Loughborough University

This item was submitted to Loughborough's Research Repository by the author.
Items in Figshare are protected by copyright, with all rights reserved, unless otherwise indicated.

Lone parents under pressure

PLEASE CITE THE PUBLISHED VERSION

https://www.lboro.ac.uk/research/crsp/publications/

PUBLISHER

© Loughborough University Published by the Centre for Research in Social Policy Loughborough University

VERSION

VoR (Version of Record)

LICENCE

CC BY-NC-ND 4.0

REPOSITORY RECORD

Hirsch, Donald, and Juliet Stone. 2019. “Lone Parents Under Pressure”. figshare.
https://hdl.handle.net/2134/36889.

Lone parents under pressure

CRSP Working Paper

Authors:

Donald Hirsch

Juliet Stone

Loughborough University

ISBN 978 0946831 54 8

© Loughborough University
Published by the
Centre for Research in Social Policy
Loughborough University
Leicestershire
LE11 3TU

ISBN 978 0946831 54 8

All rights reserved. Reproduction of this report by photocopying or electronic means for non-commercial purposes is permitted. Otherwise, no part of this report may be reproduced, adapted, stored in a retrieval system or transmitted by any means, electronic, mechanical, photocopying, or otherwise without the prior written permission of Loughborough University.

CONTENTS

1 INTRODUCTION 1

2 WHAT FACTORS ARE CONTRIBUTING TO INADEQUATE INCOME FOR LONE PARENT HOUSEHOLDS? 3

3 LOOKING AHEAD 8

4 A PROFILE OF CHILDREN IN LONE PARENT HOUSEHOLDS BELOW THE MINIMUM INCOME STANDARD 10

5 CONCLUSION 22

REFERENCES 23

1 INTRODUCTION

Of 2.5 million children living in lone parent households[1] today, over 1.8 million have insufficient income coming into their household to afford a minimum standard of living, allowing them to meet material needs and participate in society. That is to say, nearly three out four children with a lone parent have household income below the Minimum Income Standard (MIS) benchmark showing what ordinary families say is needed as a minimum in the UK today.

This finding from the latest available data (reported fully in Stone et al., 2018) is particularly striking because the percentage of children in lone parent households who are below MIS (74%) is so much higher than for any other group: well over twice as high as for children living with two parents (34%) or for the population on average (29%), and more than four times as high as for pensioners (16%). Moreover, the chance of a child of a lone parent being in a household with too little income has been gradually rising over the past decade. Even though times have been tough for many groups, since 2014 the overall percentage of people living in households below MIS has started to fall overall, and for children in two-parent families, but this is not the case for lone parent families.

This paper identifies some characteristics of lone parents most associated with low income that can contribute to the framing of solutions. It sets the context first by looking briefly at some of the underlying factors that are causing things to get worse and are likely to continue doing so under current trends and policies. To illustrate

[1] The calculations in this paper refer to 'children in lone parent households', defined as those in households comprising only a lone parent plus dependent children. In addition to the 2.5 million children in this situation, about 0.6 million live with lone parents and other adults, such as grown-up siblings. MIS does not make a direct estimate of such households' needs, so the present analysis excludes them. However, the full population data in Stone et al., (2018) does make an estimate for all 3.1 million children living with lone parents. This produces a slightly different percentage below MIS (72% rather than 74%), but this is not statistically significant.

the future effect of these policies, the paper also makes a calculation of the number of children in lone parent households who would be below MIS were certain future policies to be in place today. These policies are common to both the existing benefits system and to Universal Credit (UC), which is replacing it. The paper then looks more closely at a range of characteristics of children of lone parents falling below MIS, in order to identify a number of issues that need addressing in order to tackle the problem – related in particular to employment and to housing.

2 WHAT FACTORS ARE CONTRIBUTING TO INADEQUATE INCOME FOR LONE PARENT HOUSEHOLDS?

Many lone parents struggle to ensure that their children receive both the care that they need and an adequate living standard. The majority do not have a child maintenance arrangement, and depend on their earnings combined with state benefits and tax credits to make ends meet. They are encouraged to work, but their earnings potential is more limited than for couple parents, as they juggle high childcare costs and the desire to spend time with their children.

In the past 20 years, tax credits have become an important part of this equation. Introduced from 1998 onwards, they have helped lone parents become better off in work, both by supplementing wages and by contributing to the cost of childcare. Partly as a consequence, and helped also by a long-term growth in the number of jobs, nearly 60% of lone parents are working today, compared to just over 40% in 1998.

However, as shown in Figure 1, a steady, decade-long fall in the poverty rate for children of lone parents ceased after 2010 and reversed after 2013, even though their employment rates have recently risen to record levels. In contrast, children of couples saw neither the distinct fall nor the subsequent rise in poverty levels experienced by children of lone parents.

Figure 1 uses the relative poverty rate, the percentage of children in households below 60% median income. The Minimum Income Standard has provided an alternative measure of low income trends, using a benchmark that takes account of changes in the actual costs that families face, rather than being referenced on median household incomes, whose fluctuations over the past decade have affected

this measure in a way that does not reflect changes in needs. Figure 2 shows that soon after 2008, when the MIS benchmark was first measured, families' risk of being below it rose across the board. For children with couple parents, there has been a reduction in this risk since 2013, from 39% to 34%, and there has and this is also the case for the population as a whole (Stone et al., 2018). However, for children in lone parent households, there has been an increase in the most recent year with figures available, and the rate remains close to its peak.

Figure 1 **Percentage of children in households below 60% median income, after housing costs 2000/01 to 2016/17**

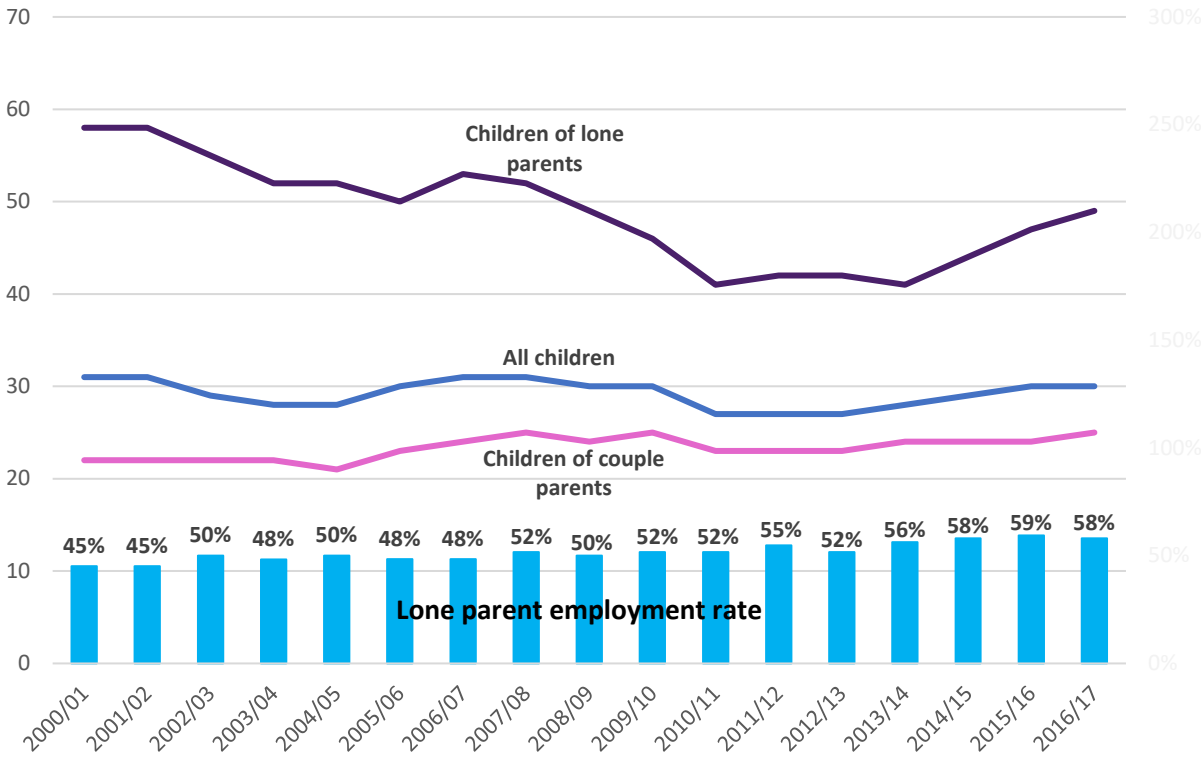
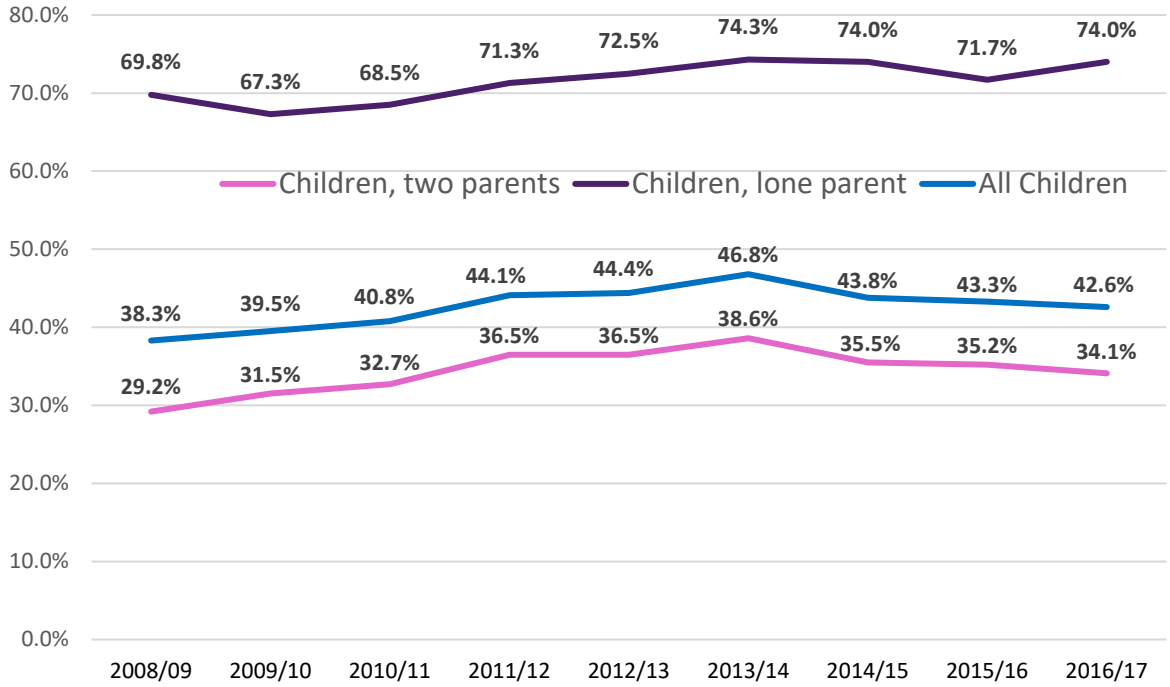


Figure 2 Percentage of individuals in households below MIS, 2008/09 to 2016/17



In the next few years, under present policies, this deterioration is set to get considerably worse. The Institute for Fiscal Studies, for example, forecasts that by 2021, child poverty will have risen to a record 37%, after housing costs (Hood and Waters, 2017).

As shown by a range of recent analyses (e.g. Hood and Waters, 2017; Joyce and Keiller, 2018), these trends and projections are heavily influenced by past and future cuts in benefits and tax credits but are also influenced by trends in earnings and in costs. In each of these three areas – public support, pay and costs – lone parents are particularly vulnerable. In particular:

- Lone parents have a heavy dependence on benefits and tax credits. Almost all lone parents get some level of tax credit, compared to just over a quarter of couple parents. Moreover, more than nine-tenths of lone parents' awards include the full Child Tax Credit (CTC) plus some level of Working Tax Credit or out-of-work benefit, whereas for couples with children over a third of claims

are just for a partial CTC, reduced in line with earnings (author calculation from HMRC tax credit statistics 2016/17, Table 2.2). As a result, cuts in public support hit lone parents hard – including the raising of the tax credit taper in 2011, the freeze in working age benefits and the Local Housing Allowance since 2016 and two policies being brought in for new families, the abolition of the family element of CTC and the two-child limit for tax credit and UC claims.

- The switch to UC creates winners and losers, and the balance between the two is less clearly unfavourable than it was before announcements made in the 2018 Budget, although much depends on the extent to which Universal Credit fulfils its promise of improving take-up:

> *"Whether UC, once in steady state, will overall provide more support to families than the current system depends greatly on the extent to which UC delivers an expected boost to take-up. Without an increase in take-up, UC will be £1.5 billion less generous a year in 2023-24; assuming it achieves a full take-up effect, it will be £1.6 billion more generous."* Resolution Foundation, *How to spend It- Autumn Budget 2018 response*, page 15.

While the final number of winners and losers thus remains uncertain, it is worth noting that when compared to tax credits, UC is systematically less favourable to working lone parents than to couple parents. The adult portion of the in-work credit is set at a higher rate in UC for couples for singles, rather than at one level for all families with children as under Working Tax Credit. Moreover, while the original design of UC helped offset the effect of this and to recognise additional barriers to work for lone parents by giving them a substantially higher Work Allowance, this was discontinued in the cuts to UC in 2016. This remains the case following the increase in Work Allowances announced in the 2018 Budget, which were equal for all families with children.

- Lone parents are less well positioned to benefit from wages growth. Under a quarter of lone parents work full time, and just over a third work part time. A lone parent working part time naturally gains far less from measures to boost

hourly wages such as the National Living Wage than say a couple with one person working full time and one part time. Moreover, mothers in general and part-timers in particular have been shown to progress less well up the pay ladder than full-timers (Joyce and Keiller, 2018).

- Lone parents have seen some costs rising particularly fast. The most obvious is childcare, whose cost has risen by well over 50% since 2008, far faster than either earnings or inflation. A working lone parent working the same hours and with the same childcare needs as a second earner in a couple faces similar childcare costs, but a proportionately larger burden in covering these than a family with two adults and two earners. Similarly, when other fixed costs for families rise, the proportionate effect on lone parent budgets is greater. In recent years, deteriorating public transport has caused parents in MIS groups to conclude that you now need a car if you have a family (other than in London), and this brings a proportionately greater new cost to a lone parent. In addition, domestic fuel costs, while varying with size of household, are only 6% higher in the MIS budget for a couple with two children than for a lone parent with two children, so the steep 45% increase in these fuel bills over the past decade has a proportionately larger effect for the lone parent. Overall, the minimum cost of living after rent and childcare has risen 38% for a lone parent with two children and 30% for a couple with two children since 2008 (Davis et al., 2018; CRSP 2018).

3 LOOKING AHEAD

The most serious of the cuts mentioned above affecting lone parents are not yet reflected in the present income figures, which capture only the initial effect of the benefits freeze and none of the effect of removing the family element and imposing the two-child limit to tax credits and UC. In these figures, 74% of children in lone parent households are shown as having household incomes below MIS and 45% have incomes more than 25% below the MIS level. One simple way of capturing what is in the pipeline is to calculate what would be the effect on these figures if the above-mentioned future cuts were in place now. This calculation, whose results are shown in Figure 3, reveals:

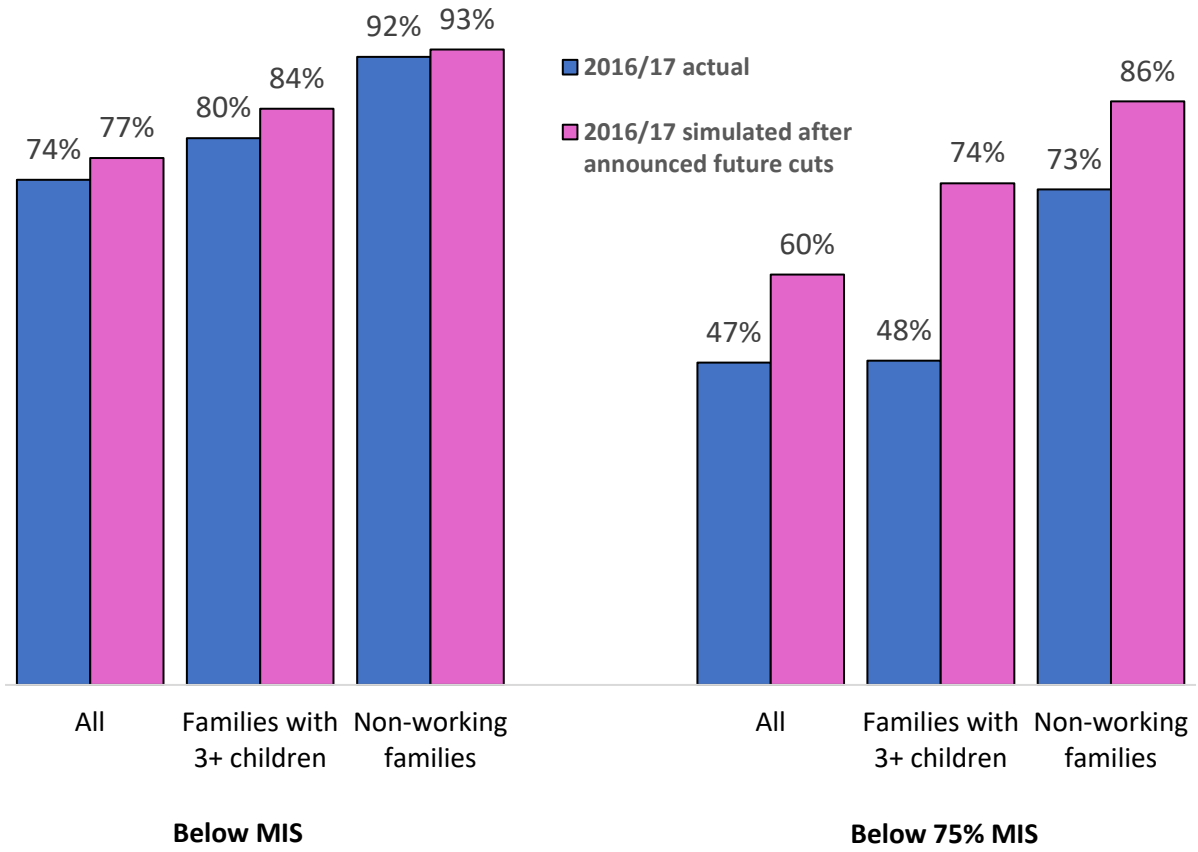
- That the proportion below MIS would rise further, though not by much, under this scenario: from 74% to 77%. More drastically, the proportion below 75% of MIS would rise from 47% to 60% were future cuts in place now. This represents a clear majority of children of lone parents set to be on incomes shown to make them four times as likely to face hardship than those above the MIS level (Hirsch et al., 2016).
- That for those in families with three children or more, the risk of having very low income goes up even more steeply – from slightly under half to nearly three in four. Thus, having a lone parent and at least two siblings will be far more likely than not to cause material hardship in the future under projected cuts.
- That having a lone parent who does not work is set to become an almost certain recipe for very low income under announced policies. Today, there remains a substantial minority -about one in four – children who despite having non-working lone parents, have family incomes no more than 25% below the MIS level. Under the projected policies, almost nine children in ten with a non-working lone parent will have family incomes lower than this, which are highly likely to lead to material hardship.

Figure 3 **If three forthcoming cuts* were now in place, six in ten children of lone parents would fall at least 25% short of the minimum**

*Benefits freeze; ending family element of tax credits; restricting tax credits to two children

Under the projected cuts, there would be an even higher proportion of children of lone parents below MIS…

… but the biggest effect would be to raise the proportion of children of lone parents at least 25% below MIS from under half to six in ten, and to



4 A PROFILE OF CHILDREN IN LONE PARENT HOUSEHOLDS BELOW THE MINIMUM INCOME STANDARD

In considering what measures could most effectively address the high and rising risk of low income faced by lone parents, it is important to consider various aspects of their employment, housing and family situations, and how these are changing. The following important findings and implications emerge from the data:

a) More lone parents are now in work, but this has had limited effects on the risk of low income

It has become a familiar feature of child poverty that it is attributable to an increasing degree to poor incomes of working families rather than parents lacking jobs. This has been less true of lone parent families than all families with children, since not much fewer than half of lone parents remain outside work. Nevertheless, the proportion of children in lone parent households below MIS who have working parents has risen sharply, from 33% to 46%. As shown in Figure 4 and Table 1, this has been driven partly by an increase in the percentage of children of lone parents who are in working households, from 49% to 57%, and partly by a substantial rise in the proportion of those in working households who are below MIS, from 47% to 60%.

Figure 4 **More lone parents are working, but this has not stopped an increase in the number below the Minimum Income Standard**

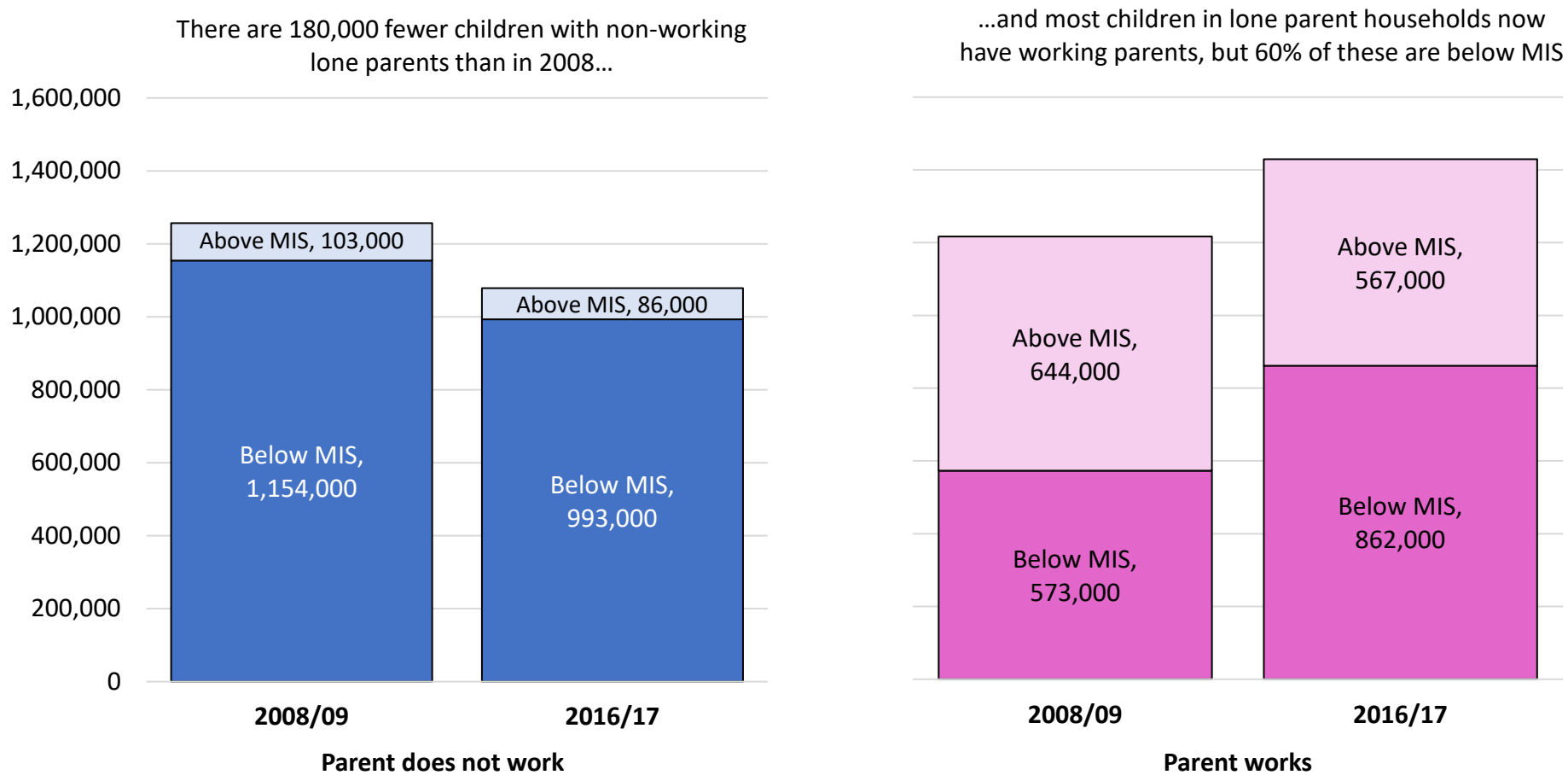


Table 1 Children in lone parent households and low income, by whether parent works

	Thousands	As % of all children of LPs	Thousands below MIS	% who are below MIS ('risk')	% of all below MIS ('composition')
Not working 2008/09	1,257	51%	1,154	92%	67%
Not working 2016/17	1,079	43%	993	92%	54%
Change (000s/%age points)	-178	-8%	-161	0%	-13%
Working 2008/09	1,217	49%	573	47%	33%
Working 2016/17	1,429	57%	862	60%	46%
Change (000s/%age points)	212	8%	289	13%	13%

This increase in employment but also in the prevalence of low income in work is associated, for lone parents, particularly with part time work. Figure 5 and Table 2 show a dramatic rise in the number of children living with parents working part time, from 620,000 to 870,000, but the increased chance (from 62% to 73%) that part-time work does not produce a minimum acceptable income. Meanwhile the number with full-time jobs has fallen. What all this points to is the need not just to get lone parents into work but also to ensure that work pays. While policies to raise wage rates can contribute to this, at least as important will be measures to help lone parents achieve stable work with sufficient working hours to improve working hours, while the in-work benefits regime remains crucial.

Figure 5 **Lone parent employment growth has been in part-time work, with a high and rising chance of producing income below MIS**

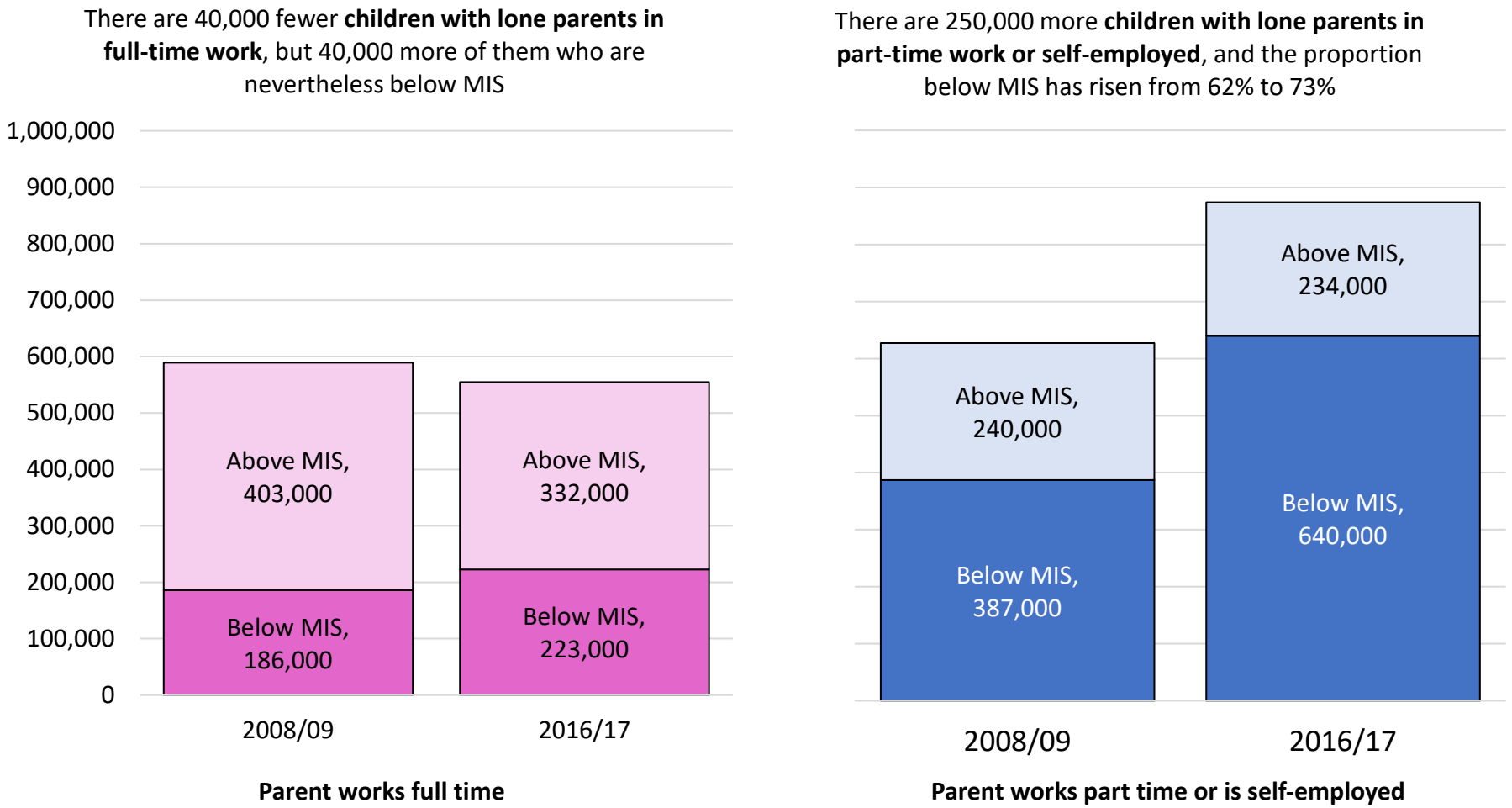


Table 2 Children in working lone parent households and low income, by working status

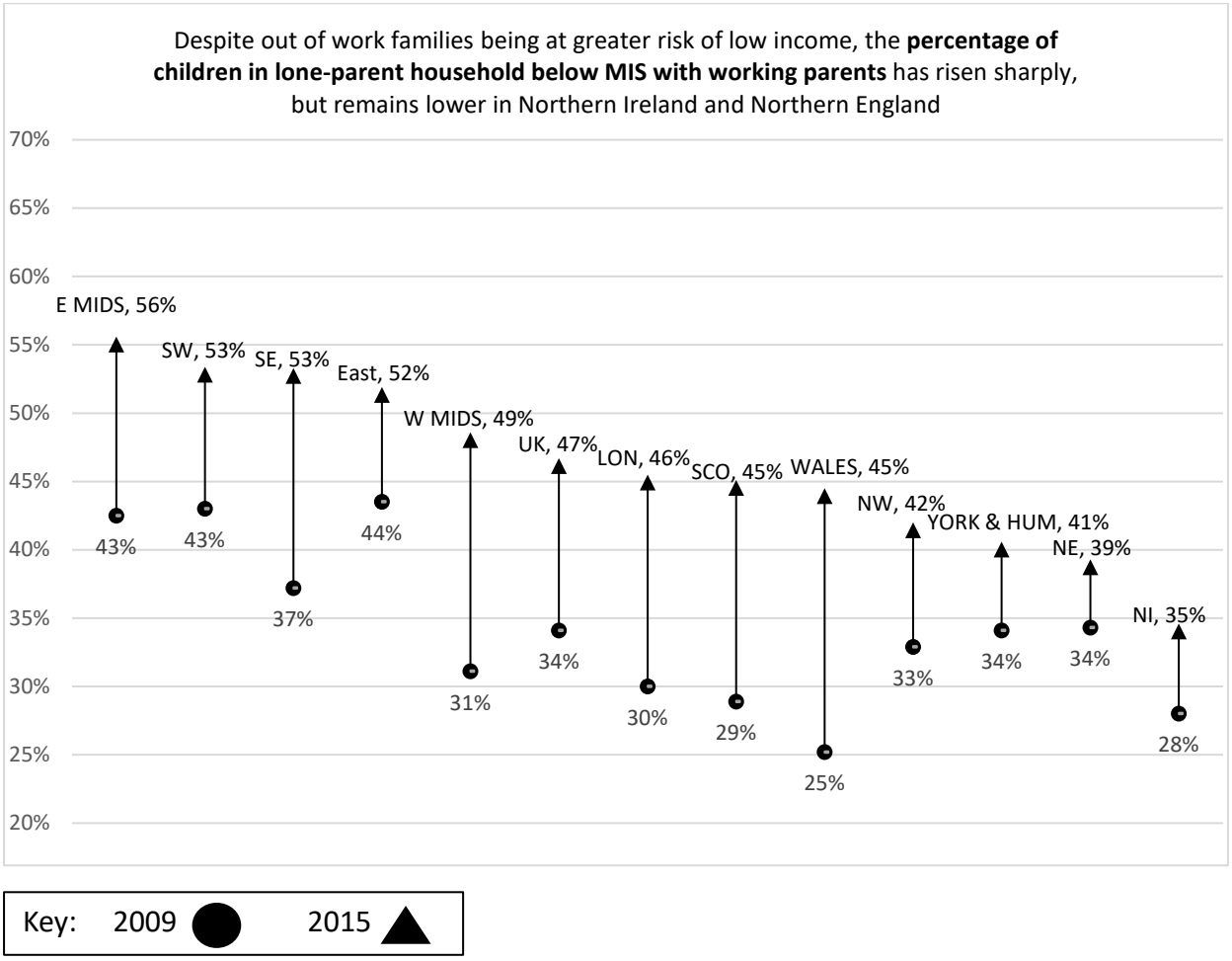
	Thousands	As % of all children of working LPS	Thousands below MIS	% who are below MIS ("risk")	% of all below MIS ("composition")
Full time 2008/09	590	48%	186	32%	32%
Full time 2016/17	555	39%	223	40%	26%
Change (000s/%age points)	-35	-10%	36	9%	-7%
Part time 2008/09	628	52%	387	62%	68%
Part time 2016/17	874	61%	640	73%	74%
Change (000s/%age points)	246	10%	252	12%	7%

b) In different parts of the UK, the low incomes of lone parents in and out of work have different relative importance

In some regions in the South and Midlands, over 60% of all children with lone parents are now in working families, whereas in some other areas of the country, they remain a minority. This is reflected in very different proportions of those below MIS who have working parents, shown in Figure 6. In the East Midlands, and areas of Southern England outside London, it is the majority. In Northern Ireland, two thirds of those below MIS are out of work. Moreover, since 2008 London and the South East have seen twice as much increase in the proportion of children below MIS whose parents have jobs as regions of Northern England and Northern Ireland. These results are influenced to a large extent by differences in employment rates: the North East and Northern Ireland are the two regions where these rates are substantially above average, while the South East and South West are two of the three regions where they are substantially above average (ONS, Labour Market Statistics, October 2018, Summary Table 22). Another factor, especially in London, is housing costs, which can cause many working lone parents in affluent regions to end up with low disposable incomes. Regional strategies to address low income need to take account of these very different conditions. In regions where there the problem is more concentrated among working families, particularly those in part-time work, strategies need to address the quality and quantity of work, and costs such as for

childcare and housing that are reducing disposable incomes of working lone parents. In regions where most of those affected are not working, help in getting into work needs to be addressed, as do the factors that cause out of work families to have low disposable incomes, including having housing costs that are not covered fully by benefits.

Figure 6 In some regions, the majority of children with lone parents below MIS now have a working parent



Based on three-year averages: 2008/09-2010/11 ('2009') and 2014/15-2016/17 ('2015')

c) For the growing proportion of children in lone parent families who live in privately rented housing, high rents are a growing factor producing low disposable income

Of around 2.5 million children living with lone parents, around half a million, one in five, were in privately rented accommodation in 2008. As shown in Figure 7 and Table 3, just eight years later, this had risen dramatically to over 850,000, one in three. Moreover, the number of such children in families that do not reach MIS has grown from just over 400,000 to nearly 700,000. Two thirds of these, around 450,000, have incomes at least 25% below the MIS level.

These changes reflect a transformation of costs faced by many lone parent families. On average, the housing cost paid by lone parents in the private rented sector is £153 a week, compared to £111 in social housing and just £59 for owner occupiers. This extra £42 cost compared to social housing is particularly serious for lone parents because of the restriction of Housing Benefit for private tenants under the Local Housing Allowance. Even before LHA rates were frozen in 2016, around 90% of low income tenants had rents above its allowable level (Joyce et al., 2017). Thus for most private tenants, every increase in rents directly reduces disposable incomes. Since private rents for lone parents have increased by about £30 a week over the past decade, this is putting severe pressure on family budgets. In addition, for lone parents in social housing, the removal of the spare room subsidy or 'bedroom tax' reduces disposable income for an estimated 150,000 tenants, according to Gingerbread. These figures demonstrate that measures to address housing options, rent levels and the housing benefit regime have become central to any strategy to tackle inadequate family income.

Figure 7 **Nearly 60% more children of lone parents than in 2008 live in private rented housing and have inadequate incomes**

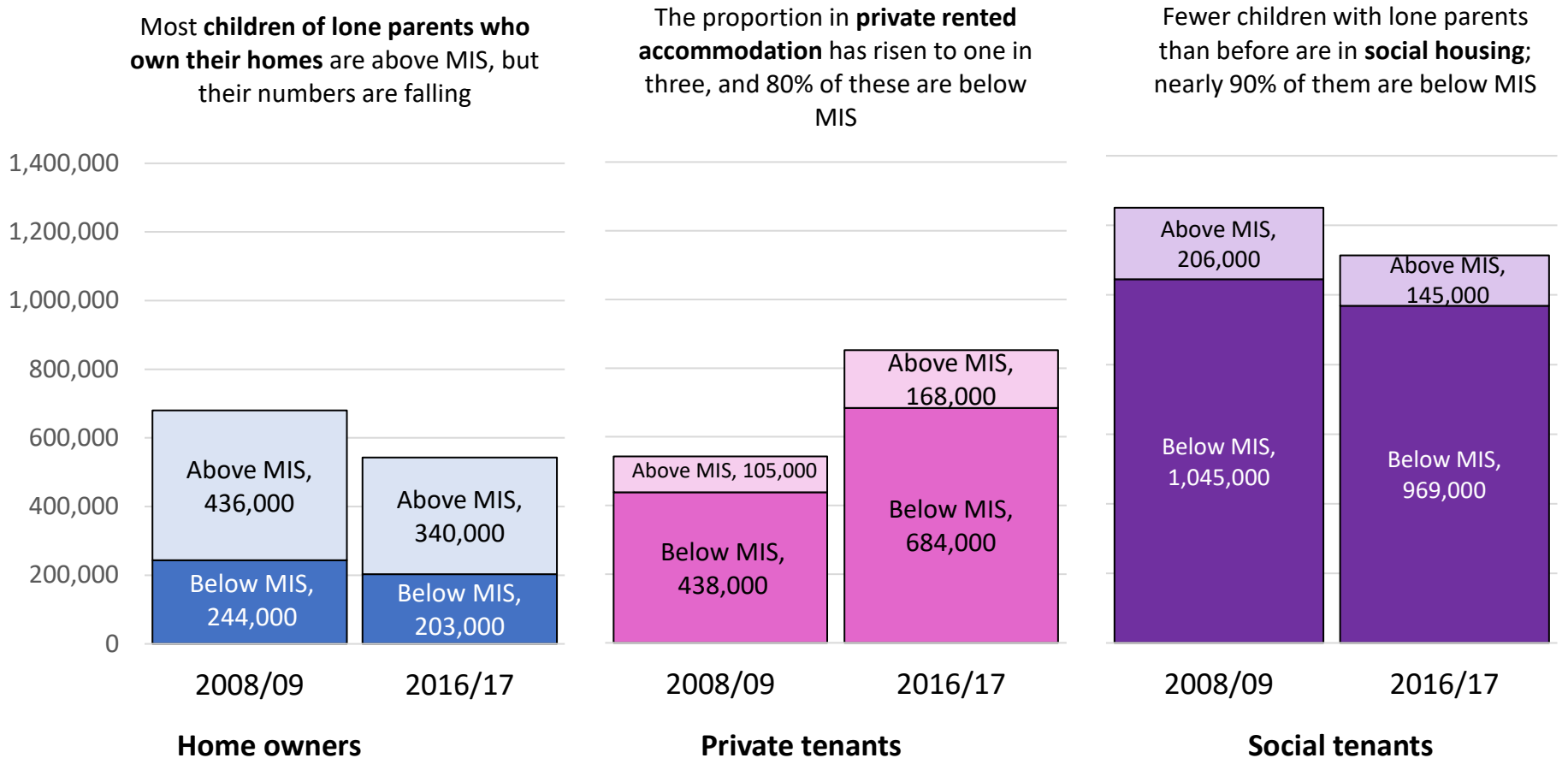


Table 3 Children in working lone parent households and low income, by housing tenure

	Thousands	As % of all children of LPs	Thousands below MIS	% who are below MIS ('risk')	% of all below MIS ('composition')
Owner occupier 2008/09	680	27%	244	36%	14%
Owner occupier 2016/17	543	22%	203	37%	11%
Change (000s/%age points)	-138	-6%	-41	2%	-3%
Private tenant 2008/09	543	22%	438	81%	25%
Private tenant 2016/17	852	34%	684	80%	37%
Change (000s/%age points)	309	12%	246	0%	12%
Social tenant 2008/09	1251	51%	1045	84%	61%
Social tenant 2016/17	1114	44%	969	87%	52%
Change (000s/%age points)	-138	-6%	-76	4%	-8%

d) For families with pre-school children, work is not providing a route to a reasonable living standard

The slogan or sentiment that 'work is the best route out of poverty' has had a pervasive effect on the child poverty discourse in recent years. While it is accepted that some families will spend time outside work, governments of different parties have focused on giving support that helps parents into work and that 'makes work pay'. There has also been rising 'conditionality' for receiving benefits for parents with young children, with work-search requirements applied to lone parents without any children under 5 since 2012, and work-related activity requirements for those with 3 and 4 year olds since 2014. There has been less attention given to helping families to maintain decent living standards where they do remain outside work. While the system does accept that those with children under three need not fulfil work-related conditions in order to receive benefits, but this is not the same as giving them adequate out of work support. Recent analysis by the Joseph Rowntree Foundation (2018) shows that 80% of out-of-work lone parents with under-3s are below the poverty line. It also found that around half of children in poverty met the system's minimum expectations of work status (i.e. whether they worked, and if so

whether full time, according to the level of conditionality determined by children's age).

The data on lone parents below MIS shows a sharp difference in outcomes between lone parent households that contain children under 5 and those that do not. Among children in households with under-5s, only just over a third (37%) have working parents, with only a modest improvement since 2008 (30%). For those without under-5s, it is over two thirds in work (69%, up from 61%). Even more importantly, only just over a third of those in working households with under 5s (37%) were above MIS, down from the majority (55%) in 2008. As a result, of almost a million children living in lone parent households that include pre-school children, only 130,000 manage to use work as a route to an adequate income, and more than four-fifths overall are below MIS. Indeed, the majority (56%) of these children in lone parent households that include a child under 5 have family income at least 25% below the MIS level. New solutions are clearly needed for these families, accepting that two decades of 'welfare to work' approaches have done relatively little to improve their living standards, and perhaps providing a new focus on helping them to make ends meet while their children are young, regardless of their employment choices. It is important in this respect to note that for children whose lone parents do not work, the risk of very low income, at least 25% below MIS, has already deteriorated from two thirds (67%) to nearly three quarters (73%), and under current policies is projected to rise further to 86% (see Figure 3 above). Thus, under the projected benefits regime, to accept that when their children are young many lone parents will spend a period not working is effectively accepting that these families will face a severe risk of hardship during this period.

Figure 8 **Most lone parent families with young children remain out of work, and most of those who work remain below MIS**

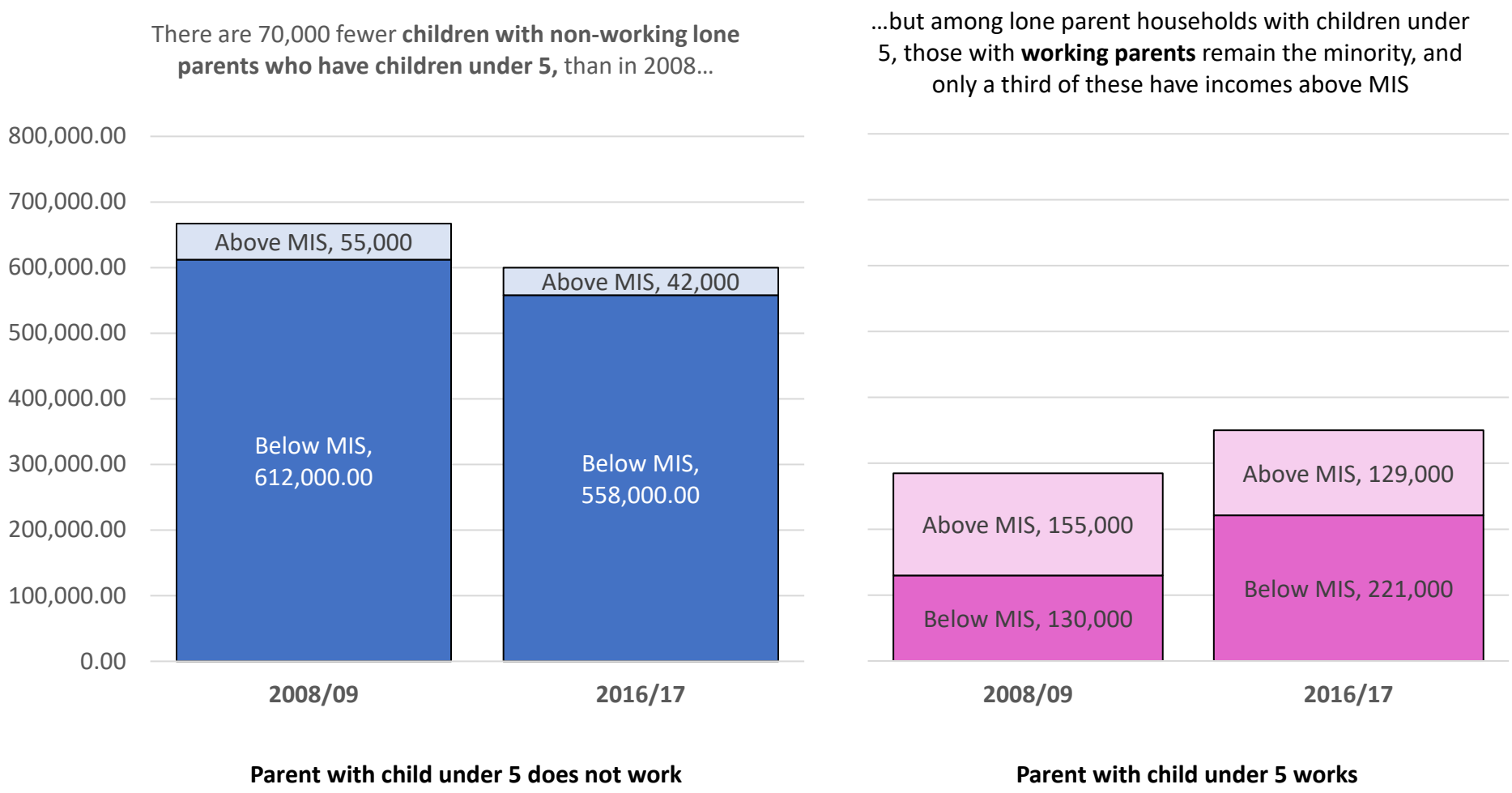


Table 4 Children in working lone parent households with at least one child under 5, and low income, by working status

	Thousands	As % of all children of LPs	Thousands below MIS	% who are below MIS ("risk")	% of all below MIS ("composition")
Not working 2008/09	667	70%	612	92%	83%
Not working 2016/17	600	63%	558	93%	72%
Change (000s/%age points)	-67	-7%	-53	1%	-11%
Working 2008/09	285	30%	130	45%	17%
Working 2016/17	350	37%	221	63%	28%
Change (000s/%age points)	65	7%	92	18%	11%

Larger families already have a poor income profile, set to get worse under present policies

Children in lone parent families who have at least two siblings have an 80% chance of having family income below MIS, and almost a 50% chance of being at least 25% below the MIS level. These risks are somewhat greater than for children in smaller families. They appear to have deteriorated slightly since 2008, although given small sample size, this deterioration is not discernible at a statistically significant level, and the data are not therefore presented here. It is this group, however, who face the starkest future increase in risk of low income. As shown earlier, if future policies were now in place the proportion with incomes at least 25% below the MIS level would rise from 48% to 74%.

5 CONCLUSION

This paper has given an overview of how the household incomes of children of lone parents, relative to the Minimum Income Standard, vary according to the employment, housing and demographic characteristics of their families. It has shown that overall for these children, being in a family below MIS is increasingly associated with having a parent in part-time work but still having inadequate income. However, in some regions, and for lone parent households with pre-school children, most of those on low incomes still have parents who do not work, which gives them almost a nine in ten chance of falling below 75% of MIS under projected policies. This suggests that a range of strategies are needed, both to improve incomes in work and to accept that after two decades of welfare to work policies there remain large groups outside work who also need help. These strategies need to consider not just income from work and from benefits, tax credits and UC, but also the effect of housing costs, notably for the one-third of lone parents who now rent in the private sector. They also need to address the sharp decline in the incomes of larger families projected under planned policies, which will mean that three in four children of lone parents who have at least two siblings face severe risks of hardship associated with being at least 25% below MIS. Thus, a broad and multi-faceted approach will be needed, not dependent on any one policy, but acknowledging that lone parent families are under pressure from many different angles.

REFERENCES

Davis, A., Hirsch, D., Padley, M. and Shepherd, C. (2018) *A Minimum Income Standard for the UK, 2008-2018: continuity and change*. York: Joseph Rowntree Foundation.

Hirsch, D., Padley, M. and Valadez, L. (2016) *A Poverty Indicator Based on a Minimum Income Standard.* Loughborough: Centre for Research in Social Policy.

Hood, A. and Waters, T. (2017) *Living standards, poverty and inequality in the UK: 2017–18 to 2021–22*. London: IFS.

Joseph Rowntree Foundation (2018) *Briefing: Child poverty where parents are doing what the social security system expects of them*. https://www.jrf.org.uk/report/child-poverty-where-parents-are-doing-what-social-security-system-expects-them

Joyce, R. and Keiller, A. (2018), *Poverty and low pay in the UK: the state of play and the big challenges ahead.* London: IFS.

Joyce, R., Mitchell, M. and Keiller, A. (2017) *The cost of housing for low income renters*. London: IFS.

Stone, J., Padley, M., and Hirsch, D. (2017) *Households below a Minimum Income Standard: 2008/09 to 2016/17*. York: Joseph Rowntree Foundation.