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Factcheck: Measuring low pay isn't the same as measuring poverty

In brief

Claim

Low-paid workers are trapped in poverty.

Conclusion

This muddles definitions. The report in question didn't discuss poverty. Although the issues are related, not all low-paid workers are in poverty.

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"The extent to which low-paid workers in the UK stay trapped in poverty is highlighted by a report showing only one in four workers who were low-paid in 2001 — and who have remained in employment for most of the subsequent decade — went on to escape poverty and move on to higher pay." — [The Guardian](#) 11/11/2014

Definitions are important. While the workers in this [report](#) from the Resolution Foundation may be "stuck" in a low-paying job, this doesn't mean that they are in poverty.

Absolute and relative poverty

Poverty is measured as 'absolute' or 'relative'. Being in absolute poverty means that you can't afford the basic needs of existence. The World Bank uses a fairly typical definition of absolute poverty—an income of [less than \\$1.25 a day](#).

In the UK we normally concentrate on relative poverty, which means that a person can't afford an "[ordinary living pattern](#)"—they're excluded from the activities and opportunities that the average person enjoys.

Measures of relative poverty

The [ONS defines](#) a person as being 'at risk of poverty' if they're part of a household earning less than 60% of the median equivalised disposable household income.

The median is the number 'in the middle' of a set—so half of all households earn more than the median income household, and half earn less.

"Equivalised disposable household income" is total household income after adjusting for the number of people in a home and taking into account taxes paid and benefits received.

This '[does not necessarily imply a low standard of living](#)'—it simply means that a household earns a comparatively low income.

Low pay, not poverty

The report by the Resolution Foundation talked specifically about low pay, which they defined as an hourly wage of less than 66% of the national median. The report didn't give a definition of—or attempt to measure—poverty.

The two measures—poverty from the ONS, and low pay from the Resolution Foundation—aren't comparable. They take different percentages (66% and 60%) of completely different figures.

Low pay looks at hourly wages, before any taxes are paid or benefits received, while the poverty measure (defined by the ONS) [looks at household income](#) after these have been taken into account.

So the poverty measure considers the number of people in a house and their combined incomes from all sources. The low pay measure only looks at hourly wages—excluding other income sources and the number of hours worked.

While the Resolution Foundation paper is informative about the chances of a person moving out of low pay, it doesn't try to give us an estimate of the number of people in poverty.

The report notes that 'one in three low paid workers live in a household in the top half of the income distribution', so these people are unlikely to be in poverty.

Similarly, some workers with slightly higher hourly wages may support large families. They wouldn't be in 'low pay', but they would be 'at risk of poverty'.

One recent [report](#) that did discuss the number of people currently in poverty came from the Joseph Rowntree Foundation.

Not necessarily trapped in poverty

The Resolution Foundation report divided workers into two groups. 'Escapers', who saw their wages grow out of the low pay bracket, and 'non-escapers' who didn't.

The two groups had similar household incomes at the start of the study, and starting incomes were not found to influence pay progression. The report [concluded](#) that "starting in a lower income household is not strongly linked with becoming stuck on low pay".

Photo courtesy of [Luis Felipe Salas](#)

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