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An evidence review of the drivers of child poverty for families in poverty now and for poor children growing up to be poor adults

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Presented to Parliament
by the Secretary of State
for Work and Pensions
by Command of Her Majesty
January 2014



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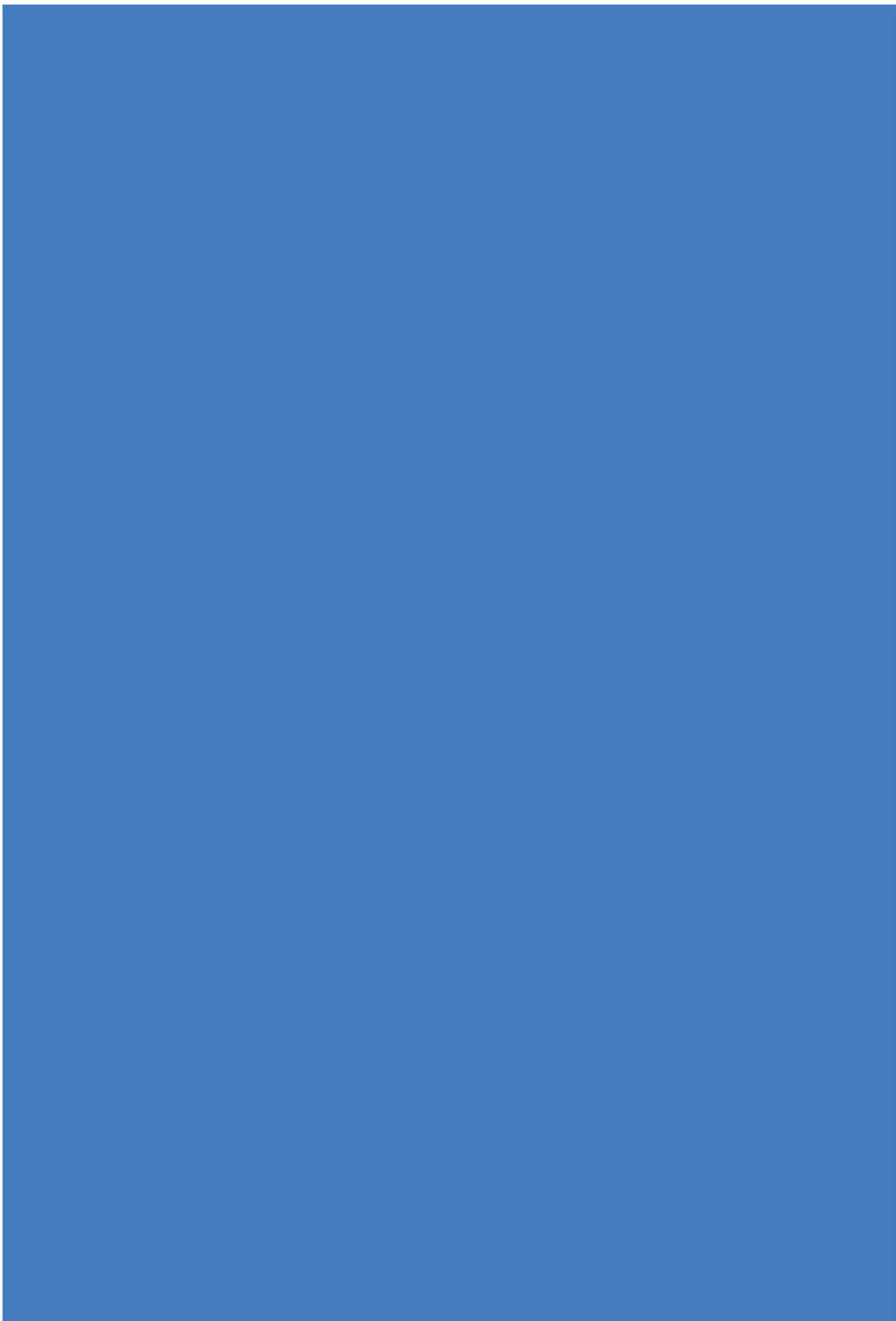
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Executive summary

Purpose

This report looks at the key factors that make it harder for some families to get out of poverty and the key factors that make some poor children more likely to become poor adults.

Approach

We have reviewed the available evidence on factors that make it harder for some families to get out of poverty and that make some poor children more likely to become poor adults. Whilst there are a great many potentially influential factors, we focused on the 13 family and child characteristics identified by a preliminary informal evidence review as most important:

1. (Long-term) Worklessness & Low Earnings
2. Parental Qualifications
3. Family Instability
4. Family Size
5. Parental Health
6. Educational Attainment
7. Housing
8. Neighbourhood
9. Debt
10. Drug & Alcohol Dependency
11. Child Health
12. Non-Cognitive Development
13. Home Learning Environment, Parenting Styles & Aspirations

We have considered the relative influence of each of these factors against three broad criteria, with their size based on our assessment of the evidence:

Certainty – DOES IT HAVE AN EFFECT? Does the analysis identify a significant relationship between the factor and the risk of staying in poverty as a child or becoming a poor adult? Is there a causal relationship and a clear consensus in the literature?

Strength – HOW BIG IS THE EFFECT? How strongly is the factor related to poverty and how direct is the influence?

Coverage – HOW MANY ARE AFFECTED? A certain and strongly influential factor may only affect a very small number of children and so not be as useful in developing our overall understanding of child poverty.

Chapters 2 and 3 of this report set out which of the above factors show the best evidence and strongest influences on child poverty now and for poor children growing up to become poor adults. Detailed summaries of the available evidence against each of the 13 individual factors are provided in Chapter 4.

Results

Families in poverty now: factors making it harder to exit poverty now

Table 1 below summarises the relative influence of each factor on the length of child poverty spells against the criteria outlined above.

Table 1: Relative influence of factors on length of child poverty spell

Factor	Certainty	Strength	Coverage
Long-term Worklessness & Low Earnings	High	High	High
Parental Qualifications	High	High	High
Family Instability	High	Medium	Medium
Family Size	High	Medium	Medium
Parental Ill Health and Disability	Medium	Medium	Medium
Drug & Alcohol Dependency	High	High	Low
Child Ill Health	Medium	Low	Low
Housing	Low	Low	Medium
Debt	Low	Low	Medium
Neighbourhood	Low	Low	Medium
Educational Attainment	N/A	N/A	N/A
Non-Cognitive Development	N/A	N/A	N/A
Home Learning Environment	N/A	N/A	N/A

The main factor is **lack of sufficient income from parental employment**, which restricts the amount of earnings a household has. This is not just about worklessness, but also working insufficient hours and/or low pay. This in turn is often caused by:

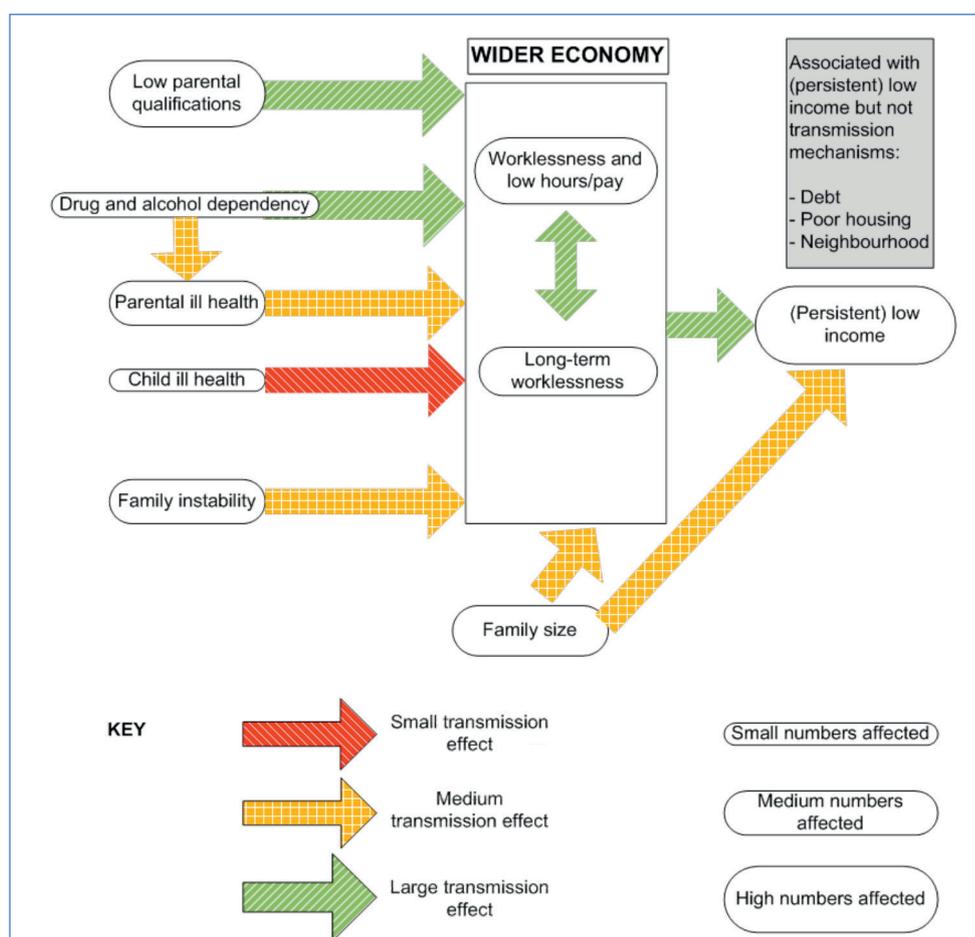
- **Long-term worklessness**, increasing difficulties in returning to work, including skill loss, employer bias and changes in attitudes to work.
- **Low parental qualifications** limiting an adult's level of wages.

- **Parental ill health** or **family instability** which can both reduce the number of parents whose earnings contribute to income, and may also mean the remaining parent is more restricted in terms of employment due to caring responsibilities either for the child or the disabled family member.
- **Family size**, with larger families requiring higher levels of income to avoid poverty. It can also restrict parental employment due to caring responsibilities.
- **Drug & alcohol dependency**, although only a small number of children are affected, the effects for these parents and children are profound.

Finally, research also shows that the experience of poverty in itself affects your chances of being poor in the future, with those who are poor for longer being less likely to exit poverty.

Figure 1 below demonstrates which factors play roles in causing longer spells of poverty and attempts to illustrate how these influences take effect. The colour of arrow indicates the strength and certainty of influence and the size of the boxes the numbers of children affected. It can be seen this is a fairly complex picture, consisting of a number of inter-related factors.

Figure 1: Diagram of size of group affected and transmission strength for factors making it harder to exit poverty now



Poor children growing up to be poor adults: factors making some poor children more likely to become poor adults

Table 2 summarises the relative influence of each factor on future poverty against the criteria outlined above.

Table 2: *Relative influence of factors on future poverty*

Factor	Certainty	Strength	Coverage
Educational Attainment	High	High	High
Parental Qualifications	High	Medium	High
Childhood Poverty	Medium	Medium	High
Home Learning Environment	Medium	Medium	High
Non-Cognitive Development	Medium	Medium	High
Parental Ill Health and Disability	Medium	Medium	Medium
Child Ill Health	High	Medium	Low
Long-term Worklessness & Low Earnings	Medium	Low	High
Family Size	Medium	Low	Medium
Neighbourhood	Medium	Low	Medium
Family Instability	Medium	Low	Medium
Drug & Alcohol Dependency	Low	High	Low
Housing	Low	Low	Medium
Debt	Low	Low	Medium

It can be seen that the main driver for future poverty is **poor child educational outcomes**, primarily through the influence on future employment outcomes and earnings.

Childhood poverty itself also appears to have an effect on future poverty largely through its impact on educational attainment.

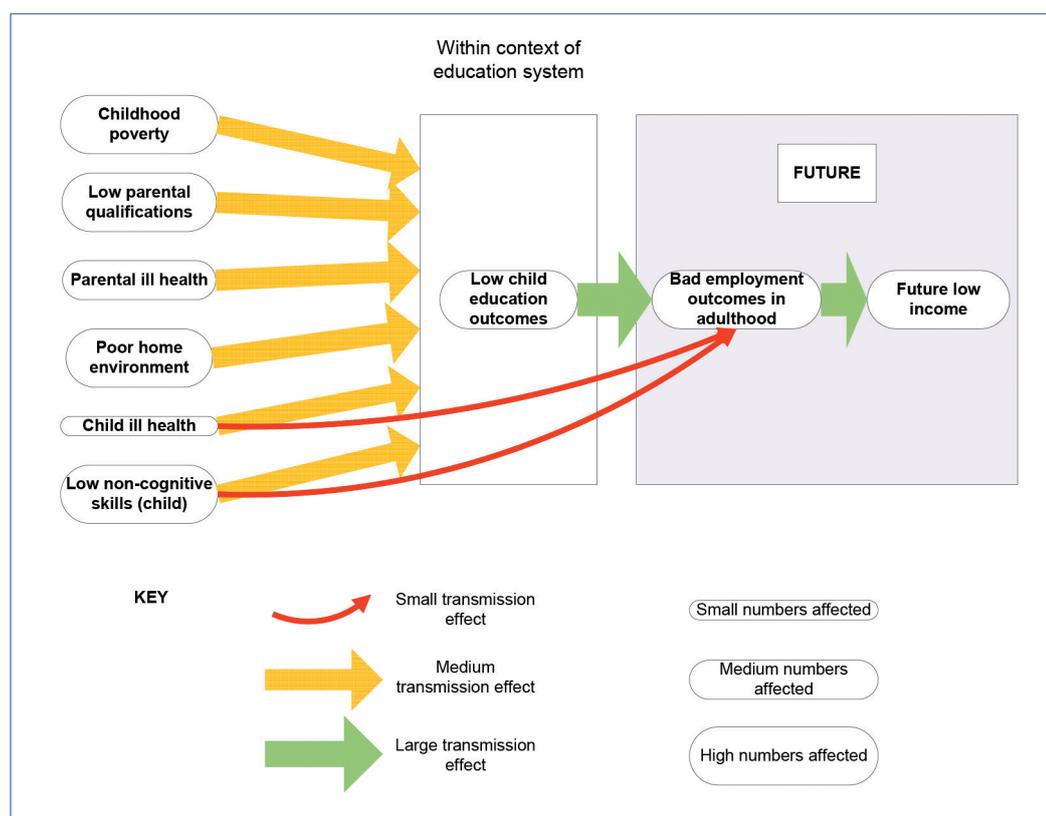
There are a range of other factors that influence the child's educational attainment, mainly involving parental characteristics. Primary amongst these are:

- **Parental qualifications**,
- **Parental health**,
- **Child health**,
- The home environment (made up of the **home learning environment** and parental behaviours), and
- **Child non-cognitive skills** (including aspirations).

Figure 2 below shows which factors play roles in causing future poverty. As above, the colour of arrow indicates the strength of influence and the size of the boxes the numbers of children affected. This is a more complex picture than for families in poverty now, consisting of a number of inter-related factors.

Not all children who are affected by the factors illustrated will be in poverty as adults. Equally some children who are not in poverty in childhood will be in poverty as adults. However, as Chapter 3 shows, the risks of adult poverty are much higher for children affected by these factors.

Figure 2: Diagram of size of group affected and transmission strength for factors making poor children more likely to become poor adults



Note: this diagram includes the main factors and overall effects. It does not include full detail on the mechanisms and how they interact; this detail is given in the section on poor children growing up to be poor adults.

Conclusions

From the range of academic and institutional evidence reviewed we can confidently conclude that:

Looking at children likely to be stuck in poverty for longer is important – those children affected suffer the worst outcomes and are at greatest risk of becoming poor adults.

- The key factor for child poverty now is parental worklessness and low earnings.
- The other main factors include low parental qualifications, parental ill health, family instability and family size.

There are a range of factors that increase the risk of a poor child growing up to be a poor adult.

- The most influential factor is child educational attainment.
- Other main factors (all of which act to some extent through educational attainment) are: low parental qualifications, parental ill health, child ill health, the home environment, children's non-cognitive skills and childhood poverty itself.



Chapter 1: Introduction

Aim of the report

This report aims to present an objective study of child poverty and the wider poverty evidence base. We are looking at two areas. Firstly, children in households with characteristics that mean that the household is likely to find it harder to exit poverty; this increases the risk of longer spells of income poverty. Secondly, children in poverty growing up with characteristics meaning they are more likely to experience income poverty as an adult.

Structure of the report

This report is made up of three main chapters:

- Families in poverty now
- Poor children growing up to be poor adults
- Individual explanatory factors

Chapters 2 and 3 start by setting out key findings. Each goes on to explain the key concepts used in looking at poverty now or future poverty, describes the different analytical approaches and sets the UK performance in an international context. Following this is the main content of the chapter which assesses the evidence to identify the key factors for poverty now and future poverty.

Chapter 4 looks in more detail at the strength of evidence about how individual factors are elements of poverty now or future life chances.

Poverty conceptualisation

Throughout this report we primarily use relative low income¹ (equivalised for household size and composition) to define poverty, although different proxies are also used throughout. We are confident that our conclusions are not sensitive to the choice of income definition or threshold. We are focused on drivers of poverty now or in the future rather than policy solutions.

¹ Relative low income is defined as children living in households which have less than 60% of the median income. This adjusts income for household size and composition.

Duration of poverty

Many households with children either do not fall into poverty or, if they do, do so only temporarily. In chapter 2, we are interested in factors that mean that households with children find it harder to exit poverty and therefore are likely to spend a longer time in poverty.

Future poverty

There are some factors that increase the risk of poor children growing up to be poor adults and thus propagate child poverty across generations. This chapter focuses on factors that mean a poor child is more likely to grow up to become a poor adult.

Sources used and approach taken

For chapter 2, the main analysis focuses on what factors lead a household to be stuck in poverty, as well as changes in circumstances that could tip families into poverty. The main data sources used are longitudinal panel surveys tracking individuals annually over a period of time. This enables us to look at which factors are associated with longer durations of poverty through an examination of which types of households stay in poverty for a long period of time, and which types of event move them into or out of poverty.

For chapter 3, our review is based mainly on cohort studies that enable consideration of both parental and child outcomes, as well as causal analysis and cross-country comparisons.

Chapter 4 (individual explanatory factors) takes a different approach, starting with the list of factors the preliminary evidence review identified as most important. It then looks across a range of academic literature to see whether there is evidence for that factor driving child poverty now or in the future, and, if so, what it says about the numbers of children affected and the means of transmission.

Individual agency and the macro-economic context

The primary driver of longer spells in poverty is seen in terms of labour market issues, whilst the primary driver of future poverty is low educational attainment.

This evidence review only considers individual and family characteristics and events associated with current and future poverty. It does not take account of the macroeconomic context, in terms of the number and quality of available jobs or the returns to qualifications. This review also does not examine the impact of the institutional framework (e.g. the current educational system) or culture of society. Nor does it consider the interaction between the benefits system and incentives to work, although this will obviously have a role in ensuring work pays. These factors are important as they may limit the extent to which individuals are able to improve their situations through their own agency and changes in these factors could affect the future stability of the associations reported.

Chapter 2:

Families in poverty now

Purpose of the chapter

This chapter looks at children in poverty now and identifies those characteristics that make it difficult for their families to escape poverty. Rather than there being different characteristics that drive shorter-term or longer-term poverty, evidence suggests that longer spells in poverty are driven by a greater accumulation and intensity of the same characteristics.

Overview

It is not the same households who are poor year-on-year – there is a substantial turnover from one year to the next. From Jenkins (2011) approximately half of children who are poor in one year are not poor one year later.¹

Despite this high level of low-income churn there are a non-trivial minority of children that are persistently poor. In the mid-2000s around one in ten children were poor for at least three years out of four.

Research shows that the experience of current poverty, and the length of time spent in poverty, is associated with an increased risk of future poverty.

Additionally, research suggests how an accumulation of the following characteristics (in broad order of importance) can drive longer spells in poverty:

- Long-term worklessness and low earnings;
- Having low parental qualifications;
- Family instability;
- Having a larger family (family size);
- Parental ill health and disability.

¹ For the Overview and Context sections, unless stated otherwise, all statistics are sourced from Jenkins, S.P. (2011) *Changing Fortunes*. Oxford: Oxford University Press, based on British Household Panel Survey data from 1991–2006.

The latest official child poverty statistics can be found in the Households Below Average Income (HBAI) series, 2011/12, available here: <https://www.gov.uk/government/publications/households-below-average-income-hbai-199495-to-201112>

The latest official statistics on persistent poverty (DWP's Low-Income Dynamics) are available here: <https://www.gov.uk/government/publications/low-income-dynamics-1991-to-1998>

Each factor can be understood as increasing the needs of the household and/or impacting upon its income.

Context: introduction to poverty dynamics²

How is poverty defined?

The measure of poverty used throughout this chapter is usually relative income. When we refer to a household as experiencing poverty, this generally means that the household's equivalised income – that is the income adjusted for the composition and size of the household – is below 60 per cent of the contemporary median national income.

The current official poverty rate is determined through point-in-time surveys and change in the poverty rate is estimated through comparison of two or more such surveys taken at intervals (although these surveys will generally interview different people).

Persistent poverty

Despite the high level of low-income churn, a non-trivial minority of households experience long-term persistent poverty.

The most commonly used definition of persistent poverty in the UK is when a household experiences relative income poverty for at least three years out of a four-year window. In the mid-2000s, by this definition, around one in ten children experienced persistent poverty.

Looking at longer timeframes, however, around one in fifteen children are in income poverty for seven or more years out of nine (over the period 1991–2006).³

Whilst this shows that only a small (though not insignificant) fraction of the population suffer longer spells of poverty, it represents a relatively large fraction of certain groups, such as lone-parent families (which will be discussed later).

A household with one or more characteristics that make it difficult for them to escape poverty is more likely to experience persistent poverty, since it is more difficult for them to escape poverty. Therefore, the persistently poor are often the group we consider.

As Smith and Middleton's Poverty Dynamics Review (2007) summarises, rather than particular characteristics being associated with either shorter-term or longer-term poverty, evidence suggests that a greater accumulation and intensity of characteristics drives longer spells in poverty. That is, the characteristics that drive temporary and persistent poverty are the same, but the persistently poor tend to suffer a greater number of these characteristics to a more intense degree.

Poverty now as a driver of future poverty

Research shows that the experience of poverty is associated with an increased risk of poverty in the future.

Jenkins (Changing Fortunes, 2011) refers to this as the 'state dependence' effect, concluding from his multivariate⁴ analyses of poverty dynamics that the experience of poverty in the past affects chances of being poor in the future, with those in poverty for longer being less likely to exit. For example, whilst half of those entering poverty move out after one year, it falls to

² See Annex A for a more in-depth examination of poverty types.

³ For an international comparison of year-on-year poverty rates, see Annex B.

⁴ Multivariate analysis considers multiple variables simultaneously, in this case multiple household characteristics.

half that rate after three years, and for someone remaining poor for a decade, the chances of leaving are around one in ten. Jenkins' results show that 'observed [household or individual] characteristics have different impacts on the chances of being poor depending on whether an individual is already poor or not'.

Smith and Middleton (2007), via a review of the relevant literature, also highlight how the experience of poverty increases the risk of future poverty and that the longer someone stays in poverty the less likely they are to escape. They argue, however, that as people experiencing similar poverty dynamics have similar characteristics, it may ultimately be these which drive poverty.

Nonetheless, as Jenkins concludes, precisely why there are these effects is an important topic for further research about the causes of poverty.

Therefore, the main interest of poverty dynamics (and of this chapter) is in the varied risks of poverty amongst families with different characteristics and experiences, and the extent to which these can be said to drive persistent poverty.

Methodology and evidence (see Annex C for further details)

Analysis types

Our aim is to identify the characteristics that drive longer spells in poverty. There are two broad forms of analysis that have been used to achieve this:

- **Longitudinal (dynamic) poverty research:** this chapter draws largely from longitudinal analyses of poverty. Longitudinal research traces the changes in circumstances for the same individuals over time, in order to reveal the dynamics of poverty.
- **Multivariate analyses:** this chapter only identifies characteristics that have been shown to have an independent association with poverty when other key characteristics have been accounted for, and therefore draws heavily from multivariate regression-based analyses of poverty.

Research sources

This chapter draws upon findings from four main sources, a summary of which is below, as well as other poverty dynamics research. In addition, we have brought in key components from the findings in chapter 4 on individual drivers, which draw on an even broader evidence base.

1) Stephen Jenkins (2011): *Changing Fortunes: Income Mobility and Poverty Dynamics in Britain* OUP

Jenkins' 2011 book contains an extensive analysis based on data from the British Household Panel Survey (BHPS) covering 1991–2006, providing a comprehensive study of income mobility and poverty dynamics. Jenkins looks at the relative importance of various life-course events as triggers of poverty as well as multivariate models of poverty dynamics.

2) Noel Smith and Sue Middleton – Joseph Rowntree Foundation (2007): *A review of poverty dynamics research in the UK*

This study is a comprehensive literature review on existing poverty dynamics research – the final report references 115 studies. The aim of the review was to gather and reflect on this wide array of literature in order to:

- examine the different forms of poverty, how different social groups experience it, and how people enter and leave poverty;
- understand the implications for policy aimed at tackling poverty and disadvantage; and
- highlight priorities for further research.

3) Matt Barnes, Anne Conolly and Wojtek Tomaszewski – National Centre for Social Research (2008a): The circumstances of persistently poor families with children: Evidence from the Families and Children Study (FACS)

This report presents analysis of the persistence of low income from a large-scale longitudinal study of families with children. It uses data from four waves (2001/04) of FACS, a Government-funded survey of families with dependent children living in Britain. The main objective was to use FACS to understand the nature of persistent poverty for families with children and to examine the key risk factors.

4) Matt Barnes, Nick Lyon and Jane Millar – National Centre for Social Research (2008b): Employment transitions and the changes in economic circumstances of families with children: Evidence from the Families and Children Study (FACS)

This study uses longitudinal data from the Families and Children Study (FACS) between 2001 and 2005 to explore the impact of movements in and out of paid employment on the economic circumstances of families with children. It also looks at the circumstances of families that receive in-work tax credits to investigate how their economic circumstances change following employment transitions.

Methodology of how research sources have been combined

In *Changing Fortunes*, Jenkins provides a detailed and comprehensive analysis of poverty dynamics, which outlines the key events associated with a move into low-income poverty, and identifies the household and individual characteristics (and associated risks) predictive of longer spells in poverty, even when potentially confounding characteristics are controlled for.

By looking at these trigger events, we can get an idea of the drivers of poverty, and by looking at the length of spells in poverty, as well as overall poverty rates, we can get an idea of the degree to which a characteristic drives persistent poverty.

Jenkins' analyses provide the core findings of this chapter, which we have then supplemented with findings from other poverty dynamics research. In particular, we have extensively drawn upon Smith and Middleton's *Poverty Dynamics Review* which, through gathering and reflecting on a large body of similar analyses, provides a cohesive argument outlining the key drivers of poverty.

The two reports based on the Families and Children Study were also included for their particularly relevant focus on persistently poor families with children, and also the impact of moves in and out of the labour market.

Findings from all four main sources were largely complementary, as was the work considered in chapter 4 and other papers we have read. They lead to a clear consensus around the key drivers of longer spells in poverty, which we have outlined below.

Caveats

Despite the large consensus across the literature, there are some caveats, common to most poverty dynamics research, that are worth outlining:

Cause and effect: whilst analysis can identify significant relationships between the characteristics of families and the risk of persistent poverty, it is difficult to draw conclusions on cause and effect in the relationship.

Trigger events: analysis can only suggest the probability of certain events triggering poverty for a survey population, rather than actually identifying what triggered poverty entry for a specific household.

Recession effects: Most of the analysis and research in this chapter is pre-2008, before the onset of the recession. It is not clear how this will have altered the patterns and relationships identified here. As Jenkins (Changing Fortunes, 2011) outlines, there are not only the effects of higher unemployment to consider, but also the workings and reforms of the tax-benefit system.

Income thresholds: The studies drawn upon here tend to analyse poverty in relation to a single, defined income threshold, with the result that the chapter is less focused on the depth or severity of poverty.

Coverage: As results in this chapter are primarily drawn from BHPS data there is limited coverage of children in Northern Ireland. Where comparable analysis has been conducted based on the Northern Ireland Household Panel Survey (NIHPS) the findings show broad consistency.

Statistics: The figures presented in this review should be read with caution as they come from research spanning two decades, cover different time periods, and are based on a range of poverty measurements, some with different relative income thresholds. However, what the figures illustrate – the dynamics of poverty and how it is experienced by different individuals – can be relied upon with confidence.

Characteristics of persistent poverty: when we refer to the persistent poverty of households with certain characteristics (for instance workless households), these households are generally defined by their characteristics in the first year of the period covered.

Data limitations: Analysis on the triggers of poverty is limited to the content of the available data and to what questions are asked in the limited number of longitudinal surveys (we are largely limited to BHPS data, with a final wave at 2008). As Smith and Middleton (2007) state, this raises the question of how confident we can be that all the ‘right’ questions have been asked and whether all potential poverty triggers have been taken into account.

Chapter 4 overcomes a number of these limitations by looking in detail at individual factors.

The key factors that trap families in poverty

Tables 3 and 4 below show, in broad order of importance, the family and household characteristics found to be the key drivers of longer spells in poverty. All of these drivers can be understood in terms of their likely impact on either a household's income or its needs.

Certainty, coverage and strength

Table 3 summarises the certainty, coverage and strength of each driver.

Table 3: The key factors that trap families in poverty

Driver (or household characteristic)	Certainty	Strength	Coverage
1) Long-term worklessness & low earnings	High	High	High
2) Low parental qualifications	High	High	High
3) Family instability	High	Medium	Medium
4) Larger families (family size)	High	Medium	Medium
5) Parental disability/ill health	Medium	Medium	Medium

We decided whether each driver had a high, medium or low certainty of effect, strength of effect or coverage by reference to both the sources used and the official poverty and persistent poverty statistics published in the Households Below Average Income series and Low Income Dynamics respectively.

A summary of the key statistics

Table 4 below shows a summary of key statistics.

We are particularly interested in how the household characteristics might drive longer spells in poverty. Therefore, the middle column of Table 4 shows how much more or less likely a currently poor household/family is to leave poverty if they have each of the characteristics below (all other things being equal). For instance, if the head of the household is employed, their (currently poor) household is 40 per cent more likely than a household with a workless head to leave poverty. The column furthest to the right shows how much more or less likely a household who has left poverty is to re-enter it, if it possesses each of the characteristics.⁵

The first column displays the best available statistics illustrating the proportion of children who live in households with each characteristic, and the associated poverty rates of those children. (Note: sometimes statistics at child level are not available, so individual-level statistics are presented instead). These statistics are sourced from the latest Households Below Average Income (HBAI) series, 2011/12, and DWP's Low-Income Dynamics publication, 1991-2008. For comparison, 17 per cent of children are in low-income poverty and 12 per cent of children are in persistent poverty.

⁵ These estimates were derived by Jenkins (Changing Fortunes, figures 10.2 and 10.6), using multivariate hazard regression models of poverty dynamics, based on a cohort of 1991–98 British Household Panel Survey households who entered or exited poverty after 1991. The estimates are for all households (with and without children) with a household head of working age.

Table 4: The strength and coverage of impact for various factors

Driver (or household characteristic)	All other things being equal, the independent impact of having characteristic is...	
<p>1) Long-term worklessness (and low earnings)</p> <p>12% of all children live in workless households</p> <p>38% of those in workless households are in persistent poverty</p> <p>(Source: Low Income Dynamics)</p>	<p>If the household head is employed, this raises the chance of leaving poverty by ~40%...</p>	<p>... and reduces the chance of re-entering poverty by ~50%</p>
	<p>If someone other than the household head is employed, this raises the chance of leaving poverty by ~60%...</p>	<p>... and reduces the chance of re-entering poverty by ~50%</p>
	<p><i>Note: ~66% of children in relative poverty have at least one parent in employment.</i></p>	
<p>2) Lower parental qualifications</p> <p>18% of all individuals live in households where no one has any qualifications</p> <p>20% of all individuals in households where no one has any qualifications are in persistent poverty (compared with 9% of population).</p> <p>(Source: Low Income Dynamics)</p>	<p>If the household head has A-levels or above, this increases the chance of leaving poverty by ~20%...</p>	<p>... and reduces the chance of re-entering poverty by ~25%</p>
<p>3) Family instability</p> <p>21% of all children live in lone-parent families.</p> <p>23% are in persistent poverty.</p> <p>(Source: Low Income Dynamics)</p>	<p>An extra adult in the household raises the chances of leaving poverty by ~25%</p>	
<p>4) Larger families (family size)</p> <p>25% of all children are in families with 3 or more children.</p> <p>25% are in poverty.</p> <p>(Source: Households Below Average Income)</p>	<p>Each child reduces the chance of leaving poverty by ~20%...</p>	<p>... and increases the chance of re-entering poverty by ~35%</p>
	<p>The presence of a child aged 1–5 reduces the chance of leaving poverty by ~30%</p>	
<p>5) Parental disability/ill health</p> <p>18% of all children live with 1 or more disabled adult</p> <p>22% are in poverty</p> <p>(Source: Households Below Average Income)</p>	<p><i>Comparable effect not available, as Jenkins did not include this characteristic within his regression hazard model analysis</i></p>	

Long-term worklessness and low earnings

Why is long-term worklessness and low earnings a driver of poverty?

- The direct impact of worklessness and low earnings on household income makes it a key area of poverty risk.

Coverage: High

- 38% of children in persistent poverty live in workless households.

Strength: High

- 38% of children in workless households experience persistent poverty (are poor for at least three years out of the last four).

Certainty: High

- Huge body of Government and academic research and statistics covering the links between employment and income poverty.

Why is worklessness and low earnings a driver of poverty?

The direct impact of worklessness and low earnings on household income makes it a key area of poverty risk.

Becoming workless

Jenkins (BHPS 1998–2004, Changing Fortunes [CF], 2011) shows around 60 per cent of household entries into poverty are associated with a change in income or employment (the remainder being due to a change in the composition of the household). Job loss is the main reason for this drop in income. A fall in the number of household workers accounts for around a quarter of couples with children who enter into poverty (when neither parent leaves the household). A higher proportion is observed if change in household structure and/or hours/wages is included.

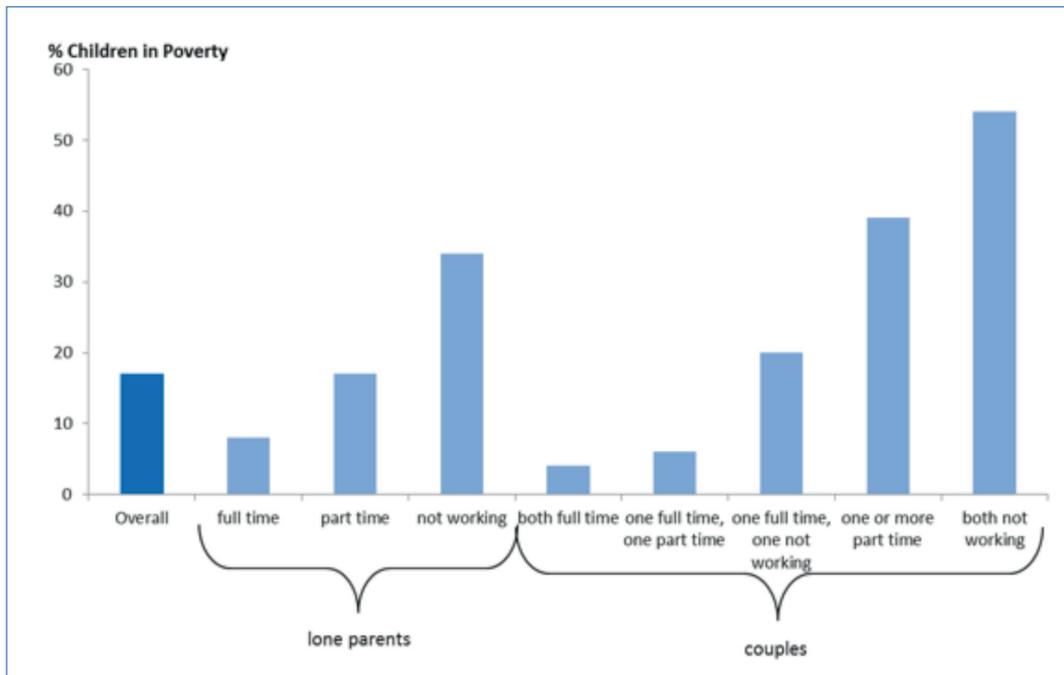
Being workless

15 per cent of all children live in workless families (HBAI 2011/12).

Jenkins et al (BHPS 1991–98) show that while there is an 11 per cent poverty rate among children in married-couple households with one or more earners, this jumps to 84 per cent for couple households without earners, and 90 per cent for lone-parent households without earners.

Figure 3 below highlights how worklessness and working patterns associated with lower earnings are linked with higher child poverty rates in both couple and lone-parent families.

Figure 3: Percentage of children in poverty by family type and working status



Source: HBAI 2011/12, Table 4.5db

Jenkins (BHPS 1991–98, CF, 2011) specifically analyses the effect of having someone other than the household head in work. He finds that having someone other than the household head in paid work raises the chance of exiting poverty by more than having the head of household in paid work (60 per cent higher rather than 40 per cent higher – this is even when household size is controlled for). This may be because only having a single earner (potentially in part-time employment) is not sufficient on its own for the household to exit poverty.

Persistent worklessness

Barnes et al (2008a) show how, when a longitudinal rather than point-in-time measure of family work status is used, the importance of work is even more pronounced (FACS 2001–04). Persistently workless families face a much higher risk of experiencing persistent, rather than temporary, poverty compared with families where at least one person was temporarily employed. To work even temporarily over the period dramatically reduces the odds of experiencing persistent poverty. A poor two-parent family where one parent is temporarily employed is around five times less likely to experience persistent poverty than a poor family where both parents are persistently out-of-work.

Low earnings

The sources used tend to refer to the impact of working a lower number of hours (or part time) on the risk of experiencing poverty, rather than the impact of low-paid work *per se*.

It can be seen that only 6 per cent of children in poverty are in families where all parents (including both lone-parent and couple families) are in full-time work (HBAI 2011/12). However, of all currently poor children, around two-thirds are in families with at least one adult who is working, suggesting that a combination of low hours and low pay plays a key part in determining poverty. Furthermore, according to the official 2008 Low Income Dynamics statistics, 34 per cent of children in persistent poverty are in couple families where one parent is in work (BHPS 2005–08).

Barnes et al (2008a) also suggest that having only one parent who works for 16 or more hours per week is no guarantee that the family will avoid persistent poverty (FACS 2001–04). Their analysis shows that when the father is working, families are likely to avoid persistent poverty, but when only the mother is working, families face increased risk, as mothers tend to work for fewer hours, and at lower wages, than fathers.

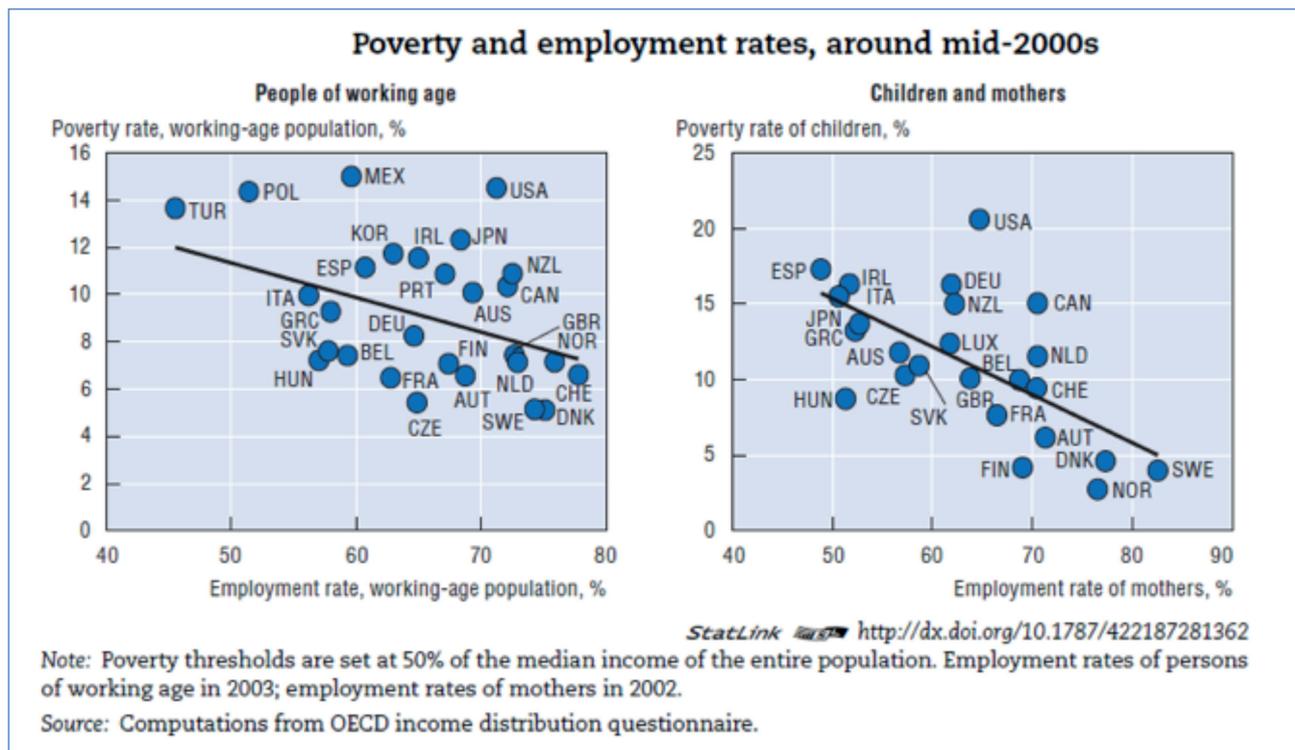
Cross-national comparison

OECD evidence (2008) supports findings that the most important poverty risk factor is whether household members are in employment. Across the 30 OECD countries considered (in the mid-2000s), those living in households where no one works have a poverty rate of 36 per cent on average, almost three times higher than in households with one worker, and 12 times higher than households with two or more workers.

The poverty rate of households with no workers is above 50 per cent in Australia, Canada, Ireland, Korea, and the United States but below 20 per cent in Denmark, Hungary, Luxembourg, Switzerland and Turkey. In comparison, the UK is reasonably close to the average, with 33 per cent.

Because households with workers have lower poverty rates than other households, countries with a higher employment rate for people of working age also tend to record a lower poverty rate among the working-age adults, as shown in figure 4.

Figure 4: Poverty and employment rates, around mid-2000s



Source (reproduced from): OECD (2008) – *Growing Unequal? Income Distribution and Poverty in OECD Countries*

Low parental qualifications

Why are low parental qualifications a driver of poverty?

- Low parental qualifications drive poverty because of their impact on employment opportunities and wage potential.

Coverage: High

- 44% of *individuals* in persistent poverty (household-level statistics not available) have no qualification.

Strength: High

- 20% of all *individuals* with no qualifications are in persistent poverty (compared with 9% of population).

Certainty: High

- There is a mixture of independent and Government commissioned academic research which attempts to estimate the returns to qualifications and skills for individuals. Whilst there is some uncertainty over causality, there is a high degree of consensus between estimates.

Why are low parental qualifications a driver of poverty?

Low parental qualifications drive poverty because of their impact on employment opportunities and wage potential. A number of studies referenced by Smith and Middleton's literature review (2007) note the risk of low education on experiencing poverty.

Lower parental qualifications

Adelman et al (2003) found that, of children with parents without qualifications, only 7 per cent had not experienced poverty, while 32 per cent had experienced persistent poverty (BHPS 1991–99). By contrast, of children with parents who were qualified above A-level standard, 34 per cent were never in poverty and only 4 per cent experienced persistent poverty.

Jenkins (BHPS 1991–98, CF, 2011) finds that, of currently poor households, if the head of household has A-levels, they are 20 per cent more likely to exit poverty and, having left poverty, around 25 per cent less likely to re-enter it (all other factors being equal).

A similar finding is that a lack of educational attainment of A-levels or above increased the risk of becoming poor from 5 to 10 per cent for partnered mothers, but even more – from 23 to 35 per cent – for lone mothers (Adelman and Cebulla, 2003, ECHP 1995–96).

Persistent poverty

Smith and Middleton suggest that research links the effect of low educational attainment more strongly to persistent than to temporary poverty. They present the work of Muffels et al (2000), which shows that 'even at the lower levels of the labour market [education] pays in terms of preventing people from persistent poverty' (BHPS, 1991–95).

Across the European Community Household Panel (ECHP) sample, Nolan and Maitre (2004) estimated that only one in 40 of those in highly educated households were in poverty continuously from 1993 to 1995, compared with one in 20 in middle-educated households,

and one in nine in low-educated households (ECHP 1994–96). Barnes et al (2008a, FACS 2001–05) also find that low parental qualifications is significantly associated with persistent, rather than temporary, poverty.

Cross-national comparison

There is some international evidence to support the impact of low educational attainment on the risk of poverty. OECD's (2001) study of Poverty Dynamics in Six OECD Countries (Canada, Germany, the Netherlands, Sweden, the UK and the US) shows that higher levels of education of the household head shorten the length of poverty spells, but the evidence is strong only for the United States. While the results point in this direction in Germany (and the UK), they are not statistically significant (although as discussed above, later analysis, in particular by Jenkins, suggests that it is a statistically significant factor in the UK).

Family instability

Why is family instability a driver of poverty?

- The primary driver would seem to act via labour market activity, with family breakdown associated with a loss of income for women and children and significantly higher rates of worklessness for lone-parent families.

Coverage: Medium

- 39% of children in persistent poverty live in lone-parent families.

Strength: Medium

- 23% of children in lone-parent families experience persistent poverty.

Certainty: High

- Large body of evidence examining relationship between family structure and income. Detailed longitudinal studies allow us to understand issues of poverty durations and, to a degree, explore issues of causality.

Why is family instability a driver of poverty?

Whilst direct causality is hard to establish, the primary driver would seem to act via labour market activity, with family breakdown associated with a loss of income for women and children and significantly higher rates of worklessness for lone-parent families. See chapter 4 for a fuller treatment of family instability.

Experiencing family breakdown

Transitions from two-parent households to lone-parent households are relatively infrequent, affecting only around 2 per cent of all non-poor couples with children each year (BHPS 1998–2004, CF, 2011). However, among those who make the transition, 36 per cent enter into poverty.

The reason this so frequently results in entering poverty is mostly due to the impact of fewer workers remaining in the household. Overall, 8 per cent of entries into poverty are associated with couple-with-children families changing to lone-parent households; three quarters of these (6 per cent) are due to the loss of a worker in the household.

As well as the obvious impact of losing a potential wage-earner from the household, Jenkins (2008) and Gregg et al (2007) show that moving from a couple to a lone-parent household is also associated with high rates of leaving employment for the lone parent. HBAI statistics (2011/12) show that just under half of lone-parent families are workless compared with less than 1 in 10 couple families.

Jenkins concludes that these findings are ‘an important reminder that individuals’ experiences of income mobility and poverty dynamics depend on their household context and changes in it – not only the changing combination of income sources from all the individuals in the household but also changes in the household composition itself.’

Poverty rates by family type

Just over one fifth of all children live in lone-parent families (HBAI 2011/12). Jenkins (BHPS 1991–2006, CF, 2011) shows that in the mid-2000s over two thirds of lone-parent families experienced poverty at least once over four years, compared with a third of the whole population.

From the most recent official UK poverty statistics (HBAI 2011/12) children in lone-parent families are more likely to be in relative income poverty than those in couple families (22 per cent and 16 per cent respectively).

Work patterns by family type

Barnes et al (2008b) explore the relationship between family type and work patterns, and the resulting movements into and out of poverty (2001–05 FACS). This analysis suggests that couple families were more likely to enter work than lone-parent families and so overall they were more likely to exit income poverty over time. Five waves of FACS data were used to look at the association of movements into and out of work with changes in the economic circumstances of families. Between two annual waves, 21 per cent of couple families moved into work compared with 12 per cent of lone-parent families. Following a transition into work, almost three-quarters of families had moved out of income poverty a year later, and this figure was the same for lone-parent and couple families. Rates of income poverty exit improved further for families that remained in work for an additional year – 77 per cent of lone-parent families and 78 per cent of couple families had escaped income poverty two years after finding and remaining in work.

In summary, lone-parent families who moved into work had relatively high exit rates from income poverty, but because fewer started work, overall they were less likely than couple families to exit income poverty over time. Consequently, lone-parent families were four times more likely to be in persistent poverty than couple families.

Re-partnering as means of exiting poverty

Although maintaining stable employment is more important, re-partnering in lone-parent families can serve as an exit from poverty. Jenkins (BHPS 1998–04) reports that re-partnering accounts for 18 per cent of poverty exits among members of lone-parent families. Of those who repartnered, 69 per cent escaped poverty. Furthermore, of those in households where re-partnering coincides with a rise in the number of workers, 83 per cent move out of poverty.

Family stability as a means of avoiding poverty

So whilst the benefits of stable employment and re-partnering are evident, Smith and Middleton also highlight the importance of family stability in itself. They cite research by Adelman et al (2003) showing that the vast majority of children (85 per cent) who avoided

poverty over the five-year window had been continuously in couple households (BHPS, 1991–99). They also show the findings of Marsh et al (1999, British Lone Parent Cohort, 1991–2001), that stability in lone-parent families reduces poverty risks. That is, 9 per cent of children who had not experienced poverty had been in a lone-parent household continuously for the five-year period. By contrast, only 4 per cent of children who had not experienced poverty were in families which had moved in and out (or out and in) of lone parenthood.

Persistent poverty rates by family type

The persistence of poverty is particularly marked among lone-parent families. According to 2005–08 Low-Income Dynamics data, 23 per cent of lone-parents experienced persistent poverty, compared with 9 per cent of couples with children.

Jenkins (BHPS 1991–98, CF, 2011) models the probability of exiting poverty for currently poor households, in order to predict how risks range for children in lone-parent families. All things being equal, Jenkins' analysis suggests that an extra adult in the household raises the chance of leaving poverty by around 25 per cent.

Of the groups considered, poverty risks are at their highest for individuals in a lone-parent household, with two children including one aged under six years, where the parent is not in work and does not have A-levels (or above): the predicted length of time spent in poverty for such a household is almost five years. Table 5 below compares different family types (all where the head is aged under 30, with two children, one aged under six) to see the predicted impacts of either extra adults in the household, and/or work, and/or having A-level qualifications. These estimates were derived by Jenkins (Changing Fortunes, 2011), using multivariate hazard regression models of poverty dynamics, based on a cohort of 1991–98 British Household Panel Survey households who entered or exited poverty after 1991.⁶

Table 5: Predicted number of years in poverty by family type

Family types with two children, one aged under six	Predicted number of years in poverty
Two adult household, both working (with A-levels)	1.93
Two adult household, one working (with A-levels)	2.83
Lone-parent household, not working (with A-levels)	3.75
Lone-parent household, not working, no A-levels	4.75
Lone-parent household, working, no A-levels	3.26

Cross-national comparison

Research conducted in Britain, the USA and Europe demonstrates clear short-term changes in income following the end of marriage or co-habiting relationships, with nearly all research identifying large falls in income for women and children.

⁶ These estimates are taken from Table 10.8 (Changing Fortunes), from a hazard-regression model which models poverty entry and exit rates jointly.

However, children in the UK have a higher probability of experiencing parental separation, having a lone parent, or being part of a step-family when compared to a majority of other developed countries. Just over two-thirds of children aged 0–14 in the UK live with both their parents, compared to an OECD average of 84 per cent.

OECD (2008) results show that year-on-year poverty rates for children living in single-parent families are three times higher than for the average of all households with children and are above 40 per cent in a third of OECD countries (compared with 22 per cent in the UK).

OECD countries with a larger share of mothers in paid work also record lower poverty rates among children, as shown in Figure 4 above.

Larger families (family size)

Why is having a larger family a driver of poverty?

- There is evidence of higher rates of worklessness in larger families potentially due to greater caring responsibilities. Household needs are also increased.

Coverage: Medium

- 36% of children in poverty live in families with three or more children.

Strength: Medium

- 25% of children who live in families with three or more children experience poverty.

Certainty: High

- There are several Government and academic studies which enable us to examine the key relationships here.

Why is having a larger family a driver of poverty?

First, there is evidence identifying higher rates of worklessness in large families. Willits & Swales (2003) cite a combination of factors likely to deter mothers of large families from entering the labour market.

Secondly, though economic status is always a more important contributor to large families' poverty rates, family size itself makes a significant contribution, especially among the largest families; this is because household needs are increased when there are more children.

In addition to family size, Jenkins presents evidence (BHPS 1991-98, CF, 2011) that there is an additional effect beyond solely family size from having younger children in the family.

Becoming a larger family

Jenkins (BHPS 1998-2004, CF, 2011) suggests that 6 per cent of non-poor couple-with-children households experienced an increase in the number of children, around 10 per cent of whom entered into poverty at the same time. Overall, this change accounts for 6 per cent of entries into poverty.

Poverty rates for larger families

Table 6 shows the difference in prevalence and poverty rates for different sized families:

Table 6: Poverty rates by family size

Number of dependent children	Proportion of families	Proportion of children	Relative poverty rate (60% threshold)
One child	47%	30%	15%
Two children	39%	45%	15%
Three or more children	14%	25%	25%

Source: HBAI 2011/12 and LFS 2013

Persistent poverty rates of larger families with younger children

Smith and Middleton cite research by Adelman et al (2003, BHPS 1991–99) which found that the greater the number of children in a household, the greater their chances of experiencing persistent poverty. Compared with an only child, a child living in a household with three or more children is over three times more likely to experience persistent poverty. Regarding age, Table 7 shows that the younger children are, the more likely they are to face persistent poverty. Adelman et al further report that of all children in persistent and severe poverty, 65 per cent were in a household with a child aged under five years, while only 14 per cent were in a household where the youngest child was aged ten or older. These results are summarised below.

Table 7: Poverty composition by number and age of children

Average number of children in the household over five years by poverty status (per cent)

	Persistent and severe poverty	Persistent poverty only	Short-term and severe poverty	Short-term poverty only	No poverty	All children
One	11	15	25	19	26	21
Two	30	35	49	43	50	44
Three	59	50	27	39	24	36

Age of child by poverty status (per cent)

	Persistent and severe poverty	Persistent poverty only	Short-term and severe poverty	Short-term poverty only	No poverty	All children
0–4 years	38	32	40	24	29	30
5–9 years	30	33	12	28	22	26
10–14 years	22	24	12	21	25	24
15–19 years	10	12	36	27	24	21

Poverty = income poor (40 per cent of median income) and/or one measure of material deprivation. Severe poverty = income poor and two measures of material deprivation.

Source (reproduced from): Adelman et al (BHPS 1991–99)

For Devicienti (2001), a young child living in a household with three or more children and a lone mother with low educational attainment is at most risk. If household characteristics stay the same, between 64 per cent and 73 per cent of children in this situation experience poverty for more than four out of seven years. Children without siblings, children in partnered-

parent households and those in households headed by an adult with high educational attainment face significantly lower risks of persistent poverty.

With all other factors held equal, Jenkins (BHPS 1991–99, CF, 2011) estimates that each additional dependent child decreases the chance of a poor household leaving poverty by around 20 per cent, and increases the chance of re-entering poverty by 35 per cent. He also finds that the presence of a child aged 1–5 decreases the chance of leaving poverty by around 30 per cent.

Cross-national comparison

OECD (2008) evidence suggests that this pattern is true of the majority of OECD countries. In general, poverty rates of families with two children are only slightly above those of families with only one child. Poverty rates, however, increase more substantially when a third (or more) child is present in the family, especially in Ireland, Mexico, Poland, the United Kingdom and the United States. Conversely, in Australia, Austria and the Nordic countries, no significant increase occurs. Overall (across the 30 OECD countries), children living in households with three or more children were almost twice as likely to experience poverty as children in one-child families.

Parental disability and ill health

Why is parental disability and ill health a driver of poverty?

- If a household member is limited in their ability to work because of illness or disability, household income is reduced and household need is increased.

Coverage: Medium

- 23% of children in poverty are living with 1 or more disabled adults.

Strength: Medium

- 22% of children living with 1 or more disabled adult are in poverty.

Certainty: Medium

- Determining whether parental health problems are a cause of child poverty is difficult and the direction of causality is contested throughout the literature. However, there is a range of academic and Government research which documents where poor parental health has led to poverty.

Why is parental disability and ill health a driver of poverty?

The poverty risks suffered by children in households with sick or disabled parents arise from the fact that, if a household member is limited in their ability to work because of illness or disability, household income is reduced and household need is increased.

Living with an ill or disabled parent

18 per cent of children live with 1 or more disabled adults – 22 per cent of those children live in relative poverty (HBAI 2011/12).

Children living with disabled parents and/or parents in ill health are more likely to experience persistent poverty too. Adelman et al (2003, BHPS 1991–99) showed how over half of

children in persistent poverty had lived with an adult in ill health for at least one year during five, compared with a quarter of children who did not experience poverty.

Does disability lead to poverty or vice versa?

Smith and Middleton's Poverty Dynamics Review explains that whilst there is definitely a strong association between ill health and poverty, the direction of the causal relationship (whether poverty causes illness or vice versa) is debated throughout the poverty dynamics literature.

For example, Bardasi et al (2000, BHPS 1991–98) showed that 38 per cent of men two years before the onset of disability were in the poorest quintile of the income distribution of working-age men, compared to 18 per cent of non-disabled men. The employment rate among men two years before the onset of disability was 81 per cent, compared to 93 per cent among non-disabled men. So, to an extent, the association between poverty and disability is explained by the fact that people who become disabled are likely to have characteristics associated with having worse economic outcomes (Jenkins and Rigg, 2004, BHPS 1991–98). Conversely, however, the onset of disability was associated with a marked decline in income, and employment rates fell continuously following disability onset.

Barnes et al (2008b, FACS 2001–05) finds that mothers with long-standing illnesses are significantly more likely to move into poverty, all other things being equal. However, it is worth noting that of all significant factors, illness had the weakest relationship with poverty once other factors had been accounted for.⁷

Cross-national comparison

International evidence also highlights these issues, with the World Health Organisation (1999) stating that illness can limit productivity and reduce earning ability which perpetuates poverty. This is supported by a second paper on poverty and health by the World Health Organisation (2002) which finds that a disabled adult in the household, especially the breadwinner, leads to falling incomes through not being able to work, leading to a downward spiral of poverty.

Household characteristics with limited explanatory power

The following section lists household characteristics considered and found to have limited explanatory power. This includes:

- Housing.
- Neighbourhood.
- Debt.
- Drug & alcohol dependency.
- Child health.
- Ethnicity.
- Child educational attainment.

⁷ Jenkins incorporated health events into preliminary analysis of trigger events (i.e. events that result in households entering poverty). Whilst results showed that negative changes in health accounted for a non-negligible share of poverty transitions, this was more to do with their high prevalence than their impact. Among households in which negative changes in health occurred, poverty transition rates were much the same as for households which did not experience them. In this sense, health events are unimportant for poverty transitions. Parental disability or ill health are not included within Jenkins' regression analyses of poverty exit and re-entry rates.

- Non cognitive development.
- Home learning environment, parenting styles and aspirations.

Table 8: Other factors

Driver (or household characteristic)	Certainty	Strength	Coverage
Housing	Low	Low	Medium
Neighbourhood	Low	Low	Medium
Debt	Low	Low	Medium
Drug & alcohol dependency	High	High	Low
Child health	Medium	Low	Low
Child educational attainment	N/A	N/A	N/A
Non cognitive development	N/A	N/A	N/A
Home learning environment, parenting styles and aspirations	N/A	N/A	N/A

Each driver was assigned a high, medium or low certainty of effect, strength of effect or coverage based on reference to both the sources used and the official poverty and persistent poverty statistics published in the Households Below Average Income series and Low Income Dynamics respectively.

Housing

Why might (poor) housing be a driver of poverty?

- Poor health caused by low-quality housing could have an impact on the ability for adults to access or keep employment which could drive low income. However the evidence on the strength of this association is lacking.

Coverage: Medium

- Barnes et al. (2006) found that in 2005, one in four children live in houses that fall below the Decent Home Standards and that 9% live in damp homes.

Strength: Low

- That poor people are more likely to live in low-quality housing is evident. However, the extent to which poor housing causes poverty is far less certain.

Certainty: Low

- That poor people are more likely to live in low-quality housing is evident. Low-quality housing, overcrowding and multiple home moves are identified as primary aspects of housing that are associated with low-income poverty. However it is difficult to ascertain the direction of causality, and there is little evidence on these aspects driving poverty.

Low-quality housing, overcrowding and multiple home moves are identified as primary aspects of housing that are associated with low-income poverty. However it is difficult to ascertain the direction of causality.

There is little evidence on these aspects driving current poverty. Some links around health caused by bad housing are identified as having an impact on the ability for adults to access or keep employment which could drive low income. However the evidence on the strength on this association is lacking. See chapter 4 for further details.

Neighbourhood

Why might neighbourhood be a driver of poverty?

- Neighbourhood effects could impact on the employment opportunities in the local labour market, meaning that those who live in poor neighbourhoods will find it difficult to work and therefore have low incomes which will drive poverty levels.

Coverage: Medium

- DCLG produce an English Indices of Multiple Deprivation (IMD); these are composite indices which brings together information on deprivation of income, employment, crime, health, education, housing and environment at the Local Super Output Area (LSOA) level for England. According to the IMD, in 2008 over 5 million people lived in the most deprived LSOAs (bottom 20%) in England, 2 million of whom were income deprived.

Strength: Low

- The research reviewed concludes that people's demographic and income circumstances – not type of neighbourhood – better explain outcomes.

Certainty: Low

- The research reviewed is limited in terms of a neighbourhood effect.

Smith and Middleton (2007) conclude that, in comparison with demographic and economic factors, environmental factors have limited independent influence in increasing people's vulnerability to poverty.

Local labour market

Jenkins (BHPS 1991–99, CF, 2011) finds that the local labour market (modelled as the unemployment-to-vacancy ratio in the travel-to-work area) did not have a statistically significant association with poverty exit rates, even when the household employment characteristics were excluded from the analysis. Other analyses cited by Smith and Middleton (2007) found poverty exit rates were associated with local employment levels, but concluded that individual and family characteristics made a greater contribution.

Neighbourhood deprivation

Smith and Middleton cite research showing a strong association between household poverty and neighbourhood deprivation. This shows how chances of leaving poverty are lower and chances of re-entering poverty are higher in deprived areas than in non-deprived areas. However, whilst this research cautiously identifies some causal effects of neighbourhood on poverty – specifically on poverty exit – it comments that 'there are equally and more important influences at the individual and household levels'. This observation reflects conclusions reached in chapter 4.

The review also highlights research conducted by Bolster et al (2004, BHPS 1991–2001) considering changes in individuals' incomes, compared across a range of neighbourhood types, controlling for various social characteristics. This showed that individuals in both the

richest and poorest neighbourhoods experienced the same range of income change (–20 per cent to +50 per cent over five years).

Rural vs. Urban

There is also evidence on whether living in an urban or a rural area increases a family's risk of being in poverty, however this has limited explanatory power as a driver of poverty.

Neighbourhood crime

Finally, no evidence has been found on how the relationship between neighbourhood and crime has a direct effect on the risk a household has of being in poverty for a longer spell.

The research therefore concludes that people's demographic and income circumstances – not type of neighbourhood – better explain outcomes.

Debt

Why might debt be a driver of poverty?

- The difficulties low-income households have in accessing credit and the higher costs of borrowing they face suggests a broad mechanism for how a 'vicious circle' of problem debt might emerge, trapping these families in poverty. This result is not definitively established in the research reviewed.

Coverage: Medium

- Of children in households in low income poverty, 24% are behind on one or more bills.

Strength: Low

- 29% of children living in a household behind on one or more bills are in poverty. However, whilst those living in low-income households are more likely to be behind on bills or have problem debt, there is no clear causal relationship evident, with many of the factors associated with lower financial capability also associated with a higher risk of poverty.

Certainty: Low

- There is no clear causal relationship evident, with many of the factors associated with lower financial capability also associated with a higher risk of poverty.

We would reasonably expect household debt to be a consequence of poverty and for material living standards to be affected by servicing high cost debt. As such, it is very hard to clearly establish from the evidence reviewed whether there may also be a causal relationship between past debt and current income poverty.

Research studies highlight the difficulties low-income households have in accessing credit and so the higher costs of borrowing they face. This suggests a broad mechanism for how a 'vicious circle' of problem debt might emerge, trapping these families in poverty, although this result is not definitively established in the research. See chapter 4 for further details.

Drug & Alcohol Dependency

Why might drug & alcohol dependency be a driver of poverty?

- Problem substance use takes effect on income poverty primarily through the difficulties substance misusers have gaining and maintaining employment.

Coverage: Low

- These problems affect a relatively small number of children (compared to other factors considered).

Strength: High

- Where families do suffer with drug and alcohol problems there are clear impacts on incomes.

Certainty: High

- There is a significant body of domestic and international Government, academic and charitable research and statistics on drug and alcohol misuse. A majority of this work, however, reasonably takes as its starting point that drug and alcohol abuse are damaging, and therefore results that identify associations with poverty are relatively rarer.

Impacts from problem drug and alcohol use on income are difficult to measure accurately and affect a relatively small number of children (compared to other factors considered). However, where they do take effect impacts can be devastating.

As this evidence review primarily focuses on low *income*, excess expenditure on drugs or alcohol to satisfy a dependency will not be captured. Instead, problem substance use takes effect primarily through the difficulties substance misusers have gaining and maintaining employment. See chapter 4 for further details.

Child health

Why might child health be a driver of poverty?

- For those children with more severe health conditions and disabilities, associated parental caring responsibilities may reduce employment levels and so household income.

Coverage: Low

- Official Statistics from the 2011/12 Family Resources Survey suggest that around 6% of UK children (0.8 million) are disabled, with HBAI (2011/12) results showing that 11% (1.5 million) live in a family containing at least one disabled child.

Strength: Low

- There is little evidence from the official poverty statistics that households with disabled children are currently at significantly higher risk of poverty. HBAI results for 2011/12 show that 19% of children living in families with disabled children are in relative income poverty – this is slightly higher than the overall proportion of children in poverty in the UK for 2011/12 at 17%.

Certainty: Medium

- There is limited evidence as to whether child health issues in general directly cause poverty in the short-term, with the majority of literature citing that low income is the more causal factor in driving poor health in children.

There is a well-established association between child ill health and both poverty now and in the future. Establishing a causal link from child health to poverty is more difficult however – poverty causes health problems, but it is less clear whether child health problems drive poverty now. For those children with more severe health conditions and disabilities, however, evidence suggests that the associated parental caring responsibilities reduce employment levels and so household income. See chapter 4 for further details.

Other factors

Ethnicity

There is some evidence that people in black and minority ethnic groups are more at risk of poverty than white ethnic groups.

For instance, Barnes et al (2008a, FACS 2001–04) find ethnicity to be significantly associated with persistent poverty amongst couple families (even when accounting for other confounding factors). This report concludes that *“the causes of poverty for ethnic-minority families are complex but there is evidence to suggest that discrimination continues to create unequal opportunities and unequal outcomes, plus the added complication that people from minority ethnic groups face particular hurdles when claiming benefits (Craig, 2005).”*

Further, Chapter 9 of the 2010 National Equality Panel report (Hills et al, 2010) presents evidence from work by Longhi and Platt (2008) amongst others on how ethnicity (together with other diversity factors) associates with low income, and so greater poverty risk, even with controls for other key factors.

However, as Smith and Middleton (2007) point out – in general, there appears to be relatively little analysis of why the poverty risks are so high for BME sub-groups, particularly in the area of poverty dynamics and longitudinal research. This is likely due to the small number of black and minority ethnic respondents in panel surveys which, while representative, is often too small to permit more detailed analysis. Further research may be required to identify the types of poverty experienced by different BME social groups, and whether particular triggers and factors are associated with poverty among these groups.

That said, there is limited evidence of a prejudiced labour market with less favourable treatment of many ethnic minority groups in recruitment processes (Barnard and Turner, 2011, quoting a number of studies). In particular research by Wood et al (2009) found that net discrimination in favour of white names over equivalent applications from candidates from a number of minority ethnic groups was 29 per cent.

Life chances

The following characteristics are more applicable to future life chances as they do not drive poverty now:

Child educational attainment: Many families in poverty have their earning potential limited by relatively low educational qualifications, therefore low child educational attainment will mainly play into future poverty.

Non-cognitive development: If a child’s parents have low non-cognitive skills, this may limit their potential earnings and place them at greater risk of poverty. The evidence outlined in chapter 4 suggests that non-cognitive skills have an independent impact on adult employability and possibly on adult earnings, even controlling for educational achievement. However, different studies have employed different measures of personality traits and so there

remains some uncertainty about what the important dimensions of non-cognitive skill are and how they interact to produce the outcomes observed.

Home learning environment, parenting styles and aspirations: As previously mentioned when considering child educational attainment, factors in this area play mainly into future poverty.

Chapter 3:

Poor children becoming poor adults

Purpose of the Chapter

This chapter considers the drivers that cause poor children to grow up to be adults in poverty.

To look at this, we use the body of literature that explores the link between parental income and their children's future income (intergenerational income mobility¹), whilst always maintaining a focus on children who grow up in low-income households.

Overview

Intergenerational mobility² varies across the income distribution, and is lower at the top and the bottom for many countries, including the UK (d'Addio, 2007). Low income mobility at the bottom of the distribution increases the inheritance of poverty across generations (d'Addio, 2007). The identification of the factors that contribute most to this process of income transmission across generations may therefore lead to a better understanding of the policies needed to weaken the inheritance of poverty (d'Addio, 2007).

We therefore focus here on intergenerational mobility in income, poverty and earnings, always maintaining a focus on the lower end of the income distribution. We also consider intergenerational mobility in other factors, for example education and non-cognitive skills, as possible drivers of intergenerational mobility in income.

Note that this chapter focuses on the intergenerational aspect of mobility, but social mobility refers to both intergenerational mobility and intra-generational mobility (the extent to which an individual's social status changes within their own life course).

Context: an introduction to intergenerational income mobility

The transmission process

Parents provide their children with genetic endowments and with other resources by investing in their 'human capital' through time and purchased goods and services. These include:

- investment in good health and nutrition;
- financial capital for schooling;

¹ Some of the literature refers to intergenerational income persistence. Persistence is the inverse of mobility.

² Also described as 'the extent to which an individual's circumstances during childhood are reflected in their success in later life'.

- home learning activities;
- beliefs, values and attitudes through social resources;
- wealth through gifts.

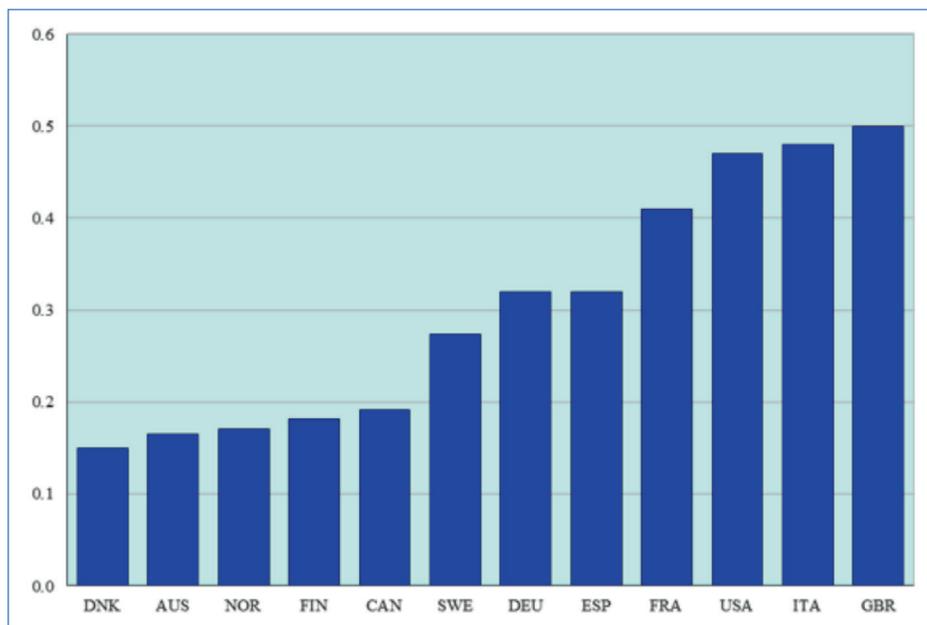
(d'Addio, 2007)

Parental choices are determined by preferences and by constraints and, as such, parents face a trade-off between their current consumption and the future consumption by the child (Corak, 2006). They can increase the child's consumption in the future by investing in the child's earnings capacity or by out-right income transfers. Their propensity to invest in their child depends on their preferences, the rate of return on these investments and the extent to which family background characteristics are transmitted to their child (d'Addio, 2007).

Cross-national comparisons

The UK, along with the US, has a low level of income mobility compared with other selected OECD countries (see figure 5 below) with an intergenerational earnings elasticity (IGE) of around 0.5³ (implying that, on average, 50 per cent of the relative difference in parental earnings is transmitted to their children).

Figure 5: The strength of the link between individual and parental earnings varies across selected OECD countries, using IGE



Source (reproduced from): d'Addio, 2007 (based on various studies including a meta-analysis in Corak, 2006)

³ The intergenerational elasticity, a measure of immobility, relates the earnings of parents to that of their children and is the regression coefficient in the intergenerational log-log equation.

Intergenerational mobility across the income distribution

Intergenerational mobility is lower at the top and the bottom of the income distribution for many countries. In fact Jantti (2006) finds that countries are very similar in the central parts of the distribution and that the cross-country differences in overall income mobility are largely due to differences in the tails. The UK is fairly similar to the Nordic countries in terms of mobility at the bottom of the distribution, with most of the observed difference in overall mobility reflecting less movement from the top to the bottom of the distribution in the UK. The US is similar to the UK in terms of movement from the top but there is also evidence of lower mobility in the bottom of the distribution in the US.

Focusing on the bottom of the income distribution, individuals who experienced poverty as teenagers are much more likely to be poor as adults and this transmission of poverty has risen between teenagers in the 1970s and those in the 1980s (see table 9 below, Blanden and Gibbons, 2006). Specifically, around four in ten children born to low-income parents become low-income adults in the UK⁴ (Blanden et al, 2005). Additionally, comparing teenagers in poverty to those not in poverty, the odds ratio of being in poverty as an adult is just under 4, which means that being in poverty as a teenager nearly quadruples the likelihood of being in poverty as an adult (Blanden and Gibbons, 2006).

Table 9: Transmission of Poverty between generations: Odds Ratios for Association of Teenage Poverty with Poverty in Adulthood

	Teenagers in mid-1970s	Teenagers in mid-1980s
Men	2.1	3.6
Women	2.0	4.0

Other income and intergenerational metrics

Countries where intergenerational income mobility is lower also tend to have:

- higher levels of inequality;
- lower levels of education spending;
- higher returns to higher education;
- stronger links between parental qualifications and child's cognitive abilities;
- higher levels of child poverty.

Furthermore it appears most likely that the correlation between inequality and lack of intergenerational income mobility is not just being driven by the same processes (Blanden, 2009, Corak 2006 (using OECD *Education at a Glance*), d'Addio, 2007). The literature looks at intergenerational mobility in many factors: income, earnings, wealth, educational attainment, health, welfare receipt, non-cognitive or personality traits, attitudes and values. Some of these associations between parental characteristics and children's future characteristics as adults are causal and others are only correlations; these will be explored in more detail in the rest of the chapter.

The UK has high returns to higher education, a strong link between parental and children's educational outcomes and low education spending per student compared to selected OECD countries. Blanden (2009) finds that, 'The UK tends to be towards the immobile end of the spectrum for all measures (class, income and education mobility measures)'.

⁴ Based on the proportion of sons born to parents whose average income is in the bottom quartile of the income distribution, who remained in the bottom quartile as adults.

Methodology and Evidence

Analysis types (see Annex D for more details of these analysis types)

In this area, the different methodology types are:

- **Longitudinal cohort analysis on intergenerational income and poverty:** which looks at transmission mechanisms and intermediate outcomes. These typically model the variation in parental and children's earnings using a range of factors linked to both, after controlling for all other factors likely to have a significant role in explaining the variation.
- **Cross-national comparisons:** these are useful to deepen understanding of the relationship between intergenerational income and other metrics such as income inequality, child poverty and lack of intergenerational mobility in other factors such as education and occupation.
- **Longitudinal cohort analysis on intermediate outcomes** that are strongly linked to adult earnings, e.g. education, employment, health, looking both at intergenerational mobility in these factors and at links with parental income.
- **Causal analysis:** these analyses use a variety of techniques to attribute causality to the associations listed above. Techniques include randomised controlled trials (mainly in the US), analysis of siblings, twins and adopted children and natural experiments (for example policy changes). There has been the most work and success in looking at the link between parental and children's education, mainly using changes in the compulsory school-leaving age.

In summary, there seems to be a good and consistent understanding of the intergenerational correlations that exist, but less agreement around the effect sizes and whether the relationships are causal. This is partly due to the difficulty in combining all explanatory factors into one model and partly due to the difficulties involved in isolating changes that affect only income or worklessness.

Research sources

This evidence review has been based on a selected number of literature reviews exploring intergenerational income and poverty, transmission mechanisms and causal relationships. To support these we have also used specific studies from the UK that focus on decomposing the intergenerational income/poverty link and the key intermediate pathways, notably educational attainment.

Key literature reviews:

Jenkins and Siedler (2007), The intergenerational transmission of poverty in industrialized countries

Black and Devereux (2011), Recent Development in Intergenerational Mobility

d'Addio (2007), Intergenerational Transmission of Disadvantage

Corak, M. (2006), Do poor children become poor adults? Lessons from a cross country comparison of generational earnings mobility

Specific UK studies:

Blanden and Gibbons (2006), The Persistence of Poverty across generations

Blanden, Gregg and Macmillan (2007), Accounting for Intergenerational Income Persistence: Non-Cognitive Skills, Ability and Education

Gregg, Propper, and Washbrook, (2008), Understanding the relationship between parental income and multiple child outcomes: decomposition analysis.

Caveats

Correlation and Causation: Low intergenerational mobility in a given outcome reflects an association between the circumstances of parents and those of their children in later life and does not necessarily imply causation. The association may exist because of other correlated factors, observed or unobserved, and specific analysis is then required to determine whether causation exists. For example in this context, children in low-income households are more likely to go to lower quality schools and live in more deprived neighbourhoods and specific causal analysis is required to determine which of these are actually driving children's outcomes and which are correlated. The best studies include a wide range of factors to explain the intergenerational variation, such as family background, demographics, local area and interactions. However it is not possible to include everything that influences income, due to the number of factors, recording issues and some being unobserved, for example inherited abilities.

In this evidence review, we consider both correlation and causal analysis always bearing in mind that the lack of a consistent, causal relationship does not prove there isn't one, and equally if a correlation exists once a range of factors have been controlled for then causality should not be assumed.

Future life chances: the key risk factors for intergenerational child poverty

All the factors that are influential in explaining the intergenerational income transmission process are necessarily linked to both parental income and to children's future income. Causality is not implied and will be discussed in more detail in the sections below.

The 'Key Pathways' table (Table 10 below) shows the factors that are important in explaining the intergenerational transmission of low income. The factors generally work both indirectly and directly on future economic activity. The shares of these two effects vary and so the transmission detail is important. For example, the effect strength of child health and of parental health are both medium and they both act through the educational attainment of the child. However, child health also impacts directly on economic activity (through future health as an adult), whilst parental health acts indirectly on economic activity through the child's development of non-cognitive skills.

We decided whether each driver had a high, medium or low certainty of effect and strength of effect by reference to the sources used. The coverage is based on various data sources that identify the proportion of children in low-income households affected by the factor in question.

Table 10: Key factors that explain intergenerational income

Factor	Certainty of effect	Strength of effect	Coverage	Transmission detail
Child educational attainment	High	High	High	Direct on future economic activity
Parental qualifications	High	Medium	High	Through education and home environment
Home environment (HLE ⁵ and parental behaviours)	Medium	Medium	High	Mainly through education
Non-cognitive development	Medium	Medium	High	Mainly through education with smaller direct effect on future economic activity
Childhood poverty	Medium	Medium	High	Mainly through education outcomes
Parental health	Medium	Medium	Medium	Through education and non-cognitive abilities
Child health	High	Medium	Low	Through education and health in adulthood

Explanatory factors

Child educational attainment

Why is children's educational attainment important for future poverty?

- Educational attainment acts directly on employment and earnings with high financial returns for all academic, and many vocational, qualifications.

Coverage: High

- A large proportion of children in low-income households do not achieve 5 A*–C GCSEs.

Strength: High

- Educational attainment explains the largest proportion of the correlation in intergenerational income.

Certainty: High

- There is a high degree of consensus for estimates of the returns to skills and qualifications for individuals, although some uncertainty around the extent of causality as well as the wider impact between educational attainment and the distribution of earnings in the labour market.

Education is consistently identified as the key mechanism explaining intergenerational income/poverty mobility (D'Addio; 2007). However the literature suggests that variations in income and educational attainment are not enough to explain the family influence of intergenerational income mobility fully on their own.

⁵ The Home Learning Environment.

Corak (2006), using cross-country comparisons, concluded that two important factors influencing intergenerational income mobility were the rewards to higher skilled individuals in the labour market and the opportunities for children to obtain the required skills, including education spending (also Blanden, 2009).

The relationship between these factors and intergenerational mobility is not straightforward – the education structure is key. Corak (2006) concludes, ‘generational mobility is associated with more student spending on education if the underlying structure of the education system has a preference for those from the least advantaged backgrounds’. If not, then ‘more spending could amplify rather than diminish the differences between advantaged and disadvantaged children’. For example, there was a fall in intergenerational income mobility for teenagers in the 1970s and those in the 1980s. Part of the reason for this was found to be that additional opportunities to stay on in education at both age 16 and age 18 disproportionately benefited children from higher income households⁶ resulting in a stronger link between family income and educational attainment for those in the 1980s. Some of the cross-country differences in the extent of intergenerational mobility of education are also shaped by policies. For example, early streaming of students, based on their ability, seems to considerably reduce mobility across generations (d’Addio, 2007).

Looking briefly at rewards in the labour market, it is well-established that better educational attainment is associated with higher earnings and employment prospects and a reduced risk of poverty. This is covered in detail in chapters 2 and 4.

Children obtaining the required skills

Early development of cognitive and non-cognitive abilities at ages 5–10 has a role in intergenerational income transmission in their own right, but these roles largely act through improving educational outcomes (Blanden et al, 2007). There are large income-related development gaps between children at a very young age. Gregg et al (2008) show that at age 7–9 the gaps are larger for cognitive than for socio-behavioural or health outcomes.

Although cognitive ability has a larger effect on educational outcomes, non-cognitive abilities also play a key role (Blanden and Gibbons, 2006, Heckman et al, 2006). These abilities include locus of control (the extent to which an individual believes that their own efforts, as opposed to luck and circumstance, are a decisive influence on their outcomes), motivation, aspirations and behaviour. There is strong intergenerational correlation in both cognitive and non-cognitive abilities (Dohmen et al, 2006 and Loehlin, 2005, both quoted in d’Addio, 2007).

The development of non-cognitive abilities is influenced largely by the same factors important for educational attainment, with psychological functioning particularly important. Inherited ability contributes to both cognitive and non-cognitive ability, but the size of the share is controversial. Notably there is also evidence that non-cognitive abilities may be more open to influence in later childhood and adolescence than cognitive abilities.

The key factors found by the literature to impact on children’s educational outcomes, including their cognitive and non-cognitive abilities, are listed with further detail in the relevant sections below:

- Low parental qualifications.

⁶ Note that for a more recent cohort of teenagers in the 1990s this inequality in higher education has widened further whilst the gap between staying on rates at age 16 has narrowed.

- The home environment including Home Learning Environment, Parental Health Behaviours, Parental Aspirations and Parenting style.
- Parental and Child Ill-health.
- Family Background/Demographics (parental employment and family structure).

In terms of educational attainment, the relationships between institutional and home and parenting factors are not straightforward with strong interactions between their levels of quality/effectiveness (Sammons et al 2011). There are many important protective effects, for example highly effective pre-schools protect against low-effective primary and secondary schools and vice-versa. Highly effective pre-schools also have a positive influence for children with a bad home learning environment but not for children with a medium or good home learning environment. Key aspects of secondary schools that drive educational attainment include emphasis on learning and behaviour climate.

Parental qualifications

Why is Parental Qualifications important for future poverty?

- Parental education is the strongest predictor of children's educational attainment by acting indirectly through children's home environment. It also has an independent effect on educational attainment that may in part reflect unobserved factors.

Coverage: High

- A large proportion of children in low-income households have parents with low educational attainment.

Strength: Medium

- Parental education is the largest explanatory factor within children's educational attainment.

Certainty: High

- There is a large quantity of consistent evidence with some evidence of causality.

Parental qualifications are the strongest predictor of children's educational outcomes, impacting on cognitive, non-cognitive and health outcomes. Parental qualifications act both through the Home Learning Environment, psychological functioning and health behaviours, but also independently. This latter independent impact may in part reflect unobserved such as genetic traits, and parental ability and aspirations. There is also evidence of the relationship between parental qualifications and child education being causal (Gregg et al 2008, Black and Devereux 2011, Dickson et al 2013).

Maternal and paternal qualifications are both important influences on children's educational outcomes but overall maternal qualifications appear to be more important. However the effect sizes found in the literature vary according to the method used and the sections of the income and education distributions affected (Black and Devereux 2011, Jenkins and Siedler 2007).

Broadly, it appears that maternal qualifications have particular importance for younger children and at the lower end of the income/education distribution. Paternal qualifications are more important at the higher end of the distribution and increase in importance as the age of the child increases, with some studies showing small or insignificant effects in the early years.

The Home Environment: the home learning environment, parental health behaviours, parenting styles and aspirations

Why is the Home Environment important for future poverty?

- The Home Learning Environment, parental behaviours and aspirations mainly work through children's educational attainment by influencing a range of children's outcomes: cognitive and non-cognitive abilities and health.

Coverage: High

- A large proportion of children in low-income households have a poor home environment.

Strength: Medium

- This group of factors explain a sizeable proportion of the income-related educational attainment gap.

Certainty: Medium

- A large body of research gives broad consensus that all these factors are important, but with some disagreement over their relative strengths and causality.

The Home Learning Environment encompasses a range of activities parents undertake with their pre-school children. These include reading with the child, teaching songs and nursery rhymes, painting and drawing, playing with letters and numbers, visiting the library, teaching the alphabet and numbers, taking children on visits and creating regular opportunities for them to play with their friends at home.

The Home Learning Environment is consistently found to be an important factor with Sylva et al (2008) claiming that it is more important what parents do than who they are. The Home Learning Environment in particular has large and long-lasting impacts in the early years while parenting style and relationships are also important.⁷ For older children there are specific aspects of the Home Learning Environment that are important – for example access to the internet. Parental expectations and aspirations for their children have been found to explain a significant proportion of the income-related gap in children's outcomes (Goodman and Gregg, 2010) and this link is likely to work through both parenting styles and through the intergenerational transmission of non-cognitive abilities to children.

Parental health behaviours (breastfeeding, smoking and child nutrition among others) are potentially as important as the Home Learning Environment for children's health and cognitive and non-cognitive development. There is evidence that they have independent effects rather than being proxies for other parental attributes (Gregg et al, 2008).

⁷ Notably mother-child closeness and rule setting.

Childhood poverty

Why is Childhood Poverty important for future poverty?

- Poverty itself seems to have a causal effect on children's future poverty status, particularly through educational outcomes.

Coverage: High

- Individuals who experienced poverty as children are much more likely to be poor as adults.

Strength: Medium

- The effect of income/poverty is significant but less important than other factors, notably parental characteristics, acting mainly through education and other factors.

Certainty: Medium

- The evidence around causality is not conclusive (partly due to difficulties in isolating factors that only affect income) but typically the link between parental income and children's future income remains after controlling for a range of other explanatory factors.

Parental income has one of the strongest associations with children's future income and children's intermediate outcomes, with poor children disadvantaged across a spectrum of outcomes and from an early age as discussed above. The transmission to future poverty mainly acts through educational attainment with parents investing in their children through the home environment (home learning activities, health and nutrition) and providing financial capital for schooling.

The association is stronger, controlling for a wide range of factors, for:

- cognitive outcomes than for socio-emotional and health outcomes;
- when a greater number of years in poverty has been experienced in childhood;
- when poverty is experienced at a younger age;
- for lower levels of parental income, with the link tapering off for higher incomes.

(Gregg et al, 2008, Brooks-Gunn and Duncan, 1997 (quoted in Jenkins and Siedler, 2007), Kiernan et al, 2011).

Although this is not evidence of causality, it does appear that children who experience persistent or extreme poverty have the worst outcomes. Persistent poverty is also associated with a range of factors linked to child outcomes, such as the home environment (Brooks-Gunn and Duncan, 1997 and Kiernan et al, 2011).

The body of literature suggests that parental poverty status has a causal effect on children's future poverty status (Blanden and Gibbons, 2006). There is also some (although less compelling) evidence for the causal effect of income more generally. This effect is largely on children's educational and ability-related outcomes but is less important than other home and parenting factors (Blanden and Gregg 2004, Jenkins and Siedler 2007). Brooks-Gunn and Duncan (1997) conclude that "*these income effects (on children's outcomes, described above) are probably not due to some unmeasured characteristics of low-income families: family income, in and of itself, does seem to matter*" whilst D'Addio (2007) concludes that

“the literature suggests that the effect of liquidity constraints on parental educational choices is less important than that of a wider set of parental characteristics. These include the home and social environment where the children are raised and where their beliefs, attitudes and values are shaped.”

The source of income, over and above the amount, is also correlated to children’s outcomes and earnings, with welfare income negatively correlated to children’s outcomes. In explaining this correlation, both behavioural changes and parental characteristics associated with welfare receipt are significant and once these are controlled for there is very little (and often insignificant) difference in the outcomes of children raised by parents in welfare or in work (d’Addio, 2007). In fact the weight of the evidence suggests that the correlation is largely due to the parental characteristics that make some parents more prone to be on welfare than others as opposed to any negative role-modelling or greater economic deprivation amongst welfare recipients (Mayer, 2002).

Wealth has been found to potentially explain a large proportion of the intergenerational income correlation (Bowles and Gintis, 2002; quoted in d’Addio, 2007). Although wealth transfers may not substantially occur between families near the bottom of the income distribution, the accumulation of wealth across the income distribution may indirectly influence the intergenerational transmission of poverty by affecting the persistence of income inequality.

Non-cognitive development

Why is Non-cognitive Development important for future poverty?

- Non-cognitive abilities mainly influence educational attainment with a smaller direct impact on employment and earnings.

Coverage: High

- A high proportion of children in low-income households have poor non-cognitive development at an early age.

Strength: Medium

- Non-cognitive abilities are important for educational attainment but slightly less so than cognitive abilities.

Certainty: Medium

- There is broad consensus around the importance of non-cognitive abilities, but less agreement around the size and the key non-cognitive dimensions.

There remains some uncertainty around the important dimensions of non-cognitive skills and how they interact (both with each other and with other factors), although important skills suggested in the literature so far include locus of control, anxiety, extroversion, social skills and perception of self-worth (Blanden et al, 2007, Heckman et al, 2006).

Although the main effect of non-cognitive ability is on educational attainment, there is evidence of an independent effect on earnings and employment (Blanden et al 2007, Heckman et al, 2006).

Children's non-cognitive abilities as adults are influenced by their parent's abilities and by other factors such as the home environment (see Education section above for more details).

It is worth acknowledging here that links exist between these personality traits and risks, and attitudes to children's future choices in educational attainment, economic activity and family structure.

Parental health

Why is Parental Health important for future poverty?

- The important aspects are parental psychological functioning (depression/ anxiety and locus of control) and where children play the role of carer. These mainly act by influencing children's educational attainment.

Coverage: Medium

- A substantial proportion of children in low-income households are raised by parents with low psychological functioning, whilst the number of children who care for their parent(s) is significant but smaller.

Strength: Medium

- Parental health affects a range of child outcomes including cognitive and non-cognitive abilities and children's health.

Certainty: Medium

- There is limited evidence around causality.

There is intergenerational correlation between parental health and children's future health as adults in a range of health outcomes. However the evidence for this relationship being causal is limited, due to the majority of studies having used birth weight as the outcome, rather than wider outcomes.

There is evidence for two areas of parental health being important for children's outcomes. Firstly maternal psychological functioning (maternal locus of control, and anxiety or depression) is strongly linked to children's cognitive and non-cognitive development, and mental and physical health (Gregg et al, 2005). Secondly, parental ill health where children play the role of carer has been found to lead to low educational attainment and employment outcomes in the future (Dearden & Becker, 2000). Apart from these findings the evidence is limited on causality.

Child health

Why is Child Health important for future poverty?

- Poor child health has a direct effect on both educational attainment and health as an adult, both of which influence economic activity.

Coverage: Low

- There is a relatively low proportion of children in low-income households affected by poor health to the extent that it affects their future income.

Strength: Medium

- There are a wide range of health conditions covered in the evidence, but the extent to which these persist into adulthood varies.

Certainty: High

- There is consistent evidence of causal relationships in this area.

The majority of the literature concludes that there is a causal relationship of low-income on child health. Then considering the impact of child health on low income, there are clear causal relationships between child health⁸ and both future health as an adult (Case et al 2005, Banks et al 2011) and educational attainment (Suhrcke and de Paz Nieves, 2011). These then both impact on future employment and earnings as an adult.

Household characteristics with limited explanatory power

Table 11: Key factors that explain intergenerational income

Factor	Certainty of effect	Strength of effect	Coverage	Transmission detail
Neighbourhood	Medium	Low	Medium	Small effect through educational attainment
Family instability	Medium	Low	Medium	Mainly through income
Worklessness and low earnings	Medium	Low	High	Through education
Family size	Medium	Low	Medium	Through home environment (due to quantity and quality of parental inputs)

⁸ Whilst this clear link between poor child health and outcomes exists, there is less consensus around the size of the effects of various different mental and physical health conditions. There seems to be a causal link between low birth weight and worse child outcomes.

Neighbourhood

Why might Neighbourhood be important for future poverty?

- Neighbourhood has a small effect on future income, mainly through children's employment horizons and criminal behaviour as adults.

Coverage: Medium

- In 2008 over 5 million people lived in the most deprived LSOAs (bottom 20%) in England, 2 million of whom were income deprived.

Strength: Low

- Much of the correlation between neighbourhood and children's outcomes can be explained by parental behaviours.

Certainty: Medium

- There is a reasonable consensus of a small effect, but less around the explanations.

Very few studies have included the role of neighbourhood in explaining intergenerational income mobility (d'Addio, 2007). In terms of child outcomes, the literature suggest that there is an effect on children's educational outcomes and aspirations but that this effect is very limited (Gibbons, 2002). Where correlations with children's outcomes exist, much of this can be explained by other factors such as parental behaviours (Gregg et al, 2008).

There is no consensus around the cause of this small effect, but where effects have been found they seem to be mainly in terms of restricting children's employment horizons once they grow up, and increasing their propensity to be involved in criminal behaviour as adults, as opposed to cultures of poverty and intergenerational worklessness (Green and White, 2007).

Family instability

Why might Family Instability be important for future poverty?

- The effects seem to be mainly on children's future marital and fertility decisions rather than on their cognitive or labour market outcomes.

Coverage: Medium

- A substantial proportion of children experience parental transitions.

Strength: Low

- The effects of family instability are relatively small and are likely to be mitigated if handled well with the child.

Certainty: Medium

- There is broad consensus of an effect and some evidence of causality, but less consensus around whether the true driver is the parental conflict or the separation.

Parental separation is correlated to a range of poorer child outcomes, such as health and development (d'Addio, 2007, Coleman and Glen, 2009). There is also some evidence of divorce having a relationship with children's future marital and fertility decisions rather than

on cognitive development or labour market outcomes. Where an independent impact on children's development has been found, the effects are relatively small (although larger for children undergoing multiple transitions) and there is no consistent view on whether it is the separation or the associated parental conflict that is the true driver.

There seems to be, if anything, only a small link between lone-parenthood in of itself, and with a child becoming a poor adult.

Worklessness and low earnings

Why might Worklessness and Low Earnings be important for future poverty?

- The link between parental employment and children's outcomes is largely due to the parental characteristics that themselves influence children's outcomes as opposed to any behaviours resulting from work or welfare receipt.

Coverage: High

- A high proportion of children in low-income households live in workless households.

Strength: Low

Parental employment has only a very small influence in of itself on children's future earnings.

Certainty: Medium

There has been limited success in identifying causality due to the difficulties in isolating factors that affect only worklessness/welfare receipt.

As discussed in the 'Childhood Poverty' section above, the negative correlation between welfare receipt and children's outcomes seems to be largely due to the parental characteristics that make some parents more prone to be on welfare than others, as opposed to any negative role-modelling or greater economic deprivation amongst welfare recipients (Mayer, 2002).

There is some evidence of a causal relationship between the jobs that parents hold and their children's labour market outcomes (Black and Devereux 2011). For worklessness and/or welfare receipt and children's future outcomes the evidence around causality is more mixed, partly due to the difficulties in separating work and welfare changes from income changes.

Lastly there are small negative effects of maternal employment on child outcomes, but only where the mother returns to work full-time before the child is 18 months old and predominantly uses informal childcare (Gregg et al, 2005, Hill et al, 2005).

Family size

Why might Family Size be important for future poverty?

- The correlation between number of siblings and birth order with children's outcomes is mainly explained by the link with the quality and quantity of human capital available to children in their formative years.

Coverage: Medium

- A substantial proportion of children in low-income households have two or more siblings.

Strength: Low

- The correlation with children's outcomes acts largely through the quality of the home learning environment.

Certainty: Medium

- There is broad consensus of an effect, but less around the mechanisms through which it acts.

Black et al (2005) find that birth order has a significant and large effect on children's education with children being born later in the family obtaining less education. However this correlation appears largely due to the association with the home learning environment (Gregg et al, 2008) and when this is controlled for a link only exists for children with three or more siblings (Sylva et al, 2011). Indeed Corak (2001) suggested the correlation between family structure and child outcomes to be largely due to 'the quality of human and social capital available to them (children) in their formative years'.

Other factors

Ethnicity

Ethnicity seems to play a role in the intergenerational transmission of poverty both in terms of educational outcomes and in the rewards in the labour market (d'Addio, 2007). The size of the role is not clear from the literature with the vast majority of studies based on US data which may not be fully applicable to the UK.

There is a large raw difference in educational outcomes between ethnic groups. However to put this gap into context, at secondary school the differences between poorer and richer children are three times as great as the differences between children from different ethnic backgrounds who are equally disadvantaged (Barnard and Turner 2011 citing Gillborn 2008).

Socio-economic (SE) disadvantage impacts negatively on attainment within most ethnic groups and is important in explaining some of the gap with some ethnic groups being more likely to experience deprivation than White UK children (Sylva et al, 2008, quoting DfES, 2006). However they are not sufficient to account for the entire gap and many ethnic groups have higher or lower results than expected given the extent of their disadvantage.

For children from low SE households, the groups with disproportionately low attainment at secondary school are White British and Black Caribbean boys whilst Indian, Pakistani, Bangladeshi and Black African pupils have higher than expected results.

Strand (2008) found aspirations (parental and children's) and children's non-cognitive skills to be the most important proximal factors that account for greater resilience among many ethnic groups to deprivation in terms of educational outcomes. These factors are likely to explain the higher than expected results achieved by the groups detailed above as well as the low attainment of White British pupils from low SE status homes.

Inherited ability

Inherited ability, both cognitive and non-cognitive, has a causal impact on earnings and educational outcomes, but the size of the effect found varies and the size of this impact, compared to nurture, is controversial.

Assortative mating

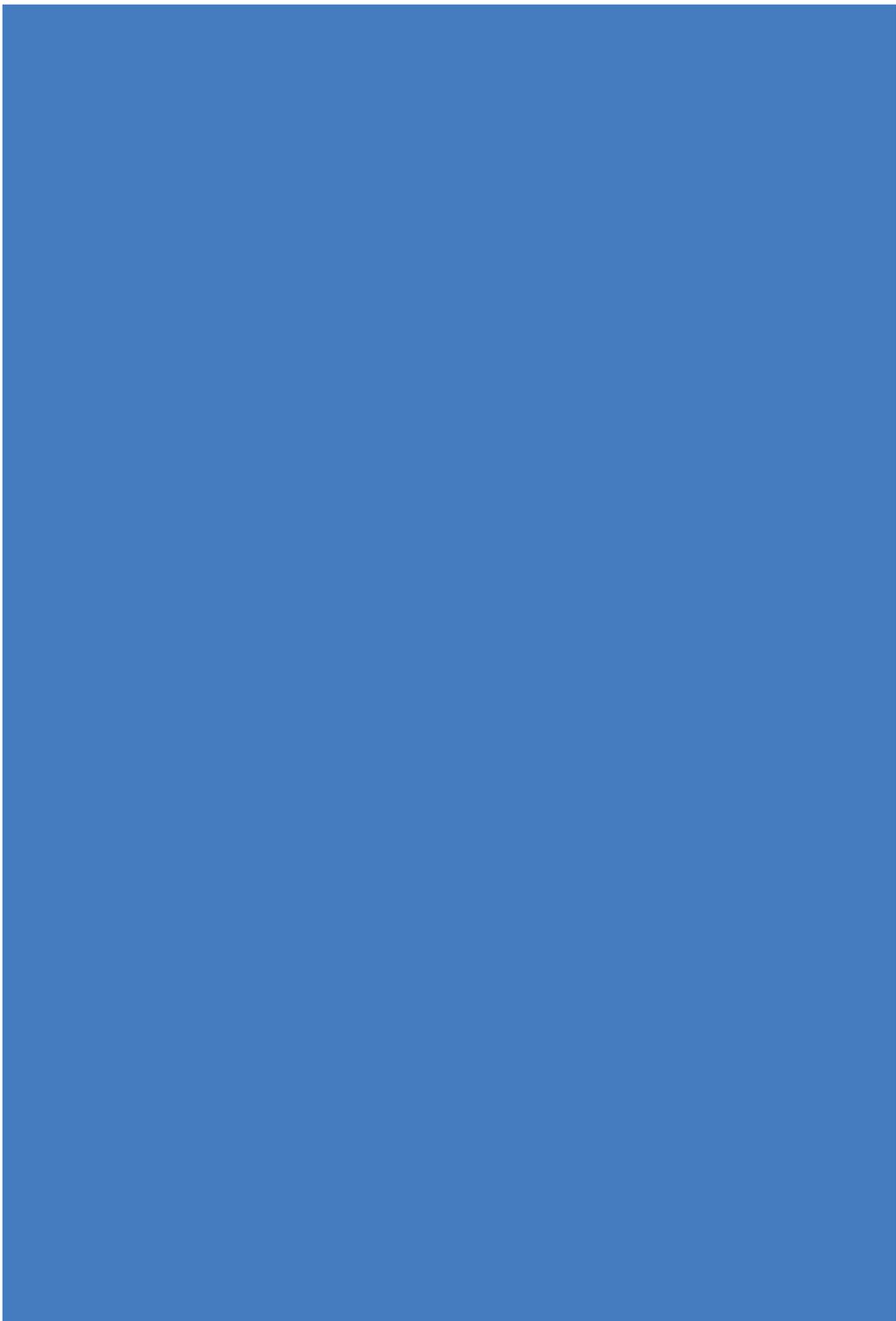
Positive assortative mating, the extent to which adults born to parents from any given background will marry persons from a similar background or with similar characteristics (Epstein and Guttman, 1984; quoted in d'Addio 2007), affects the extent of income mobility between generations. The higher the degree of positive assortative mating, the lower the intergenerational mobility. The literature suggests two main reasons why parental characteristics of husbands and wives are likely to be similar. They are 'preferences' and 'social spaces', which people from the same background tend to occupy.

Ermisch et al (2006) show that in the United Kingdom, on average, about 40–50 per cent of the variability between parents' and own permanent family income can be attributed to the person to whom one is married.

Housing

There is a body of research on the links between poor housing and future poverty but no evidence was identified for a direct causal link between housing and either educational attainment or future income.

There is however some evidence for small effects of housing on children's future outcomes, largely through impacts on children's health. Barnes et al (2006) finds a link between housing quality and children having significant illnesses, as well as a link between living in overcrowded housing and not having a quiet place to study.



Chapter 4:

Individual Explanatory Factors

Purpose & Structure

Chapters 2 and 3 provide an overview of the influential factors for families in poverty now and across generations. This chapter looks at the relationship between child poverty and individual factors.

Whilst we are primarily interested in how the individual factors act together to influence poverty, the majority of research evidence is focused on examining relationships between poverty and these various factors in isolation. Although research of this nature makes it harder to discern true independent causal relationships, it is still useful to consider, together with the material in chapters 2 and 3, to help present a complete picture. Further, there are several potentially key factors in explaining child poverty which are currently not well captured in large-scale longitudinal studies in the UK and so are not addressed in any great detail in the previous chapters. Inclusion here helps to provide a more complete treatment on the drivers of child poverty.

Our preliminary internal evidence review identified the following characteristics as amongst those most frequently cited as having a key relationship with either longer poverty spells now or future poverty.

1. Worklessness & Low Earnings
2. Low Parental Qualifications
3. Family Instability
4. Family Size
5. Parental Ill health & Disability
6. Educational Attainment
7. Housing
8. Neighbourhood
9. Debt
10. Drug & Alcohol Dependency
11. Child Ill Health & Disability

12. Non-Cognitive Development

13. Home Learning Environment, Parenting, & Aspirations

This chapter provides individual discussion of the relationships between each of these factors and child poverty to a standardised format as follows:

Summary – a brief summary of the key relationships identified between the factor under examination and child poverty.

Definition & Levels – a short discussion setting a specific definition for the factor and presenting key statistics on numbers of children affected.

Evidence – a discussion of the strength and nature of evidence in this area of study, towards assessing how confident we can be in the effects and influences identified.

Poverty Now – an in-depth treatment on the relationships identified between the factor under examination and child poverty now.

Future Life Chances – an in-depth treatment on the relationships identified between the factor under examination and future child poverty.

4.1 Long-term Worklessness & Low Earnings

Long-term Worklessness & Low Earnings	Certainty	Strength	Coverage
Poverty Now	High	High	High
Future Life Chances	Medium	Low	High

Summary

Long-term worklessness and low-earnings are principal drivers of child poverty and the key transfer mechanism through which the majority of other influential factors act. As would be reasonably expected, results from numerous studies of poverty statistics and dynamics clearly demonstrate a strong link between earnings and poverty levels.

The impacts on future poverty of growing up in households with worklessness or low earnings are less clear – a significant body of research suggests an association between growing up in a workless or low-income household and poorer outcomes for children but there is no clear evidence for a directly causal relationship.

Definition & Levels

The Office for National Statistics (ONS) define a workless household as one where no one aged 16 or over is in employment and report that between April and June 2013 there were 1.6 million children under 16 living in workless households and a further 3.8 million in mixed households with both working and workless members. Just over 6.3 million children under 16 were living in working households.

In a significant number of cases worklessness will be a relatively short-lived transitory state between spells of employment. That said, from ONS data, just under 200 thousand children were living in households where no member had ever worked.

Comparing across Europe, in 2012 just over 11 per cent of children in the EU-28 population lived in workless households, with the UK reporting one of the highest proportions at 16.5 per cent (Eurostat, 2012).

Whilst worklessness is relatively simple to define, the same is not true for low earnings and, throughout the literature, low hours and part-time work are more commonly used as proxy indicators.

Further, when interpreting results it is important to remember that individuals in workless and low earning families are not homogenous and different employment patterns may be driven by a number of distinct and diverse factors such as caring responsibilities, disability or health issues, lone-parent status, and lack of available jobs.

Evidence

There is a huge body of Government and academic research and statistics speaking to the links between employment and income poverty. As such, this treatment is only intended to present a very broad overview of the area.

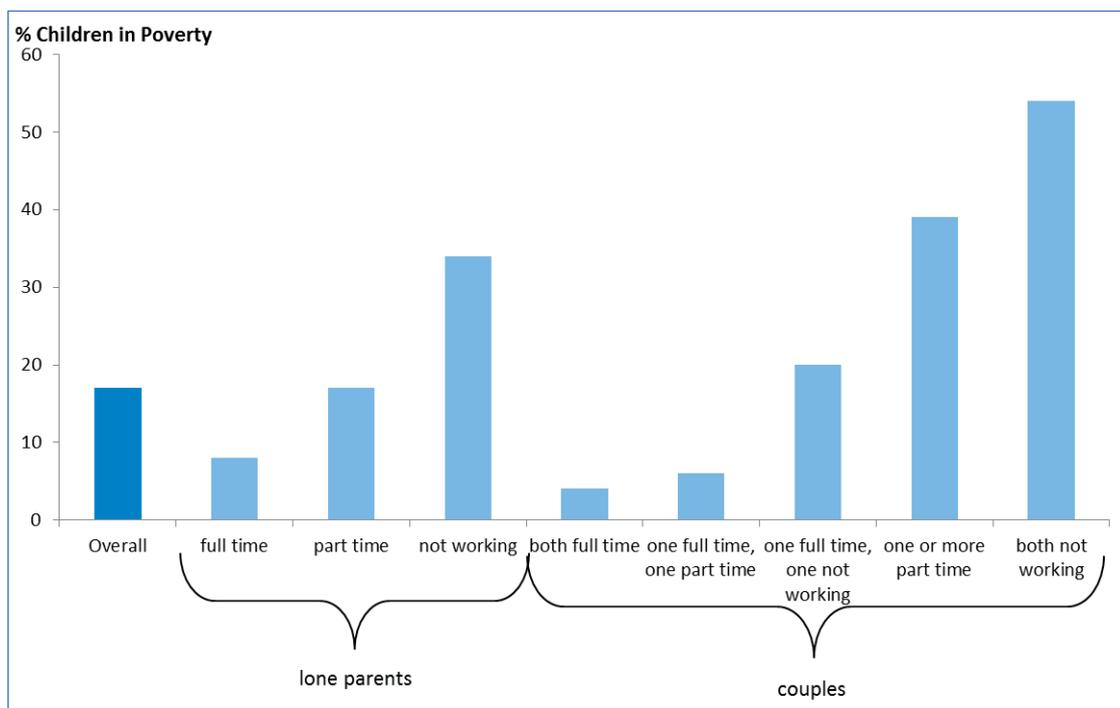
Research on links between parental employment and children's future life chances is a less developed area. There is, however, a significant body of academic research looking at the impacts of income poverty (and worklessness by proxy) on children's wider outcomes.

Poverty Now

Worklessness and low earnings have a direct causal association with low-income poverty. These factors are also the vehicle via which several other factors take effect to drive poverty (e.g. educational attainment affecting employability and earning potential). Much of this narrative has already been developed in Chapter 2 of this review.

The vast majority of children in poverty belong either to families who are workless or who are only 'partly working' – that is families where work is either part time, not all adults are working, or at least one adult is self-employed.¹

Figure 6: Percentage of children in poverty by family type and working status



Source: HBAI 2011/12, Table 4.5db

¹ To note, this partly-working status is actually the most common in the overall population, with just over 60% of children living in such households. Only around 23% of the 13.1million children in the UK live in households where all parents (lone parent or couple) work full time.

Results from the 2011/12 HBAI official poverty statistics for the UK show that 34 per cent of children in poverty are in workless families and only 6 per cent of children in poverty are in families where all parents (including both lone-parent and couple families) are in full time work.

As identified in Kenway (2008), most children in in-work poverty in the UK are in families who are partly-working – of the 2.3 million children in relative income poverty in the UK, 1.5 million of these are in working families, but only around 100,000 are in families where all parents (including lone parents) are working full time.

Of children in families where all parents work full time, only 4 per cent in couple families are in poverty and 8 per cent in lone-parent families. This compares to figures of 16 per cent and 22 per cent overall for couples and lone parent families respectively.

Figure 6 above highlights how worklessness and working patterns associated with lower earnings are linked with higher child poverty rates in both couple and lone-parent families.

The Low Income Dynamics Official Statistics series for 2005/08 helps draw out the links between worklessness/low earnings and persistent poverty. Whilst approximately 12 per cent of all children were in persistent poverty over this period, this rises to 38 per cent when looking at children in workless households. Conversely, only 4 per cent of children in households where all adults were in employment were in persistent poverty.

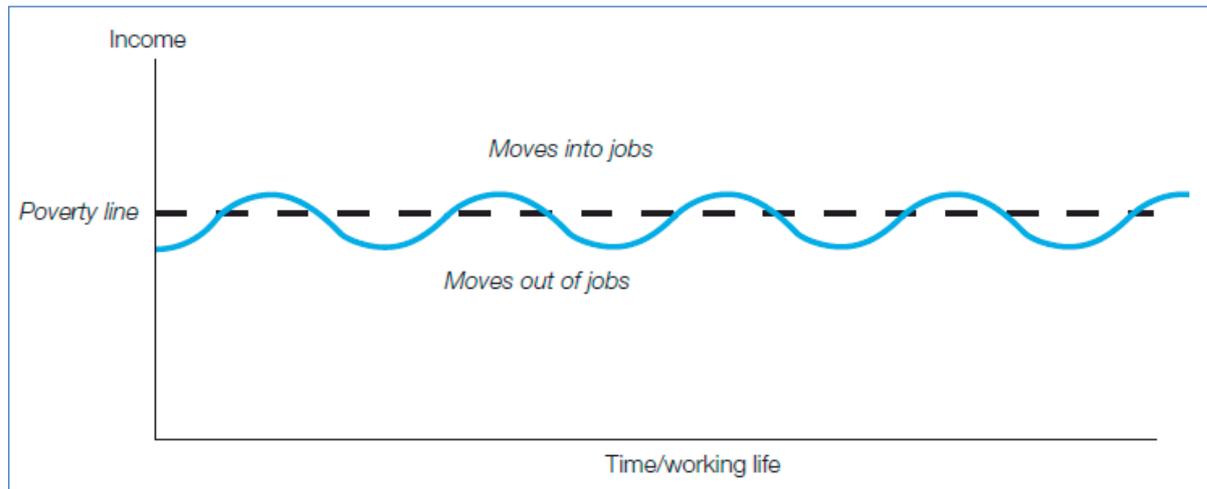
Workless households have one of the highest entry rates to persistent poverty (at 17 per cent compared 7 per cent overall) and one the lowest exit rates (at 28 per cent compared to 32 per cent overall).

Looking longitudinally at causality, labour events such as rises in earnings or numbers in the household in work are associated with the highest exit rates from low-income poverty and account for the majority of exits. Similarly, falls in earnings or numbers of working adults are associated with the highest poverty entry rates and account for the majority of all entries to poverty. These are results identified in several independent studies of poverty dynamics, for example, Smith and Middleton (2007).

Long-term worklessness is often associated with deeper problems, with the OECD Employment Outlook 2012 report linking such spells in particular with declines in well-being and health problems. There may, however, be a wide range of reasons why parents spend extended spells away from the labour market, such as lack of opportunities, caring responsibilities, health, and attitudinal issues. For those with extensive records of worklessness, Shildrick et al (2012) suggest there will be a complex range of problems distancing people from labour markets including (but not limited to) low educational achievement, problem substance use, ill health, and criminality.

Evidence suggests those out of work for long spells may face increasing barriers to a return to work including skills loss, employer bias, and changes in individual attitudes to work. This phenomenon of ‘unemployment scarring’, discussed in Arulampalan et al (2001) amongst others, suggests that past unemployment history is the best predictor of future risk of unemployment. There is also considerable evidence that subsequent entries to employment are associated with lower future earnings. These two effects together contribute to the low pay-no pay cycle, described in Shildrick et al (2010), where insecurity of low-paid and low-skill work means that individuals shuttle between work and benefits, often moving in and out of poverty at the same time (a phenomenon known as ‘recurrent’ poverty, as described in Annex A).

Figure 7: An illustrative low pay-no pay cycle



Source (reproduced from): Shildrick et al (2010)

There is some limited evidence, including Schmelzer (2011), that longer-term effects of worklessness spells vary by educational attainment, with those more highly educated able to act more selectively in accepting job offers and so not losing status in the same way upon re-entering the labour market.

More broadly on links between employment and poverty, Adelman et al (2003) highlight the importance of stability, identifying a strong association between persistent poverty and income volatility – with children in households undergoing multiple transitions in and out of work much more likely to be in persistent poverty than those in stable employment.

Relatedly, in summarising Joseph Rowntree Foundation research on recurrent poverty, Goulden (2010) asserts that work cannot provide a sustainable route out of poverty unless job security, low pay, and progression issues are also addressed.

Future Life Chances

There is significant evidence suggesting that growing up in an income-poor household generally is bad for children's outcomes, with Blanden & Gibbons (2006) amongst others, showing that poor children are more likely to grow up to be poor adults. Chowdry et al (2009) and Goodman and Gregg (2010) also demonstrate how poverty can affect children's development and aspirations resulting in lower educational and behavioural outcomes.

Dickerson & Popli (2011) go further in demonstrating that spells of sustained income poverty have an additional and cumulative negative impact of children's cognitive development. These worse outcomes might reasonably impact on future earnings potential and so lead to future poverty.

Focusing specifically on worklessness (rather than the poverty effects it drives), a large body of research demonstrates a negative relationship between worklessness and children's outcomes.

Barnes (2012) shows that parental worklessness is significantly associated with a range of worse academic outcomes (when controlling for factors including low income and parents' education). Cusworth (2006) proposes a possible cultural capital or 'role-modelling' explanation for results such as these, although academic opinion is mixed on this issue. Macmillan (2010) provides evidence for a statistically significant association between boys growing up in workless households subsequently growing up to be workless, but finds no evidence for a direct causal relationship.

Finally, there is some evidence that, in early years at least, worklessness or part time work within the household may lead to better outcomes for children. This is largely inconclusive however – Dex & Ward (2007) demonstrate a significant negative effect on children’s education attainment among mothers working full time when their child is five or under. Gregg et al (2005), on the other hand, suggest that any negative effects are small and often insignificant and Gregg et al (2006) show that the use of formal childcare seems to protect children from any adverse effects.

4.2 Low Parental Qualifications

Low Parental Qualifications	Certainty	Strength	Coverage
Poverty Now	High	High	High
Future Life Chances	High	Medium	High

Summary

Higher qualification levels and skills are associated with substantially higher earnings and employment prospects for individuals. This reduces the risk of poverty for more highly qualified individuals and their children. An improvement in the skills of the least qualified could also help to reduce the proportion of low paid jobs in the economy, although these effects are more complex and uncertain.

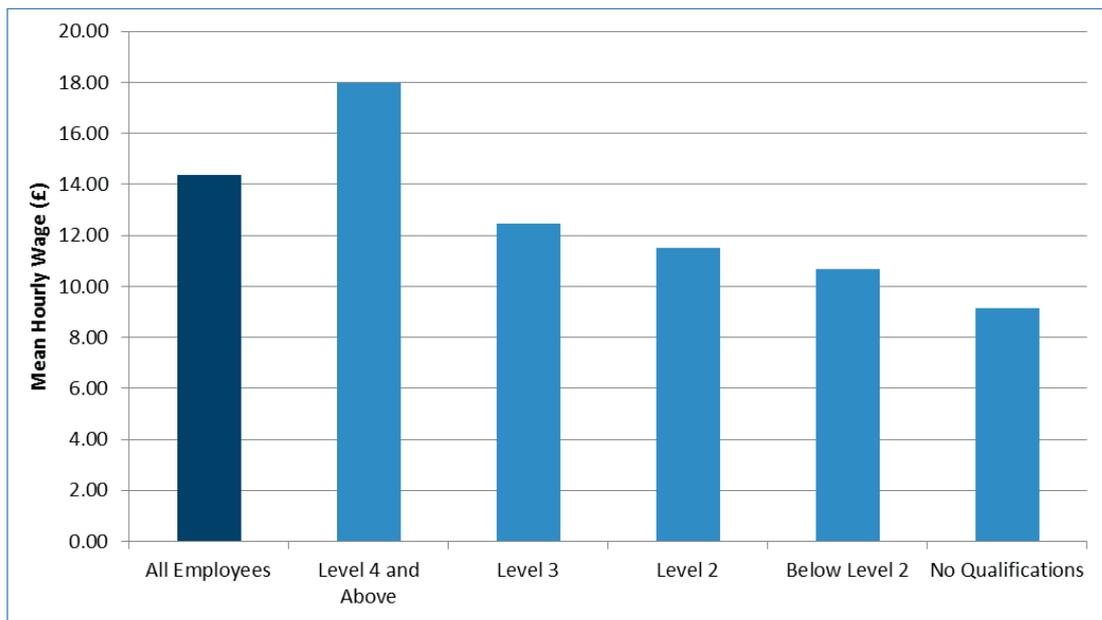
Parental educational achievement is among the most important factors affecting children’s educational outcomes. Both maternal and paternal qualifications have an impact and the size of these effects varies by age of the child and across the income and education distributions. In particular maternal qualifications seem to be more important for younger children and at the lower end of the distribution whilst paternal qualifications increase in their importance with the age of the child and may be more important at the higher end of the distribution.

Definition & Levels

Provisional data from the 2012 Labour Force Survey shows that 80 per cent of the English working-age population were qualified to at least Level 2 (equivalent to a GCSE at grade A*–C). 61 per cent were qualified to at least Level 3 (equivalent to A-level) and 39 per cent were qualified to at least Level 4 (equivalent to degree level).

The impact of different levels of educational qualifications in the UK on individuals’ labour market outcomes has been the subject of study by economists. Their research provides clear evidence that, in general, higher qualification levels are associated with substantially higher earnings and probability of employment for individuals, controlling for their other observable characteristics (for example, age or sex). Jenkins et al (2007) find individuals who obtain 5 or more GCSEs at grades A*–C earn 9–11 per cent more than similar individuals who do not. For intermediate level vocational qualifications the picture is more mixed, with some not yielding significant earnings benefits, although Level 2 qualifications delivered through the workplace increase earnings by around 10 per cent on average. McIntosh (2009) reports that apprenticeships in particular deliver strong wage returns of 16–18 per cent.

Figure 8: Mean hourly wage of full-time employees in England age 19–59/64 by level of highest qualification



Source: Labour Force Survey Q4 2012

Evidence

There is a mixture of high quality independent academic research and Government-commissioned academic research which attempts to estimate the returns to qualifications and skills for individuals and a high degree of consensus between estimates. There will always be some uncertainty about the extent to which these associations are causal. It is possible that they may in part reflect differences in natural ability, or the impact of family background, rather than any value added by education itself (McIntosh, 2009). However, Gutierrez et al (2007) find that literacy and numeracy skills are associated with higher earnings, regardless of formal qualification level.

Academic research on the impact of general improvements in attainment on the overall poverty rate is conflicting and inconclusive. A strong association between parental education and children's attainment is reported in a number of rigorous academic studies, suggesting the finding is robust.

Poverty Now

The evidence on returns to qualifications outlined above suggests that a parent's educational level will affect their employability and earnings in the labour market and so household income. The UK has a relatively high proportion of workers with very low skills compared to many other Northern European countries, which may help to explain differences in poverty rates (Nickell, 2003). For example, in the 1990s over 20 per cent of workers in the UK had very low literacy and numeracy, compared to around 7 per cent in Sweden.

Highest qualifications for working-age adults are associated with a lower risk of relative income poverty – from HBAI 2011/12, of those with no qualifications, 28 per cent are in relative poverty, compared to 8 per cent of those qualified to degree level or above. The HBAI also shows that 34 per cent of children in poverty live in workless families which are disproportionately likely to be low skilled. Indicatively, from the Labour Force Survey, the employment rate in 2011 for working-age individuals with intermediate (Level 2) or above qualifications was 81 per cent, compared to around 60 per cent for those with lower or no qualifications.

However, there is uncertainty around the impact of a general improvement in educational attainment on the distribution of earnings in the economy, which is critical to its impact on the overall rate of child poverty. Empirically, the incidence of low pay has not diminished in recent decades despite substantial increases in the number of people with qualifications at all levels (Vignoles, 2012). Some economists blame this on a shift in demand towards higher-skilled employment, which has increased wage differentials between low- and high-skilled work, and argue that the supply of skills has failed to rise fast enough to counteract this (Nickell, 2003). However, others have questioned the extent of employer demand for intermediate level qualifications, using evidence indicating that the shift towards higher skilled work has been at the expense of medium-skilled, rather than low skilled, work and that many workers hold higher qualifications than their jobs require (Goos & Manning, 2007; Lloyd & Mayhew, 2010).

It is the extent of the gap in skills between the least qualified and the average that can be expected to have the most important influence on relative poverty. This is highlighted by modelling by Taylor et al (2012) showing the impact on child poverty if 90 per cent of adults were qualified to Level 2 and 40 per cent to Level 4.² Against a fixed poverty line, and assuming returns to qualifications remain stable, they estimate that poverty among families with children would fall by around 4 percentage points. However, as the increase in skills at all levels would push up median incomes, child poverty measured relative to the new median income level would fall by significantly less – 2.4 percentage points.

Future Life Chances

A number of studies find that the educational level achieved by a child's parents is one of the most important factors influencing children's educational achievement, even when controlling for a wide range of other background factors and environmental influences, including the home learning environment (Gregg et al 2010; de Silva et al, 2012). Although the causal mechanism is uncertain, raising the school leaving age had a positive impact on the attainment of the children of the parents affected, indicating that the explanation is not simply genetic transmission of ability (Dickson et al, 2013).

4.3 Family Instability

Family Instability	Certainty	Strength	Coverage
Poverty Now	High	Medium	Medium
Future Life Chances	Medium	Low	Medium

Summary

Family instability is closely associated with a higher risk of poverty. Being in a lone-parent family is also associated with significantly higher poverty rates, and the events of entering and leaving lone-parent status are linked with moves in and out of income poverty. Whilst direct causality is hard to establish, the primary driver would seem to act via labour market activity – with family breakdown associated with a loss of income for women and children and significantly higher rates of worklessness for lone-parent families.

Links between family instability and future poverty are less clear – whilst there is a body of literature categorising the associations between family instability and worse child outcomes, this is a very complicated area where the key driver is often levels of parental conflict rather than the actual act of family separation or formation. Further, research suggests that any potential negative impacts can be heavily mitigated if events are well-handled with children.

² These were recommended as goals for workforce skills in 2020 by the 2006 Leitch Review.

Definition & Levels

The family instability literature examines the impact of both the event of parental separation, and the characteristic of being in a lone-parent family.

Children in the UK have a higher probability of experiencing parental separation, having a lone parent, or being part of a step-family when compared to a majority of other developed countries and with the UK itself historically.

Just over two-thirds of children aged 0–14 in the UK live with both their parents, compared to an OECD average of 84 per cent. For historical perspective, ONS analysis suggests that in the 40 years from 1971 to 2011 the proportion of households headed by a lone parent rose from 8 per cent to 22 per cent. Rates of increase have slowed more recently – from 2003 to 2013 there was a small rise in the number of lone parents with dependent children from 1.8m to 1.9m.

Separate ONS analysis based on the Millennium Cohort Study indicates that over a quarter of children experience a change in family structure within the first five years of their life. Paull (2007) suggests that around a third of mothers go through separation or form a new partnership during the 20-year period following the birth of their first child.

Evidence

There is a large body of domestic and international evidence examining the relationship between family structure and income, both in official income statistics and academic research. In particular there are detailed longitudinal studies which allow us to consider issues of long-term poverty periods specifically and, to a degree, explore issues of causality.

Evidence around impacts of family instability on future poverty is more limited, primarily as a result of data limitations here. Available research is limited to a smaller number of academic research papers, looking at issues of impacts of separation on longer-term child well-being, rather than income.

Poverty Now

Family instability, and in particular parental separation to become lone-parent families, is strongly associated with greater risk of sustained income poverty for children.

Research conducted in Britain, the USA and in Europe demonstrates short-term changes in income following the end of marriage or co-habiting relationships. Nearly all such research identifies large falls in income for women and children.

From the most recent official UK poverty statistics, children in lone-parent families are more likely to be in relative income poverty than those in couple families (22 per cent compared 16 per cent).

Similarly, results from the official UK persistent poverty statistics establish that persistent poverty is a real problem for this group. Longitudinal data from the British Household Panel Survey shows that lone parents are one of the highest risk groups for persistent poverty, and have some of the highest entry rates into poverty, and lowest exit rates from poverty.

Further, the same research shows that the event of moving from a couple to lone-parent family is a particularly difficult transition with 29 per cent of parents undergoing such a transition subsequently moving into income poverty. Conversely, for those in lone-parent families in poverty, 54 per cent exit income poverty following re-partnering to form a new couple family.

Table 12: Persistent poverty by family type

Family Type	Persistent Poverty Rates	Low Income (60% Median) Exit Rates	Low Income (60% Median) Entry Rates
Couples with Children	8%	33%	7%
Couples without Children	3%	45%	4%
Single with Children	21%	26%	14%
Couples without Children	7%	44%	7%

Source: Low Income Dynamics Series 2005–08 Tables 8.1 & 9

Jenkins (2008) explores the longer-term impacts of relationship separation on incomes. This work demonstrates that on average incomes for women fall significantly following separation and that, whilst these may recover over time, they do not tend to return to previous levels. Indicatively, five years after separation, incomes remain on average 10 per cent below pre-separation levels.

A realistic transmission mechanism is proposed in research via the impacts of parental separation on labour market participation (and subsequent impacts on household income).

As well as the obvious impact of losing a potential wage-earner from the household, Jenkins (2008) and Gregg et al (2007) show that moving from a couple to lone-parent household is also associated with high rates of leaving employment for the individual. This situation has improved over the past 15 years, however, due to impacts of welfare reform and wider cultural change.

This is borne out by HBAI results which show just under half of lone-parent families are workless, compared to around 6 per cent of couple families. Barnes et al (2010) also provide supporting evidence that gaps in employment rates between lone and couple mothers is a key driver for income poverty in these families.

Establishing definitive causality between family structure and income poverty is complicated however and Harkness et al (2012) amongst others detail the difficulty in understanding whether family structure is itself a consequence of poverty, and how far the results identified result from lone parents being more likely to have other characteristics also associated with poverty, for example lower educational attainment.

Future Life Chances

Drawing conclusions about impacts of family instability on future poverty is significantly more complicated. Where research has been conducted, it is generally more focused on wider outcomes for children following separation rather than longer-term economic impacts.

Coleman & Glen (2009), for example, draw out from a range of studies links between parental separation and worse child outcomes including educational attainment, ill health, mental health, and social competence. Elliot & Vaitlingham (2008) identified similar results in their analysis of the National Child Development Study. Further, Rodgers & Pryor (1998) discuss how the probability of worse outcomes is greater for those children undergoing multiple transitions.

Research findings are divided, however, over how important these effects are in the long run, with Mooney et al (2009) providing a good summary of the available research. Amato (2005), for example, shows that children growing up with two married parents are less likely to experience a range of cognitive and social problems in adulthood. Other evidence however, suggests that whilst effects on children experiencing family instability are statistically

significant they are nevertheless relatively small, and can be largely mitigated if family transition processes are handled well with children. This includes instability arising for a new step-parent joining the household.

There is also discussion as to whether the true drivers of worse outcomes are primarily to do with issues of parental conflict rather than the events of separation or family formation specifically. Mooney et al (2006) discusses how family breakdown is not a single event, but a process involving a number of interacting risk and protective factors.

4.4 Family Size

Family Size	Certainty	Strength	Coverage
Poverty Now	High	Medium	Medium
Future Life Chances	Medium	Low	Medium

Summary

Family size is closely related to child poverty, with larger families (defined as a family with three or more children) at greater risk of poverty, including persistent poverty. The percentage of children living in poverty rises considerably for families with three or more children. Lone-parent households, where the ratio between adults (as potential wage earners) and dependent children is lowest, are at particular risk.

A key transmission mechanism will be simply that larger families require higher income levels to maintain the same standard of living and so the larger the family, the higher the poverty line. Further, larger families have greater caring responsibilities (and are more likely to contain younger children) which impacts on parental labour market engagement. In addition, large families are at considerable extra risk of being poor both in the year before they become large and in the two years after the older children become adults and the family is no longer large.

There does seem to be a negative relationship between the number of children in a family and children's educational outcomes. Although the mechanisms involved are not certain the literature suggests that this relationship may be largely due to the lower levels of human and social capital available.

Definition & Levels

Large families are commonly defined as those with three or more children. Results from HBAI and the Labour Force Survey show that approximately 25 per cent of children in the UK live in such families, accounting for roughly 14 per cent of all households with dependent children.

Table 13: Breakdown of UK child population by family size

Number of Dependent Children	Proportion of Families	Proportion of Children
One child	47%	30%
Two children	39%	45%
Three or more children	14%	25%

Source: HBAI 2011/12 and LFS 2013

Throughout this section it should be remembered that larger households need higher levels of income to achieve a comparable standard of living. As such, through the application of equivalisation scales, poverty lines will be higher for larger families.

Evidence

There are numerous Government and academic studies which enable us to examine the specific effects on child poverty of family size.

Poverty Now

HBAI figures provide a useful context for considering the effects of extra children in the household on child poverty, with child poverty rates varying significantly by the number of children in the household. Historic results show that families with one or two children have broadly similar rates of poverty, but that families with three or more children are at markedly greater risk of poverty. In 2011/12 25 per cent of families with three or more children were in poverty compared with 15 per cent of families with either one or two children.

These results are endorsed by wider research – with Iacovou and Berthoud (2006) concluding that at most earnings levels, larger families have higher risks of poverty. Smith and Middleton (2007) also confirm that, owing to rates of poverty being a balance between household need and income, the larger the average number of children in a household the greater their chances of poverty. Veager and Perry (cited in Smith and Middleton (2007)) show that lone-parent households, where the ratio between adults (as potential wage earners) and dependent children is lowest, are at particular risk. A lone parent with three or more children is 1.7 times less likely to move out of hardship and 1.6 times more likely to experience worsened hardship when compared to a lone parent with one or two children.

As well as the higher costs associated with larger families the most likely transfer mechanism between family size and poverty is via worklessness and low earnings. Willits and Swales (2003) identified higher rates of worklessness in large families, citing a combination of higher childcare costs and issues of coordination between different agencies (for example school, nursery and childminder) as factors likely to deter mothers of large families from entering the labour market.

That said, Bradshaw et al (2006) found that, independent of other household characteristics associated with poverty, there is a large independent family size effect on poverty, with a family with three or more children between 50 per cent and 180 per cent more likely to be in poverty than a one-child family. In addition to family size, there is some evidence (Jenkins (BHPS 1991-98, Changing Fortunes, 2011)) that there is an additional effect beyond solely family size from having younger children in the family.

There is relatively little research to draw on that looks specifically at persistent poverty by family size. That said, Barnes et al (2008) examine how the risk of persistent poverty associates with family size and shows that the risk increases from 12 per cent with one child to 18 per cent with three children and 22 per cent with four or more children.

Looking specifically at point-in-time changes in the number of children in the household, Iacovou & Berthoud (2006) find that poverty rates for families with three or four children are higher in the year following the birth than they are in the year preceding it. In addition they found that large families are at considerable extra risk of being poor both in the year before they become large and in the two years after they stop being large. Further Cappellari & Jenkins (2007), cited in Smith & Middleton (2007), show that the addition of a child into a family both increases the predicted length of a spell of poverty and reduces the time between spells.

Future Life Chances

Although there is relatively little evidence to draw on around associations between family size and future poverty, there does seem to be a negative correlation between the number of children in a family and educational outcomes. The mechanisms involved are less certain but there is some suggestion of how children in larger families might experience lower levels of parental engagement. Gregg et al (2008) find that much of the observed correlation is due to an association with the home learning environment and similarly Corak (2001) suggested the correlation is largely due to the quality of human and social capital available to children.

4.5 Parental Ill Health & Disability

Parental Ill Health & Disability	Certainty	Strength	Coverage
Poverty Now	Medium	Medium	Medium
Future Life Chances	Medium	Medium	Medium

Summary

There is a well-established association between parental ill health and poverty. Children living with parents in ill health are likely to also experience poverty and potentially have worse outcomes in the future. However, there is difficulty in establishing a causal link between the two.

Parental ill health and disability impact on poverty now as they can limit engagement in the labour market, either through problems of not being able to find and access appropriate work or finding that health problems stop work altogether. Evidence also finds that adults with ill health who are in employment typically work less and earn less than those without physical or mental health issues.

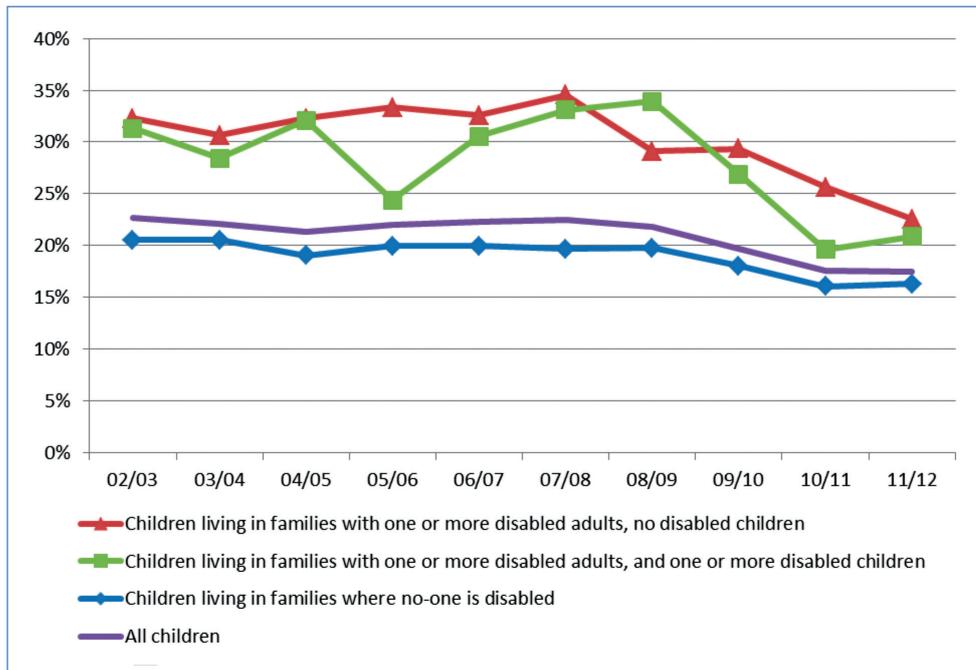
There is limited evidence on how parents' ill health affects their children's future outcomes, however some research outlines how children who play the role of carer for their disabled parents are likely to have worse educational attainment and worse employment outcomes in the future.

Definition & Levels

There are several different dimensions to what defines physical and mental parental health, as these conditions can appear in many forms including life-long disabilities as well as short-term or longer-term illnesses. Due to the wide-ranging definitions of what constitutes parental ill health and the number of children affected, care needs to be taken on identifying the proportion of adults affected and those reported in the evidence provided. Throughout, as far as possible, we will focus on those parents who are disabled or experience limiting longstanding health conditions (LLSCs).

The Households Below Average Income publication estimates, that in 2011/12, 2.4 million children lived in families with one or more disabled adults. Of these children, 22 per cent lived in a family in relative income poverty. Figure 9 below shows how children who live in a family with a disabled adult are generally more likely to be in poverty than those who do not.

Figure 9: Percentage of children in relative poverty by family disability



Source: HBAI 2011/12

Evidence

The evidence reviewed comes from a wide range of academic and Government research and looks to establish how parental health problems can lead to low incomes.

Where the evidence tends to focus on the over-arching issue of ill health or disability it is important to consider that this is based largely on self-reporting, which can be subjective.

Poverty Now

There is substantial research that evidences the strong links between parental disability with low income (Atkinson et al, 2007). This is identified as causal in several reviews for those suffering from LLSCs but is less certain for those suffering from mental health problems. In both cases there is on-going academic debate as to the direction of causality between ill-health and poverty.

According to the Labour Force Survey, in 2012, 46 per cent of working-age disabled people were in employment compared to 76 per cent of working-age non-disabled people. There is a 30 percentage point gap in employment rates between disabled and non-disabled people, representing over 2 million people. The gap has reduced by 10 percentage points over the last 14 years and has remained stable over the last two years despite the economic climate.

The low incomes experienced by families with parents who suffer from LLSCs would therefore appear to be driven, at least in part, by lower engagement with the labour market. A comprehensive study by Rigg (2005) of the LFS found that worklessness was more prevalent in disabled adults and the proportion of those who did engage with the labour market were smaller than those who weren't disabled, even when taking account for individual characteristics such as lower levels of educational qualifications.

Several barriers to disabled people's access to employment have been identified, such as difficulties in accessing appropriate transport, perceptions of employers' attitude towards disability and a lack of specialist equipment (Office for Disability Issues, 2010). Work by Goldstone (2002), however, found that employers' attitudes towards employing disabled

people were mainly positive. Other barriers to work were identified in a 'poor health' survey by Loumidis et al (2001) which highlighted that disabled people had difficulty identifying employment opportunities. The study also found that disabled adults had low confidence when applying for work and had concerns over what their benefit entitlement would be if they did enter the labour market.

Burchardt (2000) found that disabled adults in employment had typically lower earnings than non-disabled adults. Rigg (2005) also found that disabled employees' income trajectories lagged behind those of their counterparts, part of which can be explained through disabled adults tending to work fewer hours. This was sometimes viewed as a trade-off between being employed and having more leisure time. However, it is likely that, at least in part, this reflects the difficulties of managing LLSCs in both work, and in life generally. Additionally, disabled people are more likely to reduce their labour market participation by decreasing the number of hours they work or exiting work altogether. This will clearly have a negative effect on their household income. Little research was identified on in-work progression for disabled people but some evidence from Rigg (2005) suggests that disabled people are less likely to progress or increase income over the time they are in employment.

The association between mental health issues and low-income poverty are reasonably well established, although the causal association between the two is debated in the literature. Evidence reviewed shows that a significant determining factor in why children in families with parents with mental health problems are at greater risk of poverty is due to their inability to work or to engage with the labour market successfully (Gould, 2006). Gould estimates that 1.25 million children in England and Wales live in a family with parents or carers who have mental health problems, but there is a lack of quantitative research that looks at the impact on children. He goes on to describe how mental disorders compromise a person's capabilities in retaining employment, or mean they face stigmatisation in securing employment which has an adverse effect on income.

A report on mental health by the Social Exclusion Unit (ODPM, 2004) found that those with mental health problems were the most excluded from society. Reasons for this included stigma and discrimination from employers, low expectations about what people with mental health problems can do, a lack of support to enable people into work, and barriers to engaging with the community. These issues severely limit the ability of adults with mental health problems to engage with the labour market.

International evidence also highlights these issues, with the World Health Organisation (1999) stating that illness can limit productivity and reduce earning ability which perpetuates poverty. This is supported by a second paper on poverty and health by the World Health Organisation (2002) which finds that a disabled adult in the household, especially the breadwinner, leads to falling incomes through not being able to work, leading to a downward spiral of poverty.

Future Life Chances

There is limited evidence on the effect parental ill health has on future incomes for children. Some research provides evidence that children who play the role of carer for their chronically sick or disabled parents over long periods suffer poor outcomes. Dearden & Becker (2004) estimates that there are approximately 175,000 children in the UK who provide care and support for parents (or relatives) with chronic illness or disability in the home.

A study conducted by Dearden & Becker (2000) found that out of a sample of 60 young people who were carers for their ill parents, many failed to attain any educational qualifications. Reasons given for this low educational attainment were that the children of ill parents would miss schooling because they were reluctant to leave their parents at home

alone. These children also found it difficult to engage with the labour market later in life, with only a quarter of those sampled in employment, increasing their risk of poverty. Reasons given for not gaining employment and being disadvantaged in the labour market were the combination of continued caring responsibilities, low educational qualifications and restricted social networks.

Further, Gregg et al (2005) found that maternal psychological functioning (maternal locus of control, and anxiety or depression) is strongly linked to children's development, and mental and physical health (which may in turn drive poorer educational attainment).

4.6 Educational Attainment

Educational Attainment	Certainty	Strength	Coverage
Poverty Now	N/A	N/A	N/A
Future Life Chances	High	High	High

Summary

A child's educational achievement will affect their later labour market prospects and so the risk of future poverty. A pupil's family background has an important influence on their educational attainment, but the quality of school a child attends also makes a significant difference to their educational attainment, particularly for educationally disadvantaged children. There is robust evidence that high quality formal pre-school education can help to narrow the attainment gaps between children from different family backgrounds that emerge in children's first years.

Definition & Levels

Child Educational Attainment is defined in terms of relative performance in standardised testing and exams. In the main, evidence is framed around results for GCSEs and higher qualifications. Results are presented for earlier academic stages where available, however, to help provide a more complete picture.

As outlined in section 4.2 (on Low Parental Qualifications), higher educational attainment is associated with substantially higher earnings for individuals, although the impact of a general increase in attainment levels on overall poverty rates is less clear.

Around 39 per cent of all children in England currently do not achieve 5 A*–C grades at GCSE (including English and mathematics), placing them and their children at risk of future poverty. The risk may be greatest for children who themselves come from lower-income backgrounds. In the 1990s, only 10 per cent of adults of working class origin with low qualifications were in professional and managerial occupations compared with 35 per cent of adults with low qualifications from professional and managerial family backgrounds (Goldthorpe, 2012).

Educational attainment gaps between children from different family backgrounds are apparent in their early years, persisting and widening throughout school and beyond. In England, 55 per cent of children not eligible for Free School Meals (FSM) achieve a good level of development at age 5 compared to 36 per cent of children known to be eligible for FSM.

At Key Stage 4, the attainment gap in England between the percentage achieving 5 or more GCSEs at grade A* to C or equivalent including English and mathematics is 26.7 percentage points – 37.9 per cent of pupils known to be eligible for FSM achieved this indicator compared with 64.6 per cent of all other pupils.

Evidence from the PISA international tests in reading suggests that the link between family background and attainment in England is stronger than in most developed countries (Bradshaw et al, 2010).

Evidence

There is a range of high quality statistical analysis on pupil attainment and the influence of various factors. These studies produce reasonably similar estimates of the importance of different factors, although results tend to be sensitive to the precise specification employed.

Poverty Now

There is no reason to expect that a child's educational attainment would normally have a significant effect on their current household income, or risk of poverty now.

Future Life Chances

A child's educational attainment will have an impact on their adult earnings and probability of employment and so the risk that their own children will be in poverty in future. There are significant financial returns to education, as discussed in section 4.2.

Whilst school quality makes a significant difference to educational attainment when controlling for pupil characteristics, much of the difference in attainment between pupils relates to their individual characteristics rather than the effectiveness of the school they attend. For example, Ouazad et al (2009) finds that pupil characteristics have around four to five times more influence on test scores than school effects do. Cassen & Kingdom (2007) finds that only around 6 per cent of the association between FSM status and low achievement was explained by school attended. Other important influences on pupil attainment include parental qualifications, parenting style and the home learning environment. Around 14 per cent of the variation in reading scores between English pupils in PISA tests has been attributed to socio-economic status variables, a similarly sized effect to school influence (Bradshaw et al, 2010).

Early pupil attainment is also a strong predictor of later attainment. In 2012/13, 94.7 per cent of pupils in state-funded schools in England who had attained above Level 4 at Key Stage 2 achieved at least 5 A*–C GCSEs (including English and mathematics). This was compared to 57.4 per cent of pupils who had attained Level 4 precisely, and 6.9 per cent of pupils who had attained below Level 4.

4.7 Housing

Housing	Certainty	Strength	Coverage
Poverty Now	Low	Low	Medium
Future Life Chances	Low	Low	Medium

Summary

That poor people are more likely to live in lower quality housing than non-poor people is evident. However, the extent to which bad housing makes people income poor is far less certain. Bad quality housing, overcrowding and multiple home moves are identified as primary aspects of housing that are associated with low-income poverty, however it is difficult to ascertain the direction of causality.

Within the context of this evidence review we are interested in understanding the impact of housing on income, rather than on material living standards more widely. There is little evidence of any of the housing aspects outlined driving current poverty. Some links around poor health caused by low-quality housing are identified as having an impact on the ability of

adults to access or retain employment which could drive low income. However the evidence on the strength on this association is lacking.

Similarly there is a lack of evidence on bad housing driving future poverty, although there is more research on the links between the two. It's established that bad housing can have a negative effect on health, especially for children, and that this in turn can lead to low educational attainment as a mechanism for future low-income poverty.

Definition & Levels

The UK Decent Home standard assesses homes against four criteria: a statutory minimum housing standard; state of repair; modern facilities; and thermal comfort.

Based on analysis of Families and Children Study data, Barnes, Butt and Tomaszewski (2006) found that 25 per cent of children were living in housing that qualified as 'bad' in at least one of the following three standards: overcrowded (15 per cent), poorly repaired (11 per cent) and/or inadequately heated (5 per cent). Between 2001 and 2005, 13 per cent persistently lived in overcrowded accommodation, 6 per cent in poorly repaired accommodation and 4 per cent in inadequately heated accommodation.

Figures produced by Shelter (2012) using the English Housing Survey for the period of 2007/08 to 2009/10 show that on average more than one million children live in overcrowded conditions.

The English Housing Survey 2011/12 also shows that levels of overcrowding are higher in social housing (7 per cent compared with 6 per cent for privately rented and 1 per cent for owner occupied). Conversely, non-decent homes are more likely in other tenure types than in the social rented sector (17 per cent compared with 22 per cent and 35 per cent for owner occupied and privately rented respectively).

There is no evidence identified on the number or proportion of children affected by multiple home moves. However data from DCLG reports that approximately 79,000 children lived in temporary accommodation at the end of September 2013, which by definition is an unstable household which will likely move again (DCLG, Live Table 775).

In terms of statistics directly relating to both housing and low income, results are harder to identify. Indicatively, results from HBAI 2011/12 shows that children living in households in the social rented sector are almost twice as likely to be in poverty than the national average (29 per cent compared to 17 per cent). For those living in households in the private rented sector, poverty levels are closer to the average (18 per cent compared to 17 per cent overall). These results are borne out in the English Housing Survey, which shows that those in social housing had lower household income on average than for those in other forms of housing.

Evidence

There is consensus across a broad range of academic research that there is an association between poverty and bad housing. However, a large amount of the evidence collected looks at the impact poverty and low income have on housing and there is little evidence examining the effect bad housing has in driving child poverty now or in the future.

Little or no evidence reviewed robustly addressed the impact of bad quality or overcrowded housing on low income. Evidence on the impact bad housing has on educational attainment also appears to be limited for the UK – Goux & Maurin (2005) provides some limited research on this issue for France, although this may not be easily comparable due to differences in the education system and housing standards.

There is limited evidence on the effect multiple home moves have on child poverty. The research collected for this area is primarily sourced from studies conducted in the US. The evidence sourced from UK-based research mainly focuses on the association between multiple home moves and children's educational attainment.

Poverty Now

There is an association between the children who live in bad housing and their propensity to be in poverty; however this does not prove a causal relationship between the two. Rather the direction of the association appears to be from low income leading to bad housing.

There is little or no evidence to suggest that living in bad quality housing or overcrowded accommodation will drive low income and cause child poverty to occur, but more that poor families are concentrated in bad quality housing. Evidence also shows that there is an association between bad housing and employment, but again this appears to be due to low-income families being more likely to live in lower-quality housing.

Taske et al (2005) finds that links between low-quality housing and health have been apparent for many years and that for adults the main problem relates to the prevalence of respiratory illness, most notably asthma. However McCarthy et al (1985) argues that the link between illnesses caused by bad housing and labour market outcomes has not been made. The weight of the academic consensus is on accepting the impact bad housing has on adult health, but there are also studies that find no effect.

Establishing clear links between overcrowding and poor health is difficult. Whilst evidence suggests that overcrowding can lead to ill health and consequently reduced access to the labour market, it may also be the case that those in ill health will be less likely to retain sufficiently well-paid employment to mitigate the likelihood of living in overcrowded accommodation. The link between overcrowding and ill health outcomes for adults has been tentatively made but it is not as strong as the link between low-quality housing and ill health. The spread of infectious diseases may be more prevalent but Marsh et al (1999) finds that this was only an issue for children, and amongst adults the only evidence for the impact of overcrowding on health was respiratory problems.

There was no evidence identified under this review on the effect multiple home moves have on driving poverty.

Future Life Chances

There is no clear evidence for a direct causal link between low-quality housing for children and their future income levels in the literature reviewed, and no evidence on the links between overcrowding and future low-income poverty was identified. Research covering bad housing and child outcomes tends to focus on negative impacts on health and educational attainment, both of which can influence future earnings.

It is known that low-quality housing is associated with children's ill health and that this is greater than in adults, with Barnes et al (2006) analysis of the Families and Children Survey 2004 showing a difference of 14 per cent of children in 'good housing' having significant illnesses compared with 18 per cent of those living in 'bad housing'. However, Tunstall et al (2009) reports that:

"Reviews of research on the physical qualities of housing suggests it is related to child health although there is a lack of standardised measures of housing quality and hazards in the analysis and many studies are based upon small samples and self-reported health outcomes"

Whilst finding no link to adult health, Martin et al (1987) finds a link between low housing quality and children's health. In their analysis of the National Child Development Survey they found links between bad housing conditions in childhood and later ill health, but they did not look at whether this has resulted in low income in later life.

A link between overcrowding and worse health outcomes has been hypothesized. However, making the link empirically is problematic – Tunstall et al (2009) in a review of the literature finds no examples of this link being made.

The main mechanism by which bad housing can adversely affect children's attainment, and therefore their future life chances, is through ill health, as described above. Nevertheless, there is some work which attempts to show that the links can be somewhat more direct, for example through the lack of suitable space for doing homework, or a noisy environment which affects sleep, which appear likely to negatively affect children's education and development. Barnes et al (2006) finds a link between living in overcrowded housing and not having a quiet place to study when using the Families and Children Survey 2004.

A French study by Goux & Maurin (2005) which found both correlation and a suggestion of causality between household overcrowding and educational attainment. However, this only found a causal link for girls, has not been replicated more widely and may be due to specific French circumstances. In addition, measurements of both overcrowding and educational attainment are country-specific.

Research on multiple home moves and future poverty is limited and associations drawn out are related to educational outcomes, which appear to be mixed. Several US studies have attempted to draw out the relationship between children who experience multiple home moves and their attainment. Ziol-Guest & McKenna (2013) finds that children who moved three or more times suffered from behavioural problems and worse school attainment. Another US study by Mehana & Reynolds (2004) finds multiple moves to have a negative effect on a child's reading and mathematics attainment, however this study did not take account of important background variables and used cross-sectional data as opposed to longitudinal research. Leckie's (2009) work using the National Pupil Database and the work by Sammons et al (2011) find that children had worse educational outcomes in Year 9 as a result of changing school following a home move.

A summary by Rumberger (2002) notes that studies on multiple home moves that do not control for the background characteristics of students consistently find that mobile students have lower achievement on average than those students whose homes are considered more stable. However, those studies that do take account of these background differences find that the issues of multiple home moves are more of a symptom than a cause of poor school performance. He cites one study of mobile students in Chicago which found that half of the achievement differences between mobile and stable students could be attributed to differences between the students that pre-dated their school changes (Temple & Reynolds, 1997, cited in Rumberger, 2002). He goes on to say that several studies support the idea that mobile students come from poorer families and have lower academic performance before they were mobile (Nelson et al., 1996, cited in Rumberger, 2002). Children may be affected psychologically, socially and academically from changing schools, although the impact of this depends on the number of school changes, when they occur, for what reasons and the child's personal and family situation.

There is limited UK-based evidence on multiple home moves affecting future poverty. Strand (2009) finds that moving schools after the start of Year 10 can have negative effects on

attainment. However, Strand & Demie (2006) finds there to be no negative affects if the move happened during primary school.

4.8 Neighbourhood

Neighbourhood	Certainty	Strength	Coverage
Poverty Now	Low	Low	Medium
Future Life Chances	Medium	Low	Medium

Summary

The extent to which where you live influences your income levels is difficult to disentangle from other factors. However, the evidence seems to be that these effects are either non-existent or are at least very limited. ‘Poor’ neighbourhoods are likely defined by poor people living in them but there is little consensus that neighbourhood has causal effects on child poverty whether in the present day or in the future.

Where the evidence does suggest that neighbourhood effects exist, these are likely to impact on the employment opportunities in the local labour market, meaning that those who live in poor neighbourhoods will find it difficult to find work and therefore have low incomes which will drive poverty levels. Access to local social networks which can help get people into employment are seen to be important, however evidence on whether social networks are worse in disadvantaged neighbourhoods is contested. There is also evidence on whether living in an urban or a rural area increases a household’s risk of being in poverty, however this has limited explanatory power as a driver of poverty.

A wide range of evidence looks at the effect neighbourhood has on children’s future life chances and their risk of poverty in the future. An association between where you live and low-quality education, a culture of worklessness and crime have been identified as potential transfer mechanisms of future low income. However, little definitive evidence has been found that growing up in poor or disadvantaged areas has a significant impact on a child’s actual future outcomes.

Definition & Levels

Neighbourhood effects are local variations in economic and social conditions which are more than just compositional, and tend to focus on the results and outcomes of those who live in areas of high disadvantage. DCLG produce an English Indices of Multiple Deprivation (IMD); these are composite indices defining deprived areas by bringing together information on income, employment, crime, health, education, housing and environment.

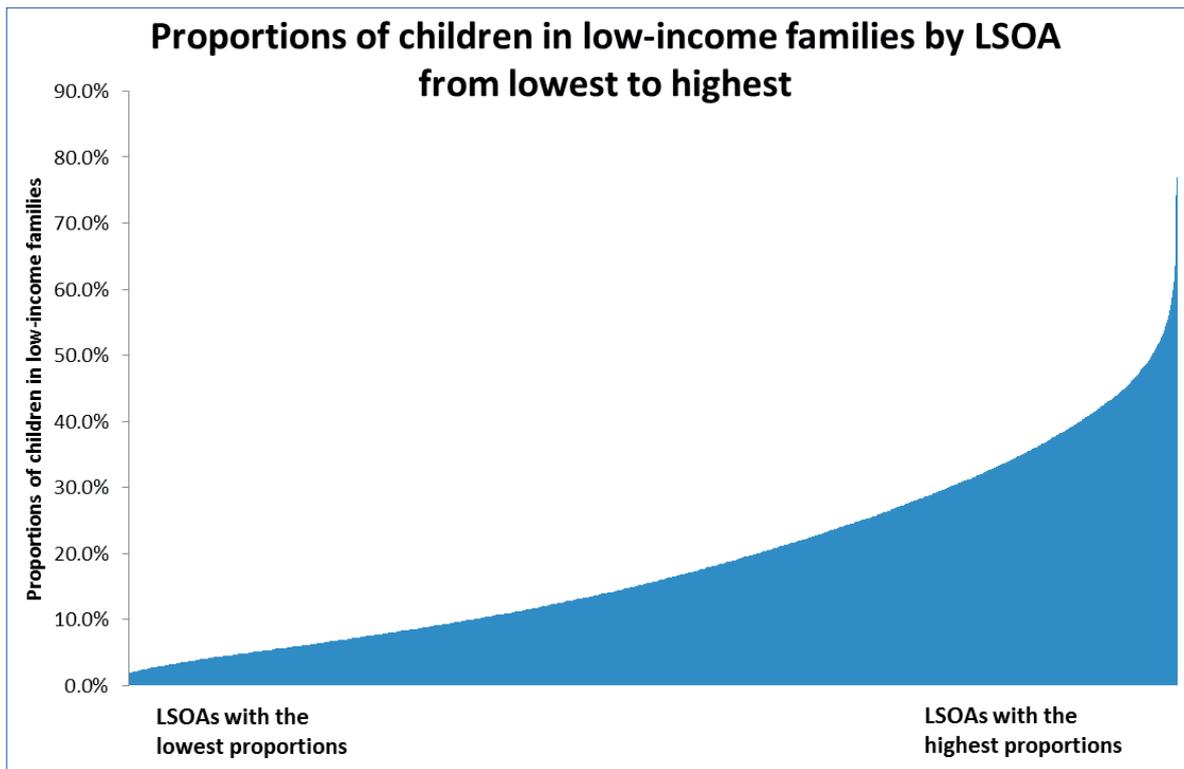
Neighbourhoods are typically reported at the Lower Super Output Area (LSOA) level – these are units of geographic boundaries which contain an average of 1,500 persons.

According to the IMD, in 2008 over 5 million people lived in the most deprived LSOAs (bottom 20 per cent) in England, 2 million of whom were income deprived.

As of 2008, there were approximately 2.3 million children living in the most income deprived quintile of LSOAs in England compared to 1.9 million who lived in the least income deprived quintile (not all children who are in the most income deprived areas will live in families which are classed as income deprived, and vice versa).

Figure 10 below shows how there is large variation in the proportion of children in low-income families³ for all LSOAs in the UK (where at least 5 children have been recorded to be in low-income families).

Figure 10: LSOAs by proportion of children in low-income families



Source: Children in low-income families local measure (HMRC, 2011)

Evidence

There is a wealth of academic evidence on the effects of the neighbourhood, with research having been carried out both in the US and Europe.

Studies from the US are typically methodologically robust but are reliant on comparing extreme examples of neighbourhoods. Syrett (2006) and others argue that the US examples of neighbourhood study are not easily transferrable to Europe due to the less extreme segregations experienced – for example higher levels of social housing, stronger welfare states and lower levels of racial segregation.

To identify a neighbourhood effect it is necessary to strip out all the other factors that could be responsible for the phenomena being explained. This is often a challenge as, for example, there may be numerous unknown factors. There is also the problem that neighbourhood effects might be small but incremental and, as such, they cannot be identified individually. However the greatest difficulty lies in self-selection and simultaneity; poor people will tend to congregate in poor areas and poor areas are defined as those where poor people congregate.

Poverty Now

There is substantial evidence looking at the relationship between the effect of the neighbourhood where poor people live and low-income poverty. The evidence reviewed

³ The children in low-income families local measure is produced by HMRC and captures the percentage of children who live in families in receipt of out-of-work benefits or in receipt of tax credits with a reported income of less than 60 per cent of median income

suggests that although these two issues are associated, neighbourhood is not a key driver of poverty. In other words, living in a poor neighbourhood does not directly increase the likelihood of being income poor. The evidence finds that there are links between neighbourhood, income, worklessness and health although living in a poor area does not necessarily drive these outcomes.

The impact neighbourhood has on income is an area that has been quite well researched in the UK. Bolster et al (2004) undertook extensive analysis of ten waves of the British Household Panel Survey (BHPS) which showed little neighbourhood impact on income over one, five and ten year time periods. Propper et al (2007) found that while the correlation between poor neighbourhoods and low income was clear, the independent neighbourhood effect was almost zero.

Where neighbourhood effects on income have been identified most clearly is in the USA, particularly in very poor urban areas. However, Syrett (2006) and others have noted that this may be down to the particular circumstances in US cities with extreme levels of poverty and segregation often closely correlated with racial segregation. In addition the US has a much less well developed welfare system and as such disadvantaged groups are much further from the income average. These circumstances, Syrett argues, are not found in the cities of Western Europe and this might explain the different levels of neighbourhood effects.

Research has highlighted the effect of neighbourhood on employment and worklessness which in turn will have an impact on household income, with Meadows (2009) describing worklessness as what lies at the root of all area deprivation. Most work has looked at how employers perceive potential employees from certain areas sometimes labelled as 'postcode discrimination'. Research by Nunn et al (2010) concluded that there was some evidence for a small neighbourhood effect in the qualitative research with employers which did identify some discrimination, but this impact was not found in the quantitative survey part of the research.

Tunstall et al (2012), however, found no evidence for a neighbourhood effect in a study of employer treatment of job applicants from areas with a poor reputation. For the researchers, the biggest issue was skills mismatches with those in poorer areas having lower skill levels. They did, however, find a preference for those living closer to the workplace which could be described as a form of area effect. A barrier to accessing employment identified by both Meadows (2009) and Green & White (2007) was that people prefer to work closer to home if they live in poorer areas, and that when employment opportunities presented themselves further away, the lack of local transportation can limit participation.

Having strong social networks is advantageous in labour market attachment, with family and friends providing support and connections that help in being successful at gaining employment in the local area. Watt (2003) argues that the right reputation and social contacts were as important as qualifications in obtaining employment. That social and family networks influence employment outcomes is known but that poorer people have worse networks is less clear. Much work suggests that people living in poorer areas often have strong local and family ties (referred to as 'bonding social capital'). However, they may lack the bridging capital that allows them to find good employment outside of their communities. This is particularly the case with some ethnic-minority groups. The effect of social networks helping people move into employment is well attested at the higher end of the labour market but some work does show that at lower levels there may be some people who are disadvantaged by their lack of effective networks (Green & White, 2007).

There is an arguable extent to which neighbourhood has an effect on health and its propensity to negatively affect worklessness. Research mentioned by Propper et al (2007)

into mental health conditions has been carried out in Britain and found that there is little or no effect. Stafford & Marmot (2003) report using a large dataset to identify an effect on health but this was small and it is acknowledged that most similar studies have struggled to find any effect.

Some research has looked at the differences between poverty in rural or urban areas. Smith et al (2007) state that, arguably, research on the rural/urban dimension of poverty dynamics implies a more distinct causal relationship. They summarise the consensus in the literature which is that, in general, overall and persistent poverty are more prevalent in urban than rural areas. Phimister et al (2000) show that poverty persistence is slightly higher among those in urban areas: about a quarter of urban individuals experienced three to five spells of poverty compared to a fifth of rural individuals. The characteristics associated with rural poverty were largely the same as those in urban areas. However, a higher incidence of low pay in rural areas than in urban areas raises questions about the relative importance for poverty exits of having more workers in these households.

Gilbert et al (2003) make a distinction between remote and accessible rural areas, based on areas' integration with larger urban areas. The authors find that poverty rates are lower in accessible rural areas and similar in remote rural and urban areas. For example, 17 per cent of accessible rural households fell into the lowest quintile of the income distribution, compared with 23 per cent of remote rural households and 21 per cent of urban households. Gilbert et al explain this by the fact that the highest incidence of persistent low pay is in remote rural areas, and so households in these areas were particularly vulnerable to in-work poverty compared with urban and accessible rural households. Therefore, overall, it is not certain if the rural/urban dimension has a causal impact on poverty, and if it does it is not clear through what mechanism this acts (aside from the risk factors already identified as important). Therefore it has limited explanatory power as a driver of poverty.

Future Life Chances

The evidence reviewed looks primarily at the impact area has on educational attainment as well as the aspirations of those growing up in these neighbourhoods, both of which would impact on future earnings and so future poverty levels.

Results for the impact of neighbourhood on children's future outcomes in the literature are ambiguous and mixed. Overall, neighbourhood is generally seen to have only relatively small impacts on future outcomes. A study by Gibbons (2002) concluded that:

“Neighbourhoods do influence outcomes, regardless of family resources, but we find nothing to contradict the general consensus that neighbourhoods determine only a small proportion of the variation in individual outcomes, and that the family background matters more.”

That said, research by Garner & Rauchenbush (1991) has concluded that the effect exists and is substantial. In their study of 2,500 young people in Scotland they found substantial impact on educational attainment and this research has been influential; however generally this finding has not been replicated more widely.

Mayer & Jencks (1989) finds schools in less disadvantaged areas of the US tend to be more academically demanding than those in more disadvantaged areas, leading to effects on how students from poorer areas learn and the potential educational outcomes they have.

The idea that cultures of poverty exist independently of a lack of employment opportunities is difficult to establish – Harkness et al (2012) find little evidence and Low (2011) suggests that in fact poor communities are not 'broken' but rather that despite the acute difficulties and tensions they experience:

“Most residents living there share values and aspirations similar to the rest of us: fairness, hard work and responsibility”

Cultures of worklessness are similarly difficult to validate. Shildrick et al (2012) shows that in the UK at least there is little evidence of worklessness being passed down the generations which would be necessary for a culture to be formed.

Green & White (2007) in their study on young people’s attitudes from Wolverhampton, Walsall and Hull found that where children grew up had an impact on their aspirations and future life outcomes. The study found young people had a strong attachment to where they grew up (even if they lived in deprived areas) and had a localised outlook for employment, meaning that this limited their opportunities.

There is limited evidence on how the area in which a child grows up in impacts their propensity to be involved in criminal behaviour, and research suggests that this is more likely to be indirect effect of neighbourhood than a direct one (Syrett, 2006). That said, Mayer & Jencks (1989), finds that if children grow up in areas and communities where there is a lot of crime and anti-social behaviour the child is more likely to carry out the same behaviours. Their study also states that children from poorer neighbourhoods in the US were more likely to report that they had committed crimes than children from more affluent areas. Involvement in criminal behaviour is likely to impact on educational attainment and the ability to gain employment, leading to potential future poverty.

4.9 Debt

Debt	Certainty	Strength	Coverage
Poverty Now	Low	Low	Medium
Future Life Chances	Low	Low	Medium

Summary

Those living in low-income households are more likely to be behind on bills or have problem debt, sometimes directly as a result of being in poverty. There is no clear causal relationship evident however, as many of the factors associated with lower financial capability are also associated with a higher risk of poverty.

Within the context of this evidence review we are interested in understanding the impact of debt on income, rather than on material living standards more widely.

Research studies highlight the difficulties low-income households have in accessing credit and the higher costs of borrowing they face. This suggests a broad mechanism for how a ‘vicious circle’ of problem debt might emerge, trapping these families in poverty, although this result is not definitively established in the research.

We would reasonably expect household debt to be a consequence of poverty. As such, it is very hard to clearly establish from the evidence reviewed whether there may also be a causal relationship between past debt and current poverty.

This is no strong theory or evidence presented in the research as to how parental debt might lead to future poverty. Some research, however, has associated problem debt with parental mental health issues and family breakdown, both of which might act to influence wider child outcomes.

Definition & Levels

There is no fixed Government or academic definition of problem debt. The studies cited here therefore vary in how they define debt, ranging from measures of whether households are behind on bills to more technical considerations of debt-to-income ratios. Similarly, against each of these possible measures there is no fixed cut-off beyond which we can say a household is specifically facing 'problem' debt.

In terms of numbers affected – the most recent HBAI statistics show that 14 per cent of UK children (1.9 million) live in a household in arrears on one or more bills. Separately, Bryan et al (2010) suggests that 14 per cent of households had a form of debt perceived by the individual concerned to be a heavy burden. At the extreme, official statistics from the Insolvency Service suggest that there were just over 100,000 individual insolvencies in England and Wales in 2013.

Evidence

There is a large body of both Government and academic research examining the relationship between debt and income. There is relatively little explicitly exploring causal links however, largely due to the difficulty in separating aspects of debt and low income – frequently they are treated as two sides of the same 'financial constraint' issue, having similar and inter-related causes and consequences.

Evidence around impacts of parental debt on future poverty is limited, with research mostly restricted to academic discussion on relationships between debt and wider factors that may impact on children's outcomes (e.g. parental mental health issues).

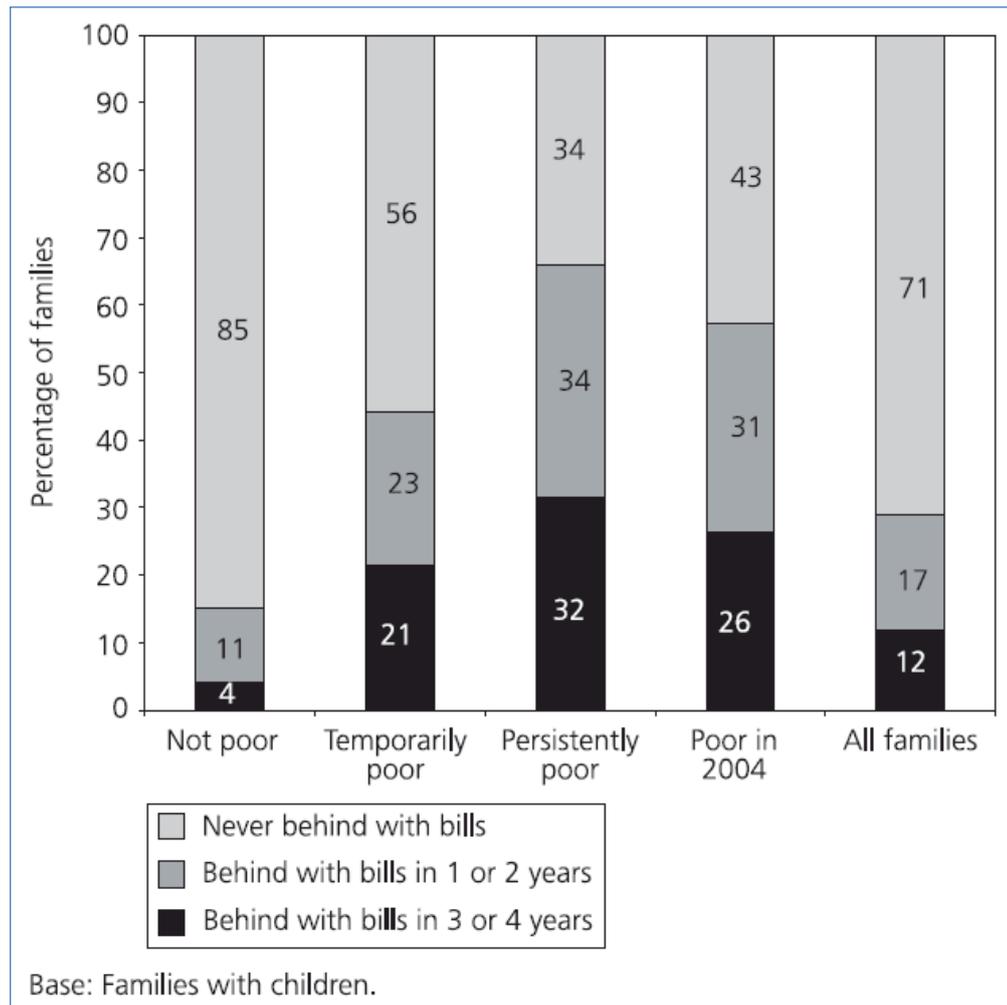
Poverty Now

The evidence clearly shows that debt associates strongly with income poverty. The HBAI official poverty statistics for 2011/12 suggest that, of children in households in low-income poverty, 24 per cent are behind on one or more bills. This compares with an average of 14 per cent for all UK children.

Further, BIS research based on extensive YouGov surveying (BIS, 2010b) shows that 42 per cent of low-income households with unsecured credit had a debt-to-income ratio of 60 per cent or more, compared with 19 per cent overall. A similar result specifically looking at families with children was identified in Kemp et al (2004).

Finally, evidence from the StepChange debt charity (formerly Consumer Credit Counselling Service) shows they were contacted by over 400,000 people seeking debt advice in 2012, of whom 70 per cent had household income less than £20,000.

Figure 11: Percentage of those behind with bills by poverty status



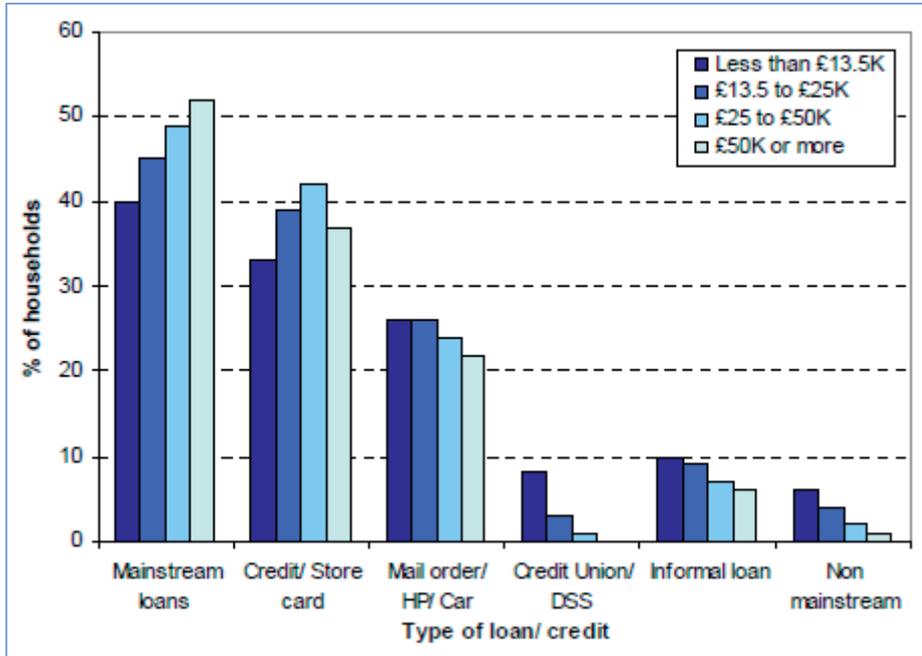
Source (reproduced from): *Low Income Dynamics Series 2005–2008 (DWP)*

Discussions of causal relationships between debt and low income are complicated since movements into problem debt are obviously closely interrelated with issues of income poverty. Dearden et al (2010) show how research on the drivers of debt identifies very similar risk factors and trigger events to that of low-income poverty (including moves into and out of low-paid work and ill health/disability).

Looking specifically at issues of persistent poverty, Barnes et al (2008) look at circumstances of poor families with children based on evidence from Families and Children Study longitudinal data across several years. This research shows a higher incidence of being in arrears on household bills in low-income 'temporarily poor' families (44 per cent) compared to those 'not poor' (15 per cent). This rises to 66 per cent when looking to families in persistent poverty, suggesting that debt is more likely to be a problem for those deepest in poverty.

Research from various bodies, including Barnardo's (Mathers & Sharma, 2011) and Save the Children, highlights the difficulties low-income families face in accessing credit and the associated higher cost of borrowing for these families, together with greater use of payday or illegal lending. Figure 12 below, based on BIS research from 2010, highlights how use of different sources of unsecured credit varies with gross annual household income.

Figure 12: Use of credit type by household income



Source (reproduced from): Over-indebtedness in Britain: Second follow-up report (BIS)

Whilst not identified explicitly in the literature, taking these two areas of research together we might possibly infer a broad causal relationship between problem debt and low-income poverty – once in debt, low-income families have to spend a higher proportion of their income to service this debt. This can in turn lead to a vicious cycle of debt, increasing the likelihood that these families will remain in poverty. Further research would be required to confirm this result however.

Gibbons (2010) also provides limited evidence based on interviews with a small number of benefits claimants demonstrating that, in some instances, debt problems can act as a work disincentive, with, for example, those in debt concerned over how a return to work might impact on repayment agreements, or over how a bad credit rating impacts on employment opportunities.

Future Life Chances

There is no strong evidence base to propose a direct causal link between parental debt and future poverty. Neither is a clear theory as to a transfer mechanism proposed (barring extreme cases which might include events such as housing repossession).

There is, however, a body of research drawing the link between debt and mental health issues, with Metzler et al (2002) suggesting that people with experience of mental distress are three times more likely to be in debt. No conclusive causal link is established in the literature although longitudinal analysis from Fitch et al (2009) does identify mental health issues following falling into debt. Bridges & Disney (2005) suggest that problem debt creates stress, which in turn leads to depression. Issues of how parental health might associate with children’s outcomes are discussed in section 4.5.

4.10 Parental Drug & Alcohol Dependency

Drug & Alcohol Dependency	Certainty	Strength	Coverage
Poverty Now	High	High	Low
Future Life Chances	Low	High	Low

Summary

Impacts from problem drug and alcohol use amongst parents are difficult to measure accurately and affect a relatively small number of children (compared to other factors considered). However, where they do take effect impacts can be devastating.

As this evidence review primarily focuses on low *income*, excess expenditure on drugs or alcohol to satisfy a dependency will not be captured. Instead, problem substance use takes effect on income primarily through the difficulties substance misusers have gaining and maintaining employment. It is clear that problem substance use has a significant and large impact on an individual's capacity to lead a normal life and hold a steady job.

Problem drug and alcohol use amongst parents are clearly linked with a range of much worse child outcomes and wider well-being issues. That said, it is difficult to find evidence that associates these directly with longer-term economic outcomes in terms of whether such children are subsequently more likely to be in poverty.

Definition & Levels

There are numerous different definitions around drug and alcohol use, misuse, addiction, abuse and dependency, as well as differing interpretations as to what constitutes problem behaviour and what may be potentially damaging to children. Where possible we will focus on problem use, which is identifiably damaging to individuals and those around them.

Gathering reliable statistics on problem substance use, particularly for illegal drugs, is very difficult. Where numbers are available they are rarely broken down by family structure and so it is difficult to determine with any great degree of confidence how many children are affected by these issues.

From the latest drug misuse statistics from the 2012/13 Crime Survey for England and Wales, over a third of adults have tried an illicit drug in their lifetime, with the number of adults that had taken drugs in the last year at 8.2 per cent.

The 2003 Hidden Harm report from the Advisory Council on the Misuse of Drugs remains the best source for numbers of children living with problem drug users in Great Britain and cites an estimate of between 250,000 and 350,000 children.

The National Treatment Agency for Substance Misuse reports that more than 100,000 of the people receiving drug treatment during 2011/12 were either parents or living with children (nearly 40,000 of these were parents not living with their children). They estimate that the number of under-18 year olds living with people in treatment in England is around 104,000.

On problem alcohol consumption, National Statistics for 2011/12 show that there were just over 200,000 hospital admissions in England where the primary diagnosis was attributable to alcohol (rising to over 1.2 million against a broader definition).

Estimates of children living with problem drinkers vary, but Manning et al (2009) estimate that 22 per cent of under-16 year olds in the UK (over 2.5 million) live with a hazardous drinker. This includes all those drinking over the recommended weekly limit, and is defined as a pattern that increases the risk of harmful consequences to the user or others. A further 6 per cent (over 700,000) live with a dependent drinker - defined as an addiction where alcohol consumption becomes one of the most important parts of someone's life.

Evidence

There is a significant body of domestic and international Government, academic and charitable research and statistics on drug and alcohol misuse. A majority of this work,

however, takes as its starting point that drug and alcohol abuse are damaging, and results identifying associations with poverty are relatively rare.

Further, due to the difficulties in identifying and measuring substance abuse accurately, many studies are predominantly case-study based and so provide results which are indicative rather than definitive. In particular, there is a clear absence of detailed in-depth longitudinal studies that consider long-term child outcomes.

As a result, suitable evidence in this space is frequently international and/or less recent than we might prefer.

Poverty Now

Links identified between alcohol and drug misuse and low-income poverty in the research vary in strength and direction of findings. That said, where families do suffer with drug and alcohol problems there are clear impacts on incomes.

The 2010 ONS General Lifestyle Survey demonstrates that alcohol use is actually higher and more frequent amongst higher earners. Further this research shows half those in the lowest income quintile reporting abstinence in the week prior to interview, compared with only a fifth of those in the highest quintile.

However, Dehenny et al (1997), citing Sheenan et al (1988), show that whilst experimentation with illegal drugs does not appear to vary much between social groups, dependency and regular use are more likely to develop among young people from lower social classes.

Overall, the evidence available shows a fairly clear association between substance misuse and poverty with Shaw et al (2007) and McManus et al (2009), amongst others, demonstrating that the prevalence of drug dependence is greater for those from lower-income groups. Kaestner (1999) was one of first major studies to establish a link between drug usage and poverty in US; according to Kaestner, drug users have lower incomes and are more likely to participate in public assistance programmes compared to non-users.

The direction of causality between substance misuse and low incomes is less clear, however, and functions via complex interrelated mechanisms. That said, a fairly clear transfer mechanism between dependency and incomes comes via employability (both in terms of accessing and sustaining employment), a result highlighted in several studies.

Focusing on some of the more recent, UK-based research, MacDonald and Pudney (2000, 2001) amongst others state that users of hard drugs are significantly less likely to be in employment compared with other working-age adults. Further, the literature review in Sutton et al (2004) identified numerous barriers problem drug users face in finding employment including lack of education and skills; health; social disadvantage; provision of support services; engaging with employers and support professionals; and dealing with stigma. Research from the UK Drug Policy Commission (2008) identified similar results.

Similarly, for alcohol dependence, a number of studies, including MacDonald and Shields (2004) and Sutton et al (2004) identify a negative relationship between alcohol dependence and employment. However, the evidence here is more varied and can be contradictory. Some international evidence finds no relationship between alcohol misuse and employment, whilst MacDonald & Shields (2001) actually identify some evidence for a positive link between moderate alcohol consumption and job attainment and reward.

Future Life Chances

Whilst there is a large body of research linking parental substance misuse at the extremes with very bad outcomes for children, much of this is in the form of case studies of children now. Studies of the longer term, aggregate-level, outcomes for children of problem drug and alcohol users has not been an area of focus for researchers. As such, whilst it is entirely reasonable to assume that parental drug or alcohol misuse will lead to longer-term worse economic outcomes for children, it is difficult to provide a strong direct evidence base for this claim.

Parents with drug and alcohol problems clearly present real risks to the health, safety, and life opportunities of children. Children who were counselled by ChildLine about their parents' alcohol and drug misuse often also talked about their experiences of physical abuse, family relationship problems, neglect and sexual abuse.

Whilst there is currently no data on how many children in the UK are affected by foetal alcohol spectrum disorder it is clear that pre-natal exposure to both drugs and alcohol can have real impacts including growth deficiencies and problems with central nervous system functioning.

The 2003 Hidden Harm report summarises the impact of problem drug use on children as follows:

“The adverse consequences for children are typically multiple and cumulative and will vary according to the child’s stage of development. They include failure to thrive; blood-borne virus infections; incomplete immunisation and otherwise inadequate health care; a wide range of emotional, cognitive, behavioural and other psychological problems; early substance misuse and offending behaviour; and poor educational attainment. These can range greatly in severity and may often be subtle and difficult to detect.”

On problem alcohol use, Sher (1997) discussed how children facing parental alcoholism have a range of increased risks including experiencing difficulties at school. Fawzy et al (1983) discuss how children exposed to alcoholism are far more likely to develop alcohol issues themselves. In a literature review, Barnes et al (2006) find evidence linking parental alcohol misuse with a range of poor child outcomes spanning cognitive, behavioural, psychological, emotional and social domains.

4.11 Child Ill Health & Disability

Child Ill Health & Disability	Certainty	Strength	Coverage
Poverty Now	Medium	Low	Low
Future Life Chances	High	Medium	Low

Summary

There is a well-established association between child ill health and both poverty now and in the future. Establishing a causal link from child health to poverty is more difficult however – poverty causes health problems, but it is less clear whether child health problems drive poverty now. For those children with more severe health conditions and disabilities, however, evidence suggests that the associated parental caring responsibilities reduce employment levels and so household income.

The evidence documents how childhood health problems have longer-term implications for future poverty. Those growing up with childhood health problems are more likely to suffer

physical and mental ill health in adulthood and are at increased risk of severe, long-term illness (and thus worklessness).

Definition & Levels

There are many dimensions of health, both mental and physical, including disabilities, short-term illness, milder longer-term conditions and short-term injuries. This broad spectrum of conditions means we need to be careful when considering numbers affected by health issues and in associating these numbers with results identified in the literature. Throughout, as far as possible, we will focus on those who are disabled or experience limiting longstanding health conditions (LLSCs).

Official Statistics from the 2011/12 Family Resources Survey suggest that around 6 per cent of UK children (0.8 million) are disabled, with HBAI results showing that 11 per cent of UK children (1.5 million) live in a family containing at least one disabled child.

Green et al (2004) in work for the ONS suggests that approximately 1 in 10 children aged 5–16 had a clinically diagnosed mental health disorder.

Evidence

There is a large body of domestic and international evidence, from both Governmental and academic sources, documenting links between child health and later life outcomes. That said, given the breadth of possible ill health definitions and research frequently focusing on specific health conditions, it is sometimes difficult to build a complete picture.

Poverty Now

There is limited evidence as to whether child health issues in general directly cause poverty in the short-term, with the majority of literature indicating that low income is the greater causal factor in terms of driving ill health in children (Gregg et al 2009, Milligan & Stabile 2011).

In instances of more extreme health conditions, however, Ellison et al (2009) demonstrate that parents with disabled children are significantly less likely to feel that they achieve a good compromise between work and childcare.

Further, McKay & Atkinson (2007) establish that in cases of child disability there are direct impacts on paid employment, and so on income, particularly on mothers' employment. The likelihood of work falls as caring responsibilities increase. Atkinson et al (2007) establish that proportions of parents reporting child health conditions are fairly similar for non-working and working parents, but that those not working were more likely to report LLSCs. Parents with a child with an LLSC were much more likely to report difficulty in finding a suitable job with the right hours.

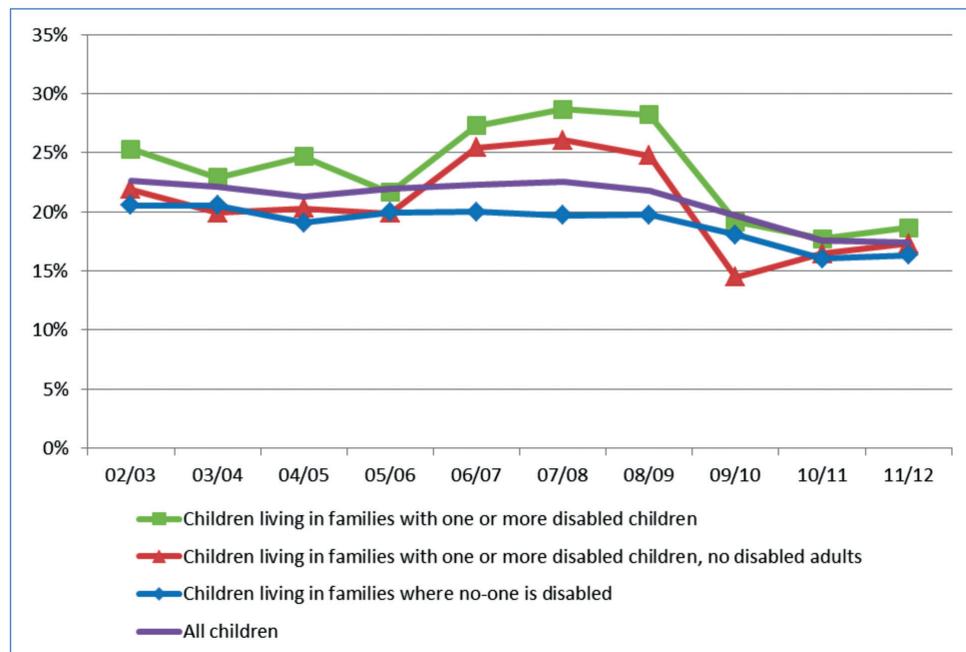
Similarly, Powers (2003) found strong links between mother's labour market attachment and children's health characteristics in the US. Zimmer (2007), however, challenges the direct causal relationship between low child health and low income, arguing that unobserved factors, such as the mother's health and complications during child birth can have an effect on both the child's health and the parent's ability to work and earn an income.

There is, however, relatively little evidence from the official poverty statistics that households with disabled children are currently at significantly higher risk of poverty. HBAI results for 2011/12 show that 19 per cent of children living in families with disabled children are in relative income poverty – this is only slightly higher than for overall proportion of children in poverty in the UK for 2011/12 at 17 per cent. Controlling for the presence of disabled adults,

figure 13 below shows poverty levels in families with and without disabled children (but no disabled adults) over the past 10 years.

This shows that, although historic patterns have been erratic, from the most recent data children living in households with disabled children face only a small increase in the risk of living in poverty. Whilst this would appear to contradict earlier results that childhood disability impacts negatively on parental employment, the most plausible explanation is that income from child disability benefits (in recognition of the additional costs faced) helps to compensate for lost earnings in these households.

Figure 13: Percentage of children in poverty by family child disability status



Source: HBAI 2011/12

Future Life Chances

A clear causal relationship between children's health and future outcomes operates through the link between health now and in the future. Children who are disabled or have significant health problems are more likely to grow up to be adults who are disabled or have significant problems. This is borne out in the literature in studies including Banks et al (2011) and Case et al (2005).

Adult ill health and disability will subsequently interact negatively with ability to find appropriate work and so help drive poverty, as outlined in the earlier section on Parental Ill Health and Disability.

In terms of education, again, a clear relationship between children's health and future outcomes has been evidenced in the literature. For example, in work for the World Health Organisation Suhrcke & de Paz Nieves (2011) demonstrate a causal relationship between health behaviours and conditions and educational attainment. This evidence suggests that ill health in a child's life can negatively affect their educational attainment, which will likely impact on their engagement with the labour market and employment opportunities in the future.

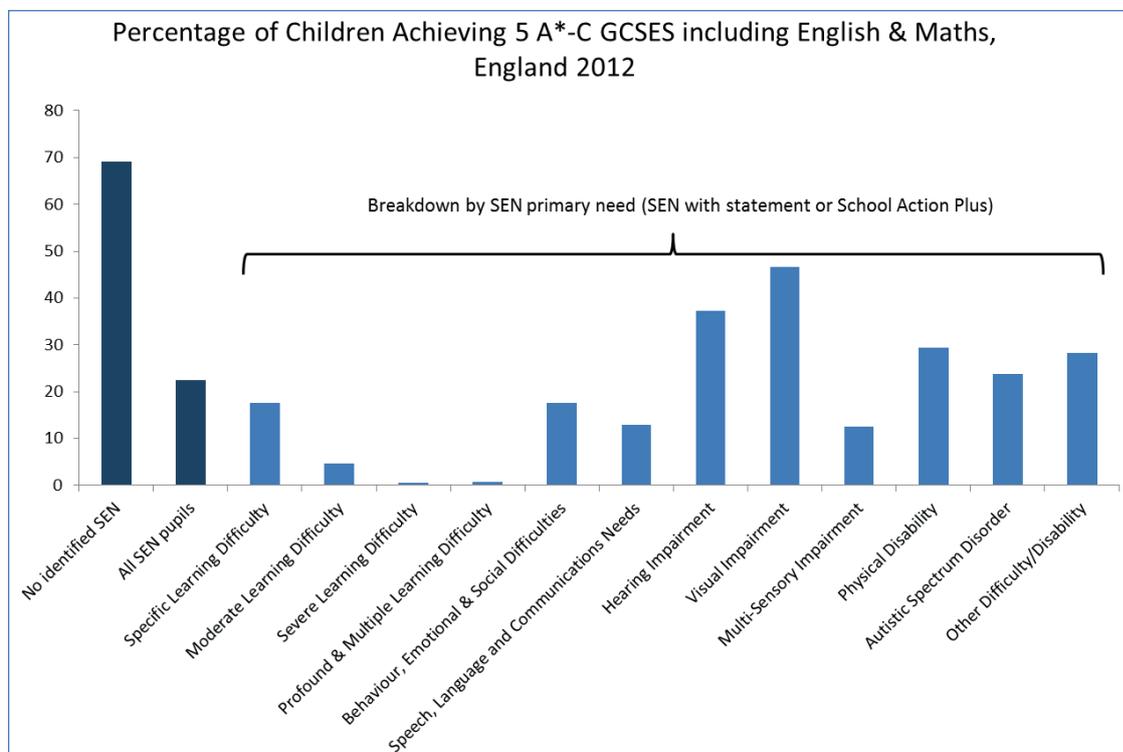
Focusing specifically on some of the most recent domestic outcomes – just under 230,000 pupils across all schools in England have statements of Special Educational Needs (SEN) – that is, those with learning difficulties or disabilities that make it harder for them to learn than

most pupils of the same age. This figure rises to over 1.5 million if those without statements are included.

The 2012/13 attainment gap between the percentage of pupils with and without any identified SEN achieving 5 or more GCSEs at grade A* to C or equivalent including English and mathematics is 47.0 percentage points. 70.4 per cent of pupils with no identified SEN achieved this compared with 23.4 per cent of pupils with SEN. Figure 14 below breaks equivalent 2011/12 results down by specific conditions.

For post-19 education, from ODI analysis of Labour Force Survey data, disabled people are around three times as likely not to hold any qualifications compared to non-disabled people, and around half as likely to hold a degree-level qualification. 19.2 per cent of working-age disabled people do not hold any formal qualification, compared to 6.5 per cent of working-age non-disabled people. 14.9 per cent of working-age disabled people hold degree-level qualifications compared to 28.1 per cent of working-age non-disabled people.

Figure 14: Percentage of children achieving 5 A*–C GCSEs by SEN status



Source: Children with special educational needs: an analysis – 2013. Table 2.29

Relatively less academic work exists on the long-term effects of mental health conditions. Gregg & Machin (1998) find that a group of children born in the UK in 1958 and with poor behavioural outcomes at age 7 had worse labour market outcomes at ages 23 and 33. Blanden et al (2006) show that there are rising income returns to positive mental characteristics (not being anxious, hyper, low self-esteem) between two birth cohorts (1958, 1970). Slower cognitive and language development have also been shown to affect a child's educational experience and attainment and thus ultimately employment opportunities and labour market progression (HM Treasury, 2008).

There is some discord, however – whilst Currie & Stabile (2006, 2007) argue that some mental health conditions have worse effects on schooling attainment than most physical chronic conditions; others, including Johnston et al (2011), claim that much conventional analysis significantly overstates the adverse impact that mental health problems have on educational attainment.

More widely on children's health, a large body of literature has established a causal link between low birth weight and a child's future life outcomes. Black, Devereux & Salvanes (2007) claim that the antenatal period is particularly important and conclude that increases in birth weight would lead to increases in attainment and in full-time earnings. Currie & Hyson (1999) also state that low birth weight leads to cognitive and behavioural problems in children, especially in the early years that may be long lasting. They use the National Child Development Study data to show that where low birth-weight babies self-report health problems later in life, there are also effects in terms of their educational attainment as a child, labour market outcomes and earnings potential. However, their findings do not take into account other events after birth that may explain or be attributable to these outcomes.

Another prevalent factor in driving child ill health and future outcomes is nutrition. Poor nutrition can lead to childhood obesity that often persists into adulthood and causes future health problems, which in turn are associated with poverty (Griggs & Walker, 2008). Belot and James (2009) exploit the unique features of the "Jamie Oliver Feed Me Better" campaign in the UK to present causal evidence on the effects of healthy meals on improved test scores.

4.12 Non-Cognitive Development

Non-Cognitive Development	Certainty	Strength	Coverage
Poverty Now	N/A	N/A	N/A
Future Life Chances	Medium	Medium	High

Summary

A number of researchers in the US and UK have conducted analyses of longitudinal studies and concluded that there is a link between children's non-cognitive skills and their adult labour market outcomes, even when controlling for a range of other factors, including cognitive ability.

The influence of non-cognitive skills on outcomes appears to be mediated mainly through their influence on educational achievement, although there is evidence that they also have an independent impact on employability and possibly earnings. However, different studies have employed different measures of personality traits and so there remains some uncertainty about what the important dimensions of non-cognitive skill are and how they interact to produce the outcomes observed.

Definition & Levels

An individual's educational and labour market performance, and so risk of poverty, is influenced not only by their 'cognitive skills' (intellectual ability) and knowledge, but also by personality attributes such as motivation, self-control and inter-personal skills. Social scientists have labelled personality traits which have a positive influence on an individual's economic success as 'non-cognitive skills'.

In the UK there is a strong association between the income of parents and the earnings prospects of their children. Men from high-income backgrounds are almost three and a half times more likely than men from low-income backgrounds to have high income as adults (Buxton, 2005). Evidence suggests that part of the explanation for this intergenerational income persistence is the influence of family background on the development of non-cognitive skills. Such personality attributes may be of increasing importance in the labour market given the rise of employment in personal service occupations (Mayhew & Keep, 1999).

Evidence

There is a range of domestic and international academic research examining the relationship between children's non-cognitive development and their longer-term outcomes. Given the absence of a clear core definition around 'non-cognitive skills', however, there is difficulty in establishing definitively where there is consensus or discord in the literature.

Poverty Now

If a child's parents have low non-cognitive skills, this may limit their potential earnings and place them at greater risk of poverty. The evidence outlined below suggests that non-cognitive skills have an independent impact on adult employability and possibly on adult earnings, even controlling for educational achievement.

Future Life Chances

A range of studies have found an association between the non-cognitive skills of children and their later educational and labour market outcomes, potentially affecting their risk of future poverty. For example, Heckman et al (2006) find that in the United States the degree of control young people feel they have over their own life and their perceptions of self-worth influence their educational outcomes and also have an independent influence on later earnings.

In the UK, longitudinal cohort studies reveal that gaps in social skills between children from different family backgrounds are apparent by age 7, with higher social-class background positively associated with greater social skills (Blanden, 2007; Carneiro, 2007). Blanden et al have estimated that non-cognitive variables account for a sizeable proportion of intergenerational income persistence and that its importance has strengthened over time, helping to explain a decline in income mobility between the 1958 and 1970 birth cohorts. However, the influence of non-cognitive skills on adult earnings is less than that of cognitive skills and is mostly accounted for through their influence on educational outcomes. In particular, the ability to apply one's self is associated with better educational outcomes. However, locus of control, clumsiness, anxiety and extroversion were found to have an independent influence on earnings.

Carneiro et al also find that pupils assessed by teachers at age 11 as demonstrating better social adjustment had better educational outcomes⁴. In particular, children who exhibited greater social adjustment at age 11 were more likely to stay on at school post-16, although this factor was less important than the influence of cognitive skills. Signs of depression (such as apathy) at age 11, 'writing off adults and adult standards' and 'inconsequential behaviour' had clear negative impacts on staying in education after age 16. Good cognitive and social skills were found to reinforce each other in improving educational attainment.

Teacher-rated social skills at age 11 were also found to have an independent effect (controlling for educational achievement) on an individual's probability of being employed at age 42 and of having been employed for longer between the ages of 23 and 42. However, while these teacher-rated social skills directly influenced whether or not an individual was in work, neither cognitive nor social skills had a significant impact on hourly wages at age 42, once education was controlled for.

⁴ The measure of social maladjustment comprised anxiety for acceptance by children, hostility towards children, hostility towards adults, "writing off" adults and adult standards, withdrawal, depression, anxiety for acceptance by adults, restlessness, inconsequential behaviour, miscellaneous symptoms, and miscellaneous nervous symptoms.

Carneiro et al also find that there is a weaker relationship between social skills at age 7 and social skills at age 11 than exists for cognitive ability over time, indicating that non-cognitive abilities may be more open to influence in later childhood. This chimes with the suggestion of some neuroscientists that the critical time for various forms of learning will differ (Howard-Jones & Washbrook, 2011). The acquisition of a skill depends on individuals having reached a level of development where they can grasp the appropriate concepts and experience the social contexts in which the skill can be put into practice, which may not be until adolescence for some social skills.

4.13 Home Learning Environment, Parenting Styles & Aspirations

Home Learning Environment	Certainty	Strength	Coverage
Poverty Now	N/A	N/A	N/A
Future Life Chances	Medium	Medium	High

Summary

Home learning environment, parenting styles and parents' aspirations for their children can have an effect on a child's educational attainment and therefore on their future employment and earnings levels. There is also shown to be a direct effect between the child's expectations in terms of educational attainment and their actual attainment.

Child and parental aspirations, Home Learning Environment and parenting styles show a gradient by income and persist inter-generationally, so could be seen as an effect as well as a cause of poverty.

Definition & Levels

Home Learning Environment, parenting styles and parents' and child's aspirations are often grouped under a generic 'attitudes, aspirations and behaviours' grouping.

The Home Learning Environment encompasses a range of activities parents undertake with their pre-school children. These include reading with the child, teaching songs and nursery rhymes, painting and drawing, playing with letters and numbers, visiting the library, teaching the alphabet and numbers, taking children on visits and creating regular opportunities for them to play with their friends at home.

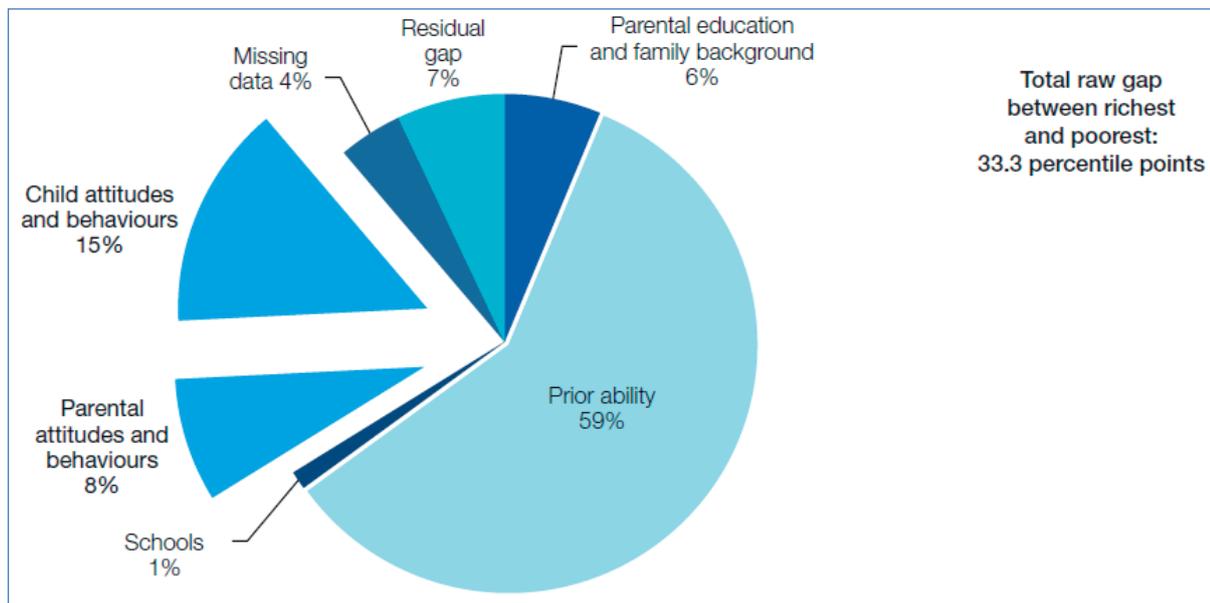
Parenting styles are often classified based on the work of Diana Baumrind (e.g. Baumrind, 1991). Important dimensions of poverty were seen as warmth (as opposed to conflict or neglect) and control strategies. Parenting typologies were constructed by looking at combinations of warmth and control: 'authoritative' (high warmth, positive/assertive control and in adolescence high expectations), 'authoritarian' (low warmth, high conflict and coercive, punitive control attempts), 'permissive' (high warmth coupled with low control attempts) and 'neglectful/disengaged' (low warmth and low control). Children and adolescents of authoritative parents are consistently described as most academically and socially competent (O'Connor & Scott, 2007).

Child and parental aspirations and expectations are often treated synonymously in research. There is however a distinction between children's 'expectations' and their 'aspirations'. The former implies a realistic assessment of future outcomes, while the latter reflects children's hopes and dreams (Gutman & Akerman 2008; quoted in Jerrim 2011).

According to Goodman & Gregg (2010), 81 per cent of the richest mothers say they hope their 9-year-old will go to university, compared with only 37 per cent of the poorest mothers.

At age 16, around a quarter of the gap in educational attainment between the poorest and the richest children can be ascribed to either parental or child attitudes and behaviours.

Figure 15: Explaining the gap in educational attainment between the poorest and the richest children at age 16: decomposition analysis



Source: Longitudinal Study of Young People in England
Reproduced from Goodman & Gregg (2010)

Evidence

In terms of poverty, the evidence shows more that low income can contribute to lower quality Home Learning Environment, lower aspirations and sub-optimal parenting styles.

There is a large body of Government and academic research and statistics looking at the links between the Home Learning Environment, its impact on early-years' development and how this persists via educational attainment to future poverty. There is some disagreement over the strength and causality of these effects on educational attainment, which is usefully summarised in Gorard et al (2012).

Poverty Now

There is no reason to expect that the Home Learning Environment, a parent's parenting style or aspirations for their child or their child's educational aspirations would normally have a significant effect on their current household income, or risk of poverty now.

Future Life Chances

According to O'Connor & Scott (2007), the finding that low parent/child relationship quality is associated with aggressive behaviour and delinquency is one of the most widely-reported findings in the parenting literature. Some cognitive theorists (Rogoff & Lave, 1984) have proposed that the parent/child relationship is an essential environmental context in which structuring or 'scaffolding' of the child's emerging cognitive abilities takes place. Those parents who are sensitively tuned to the child's cognitive ability can be expected to provide an optimal environment for the child to learn, which can be further fuelled by the child's own motivation. In older children and adolescents, parents are also thought to shape aspirations and motivation by acting as role models, providing and selecting opportunities for the children, and setting expectations and definitions of success (Mortimer and Kumka,

(1982); Bell et al (1996); Gutman and Eccles (1999); Jodl et al (2001); all cited in O'Connor & Scott, 2007).

The importance of the Home Learning Environment is highlighted by Sylva et al (2004) who claim that what parents do with their children is more important than who parents are. Children whose parents engaged regularly in Home Learning activities were less likely to be at risk for Special Educational Needs.

Zhan (2006) says that parents with higher expectations for their children are more likely to set higher standards for their children's schooling and social functioning than parents with lower expectations. They are also more likely to transmit the values of doing well in school and of getting along well with teachers and peers. Empirical literature provides consistent support for the positive relationship between parent expectations or aspirations toward their children and their children's educational achievement (Axinn et al (1997); Furstenberg & Hughes, (1995); Hanson, McLanahan, & Thomson (1997); Reynolds & Gill (1994); Smith, Beaulieu, & Seraphine (1995), all cited in Zhan (2006)).

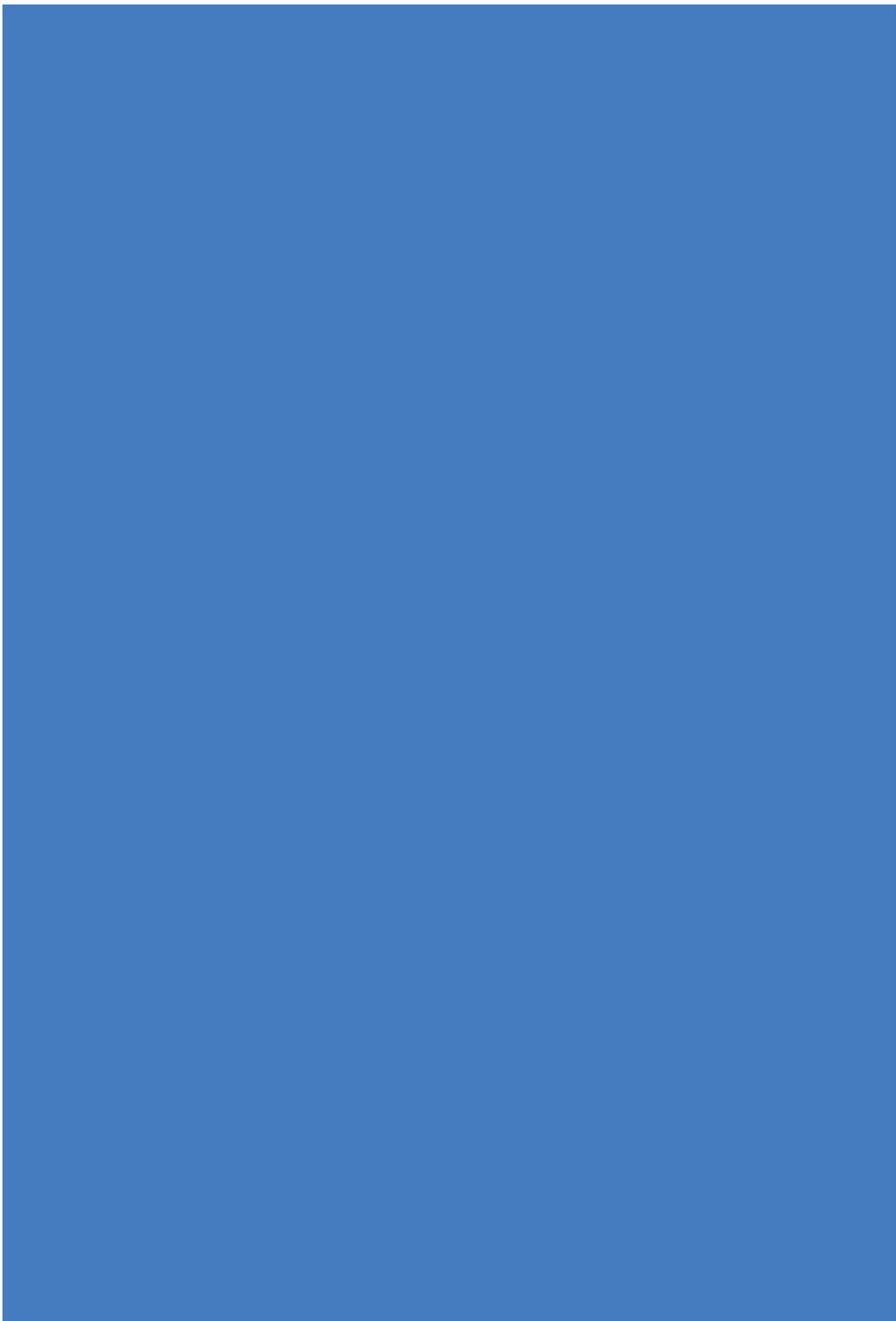
More recently Goodman & Gregg (2010) found a very significant contribution from the mothers' hopes that their child will go to university: this factor alone accounts for around 6 per cent of the gap in test scores between children from rich and poor families. Furthermore, this contribution already takes into account the child's ability at age 7 and so is not just a reflection of low chances of getting to university based on ability.

Brown et al (2004) find a strong and highly significant relationship between children's expectations and later attainment in the UK. This is backed up by a large study by Goodman and Gregg (2010), which also says that parents and children's expectations for higher education are very closely linked and show many of the same determinants. For example, 84 per cent of young people whose parent(s) expected them to go on to higher education at age 14 also shared that expectation.

Schoon and Polek (2011) show that career aspirations measured at age 16 predict career attainment of cohort members in their mid-30s, even after controlling for family social background and general cognitive ability. Compared to their less ambitious peers, those with aspirations for a professional job are more likely to participate in further education, and are more likely to achieve a professional career in their adult years.

This is more about low aspirations rather than the necessity of having aspirations. Gutman and Schoon (2012) find that adolescents with uncertain career aspirations had higher academic performance at age 16 and a greater likelihood of educational enrolment at age 18 compared to those with high, certain aspirations, when parental educational expectations, school motivation, perceived academic ability and useful career advice were taken into account.

No evidence was found that looked at children from middle or higher-income families moving into poverty as adults as a result of low aspirations, parenting or their Home Learning Environment.



Chapter 5: Conclusions

This report has looked in detail at the key factors that make it harder for some families to get out of poverty and the key factors that make some poor children more likely to become poor adults.

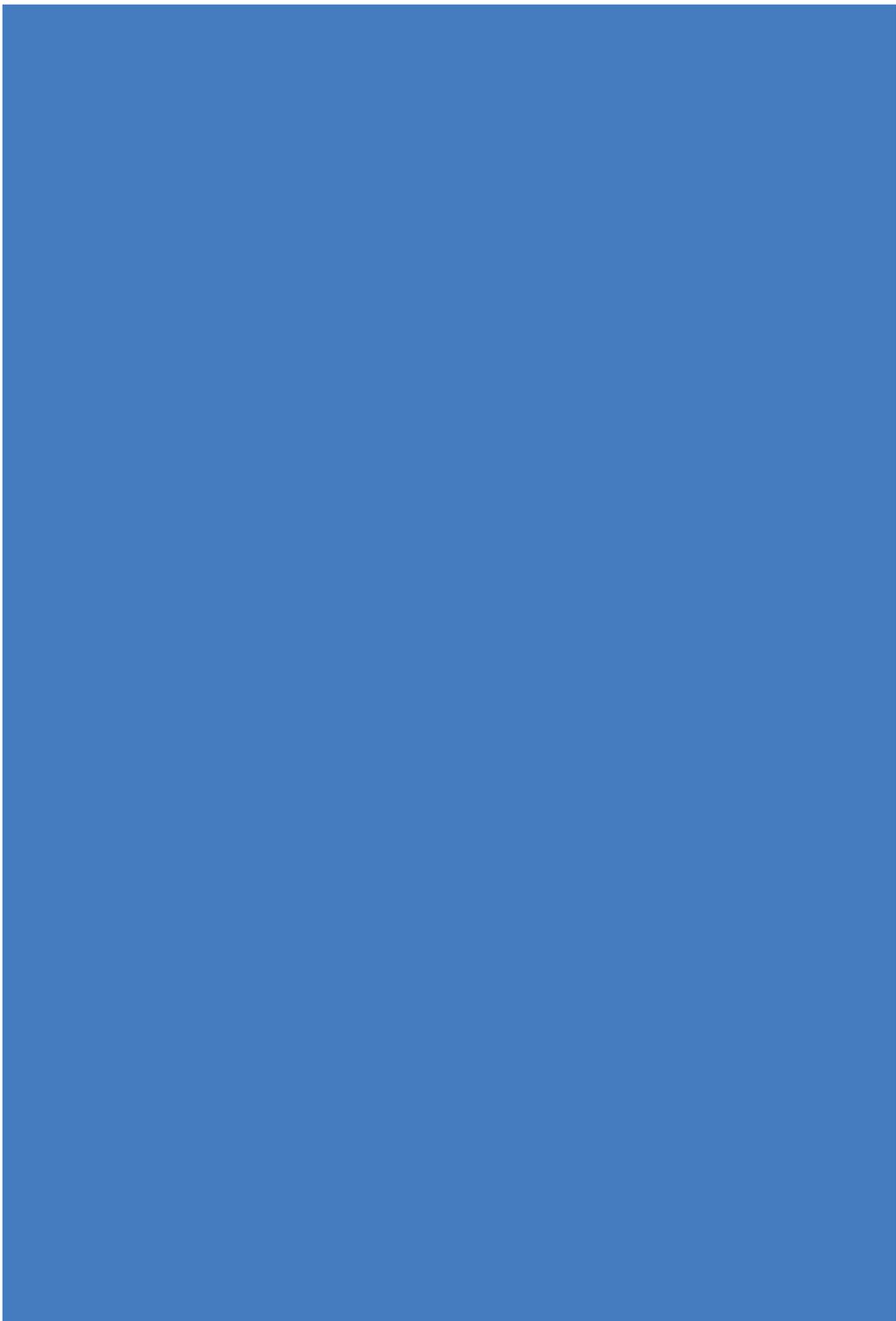
From the range of academic and institutional evidence reviewed we can confidently conclude that:

Looking at children likely to be stuck in poverty for longer is important – those children affected suffer the worst outcomes and are at greatest risk of becoming poor adults.

- The key factor for child poverty now is parental worklessness and low earnings.
- The other main factors include low parental qualifications, parental ill health, family instability and family size.

There are a range of factors that increase the risk of a poor child growing up to be a poor adult.

- The most influential factor is child educational attainment.
- Other main factors (all of which act to some extent through educational attainment) are: low parental qualifications, parental ill health, child ill health, the home environment, children's non-cognitive skills and childhood poverty itself.



Annex A:

Types of Poverty

Summary

It is not the same households who are poor year-on-year – there is a substantial turnover from one year to the next. Approximately half of children who are poor in one year are not poor one year later.¹

This means, however, that over a period of several years, many more children experience poverty than are poor in any single year. Around a third of children experience poverty at some point over a four-year period compared with a fifth in any given year.

Despite this high level of low-income churn, there are a non-trivial minority of children that are persistently poor. In the mid-2000s around one in ten children were poor at least three years out of four. This has, however, halved since the early 1990s.

How is poverty defined and measured?

The measure of poverty used throughout this evidence review is usually relative income. When we refer to a household as experiencing poverty, this generally means that the household's equivalised income – that is the income adjusted for the composition and size of the household – is below 60 per cent of the contemporary median national income.

The current official poverty rate is determined through point-in-time surveys and changes in the poverty rate are estimated through comparison of two or more such surveys taken at intervals, although these surveys will generally interview different people.

Temporary (or transient) poverty

A key contribution of poverty dynamics research (as discussed further below) is that it challenges the traditional view of 'the poor' as a homogenous and essentially static population. In fact it is not the same households who are poor year-on-year – there is a substantial turnover from one year to the next.

¹ In this annex, unless stated otherwise, all statistics are sourced from Jenkins' Changing Fortunes analysis, based on British Household Panel Survey data from 1991–2006.

The latest official child poverty statistics can be found in the Households Below Average Income (HBAI) series, 2011/12, available here:

<https://www.gov.uk/government/publications/households-below-average-income-hbai-199495-to-201112>.

The latest official statistics on persistent poverty (DWP's Low-Income Dynamics) are available here:

<https://www.gov.uk/government/publications/low-income-dynamics-1991-to-1998>

A positive aspect of this is that for the majority of people who experience poverty, it is not a fixed unchanging status. Approximately half of those who are poor in one year are not poor one year later. The average length of time spent in poverty is between one and two years.

This means, however, that over a period of several years, many more people experience poverty than are poor in any single year. Around one-third of children experience poverty over a four-year period, a proportion one-and-a-half times larger than that in poverty in any given year. Around half of all children can expect to be poor at least once over a nine year period, twice the proportion in any given year. This figure has remained relatively constant over time.

Recurrent poverty and income mobility

So whilst households in poverty are largely a changing population, there is also much ‘churning’ of the same individuals in and out of poverty. This is generally referred to as recurrent poverty.

One reason for recurrent poverty is that, for many, income mobility tends to be short distance. Although there has been some reduction in longer-term inequality, there are still associations between a household’s original income and a household’s ‘destination’ income even after 15 years. This is the situation for all income groups (poor to rich).

For instance, a household is four times more likely to enter poverty if it has experienced poverty before. The chance of leaving poverty is halved if a child was in poverty in the previous year. Finally, as highlighted in Chapter 2, the longer a household spends in poverty, the less likely they are to move out of poverty.

Persistent poverty

Despite the high level of low-income churn, a non-trivial minority of households experience long-term persistent poverty.

The most commonly used definition of persistent poverty is when a household experiences relative income poverty for at least three years out of a four-year window. In the mid-2000s, by this definition, around one in ten children experienced persistent poverty – this has almost halved since the early 1990s.

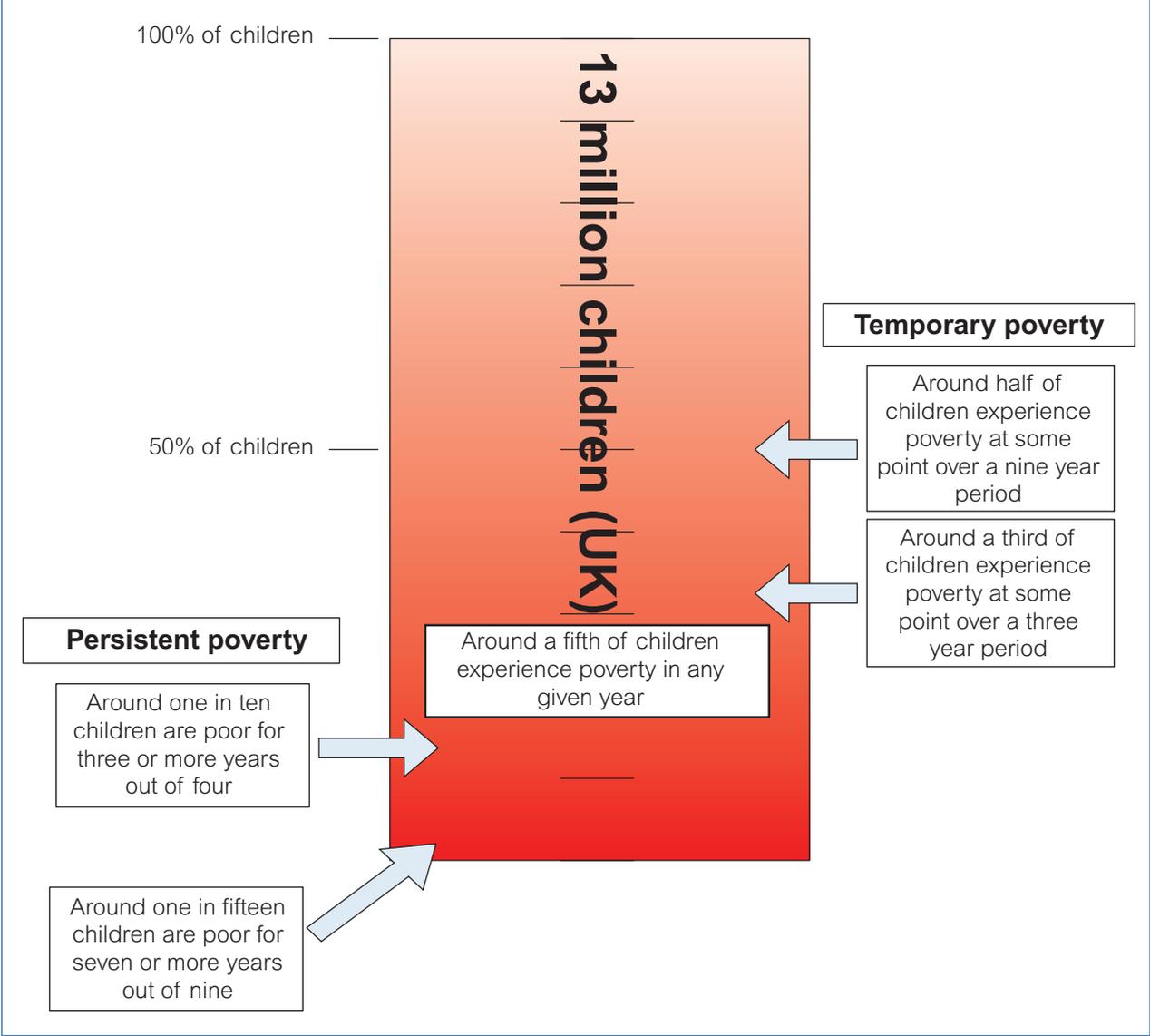
Looking at longer time frames, however, around one in fifteen children are poor for seven or more years out of nine. This has fallen from around one in ten in the early 1990s.

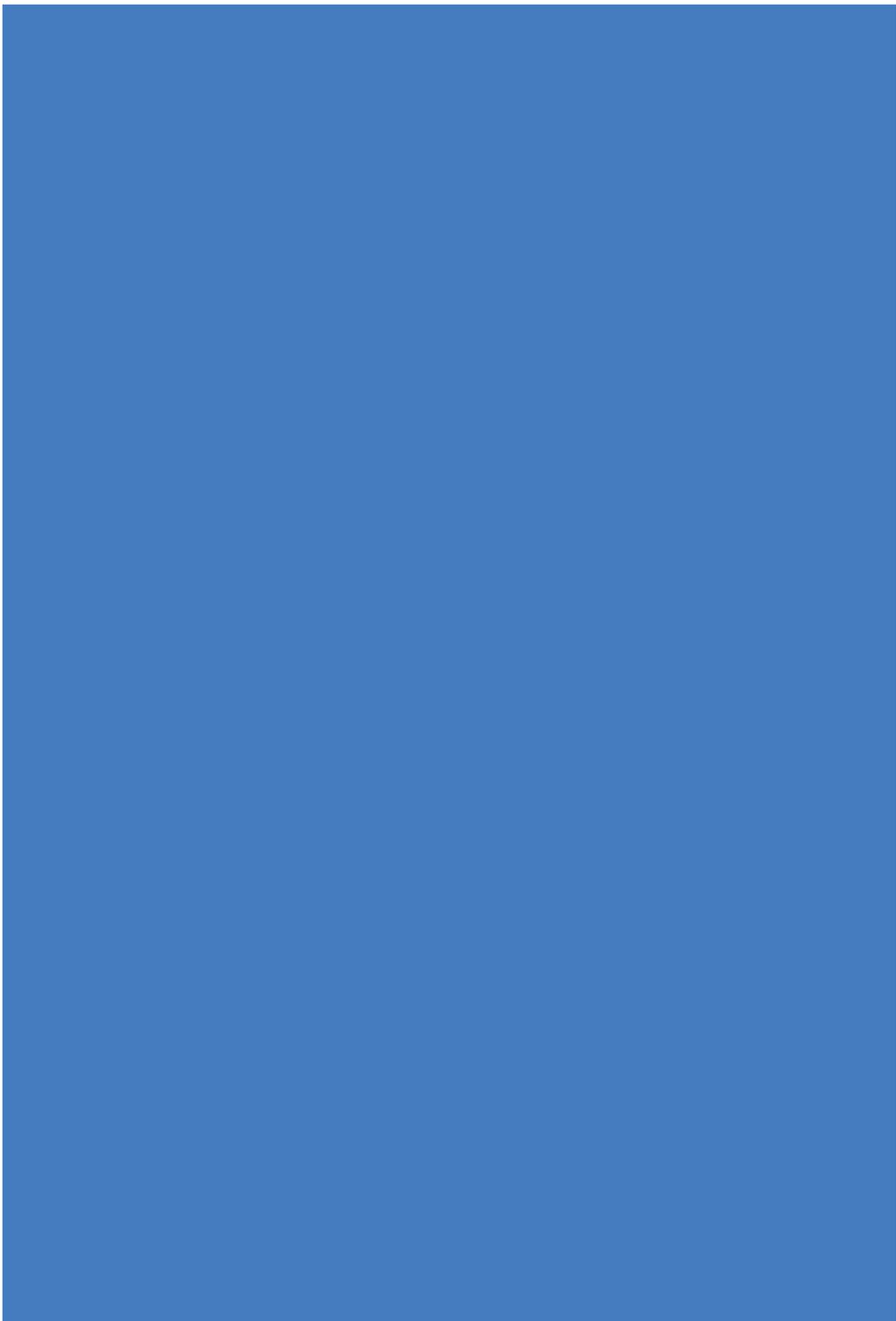
Whilst this shows that only a small (though not insignificant) fraction of the population suffer long sustained spells of poverty, this represents a relatively large fraction of groups such as lone-parent families.

As Smith and Middleton’s Poverty Dynamics Review summarises, rather than particular risk factors being associated with either shorter-term or longer-term poverty, evidence suggests that a sliding scale of poverty persistence results from an accumulation and intensity of risk factors. That is, the characteristics that explain belonging either to the temporary or persistent poor are the same, only that the persistently poor tend to suffer a greater number of these characteristics to a more intense degree.

The following diagram summarises the year-on-year, temporary and persistent poverty rates for children in the UK:

Figure 16: Year-on-year, temporary and persistent poverty rates for children in the UK

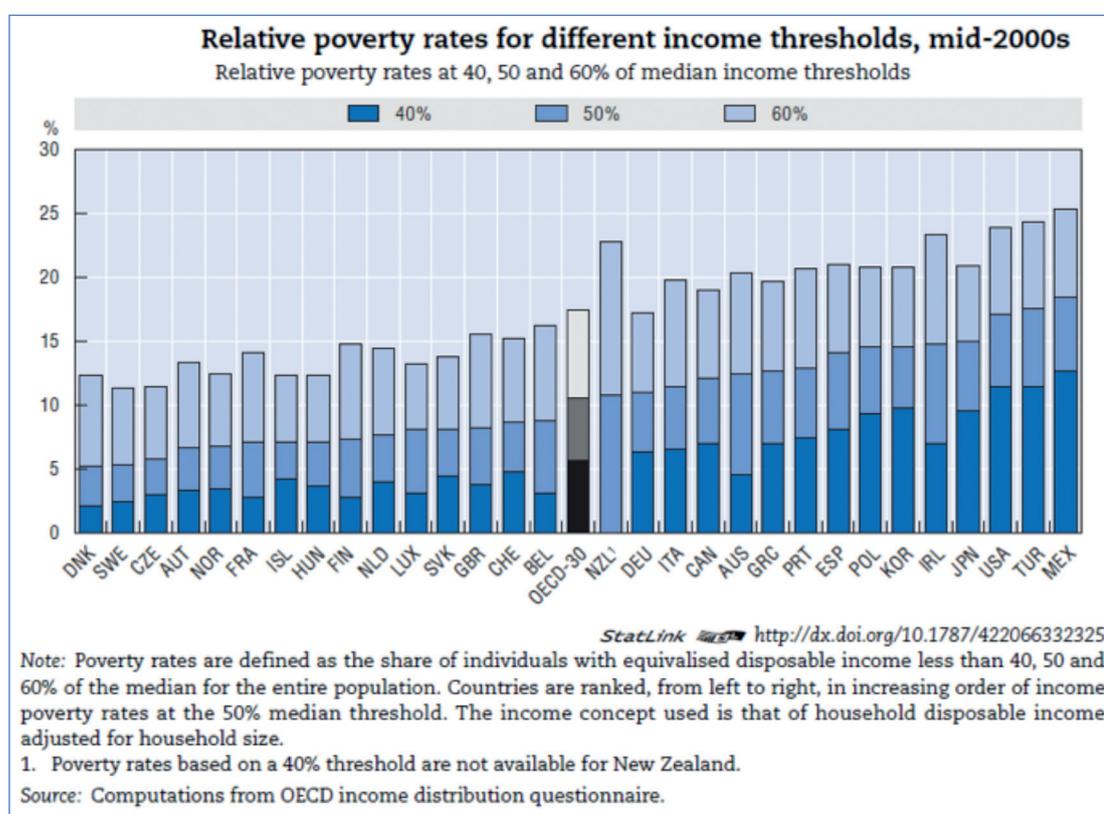




Annex B: Cross-national comparison of overall poverty rates

OECD compared year-on-year poverty rates across the 30 OECD countries (as shown in the figure 17 below), for the mid-2000s. The share of people at risk of poverty across the OECD overall was 18 per cent. Differences across countries are large, with relative income poverty rates always lowest – whatever the threshold used – in Denmark, Sweden and the Czech Republic, and highest in the United States, Turkey and Mexico. Poverty rates are below average in all Nordic and several Continental European countries, and above average in Southern European countries as well as Ireland, Japan and Korea. The ranking of countries does not change much regardless of the poverty threshold.

Figure 17: Relative poverty rates for different income thresholds, mid 2000s



Source (reproduced from): OECD (2008)

OECD do not attempt to unravel the reasons for differences between countries although, later, they suggest a strong relationship between unemployment rates and poverty rates.



Annex C:

Analysis types and sources when looking at factors making it harder to exit poverty now

Methodology and evidence

Analysis types

Our aim is to identify the household characteristics associated with longer spells in low-income poverty. Two (broad) forms of analysis have been used to achieve this:

i) Longitudinal (dynamic) poverty research

This evidence review draws mainly from longitudinal analyses of poverty. Longitudinal research traces the changes in circumstances for the same individuals over time, in order to reveal the dynamics of poverty.

Such a dynamic perspective reveals how experiences of poverty vary widely. While some households will experience brief, one-off episodes of poverty, others will move in and out of poverty on a recurrent basis, and others still will live in poverty for a continuous, sustained duration.

Most importantly, a dynamic perspective of poverty enables us to identify the types of household most likely to spend longer in poverty.

ii) Multivariate analyses

This evidence review only identifies household characteristics that have been shown to have an independent association with poverty when other key characteristics have been accounted for, and therefore draws heavily from regression-based analyses of poverty. As well summarised by Barnes et al (2008a):

“Descriptive analyses may show that larger families are more likely than smaller families to experience persistent poverty and that families with very young children are more likely to experience persistent poverty than families with older children. Given that we know that larger families are more likely than smaller families to have very young children, the key issue is whether it is the size of the family or the age of the children (or indeed both) that is driving these relationships to persistent poverty.”

Whilst some of the statistics presented on these characteristics are descriptive (i.e. the proportion of three-child families who experience persistent poverty), we have also aimed to clarify the additional and independent effect that, say, having a larger family has on remaining in poverty (for instance, each extra child reduces the chance of leaving poverty by around 20 per cent).

Research sources

Therefore, in line with the above, this review draws upon findings from four main sources, a summary of which are outlined below:

1) Stephen Jenkins (2011): *Changing Fortunes: Income Mobility and Poverty Dynamics in Britain* OUP

Jenkins uses a metaphor to describe Britain's income distribution. He says it is like a multi-storey apartment building with the numbers of residents on the different floors corresponding to the concentration of people at different income levels in any particular year. Over time, how much movement between floors is there? In particular, is there much turnover in the basement, and do basement dwellers ever reach the penthouse? Who moves the most and how far?

Jenkins' 2011 book addresses such questions with extensive analysis based on data from the British Household Panel Survey (BHPS) covering 1991–2006, providing a comprehensive study of income mobility and poverty dynamics.

Of particular relevance for this review Jenkins looks at the diversity of routes into and out of poverty, and examines differences in people's experience of poverty over time. He performs two main types of analyses:

Trigger events: Jenkins looks at the relative importance of various life-course events as triggers of poverty. His starting point, to which he refers as method 1, classifies each entry and exit from poverty according to the main event associated with the transition. Jenkins goes on to propose a modification to this approach (method 2), which does not restrict each poverty transition to one particular event.

This review draws upon results from method 1, which show us the 'share' of all poverty transitions accounted for by each trigger event, and also from method 2, which show us an individual's chance of entering poverty having experienced a particular trigger event. Both methods show complementary results (where comparable).

Multivariate poverty dynamics models: Jenkins next employs multivariate models of poverty dynamics. The first technique he uses is hazard regression models. These examine differences in people's experience of poverty over a period of time. For individuals who enter poverty, the total length of time that they spend in poverty subsequently depends on their chances of exit from poverty and the chances of re-entering poverty. Model estimates are used to simulate and thereby compare poverty patterns for different types of individual.

Jenkins goes on to consider similar issues via the development of a Markovian model of poverty transitions; this is to account for some technical weaknesses he outlines in the hazard regression models. Ultimately, Jenkins considers the Markovian model as providing a complementary approach to the hazard regression models, and finds it reassuring that the two approaches identify similar patterns of differences across individuals (in their experience of poverty).

Chapter 2 predominantly quotes results from the hazard regression models since, as Jenkins says, they are more commonly used throughout poverty dynamics literature. These models' estimates provide intuitive findings about the increased/reduced chances of leaving poverty given an individual's characteristics (for instance, being employed, having A-levels etc.)

2) Noel Smith and Sue Middleton – Joseph Rowntree Foundation (2007): A review of poverty dynamics research in the UK

This study is a comprehensive literature review on existing poverty dynamics research – the final report references 115 studies. The aim of this review was to gather and reflect on this wide array of literature in order to:

- examine the different forms of poverty, how different social groups experience it, and how people enter and leave poverty;
- understand the implications for policy aimed at tackling poverty and disadvantage; and
- highlight priorities for further research.

3) Matt Barnes, Anne Conolly and Wojtek Tomaszewski – National Centre for Social Research (2008a): The circumstances of persistently poor families with children: Evidence from the Families and Children Study (FACS)

This report presents analysis of the persistence of low income from a large-scale longitudinal study of families with children. It uses data from four waves (2001/04) of FACS, a Government-funded survey of families with dependent children living in Britain. The broad aim of the research was to use FACS to strengthen existing knowledge about families with children who experience persistent poverty. The main objective was to understand the nature of persistent poverty for families with children and to examine the key risk factors.

4) Matt Barnes, Nick Lyon and Jane Millar – National Centre for Social Research (2008b): Employment transitions and the changes in economic circumstances of families with children: Evidence from the Families and Children Study (FACS)

This study uses longitudinal data from the Families and Children Study (FACS) – 2001–05 – to explore the impact of movements in and out of paid employment on the economic circumstances of families with children. It also looks at the circumstances of families that receive in-work tax credits to investigate how their economic circumstances change following employment transitions.



Annex D:

Intergenerational poverty analysis types

Methodology and evidence

In this area, the different methodology types are:

- **Longitudinal cohort analysis on intergenerational income and poverty:** these look at transmission mechanisms and intermediate outcomes. These typically model the variation in parental and children's earnings using a range of factors linked to both, after controlling for all other factors concluded to have a significant role in explaining the variation. These studies do not show causality as the links could be driven by unobserved factors. There is a good amount of literature using this technique both in the UK and internationally, however most do not control for every explanatory factor. For example Blanden and Gibbons (2006) do not include health, neighbourhood or wealth, meaning that the effect sizes for included variables may be overstated. For the UK, the main data sources are the large cohort studies: the National Child Development Study (1958 cohort), the Birth Cohort Study (1970 cohort), the British Household Panel Survey (1990 cohort) and the Millennium Cohort Study (2000 cohort).
- **Cross-national comparisons:** these are useful to deepen understanding of the relationship between intergenerational income and other metrics such as income inequality, child poverty and intergenerational persistence in factors such as education and occupation. Once again, these studies, which are fairly numerous, show correlation and not causality and importantly do not offer 'ideal' levels of mobility.
- **Longitudinal cohort analysis on intermediate outcomes** that are strongly linked to adult earnings, e.g. education, employment, health, looking both at intergenerational persistence of these factors and at links with parental income. There is a good amount of this type of research in the UK and internationally. These studies are necessary because they typically include many more explanatory factors than the intergenerational income studies.
- **Causal analysis:** these analyses use a variety of techniques to attribute causality to the associations listed above. Techniques include randomised controlled trials (mainly in the US), analysis of siblings, twins and adopted children and natural experiments (for example policy changes). There has been some work on intergenerational welfare receipt and some on worklessness, mainly in the US. Success in isolating the causal effect of income has been limited due to difficulties

in isolating factors that affect only income (for example job loss affects income and employment) and some of the evidence is based on welfare-based income 'shocks'. Much of the research comes from the US (some randomised controlled trials and also using differences in policies across states) and from Nordic countries (in particular using rich registry data for analysis of siblings types to inform the debate of nature versus nurture). Some of this type of analysis has not been possible in the UK.

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