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Are Part-Time Workers Poor?*

by

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Abstract

The proportion of Australian workers who are employed on a part-time basis has almost trebled in the last thirty years to reach its current level of 28 percent. Part-time work is one type of 'non-standard' employment that is viewed with concern for it is alleged that part-time jobs provide a low standard of living for those employed in them. This paper focuses upon an extreme version of that concern: the incidence of poverty among part-time workers. Unit-record data are used to compare the poverty rates of part-time workers with those of full-time workers, the unemployed and people not in the labour force. The incidence of poverty among part-time workers is found to be a little lower than that of the entire adult population. The major reason for the relatively modest poverty rate of part-time workers is that a large proportion of them live in families with a full-time worker.

Econlit subject descriptors: J22, J23, I32

1. Introduction

The growth of part-time employment in Australia, and elsewhere, in recent decades has been well documented. (For example, see de Ruyter and Burgess, 2000: 457; Quinlan, 1998: 9-11; Dawkins and Norris, 1995: 2; Thurman and Trah, 1990: 27.) The percentage of employed persons who work part-time has increased by approximately five percentage points per decade, from 10 percent in 1970 to 28 percent in 2002 (Australian Bureau of Statistics (ABS), Cat. No. 6203.0). Many part-time workers are employed on casual contracts and the incidence of casual employment in Australia has also risen substantially in the last decade or so.[1]

The increasing prominence of employment arrangements that deviate from 'standard' (full-time, permanent) employment has raised concern among some academics. It has been suggested that part-time work is undesirable and that part-time jobs are of low quality (Quinlan, 1998: 11; Burgess et al., 1996: 109; Robertson, 1989: 397; Sharpe, 1987: 37-38). Part-time employment has been seen as an indication that the economy cannot provide enough full-time jobs (Burgess et al., 1996: 106; Robertson, 1989: 395). Casual employment is depicted as precarious (Burgess and Campbell, 1998: 35). It is claimed that casual employees have low and variable earnings and that their work schedules - which often involve evenings, weekends and public holidays - conflict with domestic responsibilities and an adequate social life (Quinlan, 1998: 21; Campbell, 1996: 574).

[1] According to the ABS (Cat. No. 6310.0) casual employment rose from 18.9 percent in 1988 to 26.4 percent in 1999 and to 27.2 percent in 2001. It is well known (for example, Wooden and Hawke, 1998: 87; Campbell and Burgess, 2001: 89-90; Murtough and Waite, 2001: 110) that ABS official data overstate the level of casual employment in that owner-managers of incorporated enterprises are classified as 'employees' and, as many of these people do not pay themselves holiday or sick leave, many are also classified as 'casuals'. Murtough and Waite (2000: 4) cite a DEWRSB (2000) paper that used unpublished data collected by the ABS and found that the incidence of casual employment among employees who are not owner-managers of incorporated enterprises rose from 17.4 percent in 1988 to 23.6 percent in 1999.

Trade unions are depicted as regarding part-time and casual employment "as a symptom of employer greed and as a threat to both the numbers and conditions of full-time permanent jobs" (Campbell, 1996: 590).[2]

Although hours of work obviously affect earnings, an individual's material well-being depends not only upon his or her own earnings, but also upon the earnings of others with whom he or she lives and shares income. Unearned incomes of the individual and of other members of his or her family also contribute to economic well-being. This study investigates one aspect of part-time employment that has been neglected in the academic literature, namely, whether part-time workers are poor.[3] It is also of interest to ask whether casual workers are poor but currently there are no data with which to measure poverty among casual workers. However, approximately 70 percent of casual employees work part-time (ABS, Cat. No. 6310.0) so much of what is reported in this paper also applies to casual workers. Of course, the incidence of poverty among part-time workers implies nothing about the working conditions of part-time (or casual) jobs and certainly does not negate some of the concerns mentioned above. However, the poverty status of those engaged in part-time work is information that may be useful in evaluating whether or not the growth of part-time employment is a cause for concern.

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[2] On the other hand much part-time work is voluntarily undertaken (Sadler and Aungles, 1990: 293-295). Since 1990 the proportion of part-time workers stating that they wanted to work more hours has varied from a high of 28 percent in 1993 to a low of 23 percent in 2000 (see ABS, 6204.0, Table 10 and ABS, 6203.0, 1996 through 2002).

[3] The most similar study of which I am aware is that of Flatau, Petridis and Wood (1995), Chapter 4 of which documents the incidence of 'low employment income' – a concept related to that of poverty – among full-time and part-time immigrant and Australian-born workers in 1989-90. Also Dawkins (1996) considers whether changes in the distribution of work across Australian households have contributed to changes in the distribution of income.

The remainder of the paper is organised as follows. Section 2 clarifies some terminology and discusses the available data with which to assess the incidence of poverty among part-time workers. The characteristics of part-time workers are examined in Section 3 by focusing upon six demographic groups that are defined in terms of age, student status, gender and family type. Each group is likely to have its own specific attitude towards desired hours of work. Poverty rates of part-time workers in each of these demographic groups are presented in Section 4 and compared with poverty rates of full-time workers, the unemployed and persons not in the labour force. Section 5 analyses the effect of living arrangements and unearned income on poverty rates of part-time workers relative to other adults. The incidence of poverty among the children of part-time workers is also examined. The main conclusions of the study are summarised in Section 6.

2. Definitions and data

The data set used in this study, the 1997-98 Income and Housing Costs Survey, Australia (SIHC), consists of unit-record data on 13,931 persons aged 15 years and older, who were living in private dwellings and were interviewed between July 1997 and June 1998. All employed persons are identified as part-time or full-time according to the definition used by the Australian Bureau of Statistics (ABS) in its monthly Labour Force Survey (see Cat. No. 6203.0). A part-time worker is an employed person who usually works less than 35 hours per week in all jobs *and* who worked less than 35 hours during the reference week of the survey in which data were collected. A full-time worker is an employed person who usually works 35 hours or more per week in all jobs *or* someone who, although usually working less than 35 hours a week, worked 35 hours or more during

the reference week. In the SIHC, employees (but not employers, own account workers, contributing family members and people who are paid in kind) are also identified as part-time or full-time according to hours worked on the main job.[4] The objective of this study is to determine the probability that working few hours per week (in total) is associated with poverty and to examine whether workers in general (not just employees), who work fewer than 35 hours per week, are more likely to be poor than other adults. Therefore, the definition of 'part-time' used in this paper is that based on aggregate hours worked in all jobs. However, in Section 3, some comments are made about the incidence of poverty among employees who are classified as full-time or part-time according to hours worked on the main job.

The SIHC has four major advantages for this study. First, the SIHC is a unit-record data set, which allows each individual worker's current employment arrangements and current poverty status to be observed. Second, the SIHC records imputed income tax paid by the 'income unit', a variable that is missing from many other unit-record data sets. Third, the SIHC reports the income unit's current income and income tax as continuous, rather than categorical, variables. These features allow the computation of current disposable income of income units, families and non-family individuals or households as a continuous variable that can be compared with a suitable poverty line in the computation of poverty rates. The fourth advantage of the SIHC is that it records detailed data on demographic and labour-market related attributes of both individuals and income units. Two disadvantages of the SIHC are that it does not identify casual employees and it does not record whether part-time work is undertaken voluntarily or otherwise.

[4] The definition of part-time based on hours worked per week in the main job (the job with most hours) is used by the ABS in another of its surveys (see Cat. No. 6310.0).

3. Who are part-time workers?

The incidence of part-time employment and some characteristics of part-time workers and unemployed persons seeking part-time employment are displayed in Table 1.[5] Workers are classified into six mutually exclusive and collectively exhaustive demographic groups based upon age, gender, student status and family structure. The groups' characteristics are likely to affect preferences for hours of work. For comparison purposes full-time workers, unemployed persons seeking full-time work and people not in the labour force are classified in the same way.

{Table 1}

The distribution of part-time workers across the six demographic groups appears in Section A of Table 1, along with the distributions of full-time workers, part-time-job seekers, full-time-job seekers and people not in the labour force. For example, 6.4 percent of part-time workers are elderly people; 27.8 percent of part-time workers are students. Section B of Table 1 gives the number of part-time or full-time workers or job seekers in each group as a percentage of the labour force. For example, part-time workers who are wives with dependent children make up 6.6 percent of the labour force, all workers and job seekers who are wives with dependent children comprise 12.9 percent of the labour force, and so on. The last line of this section shows that all part-time workers constitute 22.5 percent of the labour force; unemployed people seeking part-time work make up another 1.7 percent of the labour force. Section C of Table 1 gives the number of part-time or full-time workers in each group as a percentage of employed persons. For example, part-time workers

[5] The SIHC is a complex sample (rather than a simple random sample) and the weights supplied by ABS have been used in the computation of statistics that appear in this paper.

who are single parents with dependent children make up 1.2 percent of employed persons, full-time workers who are single parents with dependent children make up 1.4 percent of employed persons, all workers who are single parents with dependent children constitute 2.6 percent of all employed persons. Notably, all part-time workers constitute 24.6 percent of all employed persons.[6]

The SIHC does not ask part-time workers whether or not they would like to work full-time. However, Table 1 suggests that 63.4 percent of part-time workers are people for whom part-time work is likely to be a choice rather than a constraint because of their actual or potential engagement in non-market activities such as study, child care or leisure.[7] This subset of part-time workers contains the 29.2 percent of part-time workers who are wives (legal or de facto) with dependent children, the 27.8 percent of part-time workers who are students (full-time, part-time or still at school) and the 6.4 percent who are people over 60 years old. An even larger percentage (71.1 percent) of people seeking part-time work fall into these categories: students comprise 51.9 percent, 'wives' with dependent children 16.5 percent and elderly people 2.7 percent of unemployed people seeking part-time work. This is a very different breakdown to that of full-time workers, only 21.2 percent of whom fall into these three categories and most of whom are 'other' males (57.1 percent) or 'other' females (19.8 percent). The decomposition of unemployed persons who are looking for full-time work closely resembles that of full-time workers.

[6] Also 23.7 percent of employees and 30.0 percent of other employed people (employers, own-account workers, contributing family workers and persons working only for payment in kind) were part-time workers.

[7] Table 1 is consistent with data from the ABS' Forms of Employment Survey (Cat. No. 6359.0), in which 62 percent of all part-time workers responded when asked that they did NOT want to work more hours in 1997-98.

4. Are part-time workers poor?

An individual's material well-being depends not only upon his or her own income but also upon the incomes of other people with whom he or she shares income. The SIHC 1997-98 associates individuals with three different groups within which some income sharing is likely to occur: (a) income units, (b) families and non-family individuals and (c) households. Gross income and imputed income tax are recorded for income units but can be calculated for families and non-family individuals and for households. An income unit, family, non-family individual or household can be identified as poor by comparing its total disposable income with the poverty line for a group of people of the same size and composition. Appendix A lists the Henderson poverty lines that are used in this study. The choice of poverty line involves philosophical issues that are outside the scope of this paper. However, in this study, which compares poverty rates of different groups at a point in time, the choice of poverty line is less contentious than in studies of poverty-rate changes over time.

The income unit is the smallest group in the SIHC. There are four types of income unit: single adults, couples, a single parent with dependent children and couples with dependent children. Dependent children are those under 15 years of age and full-time students up to age 24 years who live with a parent, guardian or other relative and do not have a partner or child of their own living with them. Families and non-family individuals comprise the next group of individuals in the SIHC. A family consists of "two or more persons, one of which is at least 15 years of age, who are related by blood, marriage (registered or de facto), adoption, step or fostering, and who are usually resident in the same household" (see for example ABS, Cat. No. 2901.0). Families in the SIHC are

comprised of one or more income units. A non-family individual corresponds to one single-person income unit. Non-family individuals either live alone or with non relatives. The household is the largest group of people in the SIHC. Households are comprised of income units. They are also comprised of families and non-family individuals. A household is a group of people who usually reside and eat together.

Whether income units, families and non-family individuals or households should be identified as poor depends upon the extent to which income is shared within the group. The ABS' stated assumption (see ABS, Cat. No. 6541.0.30.001: 16) is that people in the same income unit share income. I argue that income sharing very likely extends beyond income units to families. First, 79 percent of families in the 1997-98 SIHC contain exactly one, multi-person income unit so the question of whether income sharing occurs within families is limited to the remaining 21 percent of families that are comprised of more than one income unit. Second, each non-primary income unit in a multiple-income-unit family is comprised of a single person who is a relative of an adult in the primary income unit. In 83 percent of cases the single person is the child of the reference person in the primary income unit and more than half of these single people are between 15 and 24 years old. In the other 17 percent of multiple-income-unit families the single person is some other (unspecified) type of relative of the family reference person. Approximately 39 percent of these other relatives are 60 years or older suggesting that many are parents of the family reference person; another 24 percent of these other relatives are less than 25 years old suggesting that many are under some type of guardianship by the family reference person. Within such close family relationships substantial income pooling and expenditure sharing is likely. Family members share accommodation and probably share expenditure on food, electricity,

gas, water *etc*, so it is arguably more appropriate to identify poverty at the level of the family and non-family individual than at the income-unit level. It would be misleading, for example, to classify as poor a person aged 15 through 24 years who is not a full-time student but lives with his or her affluent parents or close relatives. Such a person constitutes a single-person income unit and, if poverty is measured at the level of the income unit, may well be identified as poor. Finally, people in the same household are less likely to share income than families or income units because not all people in multiple-income-unit households are necessarily related. For example, two or more non-family individuals who live and eat together comprise a household but are unlikely to share income (although they may share some expenditures, such as splitting of rent and utility costs).

In this paper an individual is poor if he or she lives in a poor family or is a poor non-family individual. Table 2 gives the proportion of people aged 15 years and older, classified by labour-force status and demographic group, who are poor. An estimated 6.2 percent of part-time workers are poor. This is higher than the poverty rate of full-time workers (3.2 percent), lower than the poverty rate of people not in the labour force (7.9 percent), and much smaller than the poverty rate of the unemployed (23.0 percent). As 6.4 percent of all adults are poor, the poverty rate of part-time workers equals 97 percent of the poverty rate of all adults.

{Table 2}

The percentage of part-time workers who are poor is higher than that of full-time workers mostly because the poverty rate of students who work part-time (6.3 percent) is more than three times that of students who work full-time (1.8 percent) and the poverty rate of ‘other’ females who work part-time (6.6 percent) is more than three times as large as the

poverty rate of ‘other’ females who work full-time (2.1 percent). These two groups constitute almost 50 percent of part-time workers and almost 30 percent of full-time workers (see Table 1). Students are likely to work part-time by choice and their poverty is likely to disappear when their studies are completed. ‘Other’ females, however, are one of the groups for whom part-time work is not likely to be preferred to full-time work. The poverty rate of single parents who work part time greatly exceeds that of single parents who work full time but this group constitutes only five percent of part-time workers and two percent of full-time workers (see Table 1). Consequently, their poverty rates have little effect on the aggregate poverty rates of part-time and full-time workers.

All demographic groups of part-time workers have much lower poverty rates than the corresponding demographic group of unemployed persons. Five of the six demographic groups of part-time workers also have smaller poverty rates than the corresponding demographic group of persons who are not in the labour force, in some cases (students and single parents with dependents) much smaller. However, elderly people who work part-time have a higher incidence of poverty (9.1 percent) than elderly people who are not in the labour force (5.3 percent).

How does multiple-job holding affect poverty rates? Approximately 6.1 percent of the full-time workers and 8.1 percent of part-time workers hold multiple jobs. The poverty rate for full-time workers with one job is 3.1 percent, a little lower than the poverty rate for full-time workers with more than one job, which is 3.9 percent. The poverty rate for part-time workers with one job is 6.2 percent, approximately the same as the poverty rate for part-time workers with more than one job, which is 5.9 percent. Undoubtedly some of the full-time workers with more than one job would be classified as part time on the basis of

hours worked in the main job but we cannot identify them all because the SIHC does not record the full-time or part-time status of the main job for all employed persons. However, the SIHC does classify the main job of *employees* (who are paid in cash) as full-time or part-time and employees constitute 86 percent of all employed persons. The poverty rate is 2.1 percent among the 4.6 percent of full-time employees who had a part-time main job.

The poverty rate of employees is not much affected by the definition of part-time employment. The poverty rate of employees who are full-time (on all jobs) is 1.0 percent; the poverty rate of employees with a full-time main job is 0.9 percent. The poverty rate of employees who are part-time (on all jobs) is 3.7 percent; the poverty rate of employees with a part-time main job is 3.5 percent. Given that employees constitute a large proportion of all employed persons, given the similarity of poverty rates for employees under both definitions of part-time employment, and given the small incidence of multiple-job holding among all workers it is unlikely that the poverty rates in Columns 1 and 2 of Table 2 would be much different if hours worked on the main job were to be used to classify all workers as part-time or full-time.[8]

5. Living arrangements, unearned income and children

Living arrangements

One possible explanation for the modest rate of poverty among part-time workers is that they live with someone who works full time. Table 3 reveals that 70.0 percent of part-time workers in the 1997-98 SIHC lived in the same family as a full-time worker. By

[8] It would be interesting to distinguish between the poverty rates of part-time workers who are voluntarily part-time and those who work part-time involuntarily. Unfortunately, the SIHC does not allow this decomposition to be performed.

comparison, 51.7 percent of full-time workers live in a family with another full-time worker; 36.7 percent of unemployed persons and 34.1 percent of people not in the labour force lived in a family with a full-time worker. In those demographic groups where part-time workers are concentrated large proportions live in the same family as a full-time worker: 78.0 percent of part-time workers who are students, 92.0 percent of part-time workers who are 'wives' with dependent children and 69.8 percent of 'other' female part-time workers. With the exception of the elderly, part-time workers are more likely to live with in a family with a full-time worker than are full-time workers. Without exception part-time workers are more likely to live in a family with a full-time worker than are both unemployed persons and persons not in the labour force.

{Table 3}

Do part-time workers who live in a family with a full-time worker have lower poverty rates than non-family individuals or those who live in a family without a full-time worker? For each combination of labour-force status and demographic group, Table 4 shows poverty rates of those who live with a full-time worker and those who do not. It is clear that the presence of a full-time worker in the family is indeed associated with reduced poverty rates of part-time workers. Only 3.0 percent of part-time workers who live with a full-time worker are poor. Of those part-time workers who do not live with a full-time worker 13.6 percent are poor. All demographic groups of part-time workers living with a full-time worker have poverty rates less than those of part-time workers who do not live with a full-time worker.

{Table 4}

The presence of a full-time worker in the family is associated with lower poverty rates, not only of part-time workers, but of people in general. For each of the six demographic groups of people, be they part-time workers, full-time workers, unemployed persons or persons not in the labour force, the poverty rate is, in general, lower when a full-time worker is present in the family than when no full-time worker is present. The fact that large proportions of part-time workers live with a full-time worker helps to explain why their poverty rates are as low as they are.

Unearned income

A second possible explanation for the modest incidence of poverty among part-time workers is that they or other members of their families receive unearned income. Indeed, if families with full-time workers also have high levels of unearned income then their lower poverty rates could result from their unearned income rather than from the earned income of the full-time worker. Unearned income from investments is the result of private decisions. The SIHC records six forms of investment income: interest, dividends, residential-property rent, non-residential-property rent, royalties and 'other' investment income. Unearned income in the form of government benefits is the result of public policy. Twenty different forms of government cash benefits are recorded in the SIHC: family payments, Newstart allowance, mature age allowance, sickness allowance, widow allowance, partner allowance, youth training allowance, Austudy/Abstudy, child disability allowance, parenting allowance, special benefit, overseas pensions/benefits, age pensions, disability support pension, sole parent pension, wife/carer pension, service pension (from the Department of Veterans Affairs - DVA), war widow's pension (DVA), disability pension (DVA), 'other' cash pensions and allowances. This section documents the effect of

unearned income on poverty rates. Also examined is the effect on poverty of a full-time worker in the family, in the absence of unearned income.

Table 5 reveals that a large percentage of adults in the SIHC receive positive investment income or lived in families that receive positive investment income. Part-time workers are as likely as others to receive investment income: 47.2 percent of part-time workers, 46.3 percent of full-time workers, 26.0 percent of the unemployed and 49.6 percent of persons not in the labour force receive investment income. Large percentages of adults also receive some form of government cash transfer: 51.8 percent of part-time workers, 33.8 percent of full-time workers, 82.1 percent of the unemployed and 80.6 percent of persons not in the labour force. For any given demographic group the proportion of part-time workers with access to government cash transfers is larger than the proportion of full-time workers, but smaller than the proportion of the unemployed and people not in the labour force, who receive cash transfers.

{Table 5}

Table 6 presents poverty rates based on disposable income minus investment income of the non-family individual or the family in which the individual lives. A comparison of Table 6 with Table 4 indicates that investment income has little effect on the poverty rates of part-time workers, or indeed of adults generally. The poverty rates in Table 6 are substantially larger than those in Table 4 in only a few cases, most of which involve adults who do not live with a full-time worker: the elderly, unemployed students, wives with dependent children who are part-time workers and ‘other’ females who are not in the labour force. The small effect of investment income on poverty is not surprising. Low-income people are typically not wealthy so unearned income from investments has little

effect on their incomes. What Table 6 does highlight, however, is that in the absence of investment income the presence of a full-time worker in the family is associated with a smaller incidence of poverty.

{Table 6}

The poverty rates in Table 7 are based on income, net of government cash transfers and imputed income tax, of the non-family individual or the individual's family. It is recognized that these are not necessarily the poverty rates that would have been observed if government cash transfers had not occurred. People's employment and living arrangements would likely have been different in the absence of government cash transfers and these different behaviours would have affected poverty rates. Rather, these poverty rates are what would have been observed in the absence of government cash transfers, *ceteris paribus*, in particular if living arrangements and non-transfer incomes had remained constant.

{Table 7}

A comparison of Tables 4 and 7 indicates that government cash transfers have a large effect on the poverty rates of adults, particularly the unemployed, persons not in the labour force, and those who do not live with a full-time worker. Poverty rates in Table 7 are at least as large as those in Table 4 in all cases, and substantially larger in many cases. Government cash transfers affect poverty rates because typically they go to low-income people. Only workers who live in a family with another full-time worker are little affected by the removal of government cash transfers from family disposable income. Table 7, like Table 6, confirms the beneficial effect of living with a full-time worker. In the absence of government cash benefits the presence of a full-time worker in the family is associated with a lower incidence of poverty.

Poverty among children of part-time workers

Finally, how is the poverty status of children affected by the employment arrangements of their parents? Column 1 of Table 8 shows that 7.7 percent of children under 15 years of age live in poor families. When children are classified according to the labour-force status of the adults with whom they live we find that the poverty rate of children who live in families containing adults who work part time but not full time is 13.0 percent. This is higher than the poverty rate (of 4.4 percent) of children living in families containing at least one full-time worker but much lower than the poverty rate (of more than 18 percent) of children living in families where no adult is employed.

{Table 8}

Column 2 of Table 8 shows the distribution of all children across the four different types of family as determined by the labour-force status of its adults. Only 8 percent of children live with adults whose sole source of earned income is from part-time work. Most children (74.7 percent) live with at least one adult who works full time. The remaining 17.3 percent of children live only with adults who are unemployed or not in the labour force. Column 3 of Table 8 shows the distribution of poor children across the same families. Only 13.5 percent of poor children live in families that contain no full-time workers but at least one part-time worker. 42.5 of all poor children live with at least one adult who works full time and 43.9 percent of poor children live in families with no employed adult.

6. Conclusions

Part-time work has become an important part of Australia's labour market. Whether this trend is a cause for concern depends, among other things, on whether those in part-time

employment are more likely to be poor than others in the population. This study has found that they are not; the percentage of part-time workers who live in poor families is approximately the same as the poverty rate of all adults. Although part-time workers have higher poverty rates than full-time workers, they have lower poverty rates than persons not in the labour force and (especially) the unemployed.

The relatively modest poverty rate of part-time workers is primarily explained by the fact that a larger proportion (70 percent) of part-time workers than other adults live with one or more full-time workers whose earned incomes contribute to family income. The presence of a full-time worker in the family is associated with low poverty rates for all adults, regardless of labour-force status or demographic group. Unearned income from investments has little effect on poverty rates but unearned income in the form of cash benefits from the government reduces poverty rates of all adults. Government cash transfers contribute to the relatively low poverty rates of part-time workers in the sense that poverty rates would be higher without the cash transfers, at least until sufficient time elapsed for people to change their living and employment arrangements. But government cash transfers also have an impact upon full-time workers and persons who are unemployed or not in the labour force so it would be misleading to conclude that part-time workers would be poorer, relative to the entire adult population, in the absence of government cash transfers.

The majority of children live with a full-time working adult and these children have a poverty rate of approximately four percent. Only a small percentage of children live with adults who only work part time and these children have a poverty rate of approximately 13 percent, which is above the average for all children but much less than that of children living with adults who are unemployed or not in the labour force.

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