there is also no single answer. Employment remains the surest way of avoiding and escaping poverty, but as this report shows, two thirds of children in poverty live in homes where at least one person works.

However, given the impact that poverty can have, the numbers experiencing poverty seemingly remaining fixed at above a quarter of children in the UK and an ever shrinking social security safety net, YMCA and other third sector organisations have a critical role to play if the number of families experiencing poverty across the country are to be reduced.

In seeking to ensure all families have the support they need to develop and lead fulfilling lives, the challenge facing YMCA and other organisations is how they work with families to ensure the risks associated with the characteristics identified in this research are mitigated and do not negatively impact on their income and future wellbeing.

The first potential area of work is programmes which support parents gaining skills and finding employment. Despite not guaranteeing an escape from poverty, worklessness has the biggest impact on whether a family are in poverty and finding work offers them the best chance of changing this for them and breaking the cycle for their children.

To supplement this, third sector organisations should also look at schemes that provide low-cost or heavily subsidised support to children while allowing parents to go to work, particular targeting lone parents and larger families, as the evidence shows, it is these groups who struggle most to balance work and childcare.

To help avoid family instability and the additional strain this can place on those involved, both emotionally and financially, relevant organisations could also look at ways to develop and extend the programmes they deliver to reconcile family relationships and support looked after children.

Finally, YMCA and other third sector organisations should focus on developing programmes that support families that include someone with an illness or disability. As the evidence set out in this report shows, more than one in three families with someone with a disability currently live in poverty and this is higher when it is the parent who has the disability.

Poverty and hardship remain the biggest issues facing families in 2016 across the UK, with its impact being profound and pervasive. Without targeted action by third sector organisations over the forthcoming years, millions of children will continue to grow up in poverty and potentially suffer from its consequences long into their lives.
Notes

1. Meltzer, The Mental Health of Children and Adolescents in Great Britain, 2000
3. Department for Education, GCSE and equivalent attainment by pupil characteristics in England, 2009 to 2010
10. ONS, Working and Workless Households: 2015
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18. HM Revenue & Customs, Child and Working Tax Credits Statistics December 2015
19. ONS, Census 2011
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23. Desforges, The impact of parental involvement, parental support and family education on pupil achievement and adjustment, 2003
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36. ONS, Family Size in 2012
41. Carers Trust, Time to be Heard 2015
YMCA enables people to develop their full potential in mind, body and spirit. Inspired by, and faithful to, our Christian values, we create supportive, inclusive and energising communities, where young people can truly belong, contribute and thrive.