

Evidence Paper: In Work Poverty Including zero hours contracts

Produced by Corporate Research, Corporate Strategy and Communications Team,
Borough of Poole. September 2014



Purpose of this Paper

This paper provides evidence about in work poverty including zero hours contracts in Poole. The paper makes use of data published by the Department of Work and Pensions (DWP) and the Office of National Statistics (ONS) to provide evidence on in work Housing Benefit Claimants and rates of pay earned by residents in Poole.

Key Facts for Poole

Poole's local economy appears to be performing well, unemployment is down and the number of residents in employment has increased compared to March 2010.

4 out of 10 working age Housing Benefit claimants were in work, most were aged 25 to 44 years.

The proportion of Housing Benefit claimants that were working has increased by 21 percent in the past 3 years.

71 percent of in work Housing Benefit claimants were in private rented properties. The corresponding figure for England was 52 percent.

Poole claimants that have dependant children are more likely to be in work than those in England.

1 in 10 Poole residents earned £6.61 or less per hour when the minimum wage was £6.31 per hour.

1 in 4 part time workers in Poole earned just above the minimum wage, £6.44 or less per hour.

Inflation has a higher impact on households with low incomes because they spend a higher proportion of their income on fuel and water the price of which has been increasing at a higher rate than the headline Consumer Price Index (CPI).

Background

The Borough of Poole has published a series of reports on poverty¹. These reports quantify the extent of poverty and describe the nature and impacts of poverty. Recently these reports have included the impacts of welfare reform.

The Government is reforming the system of welfare to be fairer and to help people back into work. Universal Credit is central to the Government's Welfare Reform agenda; it is designed to both simplify the benefits system and improve work incentives by allowing individuals to keep more of their income as they move into work or increase their hours. The Government predict that more than half of affected households will have higher entitlement under Universal Credit². Although it was originally intended to be introduced from April 2013 it is now intended that

Universal Credit will be in place nationally by the end of 2017, at the time of writing there is no published timetable for the introduction or for the migration of existing claimants to Universal Credit for Poole.

Obtaining paid employment can be a route out of poverty for people of working age and their dependants. Paid employment also provides an opportunity to accumulate savings and other assets, avoiding poverty after retirement. However paid employment is not a guaranteed route out of poverty. The Joseph Rowntree Foundation has reported that in the UK there are more people in poverty in working families than those in workless and retired families³. Although this data is not available for Poole we are able to present data on in work benefit claimants, low pay and hours worked.

Local Economic Context

The economy is improving; nationally the economy grew by 3.2 percent between second quarter 2013 and the second quarter 2014.⁴

Unemployment levels in Poole are falling, the JSA claimant rate of 1.2% is the lowest rate since September 2008.⁵

In the four years to March 2014 the number of working age people in full time employment increased by 500 to 48,700, part time employment increased by 2,300 to 19,500 over the same period.⁶

Self employment is increasing amongst 16-64 year olds in Poole. The twelve month average between April 2013 and March 2014 was 11.3% (9,800), between April 2009 and March 2010 it was 8.3% (7,100 people).⁷

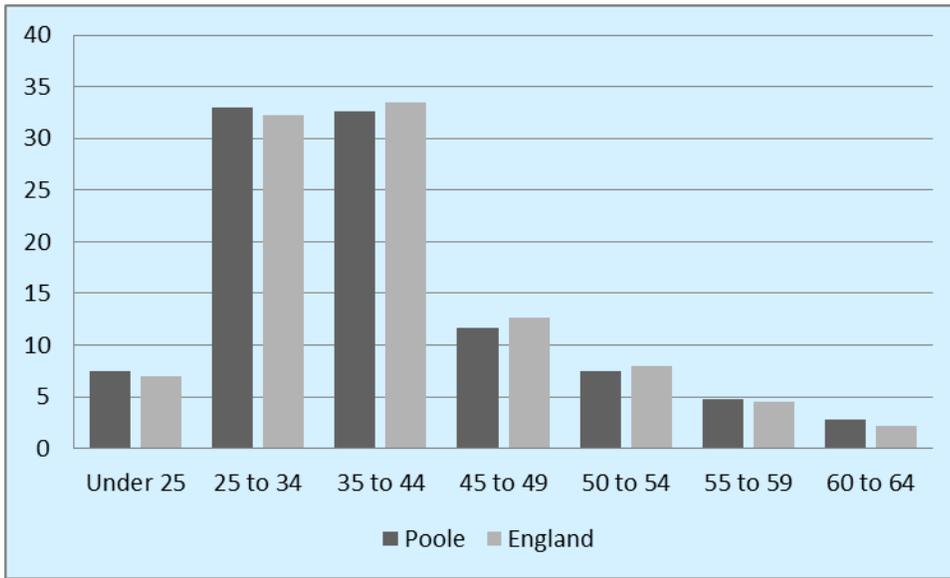
Poole's emerging Economic Development Strategy has identified 'Supporting employment, education and skills' as one of three main objectives. The strategy will set out the Council's commitment, as an enabler of economic growth, by working in partnership with others to improve skills and higher paid employment opportunities. One of the proposed key outcomes is that gross weekly pay is above the UK level by the year 2020. Median hourly pay in Poole is 91 percent of GB median hourly pay.⁸

In work and claiming Housing Benefit

The Department of Work and Pensions (DWP) publish data for residents in Poole that are claiming housing benefits and are in employment. Housing benefit is a means tested benefit to help people on low incomes with all or part of their rent.

In Poole four out of ten (2,739) working age housing benefit claimants are in work⁹. The majority of those in work and claiming housing benefit are aged 25 to 44 years. They are more likely to have dependant children and to be private tenants.

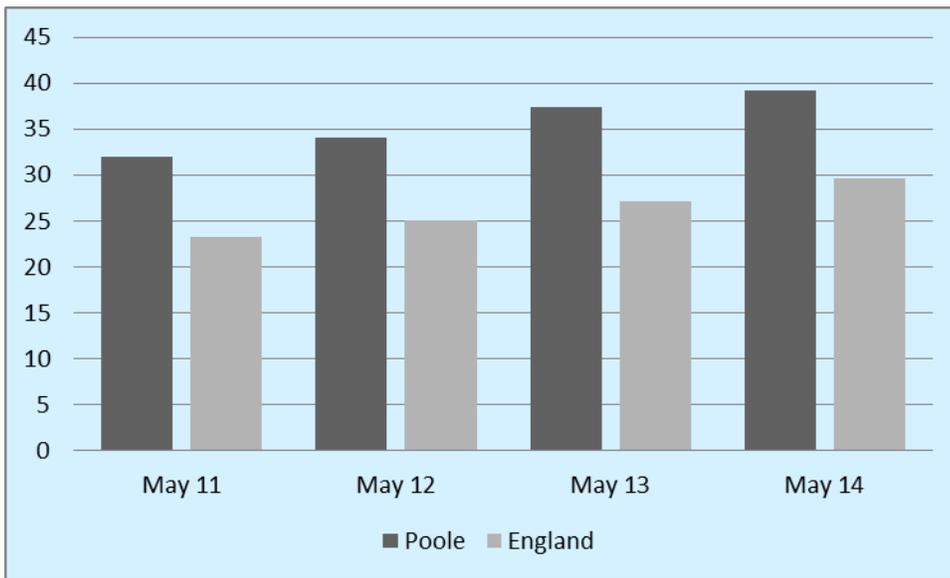
Figure 1: Percentage of In Work Housing Benefit Claimants by Age Group



Source: DWP. May 2014

The welfare reforms that have been introduced in recent years could have provided an incentive for claimants to return to work. In Poole the number of in work housing benefit claimants increased by 21 percent (479) in the three years to May 2014. The proportion of in work claimants has increased year on year since 2011 in Poole and England.

Figure 2: Percentage of In Work Housing Benefit Claimants by Year



DWP. May 2014

Higher proportions of in work housing benefit claimants in Poole could be due to the desire to work alongside the availability of jobs but may also be a consequence of affordability of housing. Average monthly rents in the private sector in Poole are higher than England.

Table 1: Private Sector Median Monthly Rents

	Poole (LHA Rate ¹⁰)	England
1 bedroom	£575 (£532)	£500
2 bedrooms	£715 (£658)	£575
3 bedrooms	£875 (£812)	£650

Valuation Office Survey for year ending 31st March 1014

The private rented sector is an important source of housing for low income households in Poole. Seven out of ten in work housing benefit claimants in Poole are private tenants; this is higher than England where about half are private tenants. The help people can receive with private sector rents is capped at the Local Housing Allowance (LHA) rate. People with low pay who could not find a property for rent below the LHA rate would need to make up any shortfall themselves. In May 2014 there were 1,966 in work housing benefits claimants in Poole in private properties with an average weekly award of £107.55.

Table 2: Number and Proportion of In Work Housing Benefit Claimants by Tenure¹¹

	Number in Poole	Poole	England
Social Rented	808	29%	48%
Private Rented	1,966	71%	52%

DWP. May 2014

In work housing benefit claimants are twice as likely as claimants who do not work to have dependant children.

Table 3: Number and Proportion of Housing Benefit Claimants with Dependant Children¹²

	Number in Poole		Poole	England
	Claimants	With Child(ren)		
In work	2,739	2,170	79%	76%
Not in work	4,260	1,654	39%	38%

DWP. May 2014

Housing Benefit claimants in Poole with dependant children are more likely than those in England to be in work. Nearly half of all single parent claimants in Poole are working. Recent welfare reforms may have had an effect. Since May 2012 single parents not in paid employment with children aged 5 or 6 have not been able to claim Income Support. The alternative Job Seekers Allowance (JSA) requires claimants to be actively seeking work.

Table 4: Number and Proportion of Housing Benefit Claimants with Dependant Child(ren)¹³

		Number in Poole	Poole	England
Single	In work	1,204	48%	39%
	Not in work	1,288	52%	61%
Couple	In work	973	72%	60%
	Not in work	381	28%	40%

DWP. May 2014

Low Pay

Minimum Wage

The national minimum wage is the statutory minimum amount a person can be paid. It is set in October each year by Government which takes into account the recommendations of the Low Pay Commission. In making their recommendations, the Low Pay Commission consider the state of the economy and the impact of the minimum wage on job prospects while also aiming to help as many low paid workers as possible.

The Minimum Wage for someone aged 21 and over was £6.31 per hour¹⁴. Rates are lower for those aged less than 21 and for Apprentices. One in ten employees resident in both Poole and England earned £6.61 or less in 2013¹⁵.

Living Wage

The Living Wage is set annually in November each year by the Living Wage Foundation and calculated by the Centre for Research in Social Policy at Loughborough University. Employers choose voluntarily to become accredited Living Wage Employers. The Living Wage is based on what households need in order to have a minimum acceptable standard of living. Decisions about what to include in this standard are made by groups comprising members of the public. The Living Wage is therefore rooted in social consensus about what people need to make ends meet¹⁶.

The Living Wage is currently set at £7.65 for people living outside London. One in five (20 percent) of employees resident in Poole earn less than the Living Wage. This is similar to England where 20 percent earn less than £7.60.¹⁷

Lower Quartile Pay

Lower quartile pay is the level of pay that is earned by one quarter of workers in Poole. The level of lower quartile pay for all Poole residents is similar to all England residents £8.18 and £8.17 respectively. Lower quartile pay for part time workers is less than full time workers. The table below shows that one in four male part time workers earn just above the minimum wage. Data for England¹⁸ shows that one in four part male workers, work 9.9 hours or less per week.

The equivalent figure for part time female workers is 12.4 hours or less per week. Reliable data is not available for Poole.

Table 7: Lower Quartile Hourly Pay (£'s)

	Poole	England
Male Full Time	9.75	9.82
Male Part Time	6.44	6.48
Female Full Time	8.91	8.86
Female Part Time	6.84	6.79
All workers	8.18	8.17

Annual Survey of Hours and Earnings, ONS. 2013

Cost of Living

The minimum wage has not increased at the same rate as inflation as measured by the Consumer Price Index (CPI).

Table 8: Annual Increase in Inflation and CPI

	CPI	Increase in Minimum wage at 21 years
October 2011	5.0%	2.5%
October 2012	2.6%	1.8%
October 2013	2.2%	1.9%

ONS. 2014

Inflation has a disproportionate effect on lower income households. Inflation measured by the Consumer Price Index (CPI) increased by 1.6% in the year to July 14. A study by the Institute of Fiscal Studies shows that households with lower incomes spend a higher proportion of their incomes on Fuel, Water and Food compared to higher income households. Apart from Food the latest reported figures show the price of these items increased by¹⁹;

Fuel 4.7%

Electricity 5.6%

Gas 5.1%

Food -0.4%

Water 2.4%

Zero hours contracts

There has been a near four fold increase in the number of people who reported they were on a zero hours contract in the UK, from 168,000 in 2010 to 583,000 in 2013²⁰. We have not been able establish if a similar increase occurred for employees in Poole.

The average hourly pay for people on zero hours contracts was estimated to be £9.12.²¹

In their report 'A Matter of Time'²² the Resolution Foundation noted that;

People with zero hours contracts work in health and social care (20 percent), hospitality (19 percent), administration (12 percent) retail (11 percent) and arts, entertainment and leisure (8 percent). Health and social care and administration are significant employment sectors in Poole²³.

37 percent were aged 16 to 24 years.

Work fewer hours on average, 21 hours per week compared to 31 hours for those who are not zero hour contracts.

Research by the Chartered Institute of Personnel and Development (CIPD)²⁴ suggests that

“ zero-hours contracts, managed properly, can work for both employers and individuals. Zero-hours workers are much more likely to be satisfied with having no minimum set contracted hours as they are to be dissatisfied. They also report marginally higher levels of overall job satisfaction than the average employee.”²⁵

However, CIPD also note that

“there are areas of poor practice identified, for example, some employers are not providing written terms and conditions for zero-hours contract staff and a significant proportion of zero-hours workers report having pre-arranged work cancelled with no notice or at the start of a shift. There is also significant confusion among employers and zero-hours workers over the issue of employment status and rights.”²⁶

The Government is concerned about poor practice in the use of zero hours contracts and has announced via the Business Secretary that it will;

“consult further on how to prevent rogue employers evading the exclusivity ban, for example through offering 1 hour fixed contracts

work with business representatives and unions to develop a code of practice on the fair use of zero hours contracts by the end of the year (2014)

work with stakeholders to review existing guidance and improve information available to employees and employers on using these contracts”²⁷

Further Details

For further details or queries about this report, please contact Pete Stratford, Corporate Strategy and Communications Team, Borough of Poole. Tel 01202 633306, or email p.stratford@poole.gov.uk.

Last Update: 22/9/14

Notice:

The Borough of Poole is the owner of the copyright in this report publication and all rights as defined in the Copyright, Designs and Patents Act 1988.

The consent of the Borough of Poole is not required for the report to be downloaded, copied or reproduced in any format for research, private study or for internal circulation within an organisation provided that users reproduce the information accurately, without alterations, and not in a misleading way. The Borough of Poole must be credited as the original author of the work.

¹ <http://www.boroughofpoole.com/your-council/how-the-council-works/research/pooles-strategic-assessment/>

² Impact Assessment: Universal Credit, Department for Work and Pensions. December 2012.

³ Monitoring Poverty and social Exclusion 2013, Joseph Rowntree Foundation. 2013.

⁴ As measured by Gross Domestic Product (GDP), Office of National Statistics. July 2014.

⁵ *Source: JSA Claimants July 2014.*

⁶ Annual Population Survey. Office of National Statistics. 2014

⁷ *Source: Annual Population Survey Apr 2003 – Mar 2014*

⁸ Median full-time hourly rate of pay (residence-based) £11.87 is 91% of GB (£13.08) – Annual Survey of Hours and Earnings (ASHE). 2013 (Provisional)

⁹ Department of Work Pensions, May 2014.

¹⁰ Local Housing Allowance (LHA) Rate is the maximum amount of Housing Benefit that can be claimed, it is set at the 30th percentile of local private rents. That is, 3 out of 10 local private rents will be at or below this level.

¹¹ It should be noted that disclosure control has been applied by the DWP to the source tables used to compile the data in this table.

¹² It should be noted that disclosure control has been applied by the DWP to the source tables used to compile the data in this table.

¹³ It should be noted that disclosure control has been applied by the DWP to the source tables used to compile the data in this table.

¹⁴ As of 1st October 2013.

¹⁵ Annual Survey of Hours and Earnings, Office of National Statistics. 2013

¹⁶ A Minimum Income Standard for the UK in 2014, Joseph Rowntree Foundation. July 2014

¹⁷ Annual Survey of Hours and Earnings, Office of National Statistics. 2013

¹⁸ Annual Survey of Hours and Earnings, Office of National Statistics. 2013

¹⁹ Figures are for the year to July 23014. ONS. August 2014.

²⁰ Labour Force Survey, Office of National Statistics. June 2014

²¹ Labour Force Survey, October to December 2012, ONS. 2013

²² A Matter of Time – The rise of zero-hours contracts, Resolution Foundation. June 2013.

²³ Poole's Local Economy, Borough of Poole. September 2011.

²⁴ CIPD is the professional body for HR and people development.

²⁵ Zero-Hours Contracts – Myth and reality, CIPD. November 2013

²⁶ Zero-Hours Contracts – Myth and reality, CIPD. November 2013

²⁷ The Rt Hon Dr Vince Cable MP, Department for Business, Innovation and skills. 25th June 2014