

Understanding Poverty

Research Summary

Researchers from the Research Centre on Micro-Social Change have used data from the long running British Household Panel Survey (BHPS) to develop a better understanding of the factors influencing poverty in the UK. Unlike most surveys that interview people only once, the BHPS has interviewed the same people every year since 1991. This allows the researchers to track changes in household income and examine the factors that are associated with movements into or out of poverty.



Impact

The first analyses of BHPS income data had a dramatic impact on the understanding of poverty in Britain. The research, undertaken by Professor Stephen Jenkins and colleagues, was designed to address the question: “Do the poor stay poor?” His findings revealed that, far from there being a group of ‘the poor’ whose composition remained the same over time, around half of those who were poor one year were not poor the next.

The findings from these early studies infused policy and directly influenced the New Labour view that ‘work is the best route out of poverty’ and the welfare-to-work programmes that followed, aiming to reduce the numbers of long-term unemployed.

The dynamic perspective now influences the way living standards are measured and monitored in the UK, and BHPS-based statistics included in the Department of Work and Pensions’ ‘Opportunity for All’ reports, contribute to the Government’s annual assessments of the success of its poverty-reduction strategies. In 2001, the former Department of Social Security (now the Department for Work and Pensions) commissioned further research using data from the 1991–1999 BHPS.

BHPS data has also allowed researchers to examine the processes surrounding transitions into and out of work. The analysis revealed a complex interaction between low paid jobs and unemployment, often resulting in a cycle of transitions between the two.

Findings show that paid work can be an important route out of poverty, but the type of work matters for people's poverty risks in the longer term. This has important implications for Government strategies such as the New Deal programmes that focus on jobs for the unemployed. Unless such programmes promote secure jobs with the opportunity for training and progression, they are unlikely to help pull families out of poverty permanently.

It also underlines the need to focus, not only on policies designed to increase people's chances of leaving poverty – the Government's emphasis to date – but also on policies designed to reduce the chances of returning to poverty (or better yet, to reduce the chances of becoming poor in the first place).

Further Information

ESRC Centre for Economic Performance

London School of Economics
<http://cep.lse.ac.uk>

Professor John Van Reenen
Email: J.Vanreenen@lse.ac.uk

Professor Stephen Machin
Email: S.J.Machin@lse.ac.uk

Professor Alan Manning
Email: A.Manning@lse.ac.uk

Professor Richard Dickens
Email: R.Dickens@lse.ac.uk

Professor David Metcalf
Email: d.metcalf@lse.ac.uk

Key Findings

- Around one in five people in the UK live in poverty (that is, they live in a household with an income below 60 per cent of the national average). Poverty rates among children are yet higher.
- The minimum wage successfully raised wages for the poorest workers, without leading to increased job loss.
- Rather than the poor always being poor, individuals tend to move into and out of poverty over time. There is turnover in the low income population.
- Over a six year period, only 2 per cent of households remained consistently below the poverty line but about one third of the people experienced at least one spell of poverty and one in five experienced at least two.
- Although the fraction of the population that is persistently poor is relatively small, the numbers of people 'touched' by poverty over a period of several years are relatively high.
- Movements into and out of poverty arise from not only changes over time in the money income coming into a person's household from different sources (labour income, benefits, and so on) and from different household members, but also changes in household composition arising from events such as divorce or the birth of a child.
- Experience of just one spell of unemployment can have devastating effects – those that return to work rarely earn as much as they used to and, if their new job has a low salary, they are three times more likely to become unemployed again than a person starting the same job after moving from other paid work.

Economic and Social Research Council
Polaris House, North Star Avenue, Swindon SN2 1UJ

The Economic and Social Research Council funds research into the big social and economic questions facing us today. We also develop and train the UK's future social scientists. Our research informs public policies and helps make businesses, voluntary bodies and other organisations more effective. Most importantly, it makes a real difference to all our lives.

The ESRC is an independent organisation, established by Royal Charter in 1965, and funded mainly by Government.

Impact@esrc.ac.uk
www.esrcsocietytoday.ac.uk