

# The impact of family and labour market changes on recurrent poverty

Findings  
Informing change

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Poverty is not a once-in-a-lifetime experience. Once poor, the chances are high that a person will suffer poverty repeatedly throughout their life. Therefore, the phenomenon of recurrent poverty requires deeper understanding if policy is to have the greatest impact on reducing poverty. This study analyses statistics on recurrent poverty, using a representative longitudinal survey of households and individuals in Great Britain between 1991 and 2005.

## The research

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## Key points

- The study defined poverty in a relative sense using three measures – income poverty, financial strain and material deprivation – and the recurrence of these over a 15-year period (1991–2005). While the prevalence of recurrent income poverty remained fairly constant, recurrent financial strain declined and recurrent material deprivation actually increased.
- Exploring poverty through more than one measure produced different levels of prevalence and different trends. But irrespective of the dimension considered, four groups appeared particularly prone to recurrent poverty:
  - those with limited education;
  - skilled manual and lower skilled workers;
  - single parents;
  - unemployed and economically inactive people.
- Certain family circumstances and events increased the chances of experiencing recurrent poverty, including divorce or separation and having additional children. The negative consequences of these household changes applied irrespective of the dimension of poverty considered.
- Quality of employment rather than employment itself was a key factor in preventing repeat spells of poverty. Employers' role in providing training and good employment conditions were highly significant in protecting people against recurrent poverty.
- The findings suggest that current policies do not provide adequate protection from recurrent poverty. The authors conclude that a one-size-fits-all policy approach to recurrent poverty is unlikely to be an adequate response if poverty is recognised to be more than simply a shortfall in income.

## Background

This study attempted to enhance understanding of the recurrence of poverty and emphasise lessons that can be learned by focusing on poverty as it is experienced across a person's life rather than at a single moment in time. The essence of the project was to apply advanced statistical methods to the analysis of recurrent poverty: firstly in identifying people likely to suffer from repeated spells of poverty, and secondly in trying to isolate the determinants of this type of poverty through detailed investigation of data from a longitudinal survey of households and individuals in Great Britain between 1991 and 2005.

### Who is recurrently poor?

The study used three different measures or dimensions of poverty. **Income poverty** was defined as being below the 60 per cent median threshold (before housing costs). **Financial strain** was based on whether survey respondents felt that they were not coping financially. **Material deprivation** was based on the lack of a

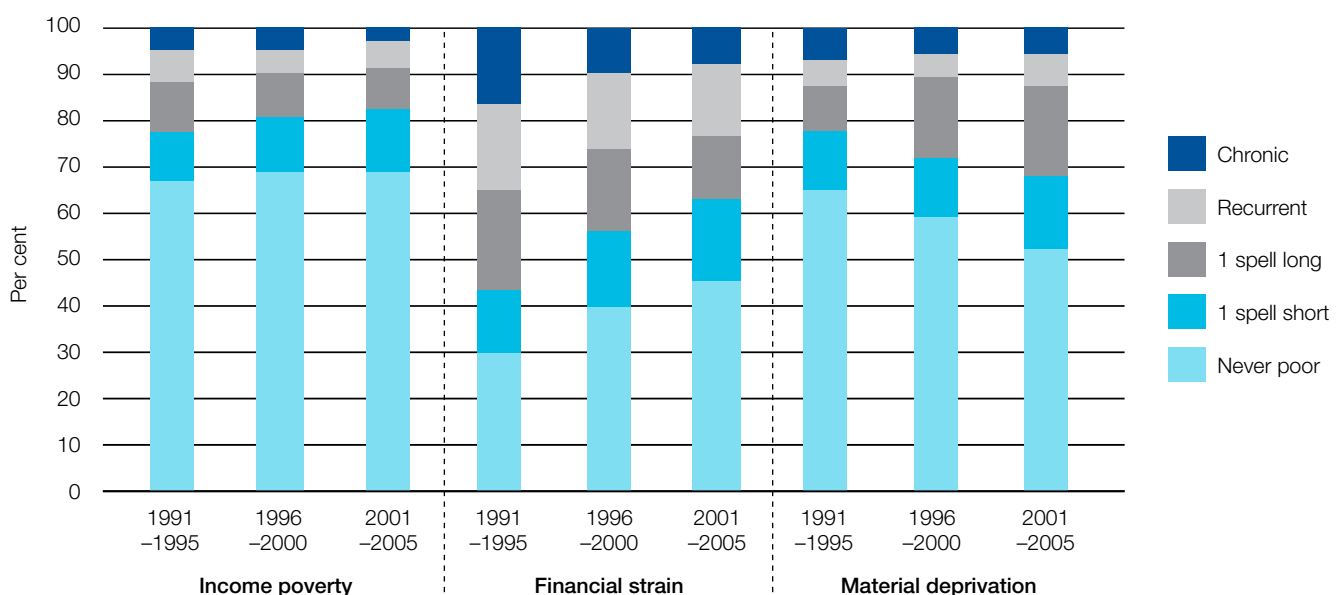
fixed set of consumer durables. All the measures were constructed to be relative in nature rather than absolute. Recurrent patterns of poverty along the three dimensions were identified in five-year periods or 'windows' in the data. Each of the three five-year windows was scanned for sequences of 'poor' or 'not-poor' events and a five-part classification was produced:

- never poor;
- one spell of not more than a year (referred to as 'one spell short');
- one spell of more than a year ('one spell long');
- recurrent (two or more separate spells);
- chronic (poor in all five years).

The percentages of people exhibiting each of these patterns within the five-part classification are shown in Figure 1.

For recurrent income poverty, percentages remained quite consistent over time. The prevalence of recurrent income poverty seemed to be generally stable, affecting around 5–7 per cent of the population as a whole and representing around a fifth of all poverty experience (within the five-year observation windows). Meanwhile, the number of people never experiencing financial strain increased over time. But even so, it can be seen that around half of the sample felt some financial strain over the last five-year window (2001–2005). This is in stark contrast to the income poverty figures, which show that around one-third of the sample experienced income poverty between 2001 and 2005.

Figure 1: Changes in different types of poverty 1991–2005



Financial strain is thus still much more prevalent in Britain than relative low income poverty, even though it is becoming less common. Around 15 per cent of the sample experienced recurrent financial strain compared with around 6 per cent who were in recurrent income poverty. Regarding material deprivation, in relative terms people are more deprived than they were before, although in absolute terms the extent of material deprivation has been declining. In other words, material inequality appears to have been increasing.

While the actual percentages of people reporting recurrent poverty were useful to ascertain trends, a more sophisticated statistical analysis was undertaken to determine those groups most at risk of recurrent poverty. This analysis demonstrated that:

- Lone parents were at very high risk of recurrent income poverty and recurrent financial strain. This was evident in the analysis even after controlling for employment and other salient factors.
- Families with children (whether lone parents or couples) were particularly prone to recurrent spells of financial strain.
- Those with limited or no educational qualifications were at higher risk of all three types of recurrent poverty, especially income poverty.
- Lower-skilled occupational groups were generally more prone to recurrent spells of all three types of poverty, but skilled manual occupations and many less skilled white-collar occupations were also at relatively high risk.

## Causes of recurrent poverty: household and labour market change

Using the longitudinal data, sophisticated statistical modelling was done to determine the causes of recurrent poverty along the three dimensions. The main factors taken into account were: previous poverty experience, household composition and change, and the quality and extent of engagement with the labour market.

A major finding was that the experience of poverty itself greatly increased the chances of suffering a recurrence of poverty in the future. This applied to all groups and all dimensions of poverty. Even single episodes of poverty were a good predictor of a person later falling into a pattern of recurrent spells of poverty. The extensive controls included in the analysis greatly increased the probability that the poverty itself led to further spells of poverty rather than the prior characteristics of the person placing them at added risk.

It was evident that lone parents were especially prone to chronic income poverty and financial strain. Moreover, the evidence showed not only that separation and divorce precipitated spells of poverty, as is known from other research, but also that the resultant poverty was frequently recurrent and embraced all three of the measures of poverty considered. The implication was that the support, financial or otherwise, that was available to couples experiencing relationship breakdown was not adequate to prevent one or both parties becoming prone to repeated episodes of poverty over a sustained period.

The analysis also pointed to the arrival of a new baby as a factor in triggering recurrent poverty. The fact that a new child increases expenditure and can reduce income is obviously well recognised, and there have been substantial increases in Child Benefit in recent years, as well as much improved provision for childcare.

## The benefit of employment in reducing the risk of poverty

People in employment, even those in low-skilled or less stable jobs, were less at risk of recurrent poverty than those who were unemployed or economically inactive. Work was therefore an important defence against poverty. However, the analysis indicated that securing a position with decent benefits and longer term prospects for advancement was generally much more important in providing protection against recurrent poverty than moving from unemployment into a job in the 'periphery' of the labour market, where jobs are often temporary and unstable.

## Conclusion

Exploring poverty using more than one measure produced different levels of the prevalence of poverty and different trends. This means that a uniform, 'one-size-fits-all' policy approach is unlikely to be adequate if poverty is recognised to be more than simply a shortfall in income.

The findings also show that lone parents and families with children are at high risk of financial difficulties. Despite the increased help the Government has made available to these groups, there still appears to be a significant danger of these families repeatedly experiencing spells of poverty and financial hardship, and more could be done to help them.

These findings further suggest that, given the observed financial impact of divorce and separation, and having additional children, targeting assistance in response to household changes could be particularly beneficial if it succeeded in breaking the links with recurrent poverty.

Finally, the study confirmed that structural factors, such as opportunities presented by the labour market, were as important, or more important, than personal attributes and circumstances in determining the risk of recurrent poverty. But policies that simply encourage people to find work, without considering the kind of jobs available, will not secure a marked reduction in recurrent poverty or a sustained decline in the poverty rate. The analysis underlined the importance of ensuring the availability of high-quality jobs offering security and prospects, as well as policies that encourage people to search for jobs and improve their skills.

## About the project

The research comprised detailed statistical analysis of recurrent poverty, based on a representative longitudinal survey of households and individuals in Great Britain between 1991 and 2005 (the British Household Panel Survey). The analysis was restricted to people of working age (18–64).

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## For further information

The full report, **Recurrent poverty: the impact of family and labour market changes** by Mark Tomlinson and Robert Walker, is published by the Joseph Rowntree Foundation. It is available as a free download from [www.jrf.org.uk](http://www.jrf.org.uk)

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