



Barriers to work:

Why are 300,000 families in full-time work still in poverty?

February 2024

Introduction

Alongside this briefing, we published new UK and regional estimates of the number of children in poverty whose families have potential barriers to work.¹ One of the barriers we identified is where families are already maximising their hours by working full-time, but still fall below the poverty line of 60% median household income. As part of our 'Barriers to Work' series of publications, this briefing takes a deep dive into some of the key characteristics of these families.

Main findings

- There are **around 300,000 families with children** in poverty despite all parents being in full-time work.² **Almost one in five** live in **London** (18%) and nearly half are **single parent families** (46%).
- Low-income parents in full-time work are disproportionately more likely to be from a **Black and minority ethnic background** and to be **self-employed** relative to the overall population of full-time workers.
- Self-employed workers do not benefit from protections like the minimum wage, holiday or sick pay. Within our group of low-income families in full-time work, **78% of self-employed parents earn below the minimum wage**. There are an estimated **41,000** low-income families in full-time work that seem to be **trapped in poverty because at least one adult is self-employed with very low or even negative earnings** (business losses).
- Low-income parents in full-time work are more likely to be in **caring, leisure and other service or elementary occupations** (like cleaning) and less likely to be in professional roles compared to the wider population. **Almost one in four low-income parents in full-time work (23%) are employed in the health and social work sector**.
- Low-income families in full-time work need, on average, **a pay rise of £168 a week to clear the poverty line** (or £8,736 a year). Over a quarter (28%) require **more than £300 extra per week**. The average family would need to work **an additional 19 hours per week** to escape poverty.
- **On average, low-income families in full-time work also face higher housing costs**. The average (median) housing costs for these families are £28 per week higher than for other households with children. But reducing housing costs alone won't solve their income challenges. **Even if their housing costs were reduced to zero, 39% of low-income families in full-time work would still be in poverty**.

¹ Action for Children (2024) '[Child poverty and barriers to work](#)'.

² There is no internationally agreed definition of full-time work, but it is usually considered to be [between 30 and 35 hours a week](#). We have based our analysis of employment status on the EMPSTAT1 variable in the Family Resources Survey, which uses the International Labour Organization definition and corresponds to 30 or more hours a week.

Low-income parents in full-time work: a deep dive

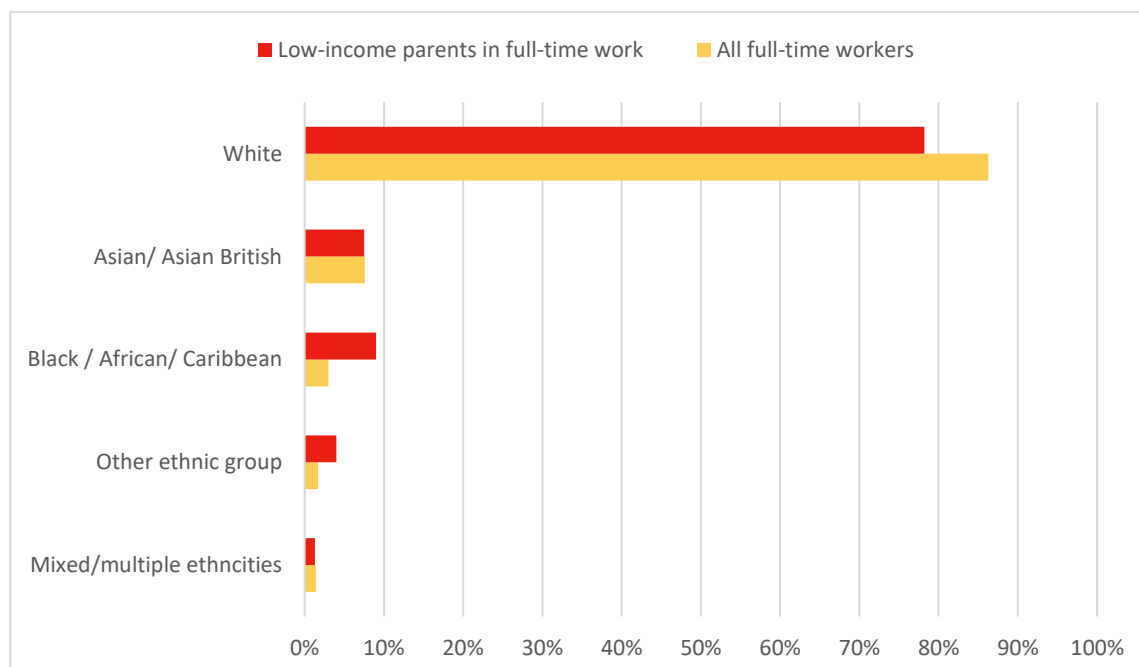
The analysis uses data from three pooled waves of the UK Family Resources Survey (FRS): the 2018/19, 2019/20 and 2021/22 years. The 2020/21 year is not used due to the reduced quality of the data collected during the pandemic.

1. Key demographics

In total across our analysis, there are **296,000 families** in poverty where all the parents are in full-time work (30 or more hours a week).

- **Almost half (46%) of the families are single parent families (137,000)**, and 54% are couple families (159,000). Single parents are therefore significantly over-represented relative to the UK population (24% of families with children were single parent families over the same period).
- **Almost one in five low-income families in full-time work live in London (18%)**, which is four percentage points higher than the overall population of families with children (14%). The West Midlands is also overrepresented (11%) compared to the proportion of all families with children that live there (9%).
- **Low-income parents in full-time work are disproportionately more likely to be from Black and minority ethnic backgrounds.** More than one in five (22%) are from Black, Asian, Mixed or other ethnic groups, compared to 14% of all full-time workers (see Figure 1). Almost one in ten are from a Black/African/Caribbean background (9%) – three times the rate among all full-time workers (3%).
- **Low-income parents in full-time work are twice as likely to be self-employed compared to all full-time workers.** Almost a quarter of adults in families below the poverty line but still in full-time work are self-employed (24%). This compares to only 12% of full-time workers in the wider population. Low earnings among full-time self-employed parents helps to explain why some of these families are still in poverty despite full-time work (see section 5).
- **In addition to already maximising their hours, a significant proportion of these families have other potential barriers to work.** Almost one in five (19%) have a disabled adult in the family, 12% have a disabled child and 17% have a child under the age of 2.

Figure 1: Parents in poverty and in full-time work, by ethnicity



2. Analysis by occupation and industry

One factor that could help explain why these families are still in poverty despite working full-time is the type of job they do and the industry they work in. For example, whether they are more likely to work in lower paid or less secure jobs. We analysed the distribution of jobs among low-income parents in full-time work by industry and occupation.

Figure 2 shows the five largest industry categories – manufacturing, construction, wholesale and retail trade, education and health and social work. The other 14 categories have been combined into ‘Other’. We find that **almost one in four low-income parents in full-time work (23%) are employed in the health and social work sector**. This is much higher than the proportion among all full-time workers (14%). We also find a higher proportion working in education (11%) than in the wider population of full-time workers (9%).

Figure 2: Parents in poverty and in full-time work, by industry

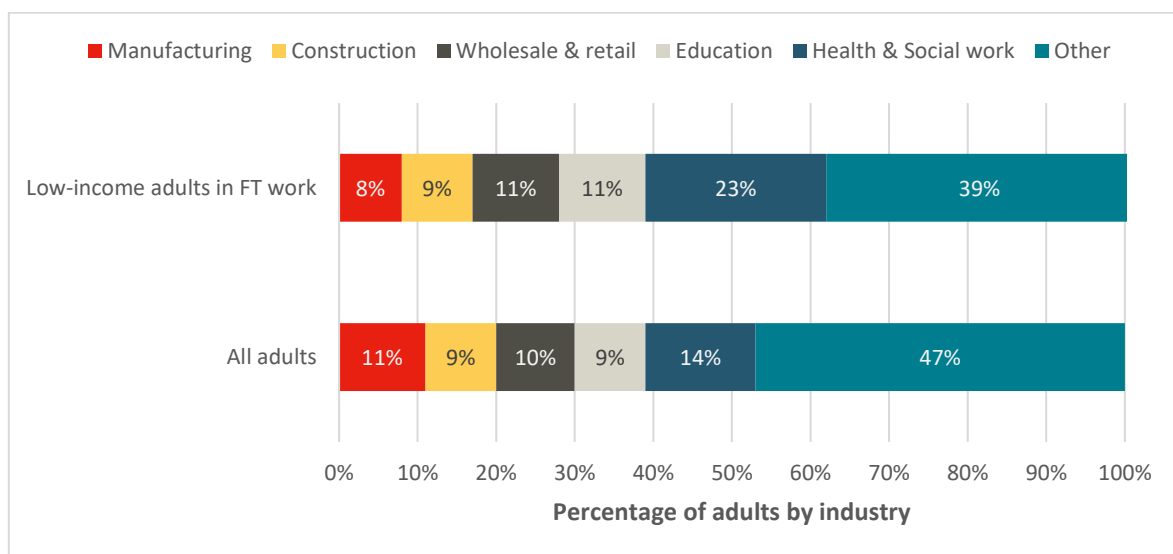
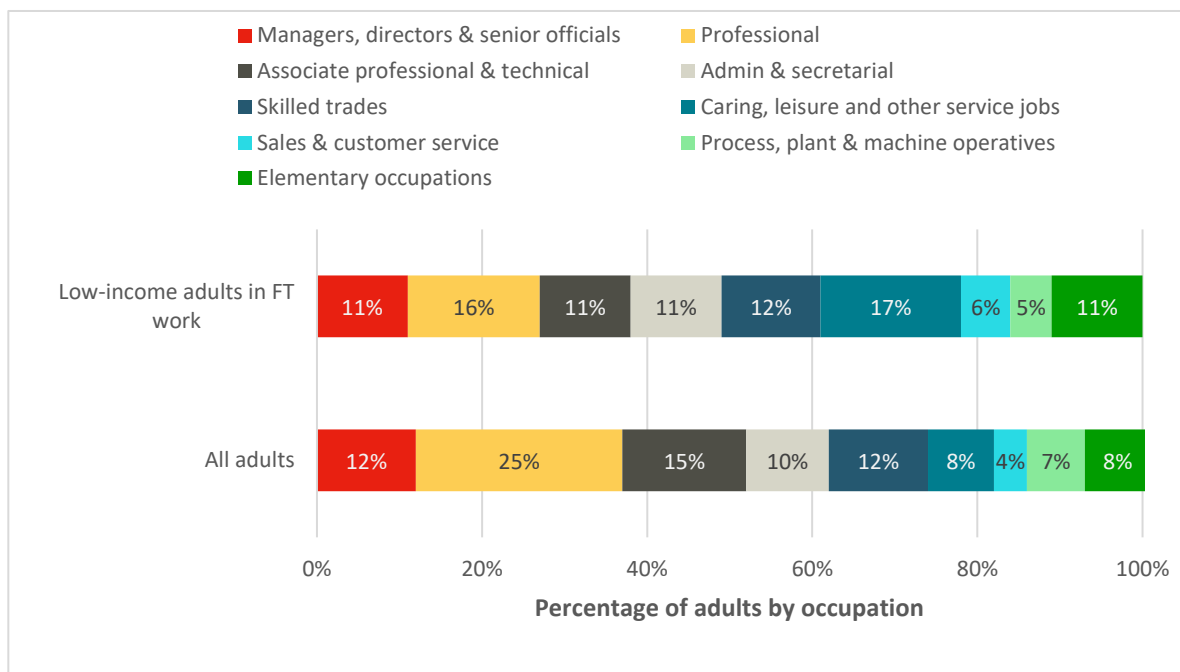


Figure 3 shows the occupations of low-income parents in full-time work, compared to all full-time workers. It finds they are much more likely to be in caring, leisure and other service or elementary occupations than full-time workers in general, and significantly less likely to be in professional occupations or associate professional and technical occupations.

Figure 3: Parents in poverty and in full-time work, by occupation



3. Distance from the poverty line

A key question is how close these families are from the poverty line (below 60% of median household net income). **Table 1** shows the average increase in net household income required to get above the poverty line in weekly, monthly and annual amounts. Figures are provided for single parents, couples and a combined average of all families in our group. On average, low-income families in full-time work need an extra £96 a week, £416 a month or almost £5,000 a year in household net income to escape poverty.

Table 1: The average (median) increase in household net income required for low-income families in full-time work to escape poverty

Increase in household net income to clear the poverty line	Single parents	Couples	All
Per week	£72	£140	£96
Per month	£312	£607	£416
Per year	£3,744	£7,280	£4,992

4. Additional gross earnings required to escape poverty

Net household income is different from take-home pay, as it includes income from benefits and other sources and is after taxes and other deductions. Low-income families in work are also affected by the tapering away of Universal Credit as their earnings increase. By looking at gross earnings and taking account of income tax, National Insurance and the Universal Credit taper, we can determine how much of a pay increase is required for these families to clear the poverty line.

Table 2 shows the average increase in gross earnings required to clear the poverty line for full-time earners in our group, accounting for deductions. Figures are presented for single parents and couples. Because couples usually have one parent with higher earnings and one lower earner, we provide figures for both, as well as an average for couples and for all families in the group.

Table 2: Average (median) increase in gross earnings required for low-income parents in full-time work to escape poverty

Increase in gross earnings to clear the poverty line	Single parents	Couples (higher earner) ³	Couples (lower earner)	Couples (average)	All
Per week	£157	£211	£172	£191	£168
Per month	£680	£914	£745	£828	£728
Per year	£8,164	£10,972	£8,944	£9,932	£8,736

Within our group of low-income parents in full-time work, single parents need a pay rise of £157 a week (or more than £8,000 a year) to escape poverty. Couples need an average increase in earnings of £191 a week – or around £10,000 a year – to clear the poverty line. On average across all families, this is an extra £168 a week or £8,736 a year. A significant proportion of parents require even higher increases. **Figure 4** shows the overall distribution of gross earnings required to clear the poverty line (averaging across both earners in couples). While 31% of families require a pay rise of less than £100 per week to escape poverty, **over a quarter (28%) require more than £300 per week.**

³ The average gross earnings increase required for the higher earner is larger because the higher earners are on a higher combined marginal rate (income tax and national insurance contributions) than the lower earners in many cases.

Figure 4: Distribution of increases in gross weekly earnings required for low-income parents in full-time work to escape poverty



5. Additional working hours required to escape poverty

We can also consider how many additional working hours are required for our group of low-income parents already in full-time work to escape poverty.

- The average (median) number of additional working hours required is **19 hours per week**.
- On average, poor single parents in full-time work need to work **an additional 17 hours a week** to break through the poverty line.
- In couples, the higher earner would need to work **an average of 21 hours** extra a week and the lower earner **an extra 24 hours a week**.

Figure 5 shows the distribution for single parents and higher or lower earners in couples. We find that 15% of single parents, and a similar proportion of earners in couples, need to work less than five hours extra each week to clear the poverty line. At the other extreme, **14% of single parents and around 20% of couples need to work more than 50 additional hours a week to escape poverty**.

Table 3 provides a breakdown of this group of families in full-time work but on very low-incomes. A key explanation here is the extent to which self-employed workers are over-represented in this group compared to the overall workforce.

- **Almost two-thirds of these families (63%)** are in poverty because at least one parent is a self-employed worker with very low earnings. There are also a non-trivial number of families with self-employed parents reporting zero or negative earnings (such as business losses).
- We estimate there are **14,000 single parent families** and **27,000 couple parent families** with at least one self-employed person where the family would need to work 50 or more additional hours to escape poverty (41,000 families in total). Couples in this group are, on average, almost £400 a week below the poverty line, while single parents have an average poverty gap of £326 a week.

Figure 5: Distribution of additional working hours required to escape poverty: single parents and higher and lower earners in couples

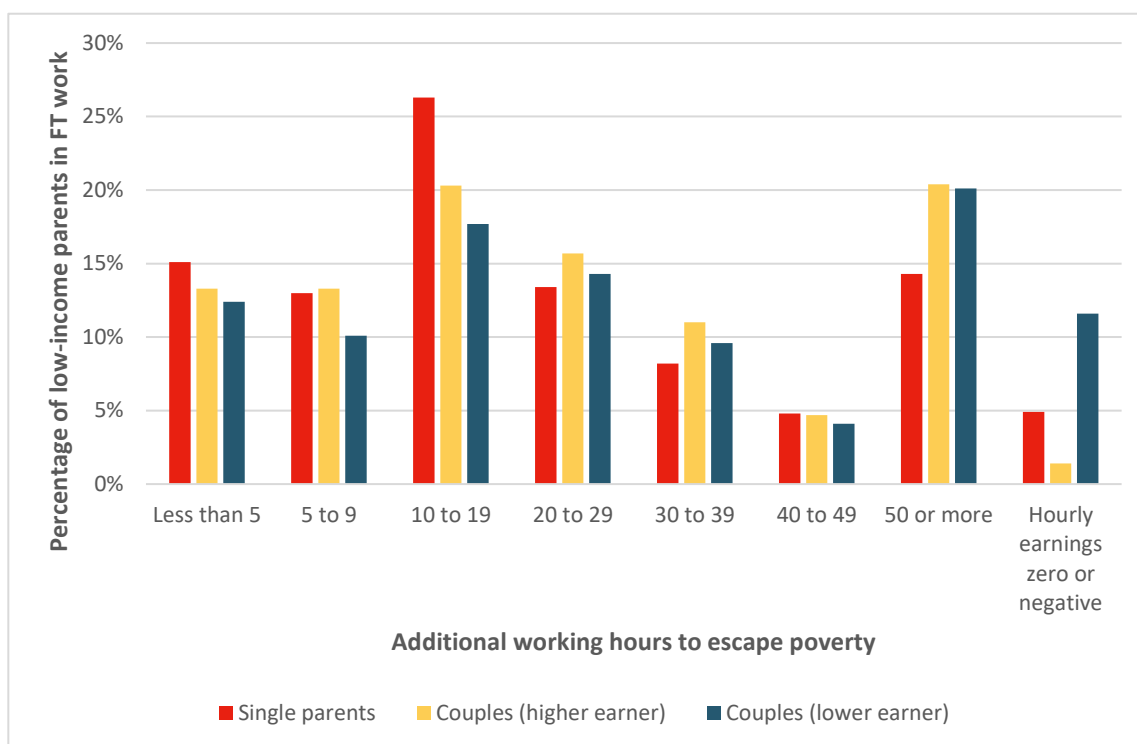


Table 3: Families needing to work 50+ extra hours to escape poverty, by family type and work status

Couples	Both employees	One self-employed, one employee	Both self-employed
Number of families	11,000	12,000	15,000
Average gross hourly earnings ⁴	£8.91	£6.93	£3.33
Average household income (AHC), £/week	£89	£42	£57
Average housing costs, £/week	£339	£218	£234
Average poverty gap, £/week ⁵	£359	£397	£394
Single parents	Employees	Self-employed	
Number of families	13,000	14,000	
Average gross hourly earnings	£8.91	£1.38	
Average household income (AHC), £/week	£114	£35	
Average housing costs, £/week	£260	£203	
Average poverty gap, £/week	£253	£326	

⁴ In this table, 'average gross hourly earnings' is averaged across both parents in the couple.

⁵ The 'average poverty gap' refers to the gap between a family's weekly household income and the poverty line of 60% median household income (after housing costs).

Self-employment, the Minimum Income Floor and 'bogus self-employment'

Self-employed workers do not benefit from employment protections like the minimum wage, holiday or sick pay. Rates of self-employment have increased considerably since the early 2000s.⁶ Previous analysis by the TUC found that half of self-employed workers earn less than the minimum wage.⁷ This is reflected even more strongly in our own findings, which show that **78% of low-income parents who are full-time self-employed (working 30 or more hours a week) are earning below minimum wage levels.**

It could be argued that income from self-employment that is so low cannot reflect 'gainful employment' and those affected should seek out better paid opportunities. Under current DWP policy, self-employed low earners on Universal Credit will be affected by the Minimum Income Floor. This means their benefits will be calculated using an assumed earnings amount (based on a set number of hours a week at the minimum wage) even if their actual earnings from self-employment are lower.

However, this line of argument assumes these families are able to pursue alternative strategies and do not face barriers that make holding down employed positions more difficult. Other factors may also play a role. Campaigners have long pointed to the growth of exploitative practices like 'bogus self-employment', where workers who should be classed as employees are treated as self-employed.⁸ While a 2017 parliamentary inquiry on the gig economy warned: *"Increasingly, some companies are using self-employed workforces as cheap labour."*⁹ More research into these families, particularly through qualitative methods, would help to further our understanding of their working lives and what's driving such low-incomes.

6. Analysis of housing costs

Another factor that can help us to understand why families in full-time work might still experience poverty is to consider their housing costs.

Using a technique called quantile regression, we can analyse whether housing costs are higher or lower for low-income families in full-time work than for other families, controlling for region and family composition (number of adults and children in the household).

Here we find that the average (median) housing costs for our group of low-income families in full-time work are **£28 per week higher than for other households with children**, controlling for region of residence and household composition (statistically significant at the 5% level).

Table 4 shows the proportion of households that would escape poverty if their housing costs were reduced. A modest reduction in housing costs of 5% would be sufficient to take 6% of households in our group out of poverty. A much larger reduction of 25% – probably unrealistic for most households – would take around 18% of households out of poverty. If housing costs were eliminated completely, 61% of households would be taken out of poverty. But almost two in five poor households in full-time work would still be in poverty even if they were living rent-free (39%).

⁶ ONS (2022) '[Understanding changes in self-employment in the UK: January 2019 to March 2022](#)'.

⁷ TUC (2019) '[Almost half the self-employed are on poverty pay](#)'.

⁸ Citizens Advice (2015) '[Neither one thing nor the other](#)' & LITRG (2020) '[Are you in false self-employment?](#)'.

⁹ House of Commons Work and Pensions Select Committee (2017) '[Self-employment and the gig economy](#)'.

Table 4: Proportion of households escaping poverty at different percentage reductions in housing costs

Reduction in housing costs	Proportion of households taken out of poverty
5%	6%
10%	9%
15%	12%
20%	16%
25%	18%
30%	22%
50%	35%
75%	50%
100%	61%

7. Illustrative examples

To bring together these various threads, we provide three illustrative examples from our group of low-income families in full-time work. In doing so, we can see very clearly how some families can remain trapped in poverty despite working full-time.

Our three examples include:

- 1) A single parent on 30 hours per week at the National Living Wage (£11.44 per hour);
- 2) A couple, both parents full-time employees on 30 hours a week at the National Living Wage (NLW);
- 3) A couple, one parent an employee on 30 hours a week at NLW, the other self-employed on hourly gross earnings of £4.50 per hour.¹⁰

Each family is assumed to live in London, have housing costs of £233 per week and to have three children.¹¹ The family is also assumed to be claiming Universal Credit.

Table 5 shows each family's net income, how far below the poverty line they are (in £ per week) and how many extra hours they would need to work to escape poverty (taking into account income tax, National Insurance contributions and the Universal Credit taper).

Table 5: Example families with three children in full-time work and claiming Universal Credit

Family	1: Single parent	2: Couple, both employees	3: Couple, one self-employed
Net income (£ per week), after housing costs	£398	£588	£401
How far below poverty line (£ per week)	£90	£47	£233
Number of extra hours required to escape poverty	18	8	50 ¹²

¹⁰ This is the median hourly earnings for self-employed full-time workers in families in poverty in the 2021/22 Family Resources Survey, adjusted for inflation.

¹¹ £233 per week is the average housing costs for families in poverty living in London with three or more children.

¹² For this family, it refers to the number of extra hours that the *self-employed* person would need to work.

Summary and recommendations

This analysis has identified a number of interesting findings that help to shed further light on this particular group of families. Single parents, the self-employed and Black and minority ethnic parents are significantly over-represented. Around one in five live in London (18%) and almost a quarter work in the health and social work sector (23%).

In some cases, the family is in poverty because at least one parent is self-employed with very low earnings. Low-income families in full-time work have higher housing costs on average, and would need to work an average of 19 extra hours a week – a pay rise of almost £9,000 a year – to escape poverty. We can infer from these findings that a number of factors are likely to be involved in explaining why these families are still in poverty, including low pay and job quality, ethnic background, geographic location and inescapable costs like housing and disability.

We recommend that the government **commission further research, including qualitative studies, into these families** so that we can better understand the drivers and dynamics of low-income within this group and identify more targeted solutions.

In addition, the government should:

- **Fix the basic adequacy of social security:** Benefits are too low for families to meet their essential needs. We desperately need to invest in the basic adequacy of social security. The most targeted way of doing that would be to increase the child element of Universal Credit.
- **Support families to overcome barriers to work:** Our accompanying analysis revealed that almost two-thirds of the children in poverty (64%) are in families with at least one significant potential barrier to work.¹³ In a recent paper, we set out a wide range of ideas for potential solutions.¹⁴ Some actions, like reforming the taper rate and work allowances, could be taken immediately to support work incentives in Universal Credit. In the medium-term, we need a focus on improving the flexibility and security of work, including how we build upon current policies around paid leave, sick pay, reasonable adjustments and childcare. A serious review of how the DWP interacts with claimants and the quality of support they provide is also long overdue. Action for Children, with our partners, will have more to say on this in the months ahead.

¹³ Action for Children (2024) '[Child poverty and barriers to work](#)'.

¹⁴ Action for Children (2023) '[Breaking Through the Barriers](#)'.