



## Poverty and exclusion in rural Britain: the dynamics of low income and employment

This study, by the Arkleton Centre for Rural Development Research at the University of Aberdeen, follows 7,000 individuals from 1991-96, using the British Household Panel Survey, to examine movements in and out of low income and employment in rural areas of Britain, and to compare these with experiences in non-rural areas. The study found:

- f** Proportionately fewer individuals receive low incomes in rural areas, spells of low income tend to be shorter, and the proportion of those who are 'persistently poor' is less. Nevertheless, one in three individuals in rural areas experienced low income during the five years, 1991-96. □
- f** In gross terms, the gap between richest and poorest increased in both rural and non-rural areas over the period. There is considerable income mobility, both upward and downward, in rural areas, but most of this is 'short-range'. □
- f** The probability of escaping from low income appears similar in rural and non-rural areas, but those who escape from low income in rural areas are less likely to fall back into poverty. □
- f** In rural areas, entry into and escape from low income is associated far less with changes in household composition, the number of earners, or family economic status. This might suggest different factors behind moves into and out of poverty in rural and non-rural areas. □
- f** The gap in unemployment rates between rural and non-rural areas has disappeared; there has been a significant growth in the hours worked by women in rural areas; and wages have grown much more rapidly for women than for men. □
- f** The incidence of persistent unemployment is less but the incidence of low pay is greater in rural than non-rural areas. There is less upward and downward wage mobility for those experiencing low pay, and the escape rate from low pay is notably lower for those employed in small rural workplaces (which tend to dominate rural labour markets). □
- f** Few of those on low income in rural areas are low paid. Of those of working age on low income, only 22 per cent are in employment; 23 per cent are self-employed; 13 per cent are unemployed; and 41 per cent are not in the labour market (eg long-term sick or family carers). □

Background

Little is known about the changing economic forces which act unevenly upon rural people and rural areas or of how individuals experience these. Do different factors operate in rural contexts? Are there additional obstacles facing those in rural areas? If so, how do rural people themselves negotiate and mediate the impacts of such forces? Previous studies have tended to provide snapshots of who is poor at a point in time, rather than focusing on processes and change.

This study is the first of several in the Foundation's Action in Rural Areas Programme. It makes use of the British Household Panel Survey (BHPS) to follow individuals each year over five years from 1991, focusing especially on the changes experienced by each person during that period. Of the 7,164 people included in the sample, 968 always lived in rural areas (defined by postcode sector as outside settlements of 3,000 or more), 5,892 always lived in non-rural areas and 304 moved between rural and non-rural addresses during the period.

Moving in and out of low income

A major objective of the study was to provide a picture of to what extent people move into and out of low income in rural areas by comparing the evidence from the relatively small rural sample with the non-rural sample.

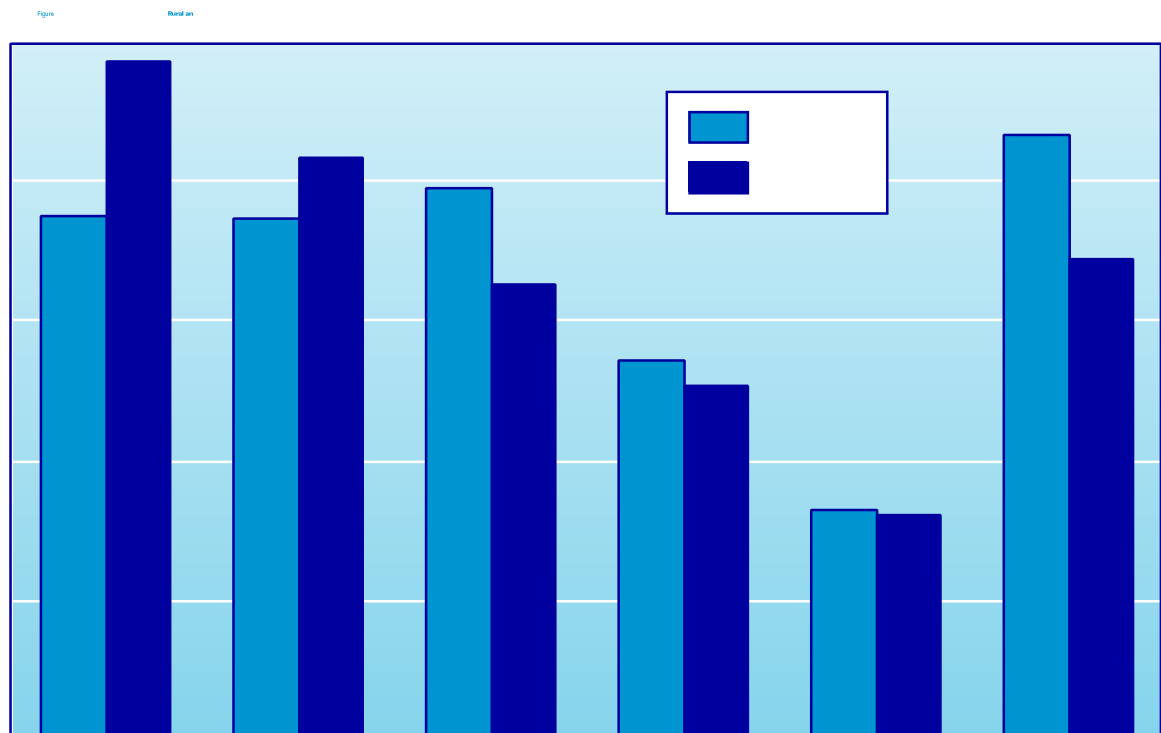
Overall, the results suggest that not only are proportionately fewer individuals affected by low income in rural areas, but that spells of low income tend to be shorter with the proportion of those who

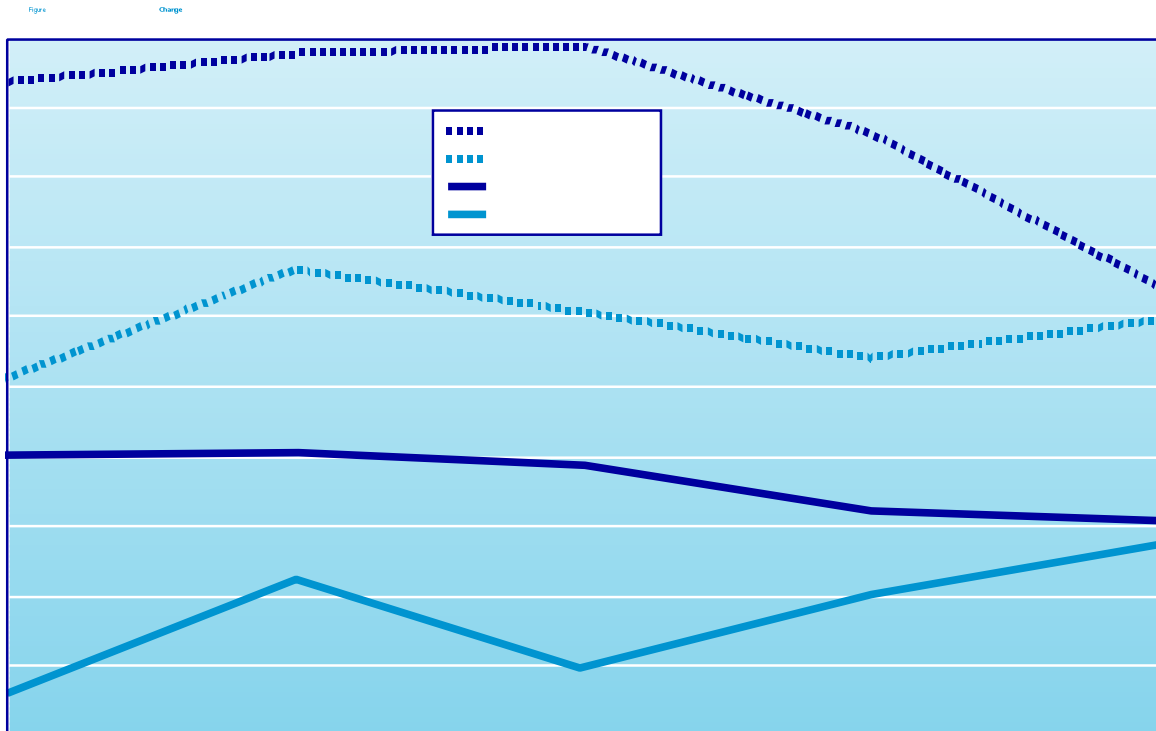
are 'persistently poor' significantly less. Nevertheless, a third of individuals in rural areas are likely to have experienced at least one spell of low income during the five years, and in gross terms the gap between richest and poorest increased in both rural and non-rural samples over the period (see Figure 1). Not unexpectedly, the degree of persistently low income is significantly higher for those over 60 in both rural and non-rural areas. The analysis confirms that in rural areas as elsewhere there is a significant amount of mobility within the income distribution in any given year but that most of it is 'short range' (see also *Income mobility in Britain*, JRF Findings SP121, July 97).

The analysis also supports the suggestion that richer people are moving in and poorer people moving out of rural areas, increasing the overall proportion of people on higher incomes, and so 'gentrifying the countryside'.

While the probability of escaping from low income is similar in both areas, those in rural areas are less at risk of falling back after a spell out of low income than those in non-rural areas. The results also suggest that leaving rural areas - whilst likely to lead to a change in income - does not increase the probability of escaping from low income, and in fact may increase the chances that an individual re-enters the low income category (at least initially). Getting out does not necessarily mean getting on.

Perhaps most interestingly, there are significant differences between the two areas in the demographic and economic events accompanying movement into and out of low income. In rural areas, such





movements are far less likely to be associated with changes in the number of earners, family economic status or the household's composition.

### Changes in employment and wage levels

The analysis shows a number of trends over the period 1991-1995, such as: the closing of the gap between the two areas in male unemployment rates (see Figure 2); a significant growth in hours worked by women; a faster growth of women's wages in rural areas relative to non-rural, and a slower growth of men's wages compared to non-rural areas. □

Changes in employment and wage levels differ not only between rural and non-rural areas but also between the sexes, especially for those who are on low pay or are unemployed. Both men and women on low pay in rural areas experience fewer changes in pay than is the case for both men and women in non-rural areas. However, while unemployed men in rural areas seem more able to move into higher paid employment than those in non-rural areas, the opposite is the case for such unemployed women.

The analysis reveals further significant differences in the nature of low pay and unemployment between the two areas. The incidence of persistent unemployment is less but that of persistent low pay greater for rural than for non-rural areas. Analysis of the key characteristics associated with low pay in general revealed only a few significant differences between rural and non-rural areas. The relatively low 'escape rate' from low pay

for individuals employed in small rural workplaces, combined with their dominance in rural employment, suggests that the lack of opportunity to move to work for larger employers may be an important explanatory factor.

### Conclusion

The study's findings suggest some areas for further research. These include:

- whether rural and non-rural areas are equally sensitive to the business cycle: while no clear answer is possible from the data presented here, some fragments of evidence suggest that they are not; for example, the stability of rural unemployment during the period, or that the recovery from the recession may have had less effect in rural areas.

- the relationship between employment status/wage dynamics and those on low income: from the initial analysis carried out here, there appear to be significant rural/non-rural differences in the composition of low income households with, for example, the self-employed a much more significant component of rural low income households than found in non-rural areas.

### About the study

This study was undertaken during 1997 by Polly Chapman, Euan Phimister, Mark Shucksmith and Esperanza Vera-Toscano from the Arkleton Centre for

Rural Development Research at the University of Aberdeen, with assistance from Richard Upward of the University of Manchester.

The study concentrated on information from the BHPS about income, work, employment, labour market behaviour, household composition and migration for samples in rural and non-rural areas. Details of the sampling techniques, sample structure, panel construction and equivalisation are given in the full report.

This study has only been able to consider the multi-dimensional, dynamic processes of social exclusion and integration out of their local contexts: while allowing the analysis of changes through time in a wide range of variables (thus a dynamic, multi-dimensional analysis), at the same time the information in the BHPS is divorced from its local context and is still partial. Other projects in the Action in Rural Areas Programme will look at more qualitative, locality-based issues.

## How to get further information

The full report, *Poverty and exclusion in rural Britain: The dynamics of low income and employment* by Polly Chapman, Euan Phimister, Mark Shucksmith, Richard Upward and Esperanza Vera-Toscano, is published by YPS in association with the Foundation and is available from York Publishing Services Ltd, 64 Hallfield Road, Layerthorpe, York YO3 7XQ, Tel: 01904 430033, Fax: 01904 430868 (ISBN 1 899987 67 3, price £9.95 plus £1.50 p&p). Two detailed technical working papers, covering 'The dynamics of low income in rural households' and 'Work, opportunity and low pay in rural households', are available from The Arkleton Centre for Rural Development Research, University of Aberdeen, St Mary's, Old Aberdeen, AB24 3UF, priced £5 each.

The following *Findings* look at related issues:

- Disadvantages in rural Scotland, Oct 94 (*SP62*)
- Private welfare insurance and social security, Feb 97 (*SP111*)
- The changing distribution of the 'social wage', May 97 (*SP114*)
- Income mobility in Britain, July 97 (*SP121*)
- Movements in and out of low pay, July 97 (*SP122*)
- Combining work and welfare, Oct 97 (*SP132*)
- Social protection: European challenges for the United Kingdom, Nov 97 (*SP136*)
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