

Poverty dynamics research in the UK

Findings
Informing change

June 2007

This systematic literature review of UK poverty dynamics research since the 1990s shows that this approach provides a more comprehensive understanding of poverty than point-in-time studies.

Key points

- Point-in-time studies underestimate the scale of poverty in the UK. Over an eight-year period, a third of the population experience poverty at least once: twice as much as the poverty rate at any one time.
- Point-in-time studies differentiate only between ‘the poor’ and ‘the non-poor’. Dynamics research highlights different types of poverty – transient, persistent and recurrent.
- While most people who enter poverty leave quickly, a minority experience persistent poverty.
- Many others experience recurrent episodes of poverty because income mobility tends to be short-range.
- Poverty in one generation increases the chances of poverty in the next. Educational attainment is the best way of mediating the risk of poverty over the life-course.
- The report concludes:
 - Strategies to eradicate poverty are undermined if they ‘cream off’ those experiencing transient poverty, if persistent poverty is not targeted, and if re-entry is not safe-guarded against.
 - Moving above the poverty threshold is counted as an exit from poverty but it is not meaningful unless it is sustained.
 - Loss of employment is the biggest cause of entry into poverty yet the importance of job retention remains understated in current policy. Nor does employment guarantee freedom from poverty: in-work poverty needs to be addressed.
 - The review highlights priorities for future research, including a greater understanding of how poverty dynamics vary in relation to the severity of poverty.

The research

A research team from the Centre for Research in Social Policy.

Background

The official UK poverty rate is determined through point-in-time surveys. Change in the poverty rate is estimated through comparison of two or more such surveys taken at intervals. Each survey draws on independent representative samples and so they are unlikely to look at the same individuals. This approach – because it cannot trace individual households – assumes that the bulk of households in poverty at any one time are the same households found in poverty at later points. It further implies that poverty can be taken as a homogenous experience: distinctions are not made in terms of severity or length of poverty, and ‘the poor’ are presented simply in binary opposition to ‘the non-poor’.

In contrast, dynamics research traces change in the circumstances of the same households over time, identifying their movements in and out of poverty. It shows that poverty is fluid and dynamic. There is no such thing as ‘the poor’; instead we see a broad population with diverse experiences of poverty.

Research on poverty dynamics in the UK has developed since the introduction of the British Household Panel Survey (BHPS) in 1991. Although it offers a more sophisticated understanding of poverty than point-in-time methods, dynamics research has not been exploited effectively in UK social policy. The aim of the review is to inform current policy and to highlight gaps in the evidence on UK poverty dynamics. The review encompasses literature published mainly between 1995 and 2004. Because it includes research spanning well over a decade, the review does not provide a definitive report of the current rates of poverty dynamics but instead gives a robust account of the dynamic nature of poverty: the different forms of poverty, how poverty is experienced over time, and how people enter and leave poverty.

Dimensions of poverty

Poverty is a much more common experience than point-in-time research implies. For example, between 1991 and 1998 an average of 15 per cent of the population were below the income poverty threshold at any one point. During that time, however, 32 per cent of the population had fallen below the threshold at least once.

For most people, episodes of poverty are short-lived. For example, between 1991 and 1997, almost half of those living in poverty in 1991 had left the following year and over two-thirds had left three years later. Nevertheless, 2 per cent remained in poverty for all seven years.

The literature identifies different types of poverty: transient or short-lived poverty, persistent poverty and recurrent poverty. Recurrent poverty reflects the fact that income mobility is short-range. Household income might increase enough to lift them just above the poverty threshold, but they remain on the cusp of poverty at high-risk of re-entering poverty. About 30 per cent of those leaving poverty re-enter again within a year and 30 per cent of the ‘pool’ of people in poverty over a six-year period were the same households moving in and out of poverty.

Poverty triggers

There are two aspects to the causes of poverty. The social characteristics – or personal resources – of households mediate how vulnerable they are to poverty, and the events which actually trigger their entry into poverty. The economic stability of a household depends on the balance between the household’s needs (mainly a result of family composition) and the income required to meet those needs. Poverty is more commonly triggered by changes in income (mainly job loss, then fall in wages) than by a change in household composition.

The relative importance of triggers varies by gender. Employment change is the dominant poverty trigger for men. For women both employment and family change are triggers, reflecting the fact that divorce and separation are more likely to trigger poverty for women than men. Retirement can represent a poverty trigger but its impact is dependent on an individual’s employment history.

At-risk groups

People who experience poverty once are more likely to experience poverty again. Poverty in childhood increases the risk of poverty in adulthood, adult poverty is associated with poverty in old age, and poverty in one generation of a family increases the chances of poverty in the next generation. Educational attainment is the key to mediating poverty risks across the life-course.

In terms of age, children and older people are at greatest risk of experiencing poverty, with risks increasing for younger children and older pensioners. Among households, chances of poverty are higher for lone-parent families with dependent children, for

households with a greater number of children and for those with younger children. More women experience poverty than men.

The direction of the causal relationship between poverty and disability (whether poverty causes disability or vice versa) is contested in the literature. People who become disabled are more likely to have been already living in poverty and unemployed than those not disabled, but at the same time the onset of disability is associated with a decline in income and employment rates.

Unemployed people are about twice as likely as the all-population average to experience persistent poverty. However, low-paid and insecure employment also increase the risk of poverty. Between 1994 and 1997 a third of working-age adults living in poverty for two consecutive years or more were in employment.

The same groups at risk of entering poverty are also those most at risk of persistent poverty.

Escaping and avoiding poverty

Increasing the income derived from employment – most importantly a movement from unemployment to employment, followed by an increase in wages earned – is the most common event to trigger poverty exit. Employment is the most robust way of keeping people out of poverty. The literature suggests, however, that poverty resistance depends not only on the number of employees in a household, but also on household members being in full-time and sustained employment.

A fifth of poverty exits are associated with household change. For lone-parents, household change – including movement from one to two-parent households – is more significant for poverty exit than for other households. Nevertheless, over 70 per cent of poverty exits among lone-parent families are related to employment changes.

In terms of poverty resistance, household stability and continuity commonly offer greatest protection. Poverty risks are less for individuals who maintain couple households and avoid separation, and who remain childless or do not increase their family size.

Lessons for policy

The fact that static measurements of the poverty rate understate the number of people who experience poverty over time means that the scale of the challenge of eradicating poverty is even greater than that suggested in official figures. An appreciation of the true scale and dynamics of poverty may enhance public support for the fight against poverty in the UK.

The ‘good news’ from the literature is that most people who experience poverty leave it quite quickly. However, people who experience transient poverty will include those who exit poverty ‘naturally’, without intervention. So policies could be focused on people facing recurrent and persistent poverty especially since persistent poverty is likely to be particularly hazardous to an individual’s well-being. However, a ‘one-size-fits-all’ approach to poverty in the UK means that it is difficult to be sure whether anti-poverty strategies address the circumstances of persistent poverty or whether they serve mainly, for example, to fast-track poverty exit among those experiencing transient poverty.

The extent of recurrent poverty raises critical questions about the extent to which movements above the income poverty threshold represent genuine poverty exits. Although these movements will count as poverty exits and will lower the official poverty rate, many people only maintain above-threshold incomes temporarily. These ‘blips’ above the threshold may not be long enough for them to build up material resources to the point where there is a meaningful impact on well-being. Furthermore, if policy focuses only on poverty exit – and not on keeping people out of poverty – it is likely to devote successive waves of resources to many of the same individuals. As many of these individuals will return to poverty, efforts to eradicate poverty will be inherently undermined.

The research endorses the Government’s strategy to combat poverty through employment. However, it also identifies loss of employment as the single most significant cause of poverty entry. Moreover, employment does not guarantee freedom from poverty and in-work poverty is a substantial problem. From a dynamic policy perspective, entry into employment represents a single point in the broader process of ‘being in work’. From this perspective, job retention and job progression (to tackle in-work poverty) are important in ensuring that employment leads to genuine freedom from poverty. Sustained, progressive employment is crucial for escaping and avoiding poverty both on a year-to-year basis and also across the life-course as a whole. The higher incidence of poverty among women and older people is rooted in the quality of their employment histories.

A dynamic perspective makes it clear that employment history constitutes periods of employment interspersed by periods out of employment (for example, because of unemployment, childcare or illness). Currently, these points of transition represent flashpoints for entering poverty: loss of work is the most common trigger of poverty, movement from a two- to lone-parent household often coincides with job loss, and children with a parent moving in and out of illness are just as disadvantaged as those with persistently ill parents. Greater support for individuals at these points would reduce recurrent poverty.

Priorities for further research

Because the literature analyses poverty in relation to a single-income threshold little attention is given to the severity of poverty – the differences between the ‘near poor’, ‘poor’ and ‘very poor’. To appreciate the full dimensions of poverty, an insight into the temporal diversity of poverty needs to be matched with an understanding of how poverty is differentiated by depth, in order to identify and prioritise help for people experiencing severe and persistent poverty.

Any analysis of poverty dynamics is confined to the content of available data and, essentially, to what questions are asked in surveys. Because qualitative research is not bounded by predetermined questions, longitudinal qualitative research of poverty dynamics could be useful to identify the full range of potential poverty triggers. Longitudinal qualitative research could also be important in examining the dynamics of the ‘low-pay-no-pay’ cycle, from the perspective of both people in poverty and employers. In order to consider how those at-risk of poverty manage to avoid poverty, longitudinal qualitative research could examine the issues associated with poverty resilience.

Further evidence could be gathered on poverty dynamics among black and minority ethnic groups, on the impact of educational attainment on poverty exit, and on the effects that different household changes have on poverty entry and exit.

About the project

Systematic review methodology provides a comprehensive and unbiased assessment of available literature on a given subject. It uses quality assessment and a transparent search strategy which determines where and how literature will be searched, and the criteria to determine what literature is included. The project reviewed 115 studies. Most were based on panel surveys – surveys of the same households on an annual basis. The literature also drew on birth cohort surveys – quantitative studies undertaken at intervals throughout childhood and adulthood of a group of individuals born in the same year. The literature used a number of measurements of poverty although, typically, relative income poverty was measured using Government’s standard threshold of 60 per cent of current national median income.

For further information

The review was undertaken by a team from the Centre for Research in Social Policy led by Noel Smith and Sue Middleton. The full report – **A review of poverty dynamics research in the UK** by Noel Smith and Sue Middleton – is published by the Joseph Rowntree Foundation.

Published by the Joseph Rowntree Foundation, The Homestead, 40 Water End, York YO30 6WP. This project is part of the JRF’s research and development programme. These findings, however, are those of the authors and not necessarily those of the Foundation. ISSN 0958-3084

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