In-work poverty among families with children

Jonathan Cribb
Andrew Hood
Robert Joyce
Agnes Norris Keiller
In-Work Poverty among Families with Children

Jonathan Cribb
Andrew Hood
Robert Joyce
Agnes Norris Keiller

Copy-edited by Judith Payne

The Institute for Fiscal Studies
This paper forms a small part of the wider and flagship annual publication “Living Standards, Poverty and Inequality in the UK. This publication will be launched in full on Wednesday 19 July 2017 and a separate press release for outlining our overall findings will be issued closer the time. You are welcome to sign up to attend the launch event: https://www.ifs.org.uk/events/1484

This work has been produced with funding from the Joseph Rowntree Foundation (JRF). The Joseph Rowntree Foundation is an independent organisation working to inspire social change through research, policy and practice. For more information visit www.jrf.org.uk JRF is on Twitter. Keep up to date with news and comments @jrf_uk. For press releases, blogs and responses follow @jrfmedia.
## 5. In-Work Poverty among Families with Children

### Key findings

<table>
<thead>
<tr>
<th>Point</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One-third of children living in poverty in 2015 were the children of one-earner couples.</strong></td>
<td>43% of children of one-earner couples live in relative (AHC) poverty in 2015. This compares with 24% among all children in working families, 33% for children of working lone parents and 11% for children of two-earner couples.</td>
</tr>
<tr>
<td><strong>Median family earnings (before tax) in one-earner couples with children are 11% lower in real terms than 20 years ago.</strong></td>
<td>It is only due to increases in benefits and tax credits that the incomes of these families are any higher than 20 years ago; and since 2002-03 their incomes have not grown at all.</td>
</tr>
<tr>
<td><strong>This is a consequence of a broader trend: the extremely poor growth in male earnings over an extended period.</strong></td>
<td>85% of one-earner couples with children are reliant on male earnings. Median weekly earnings among men with dependent children have risen by only 0.3% per year since 1994 (compared with 2.2% for working mothers); and the earnings of working fathers in a one-earner couple have done even worse than other fathers’.</td>
</tr>
<tr>
<td><strong>Raising living standards and reducing poverty rates among one-earner couples with children could prove challenging.</strong></td>
<td>The vast majority of the working parents in these families already work full-time. The non-working partners often look a long way from the labour market: only 12% are actively seeking work, and a third have been out of paid work for at least five years. And increasing the generosity of benefits in a way that was targeted at one-earner couples would be likely to weaken the financial incentives for the second adult to find paid work.</td>
</tr>
</tbody>
</table>
The majority of children in poverty are in working families. One reason for this is that worklessness in families with children, while an important cause of poverty, has fallen significantly over the last 20 years. In addition, the relative poverty rates for children living in working families have risen over that period. As a result, the risk of poverty is more similar for children in working and non-working households now than it was 20 years ago. Earnings are still well below their levels seen prior to the 2008 recession, increasing the risk that simply having someone in work is not enough to take families out of poverty.

The aim of this chapter is to investigate further how the living standards and poverty rates of working families with children have changed and what has driven these changes. In order to do this, we examine the relationship being parents’ economic activity, their earnings and their living standards. Throughout this chapter, we focus on Great Britain, as data on Northern Ireland are only available from 2002–03 onwards.

Section 5.1 starts by setting out the characteristics of different types of working families with children. Section 5.2 compares their incomes, poverty rates and material deprivation rates. It shows that the group for which we have seen by far the least favourable trends in poverty over the past 20 years is the children of one-earner couples. Section 5.3 then looks carefully at the drivers of those trends by examining in detail the changes in the earnings of the working parents. Section 5.4 concludes by discussing potential policy lessons for a government concerned with reducing the number of children growing up in working poverty.

5.1 The characteristics of working families with children

In 2015–16, 86% of children lived with at least one working parent and almost 50% of children lived in a family in which two parents were working. Figure 5.1 provides a more detailed breakdown and shows how things have changed over the past 20 years. The proportion of children living with dual-earning parents and with single-earner couples has stayed relatively constant since the late 1990s. This might seem surprising given continued rises in rates of female employment. The explanation is that those rises have been driven largely by older women and by lone parents. Indeed, the figure shows a steady increase in the proportion of children living with a working lone parent, reaching 14% in 2015–16, and a fall in the proportion living with workless lone parents. The proportion of children living with a workless couple has declined further from an already low level. The increase in the number of children living in working families has been shown to have reduced income inequality and poverty in childhood over the last 20 years (see Belfield et al. (2016)).
Focusing on children who live in working families, Table 5.1 shows that their characteristics differ substantially between one-earner couples, two-earner couples and working lone parents. One-earner couples are significantly more likely to have a large number of children and to have a young child (two things that often, of course, go together). Over 20% of one-earner couples have three or more children, compared with less than 10% of two-earner couples and working lone parents. More than half of one-earner couples have a child aged under 5, compared with 42% of two-earner couples and only 22% of working lone parents.

These differences between one-earner and two-earner couples are fairly intuitive. Having more children and having young children can reduce the attractiveness of having a second adult in paid work for a variety of reasons including higher childcare costs, a greater value placed on time spent at home caring for children, and (in the case of the number of children) potentially more means-tested benefits to lose. Working lone parents are more likely to have older children at least in part because couples are more likely to have split up by the time children are older and because working as a lone parent with very young children may be particularly difficult (and there are no work-search conditions in the benefit system for those with very young children).

There are also differences in the education levels of parents across these different types of working families. Working lone parents are the most likely to have left education at 16. Within couples, fathers’ education levels are very similar.
irrespective of whether their partner works or not, but mothers in one-earner couples are more likely to have left school at 16 than mothers in dual-earning couples. Hence there is a likely role for low earnings potential in explaining why some one-earner couples do not have a second adult in paid work.

Table 5.1. Characteristics of working families with children, 2013–14 to 2015–16 (GB)

<table>
<thead>
<tr>
<th></th>
<th>One-earner couples</th>
<th>Two-earner couples</th>
<th>Working lone parents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of children</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>40%</td>
<td>48%</td>
<td>61%</td>
</tr>
<tr>
<td>2</td>
<td>38%</td>
<td>42%</td>
<td>30%</td>
</tr>
<tr>
<td>3</td>
<td>15%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>4 or more</td>
<td>6%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Age of youngest child</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 or 1</td>
<td>27%</td>
<td>21%</td>
<td>8%</td>
</tr>
<tr>
<td>2–4</td>
<td>26%</td>
<td>21%</td>
<td>14%</td>
</tr>
<tr>
<td>5–10</td>
<td>25%</td>
<td>29%</td>
<td>33%</td>
</tr>
<tr>
<td>11 or older</td>
<td>22%</td>
<td>29%</td>
<td>45%</td>
</tr>
<tr>
<td><strong>Education of parents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mother left education at 16</td>
<td>33%</td>
<td>26%</td>
<td>46%</td>
</tr>
<tr>
<td>Father left education at 16</td>
<td>38%</td>
<td>37%</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Ethnicity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>70%</td>
<td>86%</td>
<td>81%</td>
</tr>
<tr>
<td>Asian</td>
<td>20%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Other non-white</td>
<td>10%</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Immigrant status</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mother born outside the UK</td>
<td>35%</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Father born outside the UK</td>
<td>33%</td>
<td>17%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Note: For lone-parent families, ethnicity is simply the ethnicity of the sole adult in the family. For couples, ethnicity is ‘Asian’ if at least one adult in the couple is of Asian ethnicity. ‘Other non-white’ includes couples where neither member is of Asian ethnicity but at least one member is non-white. ‘White’ includes all other couples.

Source: Authors’ calculations using the Family Resources Survey, various years. Statistics on being born outside the UK are from authors’ calculations using the Labour Force Survey.
Table 5.1 also shows that two-earner couples with children are disproportionately from white ethnic backgrounds, with 86% of this group being white compared with 81% of working lone parents and 70% of one-earner couples. In contrast, 20% of one-earner couples with children have at least one adult of Asian ethnicity, compared with 8% of two-earner couples and only 4% of working lone parents. Given the higher child poverty rates among one-earner couples (shown in Figure 5.5 later), this helps to explain why the relative AHC child poverty rate in families with at least one Asian adult is 40%, compared with 25% among families where all adults are white.¹

The over-representation of non-white (particularly Asian) families in the one-earner-couple group is a consequence of the differences in mothers’ employment rates shown in Figure 5.2. While 72% of white mothers are in work, that figure is only 49% for mothers of Asian ethnicity and 59% for other non-white mothers. These differences are also broadly unaffected by controlling for education levels, the age of the youngest child and the number of children. Cultural expectations around mothers and work or discrimination could be playing a role, as discussed at length by Heath and Cheung (2006). In addition, Table 5.1 shows that around one in three fathers and mothers in one-earner couples were born outside the UK, compared with only 17–18% of those in two-earner couples.

For two of the three working family types (two-earner couples and working lone parents), all of the adults in the family are in work. However, for one-earner couples, there is one parent who is not in paid work. Figure 5.3 looks at whether these non-workers are actively seeking work and unable to find it, or are choosing not to work, and compares them with other non-working parents (those in

¹ On the same measure, the child poverty rate among other families containing a non-white adult is 44%.
Figure 5.3. Economic activity of the non-working parents, 2013–14 to 2015–16 (GB)

Source: Authors’ calculations using the Family Resources Survey, various years.

workless couples, and workless lone parents). Around two-thirds of non-working parents with a working partner report that their main economic activity is looking after their family or the home (i.e. they are not seeking work). Only 44% of non-working lone parents and 26% of those in workless couples with children say they are not working for this reason. Conversely, fewer non-earners in one-earner couples say they are sick or disabled, or actively seeking work and unable to find it, than is the case for non-working parents or parents in workless couples. Note also that for many of the non-workers in single-earner parent families, it has been a long time since they were in work – around two-thirds have been out of work for at least a year and around a third have been out of work for at least five years.

In summary, there are considerable differences between the characteristics of different types of working families with children, in terms of the age and number of children, their education levels and their ethnicity. Many of these differences are broadly to be expected given that they can influence the constraints and preferences that families have with respect to paid work. We have also shown that the non-workers within these families look very different from other non-working parents. In the next section, we show how the incomes and poverty rates of different types of working families with children have changed over the last 20 years.
5.2 Living standards and poverty rates for children in working families

Before looking at the risk that children living in different types of working families have of living in poverty, we first set the scene by looking at their average incomes. Figure 5.4 shows median equivalised household income for children living in working families, split out into the three types of working families considered in the previous section. Consistent with the rest of this report, income is adjusted for differences in household size and composition (equivalised) and we express all cash amounts as the equivalent amount for a childless couple.

Children with two working parents have the highest average household incomes, whereas children of one-earner couples have the lowest average incomes of the three groups. Median income for children whose parents are a one-earner couple is 37% below that for children with two working parents and 13% below those with a working lone parent. Of course, this may not reflect differences in actual living standards due to differences in childcare and other costs – a point we return to.

Figure 5.4. Median net household income (per week) of children living in a working family, by family type

Note: Great Britain only.

Source: Authors’ calculations using the Family Resources Survey, various years.

---

Before adjusting for household size and composition, in 2015–16 the median household income of a child with a working lone parent was 16% lower than that for a child of a one-earner couple. However, the differences in household size and composition (most obviously the extra adult in the family for a couple compared with a lone parent) mean that, after adjusting for the different needs of the households, the median equivalised household income for children of lone parents is higher than that for children of one-earner couples.
below. But these income differentials have not always existed. During the mid and late 1990s, median (equivalised) incomes for children of one-earner couples and of working lone parents were very similar. However, median income for children of one-earner couples is 24% higher than in 1994–95, compared with 36% for working lone parents and two-earner couples. More strikingly, median income for the one-earner-couple group is essentially the same as it was in 2002–03. In comparison, for two-earner couples with children, median income is 10% higher than it was in 2002–03.

Figure 5.5 splits children into the same groups as Figure 5.4, but shows the percentage of children living in relative AHC income poverty. As well as having the lowest average incomes, children of one-earner couples face the highest income poverty rates – 43% in 2015–16 compared with 33% for children of working lone parents and 11% for children of two-earner couples. In addition, the gap has widened over the last 20 years, particularly since 2004 (though there has been a particularly large increase in the relative poverty rate of working lone parents since 2010).

Although they have higher income poverty rates, one-earner couples may benefit from the fact that they have one non-working adult who can undertake childcare, whereas families with two working parents (or where the lone parent is working) must often purchase it. Given this (and potentially other costs such as commuting costs), simply looking at income poverty rates may not be the best way to
measure low living standards. As a complement, we therefore also look at material deprivation rates in Figure 5.6, which compares these rates across children in working families and also presents deprivation rates specifically for those in income poverty.³

The figure shows that children of working lone parents look worse off than children of one-earner couples when we look at material deprivation rather than low income, with material deprivation rates of 29% and 20% respectively. However, it is still the case that children living in one-earner-couple families have higher rates of material deprivation than children living in two-earner-couple families, where only 6% of children are categorised as materially deprived. When looking only at those who are in income poverty, children of one-earner couples also have higher rates of material deprivation than children of two-earner couples, but lower rates than those with a working lone parent.

The relatively high, and rising, poverty rate for children of one-earner couples is particularly significant for child poverty because a large fraction of children – around a quarter, as shown in Figure 5.1 – are in this group. As a consequence, a third of children in relative income poverty (measured AHC) are now in a one-earner-couple family, up from around a quarter in the mid 1990s. This is shown in Figure 5.7 and means that children of one-earner couples now make up roughly as big a share of children in income poverty as children in workless families do.

**Figure 5.6. Percentage of children classified as materially deprived, 2013–14 to 2015–16**

Source: Authors’ calculations using the Family Resources Survey, various years.

³ For details of how material deprivation is calculated, see section 5.1 of Belfield et al. (2016).
These trends invite the question of why one-earner couples with children have seen such poor income growth over the last 20 years, with the result that nearly half of children in such families are in income poverty and that they account for one-third of all child poverty. In order to investigate this, Section 5.3 looks at the trends in earnings for different types of working families.

5.3 Explaining the stagnation in incomes among one-earner couples with children

Earnings from employment are the most important source of income for working families with children, and are an important explanation for why the living standards of one-earner couples with children have performed so poorly in recent decades. Figure 5.8 plots the median gross (pre-tax) family earnings from employment for children living in different types of working families. After adjusting for inflation, the median pre-tax earnings of one-earner couples with children was 11% lower in 2015 than it was in 1994, compared with those of working lone parents being 14% higher and of two-earner couples with children being 32% higher. The weak performance of earnings for this group is not just a very recent phenomenon. Even when real earnings were growing during the late 1990s and early 2000s, they rose less quickly for one-earner couples. However, since 2002, earnings for this group have been on a steady downward trend,
Figure 5.8. Change since 1994 in median gross family earnings (per week) for children living in a working family, by family type

Note: Includes employee earnings and self-employment income.

Source: Authors’ calculations using the Family Resources Survey, various years.

whereas significant declines in earnings for working lone parents and two-earner couples have only occurred since the Great Recession.

It is worth recalling here that the proportion of children who live with one-earner couples rather than two-earner couples has been fairly stable over this period. These huge differences in earnings trends are highly unlikely to be driven simply by ‘compositional changes’ within the groups that prevent us from really comparing like-with-like over time. As we now explain, much of the differential can be explained far more simply than that.

To understand the trends in Figure 5.8, we examine how the earnings of working mothers and fathers have changed in the last 20 years. Figure 5.9 shows the average annual growth at each percentile point of the distribution of the hourly and weekly earnings of working fathers and working mothers since 1994–95. Across nearly the whole distribution, the hourly earnings of working mothers have increased more than those of fathers. The difference in weekly earnings growth between men and women is even larger than that for hourly pay growth, particularly towards the bottom of the distribution (which is most relevant for poverty). This is because of big increases in average hours of work for working
At the median, working mothers’ weekly earnings have risen by an average of 2.2% per year (after adjusting for inflation) since 1994, compared with a mere 0.3% per year for working fathers. There is little difference between the growth in hourly and weekly pay for fathers, with the exception of the very bottom of the earnings distribution, where lower hours have caused weekly pay to fall more than hourly pay. A related fact is that, as in the mid 1990s, most fathers in work are full-time employees (80%), with 15% self-employed and only 5% part-time employees; hence there is limited scope for an increase in hours worked that would boost fathers’ weekly earnings.

Growth in fathers’ earnings has been especially weak towards the bottom of the distribution. In fact, the lowest third of fathers’ earnings are no higher (or in fact lower) than they were two decades ago. Given that most one-earner couples with children are composed of a working father and a non-working mother (85%), the poor performance of fathers’ earnings is the key explanation for the difference between this group and other working families. This is really part of a wider story of a remarkable lack of growth in male earnings in recent history (not just fathers’

Note: Includes employee earnings and self-employment income in all measures of earnings. Growth at percentiles 1–4 and 96–99 are not reported.

Source: Authors’ calculations using the Family Resources Survey, various years.

For more detail on this trend, see Belfield et al. (2017).
In-Work Poverty among Families with Children

Figure 5.10. Median gross earnings (per week) of working fathers

Note: Includes employee earnings and self-employment income.
Source: Authors’ calculations using the Family Resources Survey, various years.

earnings), as is shown in Belfield et al. (2017). What this highlights is that this broad trend has had large impacts not just on rates of in-work poverty but on the types of family most at risk of it.

While fathers’ weekly earnings have, on average, grown (albeit very slowly) since the mid 1990s, Figure 5.8 showed a decrease in average family earnings in one-earner couples. Figure 5.10 shows that one reason for this is that the earnings of fathers with a non-working spouse have done even worse over the last 20 years than the earnings of other working fathers. The figure shows there has been a divergence since 2002, with larger falls for working fathers with a non-working partner than for other working fathers.

Why have trends in the earnings of fathers who have a non-working spouse looked even worse than those for other fathers? Again, one might wonder about the role of compositional changes here: perhaps fathers with a non-working spouse now are simply different kinds of people from fathers with a non-working spouse 20 years ago. Immigration could be a reason for this possibility. Figure 5.11 examines the percentage of working fathers in a one-earner couple and of other working fathers who were born outside the UK (a proxy – though an imperfect one – for immigrants available in the Labour Force Survey). The figure shows that since the mid 1990s, the proportion of working fathers in one-earner

5 We use the Labour Force Survey as it has data since 1996–97 on whether individuals were born abroad. The Family Resources Survey only contains that measure since 2008–09.
couples who were born outside the UK has risen very sharply, by 20 percentage points from 15% to 35%. The fraction rose particularly steeply after the accession of 10 new members to the European Union in 2004. The fraction of other working fathers who were born abroad also rose substantially (though from a lower level), from 7% to 16%, over the same period.

One possibility is that immigrants – who tend to earn less than similarly qualified people born in the UK\textsuperscript{6} – have joined the group of one-earner couples with children, and made earnings trends among that group look worse than they have been for those born in the UK. Figure 5.12 uses the Labour Force Survey (LFS) to look at the earnings of working fathers in one-earner couples and of other working fathers (unlike Figure 5.10, though, it does not include self-employment income), examining whether the trends differ if we focus entirely on those who were born in the UK. Figure 5.12 shows that immigrants have had a direct impact on the figures: if you exclude those born abroad, the average earnings of fathers with a non-working spouse have not performed quite as badly over the last 20 years as if you include those born abroad. However, it is not the main explanation: even looking only at fathers born in the UK, earnings levels for those in one-earner couples are lower than they were 20 years ago and have done worse than the earnings of other fathers.

\textbf{Figure 5.11. Percentage of working fathers who were born abroad}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure511.png}
\caption{Percentage of working fathers who were born abroad}
\end{figure}

\textsuperscript{6} See Dustmann and Fabbri (2005) and Anderson (2015).
Figure 5.12. Median weekly gross earnings of fathers who are employees

![Image of a graph showing median weekly gross earnings of fathers over time, with different lines representing fathers in one-earner couples and other working fathers, both born in the UK and not.]  

Note: Only includes employee earnings and therefore excludes self-employment income.  
Source: Authors’ calculations using the Labour Force Survey, various years.

Figure 5.13 documents trends in two other characteristics of working fathers, split once more by whether or not they are in a one-earner couple. Trends in education levels have been very similar for the two groups, with steady increases in those with high education in both cases. However, there are some differences regarding the types of job that these fathers are undertaking. In the mid 1990s, fathers in a one-earner couple were only slightly less likely to work in a ‘high occupational class’ job than other working fathers. By 2015, there was a bigger gap, with fathers in one-earner couples 9 percentage points less likely to be in such a job than other working fathers. Further analysis using the LFS shows that while immigration again explains a small part of this change, it is mostly due to changes in the occupational class of UK-born working fathers. These changes in occupational class, then, have played a role in explaining the different earnings trends between the two groups of working fathers in couples. The reasons for these differential trends in occupation, though, are not entirely clear and would be an interesting topic for future research.

7 These ‘high occupational class’ jobs include managerial and professional jobs (such as lawyers, teachers, nurses and scientists) and also ‘associate professional’ jobs (such as science/engineering/IT technicians, junior police officers and artistic occupations).
To summarise, the main reason why the earnings of one-earner couples with children have performed so badly is that these families are typically reliant on male earnings, and male earnings growth has been extremely weak over the last 20 years. A secondary factor is that working fathers in these families have seen even weaker earnings growth than other working fathers since the early 2000s, alongside a relative deterioration in their occupational class. Big increases in the proportion of working fathers in one-earner couples who were born abroad, who tend to earn less than similarly qualified workers born in the UK, have reinforced these patterns a little, but the basic stories apply even if looking purely at those born in the UK.

Despite family earnings from employment being lower, average net incomes for one-earner couples with children are 24% higher than they were 20 years ago (but to a lesser extent than for other working family types). The primary reason for this is large increases in the amounts of benefits and tax credits paid to low-income working families since the mid 1990s. Figure 5.14 shows the percentage of one-earner couples with children who receive benefits or tax credits (other than child benefit). Currently a little over half do. That figure has fallen from around 70% in 2010–11, as would be expected due to cuts in the generosity of tax credits for higher-income recipients, but remains significantly higher than in 1994–95, when...
only around 30% of one-earner couples with children received any benefits other than child benefit.

Figure 5.14 also shows that the average amount of income that one-earner couples receive from benefits and tax credits is far higher than it was 20 years ago. Mean weekly benefit and tax credit income (including child benefit) has doubled from just over £60 per week in 1994–95 to just under £130 per week today. This is an average across the whole group – including those who receive no benefits at all.

As ever, there are trade-offs with expansions of means-tested support. One consequence here is that with more one-earner families receiving significant amounts of means-tested benefits, there is a higher risk of weak financial incentives for the non-working parent to move into work because there are more benefits to potentially lose by doing so. Adam and Browne (2010) have shown that tax and benefit changes between the late 1990s and 2010, including the introduction of the current tax credit system, substantially weakened financial work incentives faced by individuals with children and a working partner. These incentives are known to affect some people’s choices about whether or not to work. Brewer et al. (2006) estimated that the introduction of working families’ tax credit reduced the labour supply of mothers in couples by 0.6 percentage points.

So more means-tested support has undoubtedly been an important factor in
maintaining at least some income growth among one-earner couples with children over the past 20 years; but it is not costless, either fiscally or in terms of the incentives it creates.

5.4 Conclusion

The rise of in-work poverty has become increasingly prominent in commentary and policy debates, as pay levels have done so badly while employment levels have done so well. In this chapter, we have examined this basic story in more detail to shed more light on precisely how in-work poverty among families with children is changing. A key underlying trend that turns out to be very important in this context is the extremely slow growth in men's pay levels, not just since the recession but over the past two decades. The type of family most affected by this is one-earner couples with children (85% of whom are reliant on male earnings). A third of children in relative income poverty now live with one working and one non-working parent (as many as live in a workless family). Over two-fifths (43%) of children of one-earner couples live below the relative (AHC) poverty line. Average income for this type of family was no higher in 2015–16 than in 2002–03. On the other hand faster growth in female earnings, driven to a large degree by increases in rates of full-time paid work among women, have boosted the incomes of two-earner couples and working lone parents.

There are a number of angles that policymakers might consider in response to this. One answer is, of course, to focus on increasing the earnings of the (usually male) working parent. This looks like a big challenge. The scope for simply increasing the amount of paid work they do is limited. Very few of them (around 5%) are part-time employees, and it is not falls in hours worked that have led to weak growth in weekly earnings for most of these men. For the vast majority of these fathers, what is needed is higher hourly wages: the median hourly wage of working fathers has risen by only 0.3% a year over the last 20 years. In the long run, the key way to sustain higher hourly wages is higher productivity. This area is therefore just one more example of where solving the much wider challenge of the UK’s productivity puzzle would help enormously.

Another way to boost the incomes of these families would be for the non-working partner to find paid work. Many mothers (and it is mainly mothers) choose to spend some years out of the labour force to care for children and will decide that, taking both financial and non-financial considerations into account, they are better off with one working and one non-working parent than with both parents in paid work. Radically changing this would be tough, especially given that many of the non-workers in those families do not look very close to the labour market: only 12% are actively seeking paid work, and a third have been out of paid work for at least five years. But governments might want to consider their role in
addressing some of the constraints that affect the employment rates of this group, whether they are weak financial incentives (including the cost of childcare), cultural barriers to maternal employment, discrimination or other difficulties re-engaging in the labour market after a break due to childbirth. One example could be using the extension of work-search requirements and support under universal credit to offer similar support (and, where deemed appropriate, exert similar pressure) to that currently offered to, for example, non-working lone parents.

Of course, a government concerned about the incomes of one-earner couples could choose to increase their incomes directly by increasing the generosity of means-tested benefits. That is in fact what has happened over the last 20 years: tax credits, received by more than half of one-earner couples with children, are one big reason why the net incomes of one-earner couples are slightly higher than they were 20 years ago, despite their pre-tax earnings being lower. But there are inescapable trade-offs there too, not just in terms of exchequer cost but in terms of incentives: targeting additional support specifically at one-earner couples would tend to mean making it more financially attractive to be a one-earner couple rather than a two-earner couple – and there is plenty of evidence that those incentives will affect some parents’ decisions. This trade-off is in fact illustrated by the design of universal credit: it will increase the generosity of benefits for one-earner couples relative to other families, while weakening the financial work incentives of those with a working partner on average.8

In summary, one-earner couples with children may not conform to the stereotype of modern poverty, but they nonetheless represent a sizeable and growing proportion of poor families. As ever, there are unlikely to be very easy wins in terms of policy responses, but it is a challenge that any government wanting to improve the living standards of low-income children needs to consider.

References


---

8 See Browne, Hood and Joyce (2016).


**Data**
