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Child poverty transitions

Exploring the routes into and out of child poverty, 2009–2012

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Executive summary

Introduction

There is a large volume of evidence on how living in poverty can be detrimental for children. Hence much government policy has been aimed at getting households out of poverty; whether through income transfers, reducing worklessness or increasing earnings for those in work. Attempts have also been made to prevent households moving into poverty in the first place, as any spell of poverty can lead to an increased risk of recurrent or persistent poverty in the future. This study uses data from 2009/2010–2011/2012 to provide new evidence on child poverty transitions since the onset of the recent recession. Its aim is to better understand the patterns of, and drivers behind, moves into and out of poverty for families with children, thereby providing vital new evidence for policy makers tasked with preventing and alleviating child poverty.

Methodology

This report uses data from large-scale social surveys to explore child poverty transitions. It draws mainly on Understanding Society (USoc), a household-tracking study repeated annually with a panel of 40,000 households from across all four countries of the UK. Millennium Cohort Study (MCS) data is also used to explore poverty among 'new families' at the start of the new Millennium. The MCS is the most recent of Britain's world-renowned national longitudinal birth cohort studies and follows the lives of around 19,000 children born in the UK in 2000/1.

In this research the poverty line is drawn at 60 per cent of median equivalised net household income before housing costs. According to USoc data from 2009/10 this equates to around £1,547 per month for a couple with two children, and means that approximately one in five children were living below the poverty line. Poverty transitions measure a change in household income that shifts a family across the poverty line – either into or out of poverty – from one year to the next. To help identify genuine poverty transitions a poverty entry (or exit) is only counted when it involved moving at least ten per cent below (or above) the poverty line.

A number of different analyses were undertaken to help describe poverty transitions and to make comparisons across different types of children. Children were compared according to the characteristics of their family, including work status, ethnicity and education level of parents. The research was also able to explore the importance of key events that could trigger a poverty transition, such as a parent losing work or working fewer hours, parental separation and the birth of a new baby.

Poverty entry and exit rates were used to show how the likelihood of experiencing a poverty transition can vary for different children:

- The poverty *entry* rate identifies individuals moving into poverty between one year and the following year (and moving at least ten per cent below the poverty line), expressed as a percentage of the total number of individuals who were above the poverty line in the first year.

- The poverty *exit* rate identifies individuals moving out of low income between one year and the following year (and moving at least ten per cent above the poverty line), expressed as a percentage of the total number of individuals who were below the poverty line in the first year.

For example, a poverty entry rate of ten per cent would mean that ten per cent (or one in ten) of children not in poverty in one year would have moved into poverty a year later.

The report also profiles the children who made a poverty transition (the 'share of poverty entries'). For example, although the risk of entering poverty may be higher for children whose parents separated, parental separation is actually relatively rare, so not many children who entered poverty would have experienced that event.

The report also uses multivariate analysis (logistic regression) to explore the factors that may be driving poverty transitions; identifying which are independently associated with a poverty transition after taking other factors into account.

Poverty entry and exit rates and income changes

Around one in 14 (seven per cent) children initially not in poverty had moved into poverty in the next year. Nearly two in five (38 per cent) poor children had moved out of poverty by the following year. The poverty exit rate is higher than the entry rate because at any one time there are much fewer children in poverty than out of poverty. The *number* of children who move into poverty is actually very similar to the number who move out of poverty.

Most children who entered poverty came from low-middle income households – two-thirds of children who entered poverty had been living in a household with income between the poverty line and median income. Likewise, children who exited poverty did not tend to make huge leaps up the income distribution. Entering poverty was associated with a (median) average income drop of £406 per month, while the change in income for a poverty exit was over £100 higher, with a (median) average income rise of £542. These figures include earnings and non-earnings. For those who experienced a benefit income fall the median average drop in monthly benefit income was £256. For those who experienced a benefit income rise the median average rise in monthly benefit income was £296.

Labour market events

Earnings is a major source of income for many families and hence labour-market events, such as finding work or increasing hours of work, can have a particularly strong impact on poverty transitions. Families who changed the hours they worked had particularly high poverty transition rates. Children living in a family who went from part employment to full employment[1] had the highest poverty exit rate (75 per cent), whereas a transition from full

[1] We measured family work patterns which in couple families took into account the number of hours both parents worked. The following definition of full and part employment were derived:
Full employment: lone parent working 30 or more hours per week, or couples where both parents are working and at least one of them is working 30 or more hours per week
Part employment: lone parent working fewer than 30 hours per week, couples both working fewer than 30 hours per week, couples one parent working the other workless

employment to part employment had only the fifth highest poverty entry rate (14 per cent). This suggests that enabling working families to increase the hours they work can play an important part in helping them to escape poverty. This has implications for policies designed to 'make work pay', including the financial incentives for families to work longer hours in the current and future tax-benefit system, such as Universal Credit.

The largest poverty entry rates were for families that became workless – either from being in full employment (entry rate of 38 per cent) or from part employment (entry rate of 42 per cent). Helping working families to remain in work is crucial to protect them from entering poverty.

Some families saw a rise or fall in their earnings, either due to a small change in the number of hours worked or a change in rates of pay. Children in families who experienced a rise in earnings while in full employment had an exit rate of 73 per cent. However, for children in families who had a fall in earnings while in full employment in both waves, the poverty entry rate was only six per cent. This suggests that even a fall in earnings for families in full employment is unlikely to lead to a large increase in the chance of them moving into poverty.

In-work families

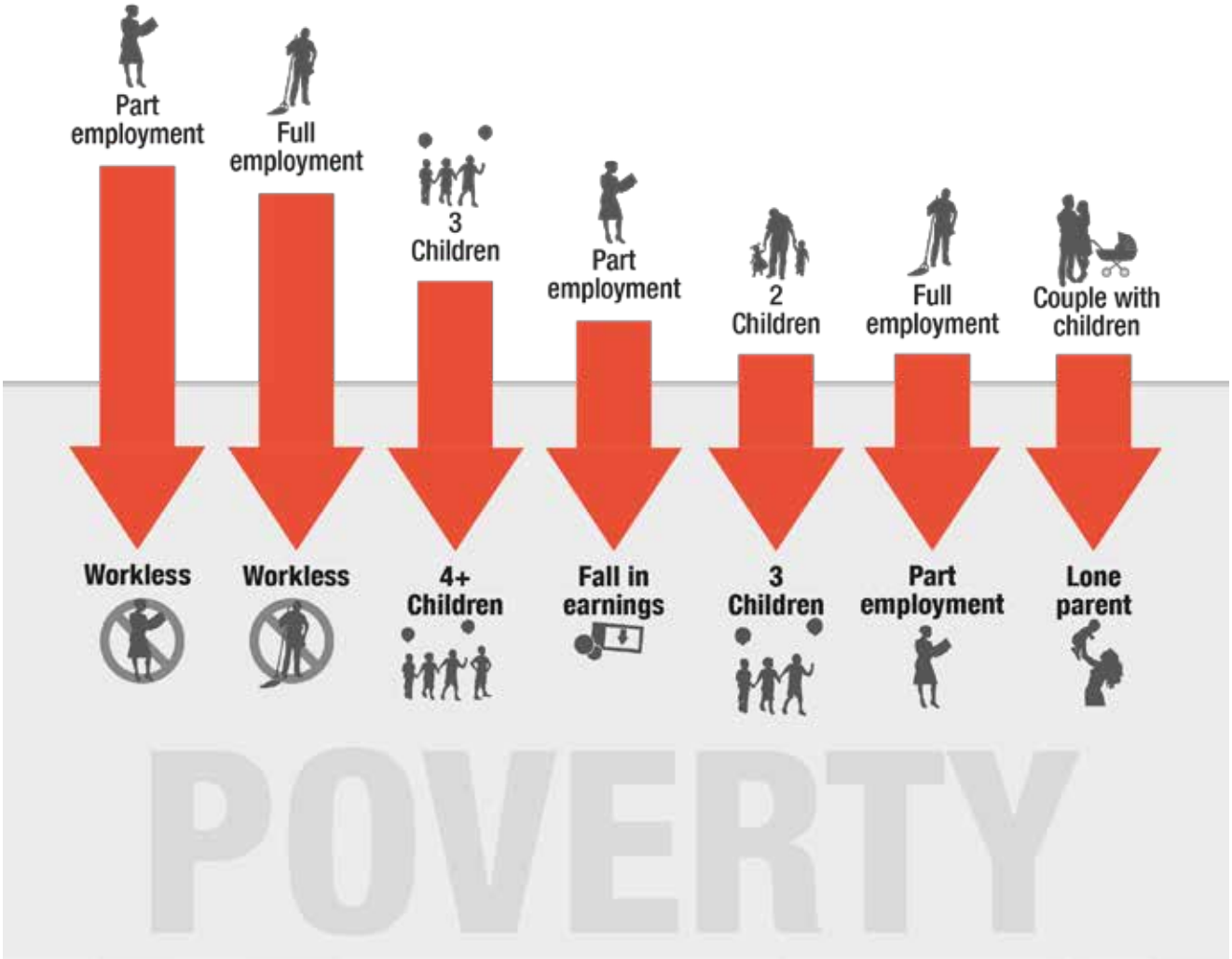
It is clear that work plays a major role in determining families' poverty status – two-thirds of children who entered poverty came from families initially in work, and four-fifths of children who escaped poverty came from families who either remained in or entered work. The survey data allowed for further exploration of poverty transitions according to industry, occupation and contract type of the main earner. Children living in families where the main earner works in the public administration and health industry, or a professional occupation, had particularly low poverty entry rates and high poverty exit rates, even when controlling for other factors. This suggests that these sectors can provide more stable and better-paid work. Interestingly, children living in families where the main earner works in the construction industry had both a higher than average poverty entry rate and poverty exit rate, and this remained the case even after controlling for other factors. This may be a result of the unstable and low-paid work associated with many jobs in this sector, meaning that households experienced fluctuations in their levels of income.

The type of contract employees have can also be an indicator of job security. The poverty entry rate was much higher for children whose parent (main earner) was employed in casual type of work than those in a permanent job (26 per cent compared to six per cent, although these only made up a very small proportion of all poverty entrees as only one per cent had this type of contract). When controlling for other factors, having a non-permanent job contract remained an independent predictor of poverty exit – perhaps because those on non-permanent contracts having less opportunity for promotion or wage progression (a finding found in research by Ray et al. 2010; Metcalf and Dhudwar 2010; Tomlinson and Walker 2010).

Gaining employment

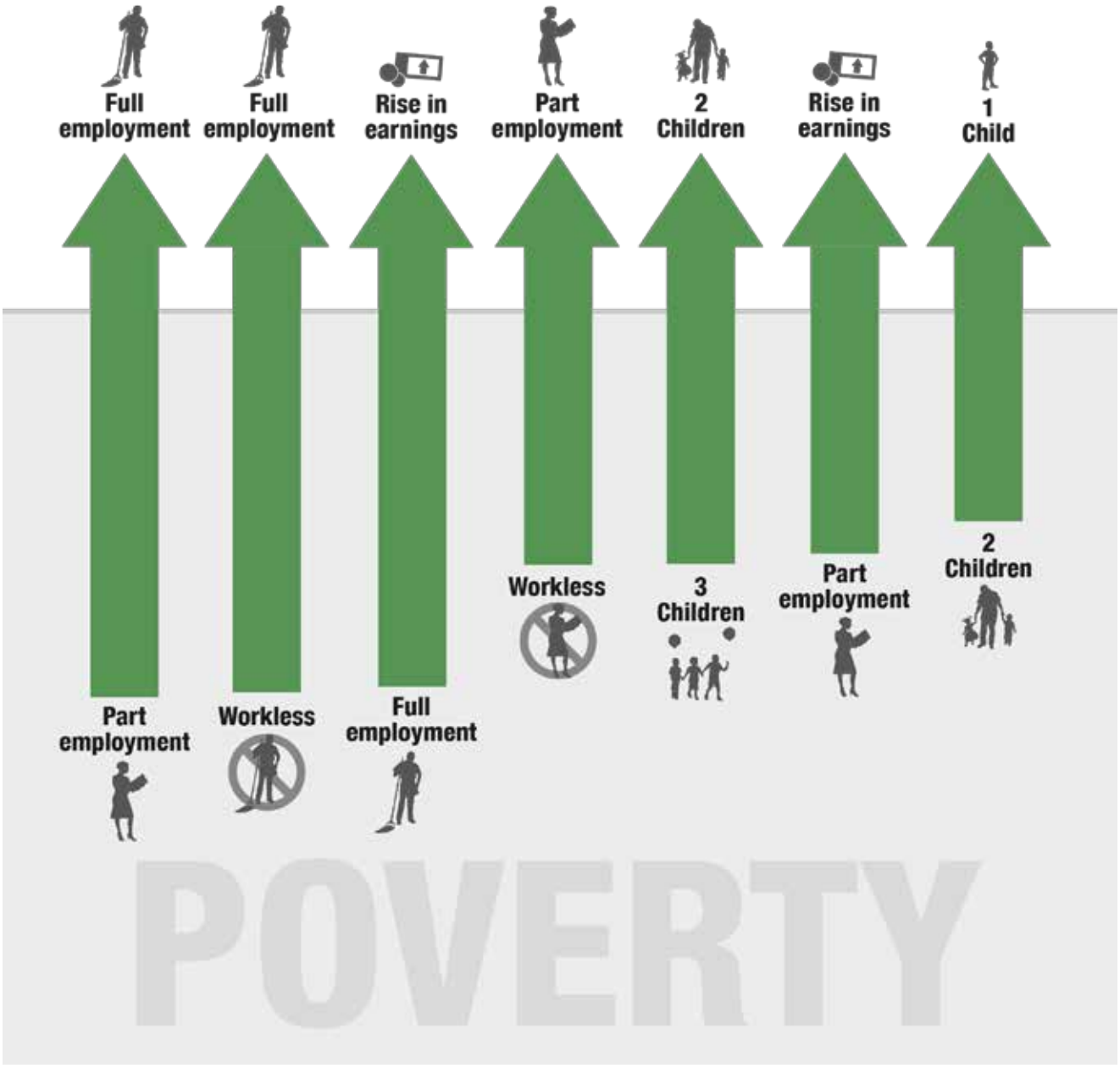
Gaining employment is an important way for workless families to exit poverty. Almost three-quarters (74 per cent) of poor workless families who found work escaped poverty. These families were more likely to be couples, with fewer children, and have no disabled adults in the family – all factors that may make finding work easier. Conversely, being a lone parent, having a large number of children, and having a disabled partner, are factors that could limit families' ability to search for and accept work.

Figure 1 Key events related to entering child poverty



This shows the key events related to entering child poverty. The length of the arrow represents the poverty entry rate for that event. The family situation before the poverty entry is shown above the arrow and the family situation after the poverty entry is shown below the arrow. More details and the full data are available in the report.

Figure 2 Key events related to exiting child poverty



This shows the key events related to exiting child poverty. The length of the arrow represents the poverty exit rate for that event. The family situation before the poverty exit is shown below the arrow and the family situation after the poverty exit is shown above the arrow. More details and the full data are available in the report.

Household events

Non-employment events such as having a new baby or parental separation were also associated with poverty transitions. Families who had a new child[2] were more likely to enter

[2] Families may have more children at the later time point due to a new child being born, or a child moving into the family (includes step-children and adopted children).

poverty even when controlling for other factors, and families with a child reaching adulthood or leaving home[3] were more likely to exit poverty, even after controlling for other factors.

Parents' educational qualifications were also independently linked to poverty transitions, with those with at least a degree-level qualification less likely to enter poverty and more likely to exit (than those with A-levels). Higher levels of educational qualifications are likely to mean families are better able to find employment and for that work to be more secure and better paid (Lawton 2009, and Tomlinson and Walker 2010). When controlling for other factors, children with parents with no qualifications or with GCSEs were no more or less likely to enter poverty than those with A-levels, suggesting that all else being equal it is only those with the very highest qualification levels who are protected from entering poverty.

Children in lone parent families had higher poverty entry rates (12 per cent) and lower poverty exit rates (30 per cent) than average. Parental separation between the two waves was uncommon, affecting only one per cent of children, but this was linked to a higher poverty entry rate (14 per cent). Interestingly, parental separation was not independently associated with poverty entry after controlling for other predictors, which is likely to be because employment status has a more direct impact on family income and therefore outweighs the effect of parental separation. However, changing from a lone parent to a couple family was independently associated with a lower poverty entry rate. Having an additional adult in the family to contribute to household income, and share childcare duties can be an important protector against poverty.

Non-earnings income

Changes to non-earnings income[4] were also associated with poverty transitions. A fall in benefit income was associated with a higher poverty entry rate (13 per cent) and a rise in benefit income was associated with a higher exit rate (48 per cent), and this remained true when controlling for other factors[5].

[3] Families may have fewer children at the later time point due to a child becoming an adult (whether they move out or stay at home), a child moving out (e.g. to live with another family member), or a child dying.

[4] Rises and falls in income sources were measured when there had been a change of at least ten per cent and the difference was an absolute monetary value of at least £10 a week (£43.45 a month).

[5] A rise or fall in benefit income is likely to be due to a change in household circumstances (such as employment or household composition) leading to a change in eligibility.

New families

Poverty can be a particular concern for families who have their first child, given the impact on parents' ability to work and the added demand on family income. Using data from the start of the millennium this research shows that around a quarter (26 per cent) of 'new families' were in poverty in the year after having their first child. New lone parents were particularly likely to be poor (79 per cent in poverty). New families that were out of work, where the parent(s) had no formal qualifications or where the mother was young, had a high risk of poverty in the baby's first year.

Poverty status at the birth of the first child was also linked to later working patterns. Mothers in poor new families were less likely than those in non-poor new families to have returned to work by the time their firstborn child was seven years old.

Childcare

Many families who work whilst having young children are reliant on the use of childcare, and the amount of childcare families use is related to the number of hours families work. A similar proportion of working families reported using childcare, whether they were in poverty or had recently exited poverty. The exception to this was employed lone parents. A large proportion of working lone parents who exited poverty used childcare (particularly formal childcare), in comparison to working lone parents who remained poor (43 per cent compared with 22 per cent). This is a reflection of the longer hours that lone parents worked to escape poverty and hence the greater need for childcare – as well as being more able to afford to pay for it.

Ethnicity

Children from ethnic-minority groups are particularly vulnerable to poverty, and in general they had higher poverty entry rates and lower poverty exit rates than white children:

- White – entry rate of five per cent; exit rate of 40 per cent.
- Indian – entry rate of ten per cent; exit rate of 41 per cent.
- Pakistani – entry rate of 19 per cent; exit rate of 30 per cent.
- Bangladeshi – entry rate of 16 per cent; exit rate of 36 per cent.
- Black Caribbean – entry rate of 11 per cent; exit rate of 51 per cent.
- Black African – entry rate of 15 per cent; exit rate of 31 per cent.

Black African, Bangladeshi, and Pakistani children had higher poverty entry rates, and lower exit rates, than white children, even after controlling for other factors. Indian and black Caribbean children also had high poverty entry rates, but coupled with high exit rates, suggesting higher risk of short-term or recurrent poverty.

Low sample sizes meant some ethnic groupings had to be combined in order to explore these issues. Findings tended to mirror those described above, although some interesting differences between ethnic groupings did emerge. South Asian children (Indian, Pakistani, and Bangladeshi combined) from lone parent families and white children in social housing were particularly at risk of entering poverty, while black children (Caribbean and African combined) in families where a child reached adulthood or left home, and South Asian children in families where the youngest child was of secondary school age were particularly likely to exit poverty.

Changes since the recession

In general the findings from this study are consistent with earlier studies that took place before the recession (for example, Jenkins 2011 and DWP 2010). Employment activities are most strongly linked to poverty transitions, and the strength of these relationships are close to that found in previous work. Previous research found that changes in household earnings accounted for the largest shares of poverty entries and exits. We found that this is still true for families with children:

- In 2009/2010-2011/2012 52 per cent of children who entered poverty lived in families whose earnings had fallen, in 1991-2008 this was 52 per cent (of all individuals).
- In 2009/2010-2011/2012 53 per cent of children who exited poverty lived in families whose earnings had risen, in 1991-2008 this was 53 per cent (of all individuals).

1 Introduction

This study uses data from 2009/10 to 2011/12 to provide new evidence on child poverty transitions since the onset of the recent recession. Its aim is to better understand the patterns of, and drivers behind, moves into and out of poverty for families with children.

1.1 Background

There is a large volume of evidence on how growing up in poverty can be detrimental for children's outcomes during childhood and further into adulthood. Children born into poverty are more likely to have a lower birth weight, higher infant mortality and poorer health than better-off children (Barnes *et al.,* 2010; Barnes *et al.,* 2008a; DWP, 2007). Poverty in childhood is linked to lower income as adults, demonstrating that child poverty can leave a damaging long-term legacy regardless of other family circumstances (Blanden and Gibbons, 2006).

Much government policy has been aimed at getting households out of poverty whether through income transfers, reducing worklessness or increasing earnings for those in work. However, it is also important to prevent households moving into poverty in the first place, as any spell of poverty can lead to an increased risk of recurrent or persistent poverty.

Changes in household composition and labour-market transitions (such as loss of employment) can negatively impact household income and thus cause a household to move into poverty[6]. Intervening in these transitions can be an effective way of preventing households with children entering poverty. Likewise, recognising what enables poor families to escape their situation gives important clues to policy makers tasked with helping families to exit poverty. Therefore understanding how and why households move into, and out of, poverty is crucial for the formulation of successful anti-poverty strategies.

1.2 Existing evidence

The proportion of children in relative low income is the most common measure of child poverty. The latest figures for 2012/13 show that 17 per cent of children were living in relative poverty[7]. This means child poverty was at its lowest rate since the mid-1980s, with much of the reduction since 1998/99 driven by increased entitlements to state support (DWP, 2014a).

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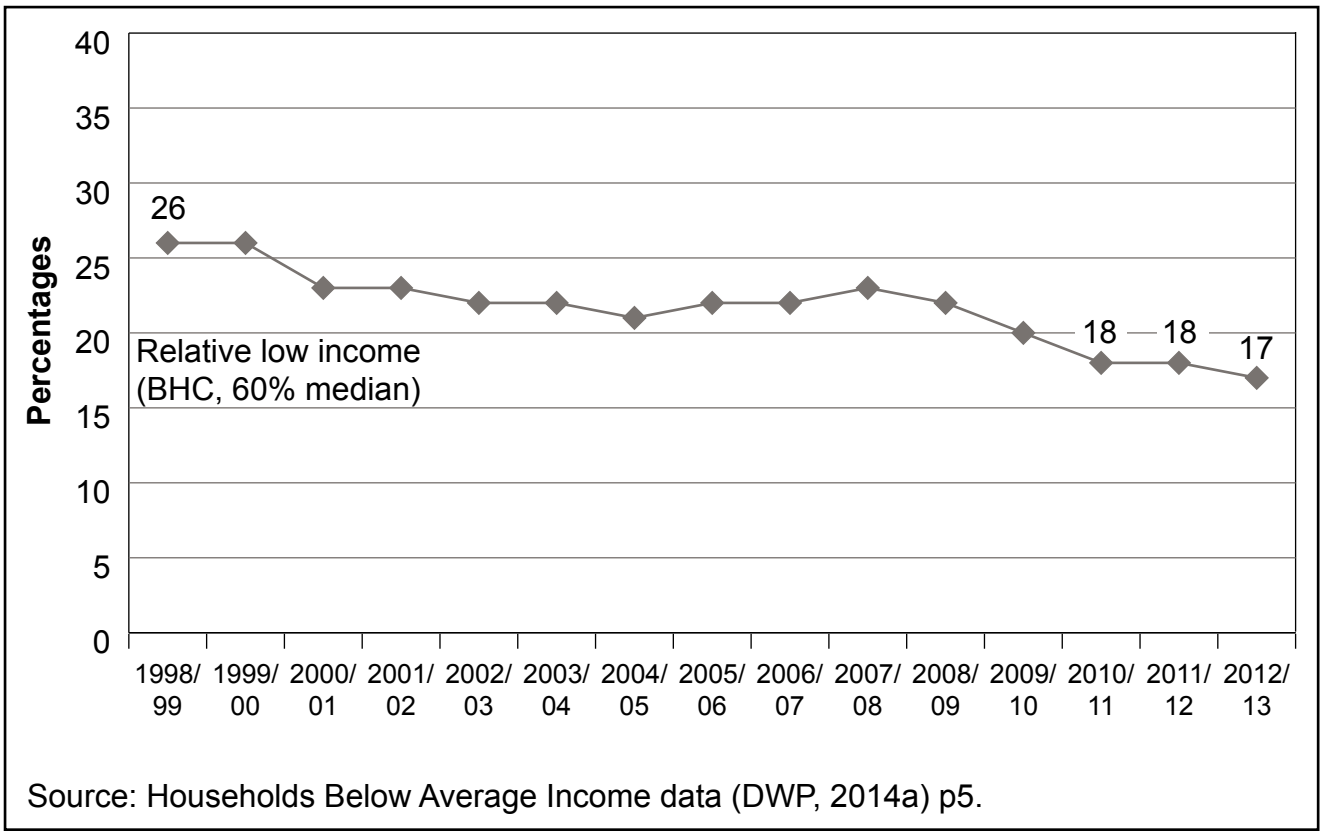
6 We define poverty as having less than 60 per cent of median disposable equivalised household income before housing costs. Equivalisation takes into account family size and composition; reflecting the common sense notion that a family of several people needs a higher income than a single person in order for both households to enjoy a comparable standard of living. For more information see Section 2.2.

7 The official cross-sectional poverty estimates published by the Department for Work and Pensions (DWP) in the HBAI series are derived from the Family Resources Survey (FRS). The FRS collects more detailed income information than Understanding Society (USoc), but is not longitudinal, meaning it cannot be used to explore poverty transitions.

Figure 1.1 Percentage of children in child poverty



Source: Households Below Average Income data (DWP, 2014a) p5.

The latest Households Below Average Income (HBAI) report (DWP, 2014a) identifies a number of factors associated with child poverty:

- Work status: Children in workless families were much more likely to live in low-income households than those in families with at least one adult in work. Despite their lower poverty risk, children living in families where at least one adult was in work made up around two-thirds of the total number of children in poverty. This is because over four-fifths of children lived in families where at least one adult was in work.
- Family type: Children in lone parent families were more likely to live in poverty. Since 1998/99, there has been a reduction in the proportion of children in lone parent families in poverty, mainly due to lone parent employment rates having increased over this period.
- Family size: Children in large families – those with three or more children – were more likely to live in poverty, although the risk has decreased since 1998/99
- Disability[8]: Children in families containing one or more disabled member were more likely to live in poverty than those in families with no disabled member – even more so if no-one is in receipt of disability benefits.
- Ethnicity: Children living in households headed by someone from an ethnic minority were more likely to live in poverty, compared with households headed by someone of white ethnicity. This was partly due to higher rates of worklessness among certain ethnic groups (DWP, 2014a).

[8] No adjustment is made to disposable household income to take into account any additional costs that may be incurred due to a disability. This means that the position in the income distribution of these groups may be somewhat upwardly biased.

Poverty dynamics

Most of the published statistics on poverty take a snapshot view of people living in poverty at a particular time point. But like many other social phenomena, poverty is not a static state. Family income and circumstances change, and children can live in families that move into and out of poverty throughout their lives. By using longitudinal data to explore changes in household income it is possible to observe these poverty transitions, and to identify the factors associated with them.

The Government produce annual statistics on family income change – *Low Income Dynamics* (LID), a longitudinal complement to the point-in-time poverty estimates provided by the *Households Below Average Income* (HBAI) report. The latest version of LID was published in 2010, covering the period 1991-2008 (DWP, 2010[9]) – meaning that much of the work on this subject is dated and specifically does not cross the recession. The report shows a relatively large degree of movement in and out of poverty, with a third (33 per cent) of couples with children in low income exiting poverty from one year to the next, and seven per cent entering poverty.

LID shows that the largest proportions of entries into poverty were due to a reduction in earnings (DWP, 2010[10]). This could be because of job loss, or loss of labour earnings due to reducing hours worked or a lowering of wages (Smith and Middleton, 2007, p 38[11]). In addition, changes to in-work benefit payments and tax can also have an impact on net earnings[12]. Other events associated with poverty transitions include changes in other sources of income such as benefits, investments and pensions, changes in partnership status, and changes to the number and ages of children which increase the income 'need' of the family.

However, there are a number of issues that LID fails to address; partly because of the restricted sample size of its data source (the British Household Panel Survey https://www.iser.essex.ac.uk/bhps). It does not look at poverty transitions solely for children, and hence the events mentioned above relate to the population as a whole rather than children (and their parents). Nor does LID look more closely at labour market activities, other than changes in the number of earners in the household or their earnings. To get more understanding of the role of the labour market it is important to examine which industries, occupations and contract types are associated with poverty transitions. Furthermore, LIDs only report major demographic events; it is also important to address whether, for example, size of household or ethnic group are associated with moves into child poverty.

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9 Department of Work and Pensions, (2010) Low Income Dynamics: 1991 – 2008 (Great Britain), London: Department of Work and Pensions. http://statistics.dwp.gov.uk/asd/hbai/low_income/low_income_dynamics_1991-2008.pdf

10 Ibid pg 25.

11 Smith, N. & Middleton, S., 2007. A Review of Poverty Dynamics Research in the UK , York: Joseph Rowntree Foundation. http://www.jrf.org.uk/sites/files/jrf/2040-poverty-dynamics-review.pdf

12 Changes in benefit income may happen and are likely to be due to a change in household circumstances (such as employment or household composition) leading to a change in eligibility.

1.3 Aims and objectives

The main aim of this research is to identify which employment and household characteristics increase the risk of children moving into or out of poverty. The detailed research objectives are:

- Provide a comprehensive and up-to-date picture of transitions into and out of poverty for families with children.
- Identify which household characteristics are most associated with entry into, and out of, poverty. This should include particular reference to:
  - The impact of having an additional child (both first and subsequent children) on poverty entries. And after how many children does poverty entry become most likely?
  - What is the impact (if any) of ethnicity in the risk of entering, and exiting, poverty? And why are some groups more likely to make a poverty transition?
- Which labour market characteristics are most associated with entry into, and out of, poverty? Are the risks of entering poverty greater for those in certain industries, occupations and contract types?
  - Is it job loss, reduced hours, reduced hourly pay, increased living costs or a change to unstable pay that is the main driver behind the reduction in earnings of those that enter poverty?
  - What is the impact of long-term worklessness?
- To explore whether families have multiple drivers of poverty transitions,
- Is there a significant difference in the characteristics of those more likely to make a poverty transition before the 2008 recession and more recently? And are there any future policy implications arising from any difference?

2 Methodology

2.1 The data

This report uses data from large-scale social surveys to explore child-poverty transitions. There is a wealth of surveys that capture different aspects of childhood poverty. The main survey used in this report is Understanding Society (USoc). USoc is a household-tracking study, repeated annually with a panel of 40,000 households from across all four countries of the UK. Responses are collected over a two-year period (a 'wave') through face-to-face interviews, and questions cover a broad range of areas, including income, work, family composition, health and education. The first wave of the survey was carried out in 2009-10, with data from the third wave (2011-12) being made available in October 2013. USoc incorporates and expands the British Household Panel Survey, which ran for 18 years from 1991 to 2008.

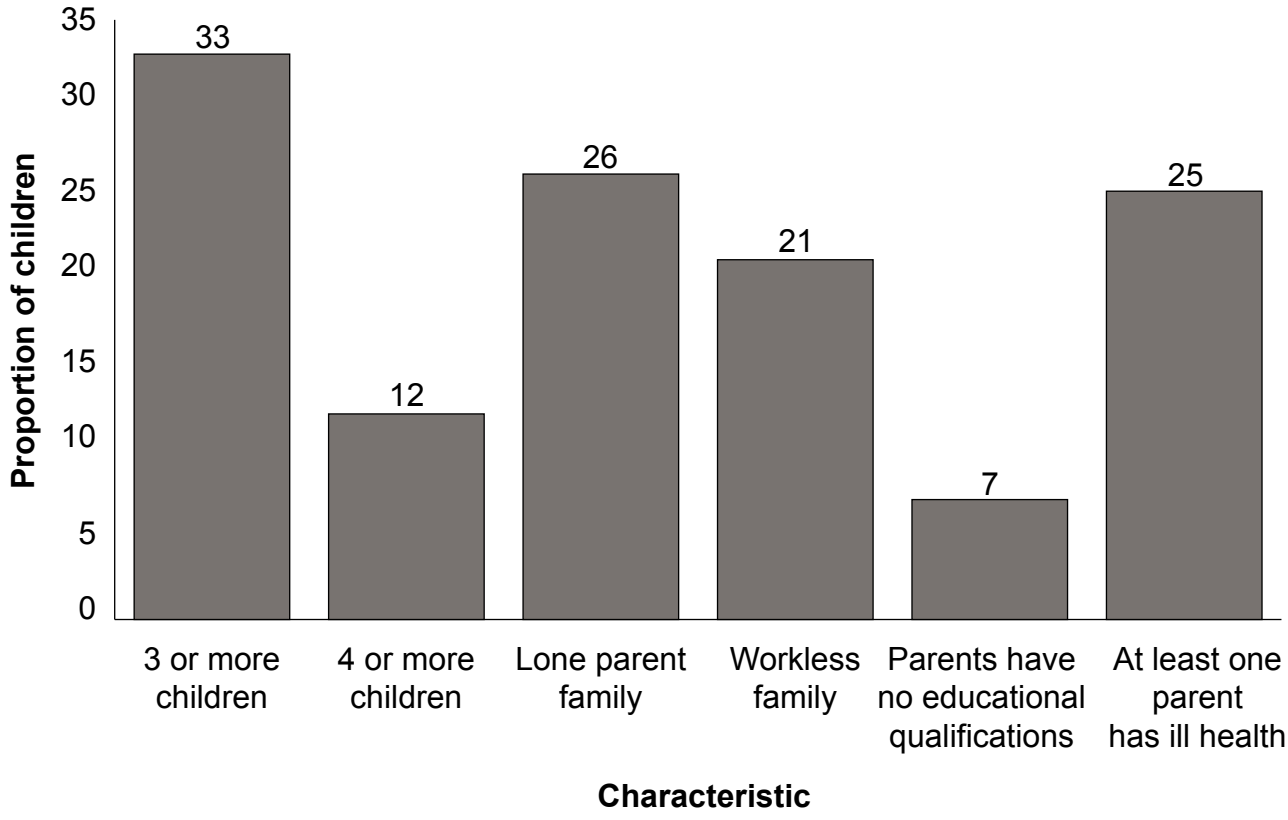
The advantages of using USoc are its large sample size, the wide range of information it collects, including quite detailed income data, and that it is longitudinal so allows the exploration of income transitions. Because USoc follows the same children over time it can be used to explore movements into and out of poverty. All surveys have limitations, and for USoc these include currently being limited to only three waves, and having some issues with the quality of the income data (more on this below).[13]

Profile of children in the UK (from USoc)

Given what is already known from previous research about the family characteristics and factors associated with a higher risk of poverty, it is helpful to note the profile of children in USoc for these factors.

[13] More details on USoc can be found at https://www.understandingsociety.ac.uk/

Figure 2.1 Percentage of children in USoc with key family characteristics associated with a higher risk of poverty



Understanding Society wave 1 (2009/10).
See Table A.15 for more information.

2.2 Measuring poverty

2.2.1 Estimating child poverty in USoc

The Child Poverty Act includes a set of four indicators of child poverty. The most commonly used, including in this research, takes a relative approach, creating a poverty line in relation to the middle (median) income in the population. This defines the poverty line at 60 per cent of contemporary median disposable equivalised household income before housing costs. Equivalisation takes into account family size and composition; reflecting the common sense notion that a family of several people needs a higher income than a single person in order for both households to enjoy a comparable standard of living.

Issues with the income data in USoc

USoc collects detailed current income information from all adults in the household allowing for calculation of disposable household income. That is to say the sum, across all household members, of current income (after the deduction of Income Tax and National Insurance contributions) from employment and self-employment, investments and savings, private and occupational pensions, Social Security benefits and tax credits.

However, it is not always possible to interview all adults in the household and in these instances an available interviewee will provide income information for the non-present adult. Understandably, it is sometimes difficult to collect accurate information about another person's income, and this missing or inaccurate information could lead to biased estimates of household income. Hence only households where all adults were interviewed were used in the analysis.

During data preparation it was noticed that the amount of income households received from benefits and pensions in wave 1 was markedly lower than in wave 2. These differences were not seen in other sources of income collected by USoc and did not appear in other surveys covering a similar period. The cause of the discrepancy was likely to be due to people not recalling all of their benefit and pension receipt at wave 1 (a mechanism was included in the survey from wave 2 that improved this process). Hence a procedure was applied to the wave 1 data that imputed the wave 2 benefit and pension data for those who received that source in wave 2, but did not mention it in wave 1 and were eligible to receive it in wave 1. For more information see Appendix A.

Although the imputation went some way to rectifying the problems with the income data, some issues will still remain and this should be born in mind when interpreting the findings in this report.

Hence the poverty line is set at a different income level for different families. For example, a couple with two children is below the poverty line if they have income less than £1,547 pounds per month whereas, for a lone parent with two children, the poverty line is £1,178 pounds per month (Table 2.1).

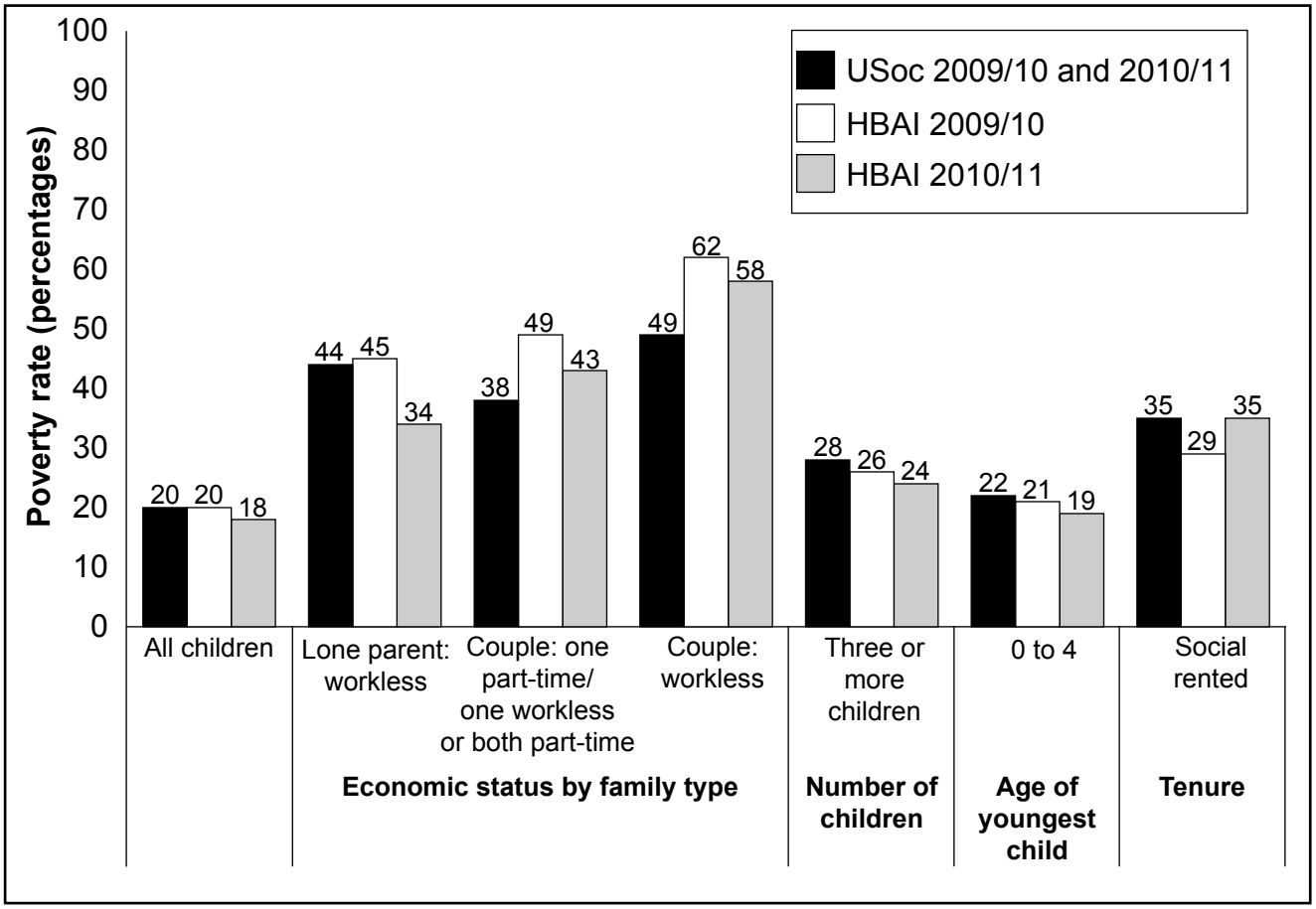
Table 2.1 Income poverty threshold[1] for different family types

	Family type	
Number of children	***Lone parent***	***Couple***
1 (under 14)	£957	£1,326
2 (1 under 14, 1 over 14)	£1,178	£1,547
3 (1 under 14, 2 over 14)	£1,399	£1,768
4 (2 under 14, 2 over 14)	£1,620	£1,989

[1] Calculated from USoc wave 1

Despite USoc not being a specialist income survey, its estimates of child poverty are comparable to those from HBAI (Figure 2.2). For example, USoc estimates 20 per cent of children were in poverty in 2009/2010 to 2010/2011. HBAI estimates were 20 per cent for 2009/2010 and 18 per cent for 2010/2011. The main differences between survey estimates were by economic status and this is likely to be due to how the surveys ask about full- and part-time work. USoc asks people how many hours they work and anyone who works for 30 hours or more per week is defined as full time, whereas HBAI asks people to decide whether they are working full or part time.

Figure 2.2 Comparing estimates of child poverty in USoc with HBAI



To summarise, income and poverty estimates from USoc are very close to HBAI. A similar conclusion was also drawn by Jenkins (2011) who compared HBAI to USoc's predecessor, the British Household Panel Survey (BHPS). More recent research (Berthoud, 2011) has suggested that, although USoc income is generally slightly lower than that of HBAI, the differences are small and the distribution of income is very similar.

2.2.2 Poverty transitions

The real benefit of using longitudinal data such as USoc is the ability to study poverty dynamics. Because USoc follows the same children over time it can be used to explore transitions into and out of poverty. The analysis for this project focuses on two-wave transitions and pools the two pairs of consecutive waves from the first three waves of USoc. Therefore a respondent who took part in waves 1, 2 and 3 would be used twice in the analysis to observe transitions from wave 1 to wave 2 and wave 2 to wave 3. This has the analytical advantage of increasing the sample size, thereby allowing for more powerful analysis of smaller subgroups, such as children whose parents separate and children from ethnic-minority groups. The fact that a respondent may be used in the analysis twice can lead to incorrect standard errors, so this is controlled for using statistical techniques.

One of the problems with a relatively short run of data is miscategorising poverty transitions – for example, someone who moves from £1 above the poverty line to £1 below the poverty line may have moved into poverty but is unlikely to have experienced a marked change in living standards. Furthermore, this transition may have been caused by measurement error. Therefore, to help classify poverty transitions, we only count a poverty entry (or exit) when it involved moving at least ten per cent below (or above) the poverty line. (Figure 2.3)

Figure 2.3 Entry into poverty

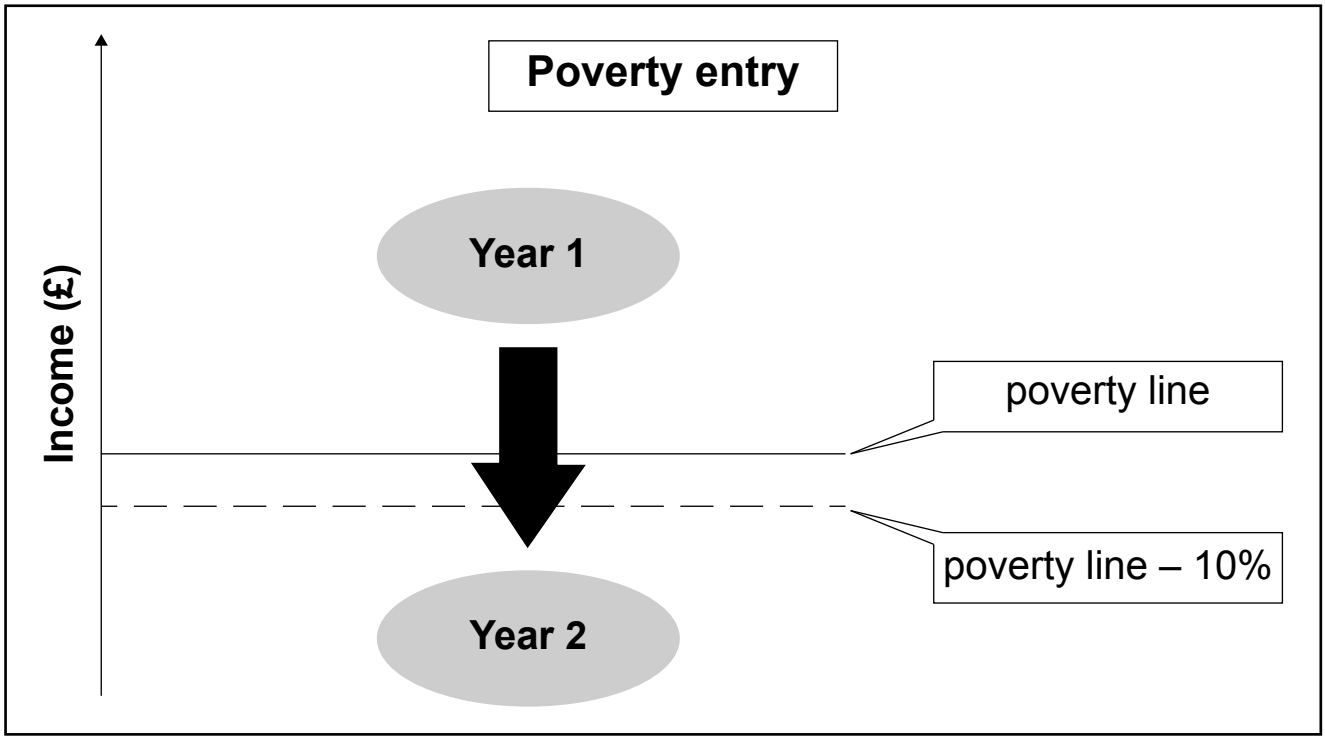
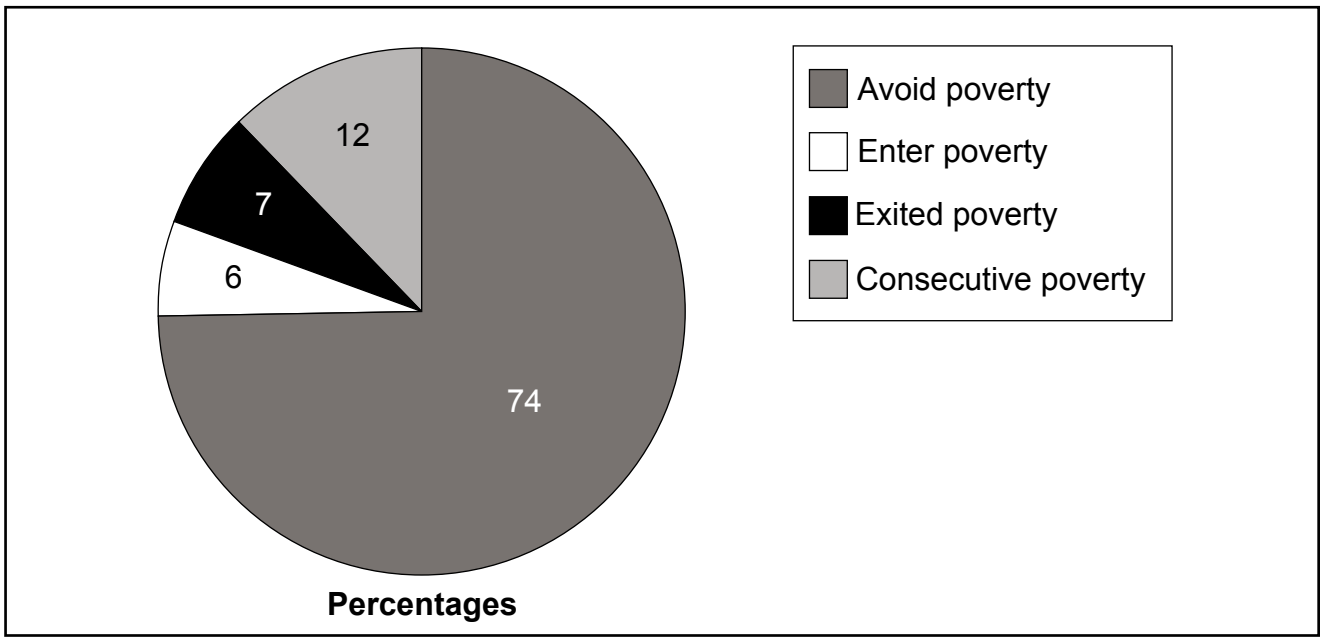


Figure 2.4 shows that there is some considerable turnover in the low-income population: 13 per cent of children had a change in poverty status from one year to the next (six per cent entered poverty and seven per cent exited poverty). This also means that poverty touches more children than the annual estimates may suggest. So, although around one in five children were poor according to an annual estimate, around one-quarter were poor in at least one year of a two-year period.

Figure 2.4 Child poverty turnover



2.3 Risk events and risk factors

To have experienced a poverty transition, children need to have been in families that saw a significant fall, or rise, in income. This is likely to have been triggered by an event that has a direct impact on family income. These 'risk events' include some of the key drivers of poverty discussed in previous research, ranging from labour market events such as a change in work status or hours, to household events that affect income needs, such as parental separation or the birth of a child (DWP, 2014b; Jenkins, 2011; Smith and Middleton, 2007; Barnes *et al.*, 2008a; Barnes *et al.*, 2008b).

Clearly one of the main factors that can explain a reduction in family income is a drop in earnings. But for some lower-income families, earnings are not necessarily the main source of family income and a significant drop in other income sources, particularly benefit income, can push a family into poverty. A reduction in benefit income is likely to be due to a change in household circumstances (such as employment or household composition) leading to a change in eligibility. There are also a number of household events that can lead to a drop in family income, either directly or as a result of impacting on parental employment. Parental ill health can reduce earnings potential 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 breakdown, albeit relatively infrequent, is associated with a loss of income for women and higher rates of worklessness for lone parent families. Because children usually live with the mother after the parents separate, not only do families lose the main income earner (usually the father), but the mother often reduces hours or stops working to be able to care for her children (Jenkins, 2008; Gregg *et al.*, 2007).

Having a new child can also impact on parents' ability to work, especially the mother who is often the main, and full-time, carer when the child is young. Again this is likely to have a big impact on lone parent families. Having a large number of children can restrict parental employment due to caring responsibilities. There is an additional effect beyond solely family size as larger families are more likely to have younger children in the family (Jenkins, 2011).

Larger families also require higher levels of income to achieve a decent standard of living, and hence their 'equivalised' income is lower – pushing them towards the poverty line. Figure 2.5 lists the risk events explored in this report. It is important to note that the analysis presented in this report does not unravel the direction of causality between a trigger event and a poverty transition, which could run in either direction. For example, parental separation could lead to poverty entry because the family lose the main earner (often the father), but equally poverty entry could lead to a rise in stress and parental separation. The detailed timing of the trigger events and poverty transition are not routinely available in the data and hence not used in this study.

Figure 2.5 Events that could increase the risk of entering child poverty

Labour market event:

- Change in work status
- Change in working hours
- Change in earnings[2], where family work status remains the same
- Change in number of other working adults in the household

Other income event:

- Change in benefit income[2]
- Change in investment income[2]
- Change in pension or other income[2]

Household event:

- Change in family type
- Change in number and age of children[1]
- Change in number of other adults in the household

[1] Children aged 14 and over are allocated a higher weighting in the equivalence scale resulting in a reduction in equivalised income (if income and number/age of other household members remain equal).

[2] A fall in an income source is only counted where it has decreased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month).

Although a poverty transition is likely to have been triggered by a labour-market or household event, the impact an event has on family income may depend on other factors. For example, the main earner in the family losing their job is likely to have a bigger impact on a lone parent than a couple family, as there is no other parent to compensate for the loss in earnings (albeit the absent parent often has financial responsibilities to their children). Or, job loss may impact more on a couple family with only one earner, as benefit income has to cover two adults (and children) rather than one adult (and children).

As well as raising children on your own, the Child Poverty Strategy (DWP, 2014b) identified a number of other key predictors of child poverty (Figure 2.6). This report explores the impact of these on poverty transitions.

Figure 2.6 Key predictors of child poverty

- Long-term worklessness
- Having low qualifications
- Raising children on your own
- Having three or more children to care for
- Experiencing ill health

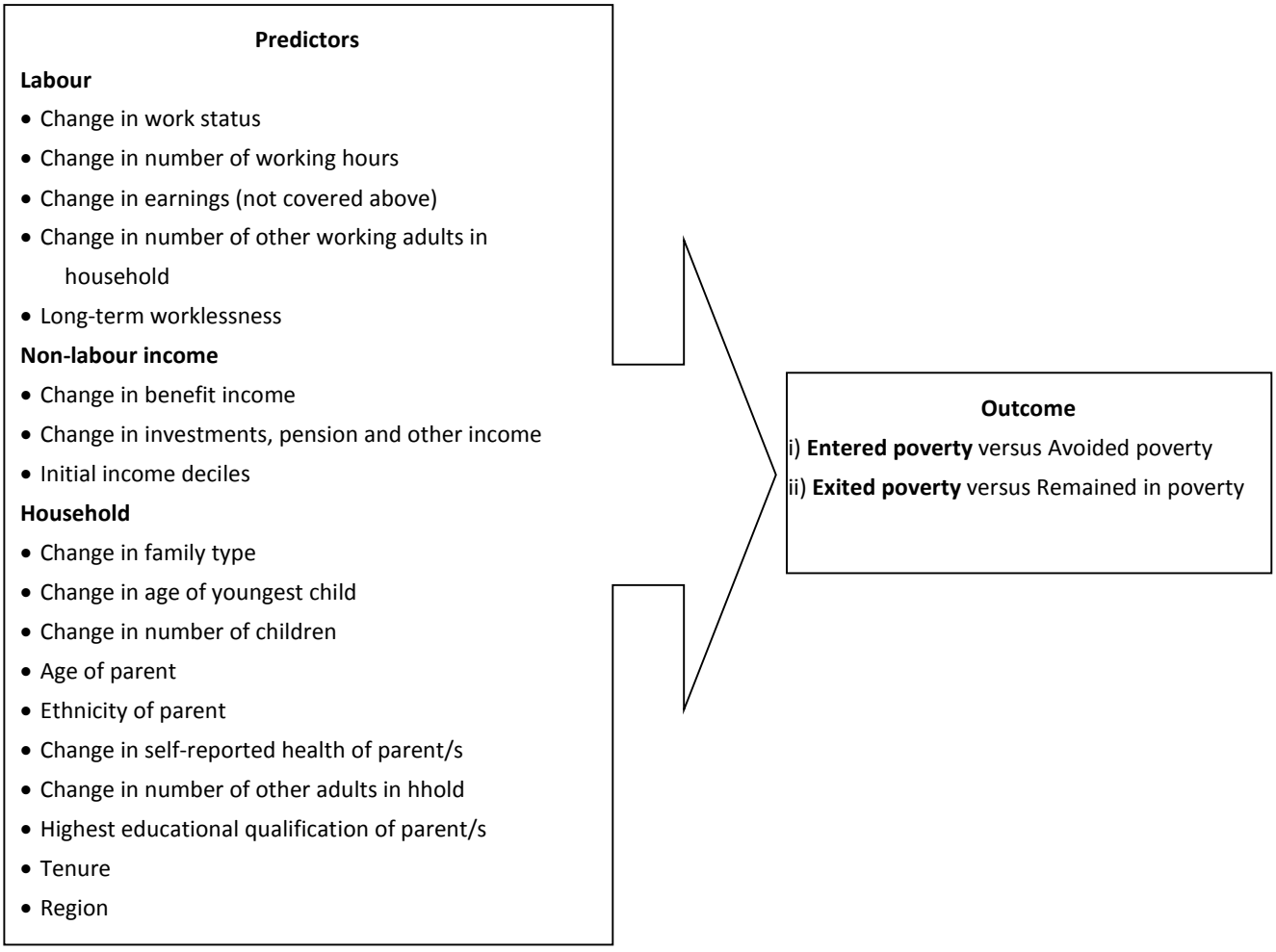
2.4 Statistical analysis

The report uses a range of analyses to explore which children made a poverty transition. Descriptive statistics illustrate how poverty transitions can vary for different types of children, with a focus on the events that may trigger such transitions. A variety of statistics are produced to illustrate these findings:

- The prevalence of each event, for example the proportion of children whose parents separated.
- Rates of entering, and exiting, poverty:
  - The poverty *entry* rate identifies children moving into low income between one year and the following year (and moving at least ten per cent below the poverty line), expressed as a percentage of the total number of individuals who were above the poverty line in the first year.
  - The poverty *exit* rate identifies children moving out of low income between one year and the following year (and moving at least ten per cent above the poverty line), expressed as a percentage of the total number of individuals who were below the poverty line in the first year.
- The entry and exit rate for children who have experienced the event in question, for example, the poverty *entry* rate for children whose parents have separated.
- The proportion, or share, of all poverty transitions that are accounted for by the event, for example the proportion of all children who entered poverty whose parents separated.

Multivariate analysis (logistic regression) is used to explore what may be driving poverty transitions. The strength of this technique is that it can show what has an independent association with a poverty transition when other key predictors have been accounted for. This is because the predictors of a poverty transition do not necessarily occur in isolation – for example, a family losing an earner could be the result of parents separating, or a parent becoming ill. The report explores the multiplicity of risk events and factors, identifying which children are most vulnerable to poverty triggers.

Figure 2.7 Logistic regression model for child poverty transition[14]



A focus on children

The analysis presented in this report is based on children, rather than all individuals (children and parents) or households. A child is defined as an individual aged under 16. A person will also be defined as a child if they are 16 to 19-years old and they are:

- not married nor in a civil partnership nor living with a partner; and
- living with parents; and
- in full-time non-advanced education[15] or in unwaged government training.[16]

The characteristics of the household, such as income or parental relationship status, are assigned to the children in that household.

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[14] Because we do not have information on children's prior experience of poverty we cannot account for the fact that the experience of poverty in the past affects chances of being poor in the future (Jenkins, 2011). This should be born in mind when interpreting the results.

[15] Non-advanced education is of A-level standard or below.

[16] If a 16 to 19-year-old matches the other criteria and is on a non-paid government training programme then they are defined as a child.

The analysis was carried out on a particular subset of the USoc sample – children who were in consecutive waves of USoc and who lived in households where all adults completed an interview in both waves. New weights were constructed to correct for differential survey response and attrition. Regression analysis was used to construct the weights, which took into account the following characteristics of children (and their family): whether parents were working; child's age and sex; whether the child lived in an ethnic minority boost household;[17] number of individuals in household; number of adults in household; whether the child lives in private rented accommodation; and whether the child lives in social-rented accommodation. This built on work carried out by ISER, at the University of Essex, for a previous project for Child Poverty Unit (CPU). Contact CPU for more details.[18]

This report now goes on to explore poverty entries and poverty exits in more detail. It looks separately at poverty entries (Chapter 3) and poverty exits (Chapter 4), as they are not necessarily two sides of the same coin. Policies designed to prevent poverty *entry* are primarily aimed at people above the poverty line.[19] These people may already be in work and so policies may be centred on stabilising employment or dealing with potential triggers of poverty entry, such as the birth of a new baby or parental separation. Policies designed to enable people to *escape* poverty, however, are aimed at those already below the poverty line, and may be more focused on enabling people to find work and preparing them for employment – or providing income transfers to ensure families have an adequate income to provide a decent standard of living.

All differences discussed in the text are statistically significant unless stated otherwise.

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17 USoc includes an ethnic minority boost sample, which was undertaken to produce enough cases (1,000) to analyse households and individuals from five major ethnic groups in the UK: Indian, Pakistani, Bangladeshi, Caribbean, and African.

18 Contacts.CPU@childpovertyunit.gsi.gov.uk

19 It is well know that people can cycle in and out of poverty, so policies aimed at preventing people falling back into poverty could be relevant for those at any point of this cycle.

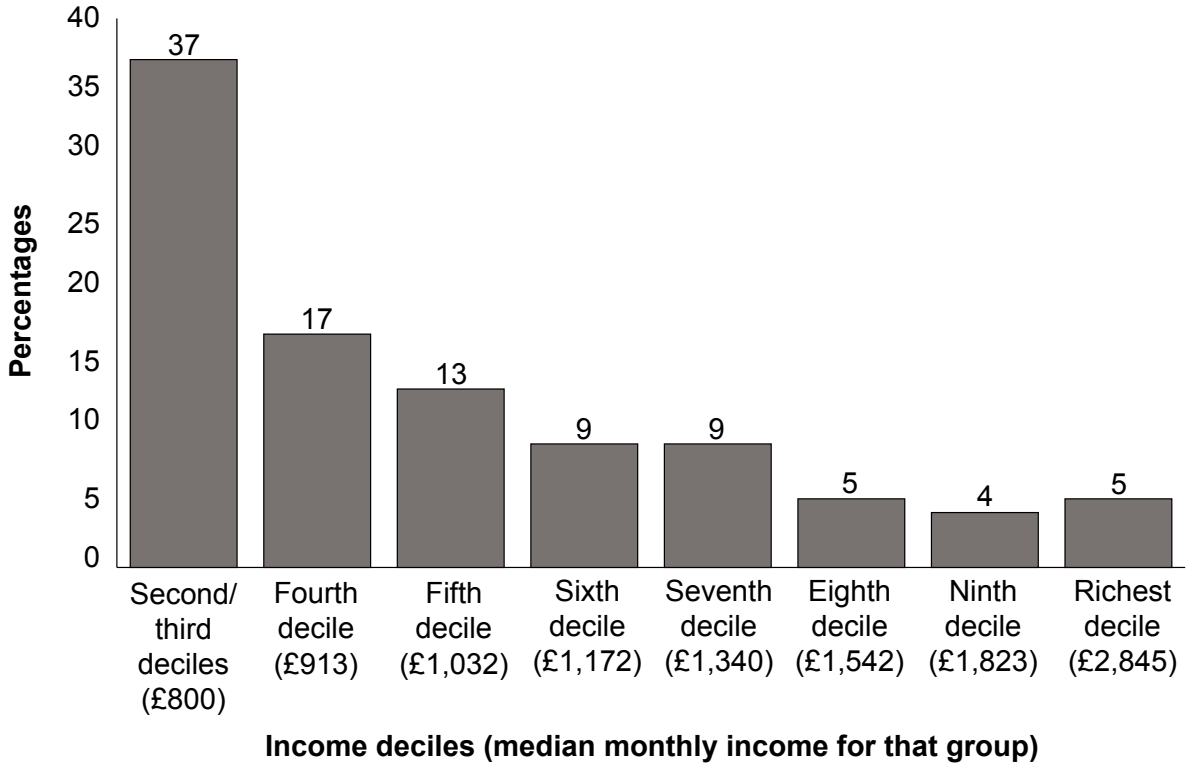
3 Entries into child poverty

This chapter explores entries into child poverty. Previous research has shown that poverty has a detrimental impact on child development and later life outcomes, and it is well known that children who experience poverty are likely to become poor again as adults. This means that it is crucial to prevent children from entering poverty in the first place.

3.1 Income changes on entering poverty

Before exploring the factors linked to poverty entry it is important to understand the financial position of those making a transition into poverty. Figure 3.1 illustrates the household income children had prior to entering poverty (income at the poverty line was approximately £740 per month). Most children who entered poverty had family incomes relatively close to the poverty line – over one third (37 per cent) were no higher than the third income decile (approximately £800 per month or less) and around two-thirds (67 per cent) had incomes less than the median (approximately £1,000 per month or less). But some children making a transition into poverty were initially further away from the poverty line, and hence experienced a bigger reduction in household income. Some higher up the income distribution saw their household income fall by over £1,000 a month.

Figure 3.1 Prior income distribution for children who enter poverty



Note: Income is equivalised and represents income of a single adult with children. This shows children split into 10 equal groups by level of household income in time point 1. In brackets is the average (median) income for the income deciles. Second and third deciles are combined as all of the first decile and most of the second are already in poverty. See Table A.18 for further details.

Having given some flavour of the changes in income that families who enter poverty can face, the report moves on to focus on reasons why children enter poverty, and to identify the children most at risk.

3.2 Which children are most likely to enter poverty?

A mixture of descriptive and multivariate statistics to help understand which children are most likely to enter poverty are presented in Table 3.1. The table shows that the child poverty entry rate was seven per cent. This means that seven per cent of children initially not in poverty moved into poverty in the following year (and moved at least ten per cent below the poverty line). Table 3.1 and Table 3.2 also present a number of statistics that help explain why children enter poverty.

- The second column shows how likely each event is for children initially not in poverty. For example, only one per cent of children not in poverty were in a couple family where the parents separated.
- The third column shows how likely children who experienced the event were to enter poverty. For example, 14 per cent of children not in poverty whose parents separated entered poverty. So although separation is a rare event, for children whose parents did separate, their risk of poverty was twice as high as average.
- The fourth column shows the proportion of children who entered poverty who also experienced the event. So this combines the previous information on how likely the event is to occur and the likelihood of entering poverty for those who did experience the event. For example, given that parental separation was so rare, we would not expect many children who entered poverty to have experienced that event. Indeed, only one per cent of children who entered poverty had experienced parental separation over the same period.
- The final column shows the number of children in the survey who are not in poverty and who have that event or factor.

Each of these statistics is important. The poverty entry rate often receives attention because it shows the ‘risk’ of entering poverty for children who have experienced that event. So looking down the table it is clear to see that the risk of entering poverty was particularly high for children whose parents lost work and the family became workless. However, because relatively few children lived in families that went from working to workless, the proportion of children who entered poverty from these families (i.e. ‘share of all entries’) was relatively low (13 per cent of all children entering poverty).

Economic characteristics linked to poverty entry

To make a transition into poverty, children need to have been living in families that experienced a non-trivial drop in (equivalised) income. Unsurprisingly it was children living in families with income closest to the poverty line that were at most risk of entering poverty. Many of these families would only have had one earner, and so any change in circumstance would have a big impact on the family income. Families higher up the income distribution are more likely to have dual earners; thereby if one experiences a reduction in earnings the other’s earnings can protect the family from poverty (Barnes and Lord, 2013).

Most of the income received by low-income families, whether in or near to the poverty line, is made up from earnings and benefits. Hence families who enter poverty were likely to have experienced a drop in earnings and/or a drop in benefits. Approximately half (53 per cent) of poverty entries involved a fall in earnings and a similar proportion (63 per cent) involved a drop in benefits.

Those who experienced a drop in earnings could have done so for a number of reasons; such as parents who stayed in work but with reduced hours/earnings,[20] or parents who become workless. Of children who entered poverty and were initially in work:

- Sixteen per cent had parents in part employment who saw a fall in earnings.
- Eleven per cent had parents in full employment who saw a fall in earnings.
- Ten per cent had parents who changed from full to part employment.
- Nine per cent had parents who became workless having been in part employment.
- Four per cent had parents who became workless having been in full employment.

Defining family work status

Full employment: lone parent working 30 or more hours per week, or couples where both parents are working and at least one of them is working 30 or more hours per week.

Part employment: lone parent working fewer than 30 hours per week, couples both working fewer than 30 hours per week, couples one parent working the other workless.

Workless: no parent is in work.

The regression analysis confirms that a 'negative' change in the economic status of the family (i.e. losing work) was the biggest independent predictor of a child entering poverty.[21]

- Children living in a family that went from full employment to workless had around 24 times the odds of entering poverty compared with children whose parents were in part employment in both time points and had no change in earnings.
- Children living in a family that went from part employment to workless had around 20 times the odds of entering poverty compared with children whose parents were in part employment in both time points and had no change in earnings.

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20 Some children who entered poverty had parents who remained in work and did not see a fall in earnings (at least not a fall above ten per cent), and these families were likely to have been closer to the poverty line and experienced another event such a new child.

21 A number of children who entered poverty came from families that had been workless in both years. These families were not affected by a change in earnings – they were not in work – and hence were likely to have experienced a reduction in benefit income, or have a demographic event, such as a new child, that would increase the family's needs. These families may also have misreported their benefit income, for example reducing the amount of benefit they receive by a relatively small amount, but enough to push them over the poverty line. See Table A38 to Table A40 in the annex for more information.

- Children living in a family that went from full employment to part employment had around five times the odds of entering poverty compared with children whose parents were in part employment in both time points and had no change in earnings.
- Children living in a family who remained in the same employment status but had a fall in earnings were more likely to enter poverty, with those in part employment having around five times the odds of entering poverty, and those in full employment having around twice the odds of entering poverty, compared with children whose parents were in part employment in both time points and had no change in earnings.

A reduction in benefit income was another independent predictor of poverty entry. This did not only affect workless families. In-work families, especially those close to the poverty line, were also likely to receive benefit income and hence a reduction in benefit income could risk pushing them over the poverty line. A fall in benefit income is likely to be due to a change in household circumstances (such as employment or household composition) leading to a change in eligibility.

- Children living in a family who had experienced at least a ten per cent fall in benefit income had around 4.5 times the odds of entering poverty, compared with children in families who did not have this fall in benefit income.[22]

Having another working adult in the same household but not in the family unit (for example, a grandparent) was independently associated with poverty entry. Children who lived with another working adult in time point 1, but no other adults in time point 2, had around twice the odds of entering poverty compared to children who lived with no other adults in either time point.

Having a parent who was long-term workless (currently workless and had been for more than one year) was not independently associated with poverty entry.

Table 3.1 Child poverty entry rate by economic risk factors and events

Entry rate of all children = 7%	Prevalence of event/ factor[1] (col %)	Entry rate, conditional on event[2] (%)	Share of all entries[3] (col %)	Base (n) 16,433
Income sources[4]				
Change: Fall in earnings	27	15	52	4,297
Change: Fall in benefit income	35	13	63	5,711
Change: Fall in non-benefit, non-earnings income	9	7	9	1,418
Change: Fall in investment income	6	5	4	878
Income deciles				
2nd	2	23	5	242
3rd	13	19	32	2,143
4th	13	10	17	2,100

(Continued)

[22] To help identify genuine poverty transitions a poverty entry or exit is only counted when it involved moving at least ten per cent below or above the poverty line. Therefore a fall in an income source is only counted where it has decreased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month).

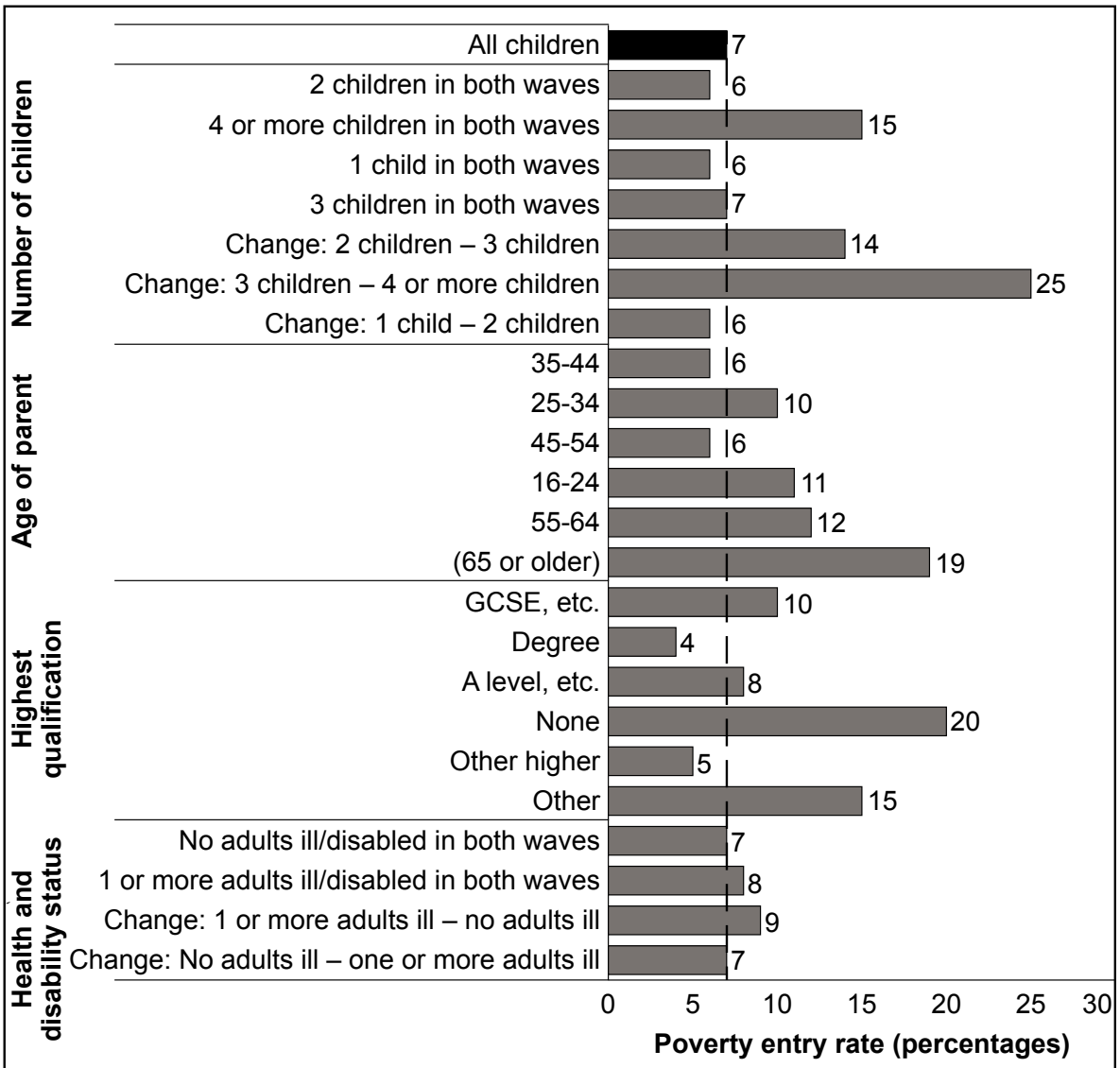
Entry rate of all children = 7%	Prevalence of event/ factor[1] (col %)	Entry rate, conditional on event[2] (%)	Share of all entries[3] (col %)	Base (n) 16,433
5th	12	8	13	2,067
6th	12	6	9	1,987
7th	12	6	9	2,028
8th	12	3	5	1,994
9th	12	3	4	1,928
Richest	12	3	5	1,944
Economic status of parents				
Full employment[5] in both waves same earnings	21	0	1	3,451
Full employment in both waves fall in earnings	13	6	11	2,083
Full employment in both waves rise in earnings[6]	16	1	1	2,643
Part employment[7] in both waves same earnings	10	6	8	1,719
Part employment in both waves fall in earnings	6	19	16	940
Part employment in both waves rise in earnings	7	3	3	1,096
Workless in both waves	12	18	29	2,112
Changed status: Full employment → part employment	5	14	10	867
Changed status: Full employment → workless	1	38	4	132
Changed status: Part employment → full employment	5	6	4	786
Changed status: Part employment → workless	2	42	9	282
Changed status: Workless → part employment	1	11	2	238
Economic status of other adults in the household				
No other adults, both waves	83	7	83	14,413
Other adults, not in work, both waves	3	14	6	372
Other adults, in work, both waves	8	4	4	823
Change: No other adults → other adults, not in work	1	8	1	113
Change: No other adults → other adults, in work	1	3	0	99
Change: Other adults, not in work → No other adults	1	14	1	119
Change: Other adults, not in work → other adults, in work	1	8	1	122
Change: Other adults, in work → No other adults	1	13	2	237
Change: Other adults, in work → other adults, not in work	1	7	1	135
Longer term worklessness[8]				
All adults in work	63	4	36	10,494
One adult in work, one short-term workless	4	9	5	681
One adult in work, one long-term workless	18	11	26	2,824
All adults short-term workless	2	17	4	280
Workless household: one short term, one long term	9	19	23	1,625
All adults long-term workless	4	14	7	529

1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.
4. A fall in an income source is where it has decreased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month).
5. Couple: both in full-time work, Couple: one parent in full-time work and one parent in part-time work, Lone parent in full-time work.
6. A rise in an income source is where it has increased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month).
7. Couple: one parent in full-time work, Couple: one parent in part-time work, Couple: both in part-time work, Lone parent in part-time work.
8. Long-term workless is either never having worked or having not having worked for a year or longer, short-term workless is having last worked less than a year previously.

Household characteristics

Non-economic events can also be associated with families entering poverty. This could either happen directly, through an increase in income needs such as having a new child, or indirectly, such as parents separating and leaving the family with fewer full-time workers. Interestingly, parental separation does not appear to be independently associated with poverty entry after controlling for other predictors. This is likely to be because, as suggested previously, when families separate the children tend to live with the mother who was often previously not the main earner. Going from full- to part-employment, or becoming workless, has a more direct impact on family income and therefore outweighs the effect of parental separation.

Figure 3.2 Child poverty entry rate by selected household characteristics



Notes: 1) This shows the poverty entry rate for children with this characteristic.
2) Shaded bars with the category label in square brackets are based on low sample sizes.
3) The bars are ordered by the share of all entries – i.e. the proportion of children who entered poverty who have this characteristic – with the most common characteristic among those who enter poverty shown first. 4) For more information and the full data see Table 3.2.

Other key findings from Figure 3.2 and Table 3.2 are:

- Having an extra child having already got two or more children was linked to poverty entry. Two in five children (42 per cent) that entered poverty lived in families with three or more children. The highest poverty entry rate was from moving from 3 to 4 children (25 per cent) but only very few (one per cent) of non-poor children experienced this change. The most common family size of children that entered poverty was two children at both time points (33 per cent of all poverty entries).
- The risk of poverty did not vary much by age of youngest child. It was only for those 'new' families, who had their first child, that the rate was noticeably higher than average (13 per cent).[23]

[23] See Section 3.4 for further analysis of families who had their first child.

- The risk of poverty entry was higher for children whose parents had no educational qualifications (20 per cent). Again there was a lot of variation of children who entered poverty – there were just as many children in degree-level families entering poverty as those whose highest qualification was A-Level – although children in degree-level families were also the most prevalent group among those not in poverty.
- Children with younger or older parents were most at risk of entering poverty. However, relatively few children had parents under 25 or over 55.
- Although poverty entry rates were highest for children who lived in social rented accommodation (16 per cent compared to five per cent for owner occupied), a similar proportion of children who entered poverty came from owner occupied accommodation (42 per cent from social rented and 44 per cent from owner occupied).
- Most children that entered poverty were white. However, a disproportionate number were from ethnic minorities. The highest rates of poverty were found among Pakistani (19 per cent), Bangladeshi (16 per cent) and black African (15 per cent) children.[24]
- A change in parental health status had an inverse impact on poverty entry, with children with parents who became ill or disabled less likely to enter poverty than children with parents who were no longer ill or disabled. This could be linked to higher incomes in the form of health-related benefits[25] combined with the fact the income definition used does not take account of extra costs associated with disability.

[24] We have defined this by taking the ethnicity of the mother. Where information on ethnicity of the mother is not available, ethnicity of the father is used instead. How poverty entry varies for children from different ethnic minority groups is explored in more detail in the next section.

[25] Note the health was self-reported and not diagnosed by a medical professional.

Table 3.2 Child poverty entry rate by household characteristics and events

	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base (n)
Entry rate of all children = 7%	**(col %)**	**(%)**	**(col %)**	**16,433**
Family type				
Couple in both waves	76	6	61	12,027
Lone parent in both waves	23	12	37	4,194
Change: Couple → lone parent	1	14	1	109
Change: Lone parent → couple	1	3	<0.5	103
Number of children				
1 child in both waves	21	6	16	3,506
Change: 1 child → 2 children	3	6	2	428
2 children in both waves	41	6	33	6,826
Change: 2 children → 3 children	2	14	4	320
3 children in both waves	18	7	16	3,086
Change: 3 children → 4 or more children	1	25	3	167
4 or more children in both waves	9	15	19	1,507
Age of youngest child (second wave)				
0	5	13	9	647
1-4	35	8	38	4,828
5	7	6	6	956
6-10	26	7	25	3,697
11	4	8	5	626
12-15	17	6	14	2,416
16-18	6	5	4	828
Age of parent (main earner)				
16-24	3	11	5	570
25-34	23	10	30	3,903
35-44	48	6	41	7,952
45-54	23	6	20	3,607
55-64	3	12	4	371
65 or older	[0]	[19]	[0]	30
Ethnicity of parent (main earner)				
White background	74	5	54	12,496
Mixed background	2	9	2	347
Indian	5	10	6	686
Pakistani	5	19	13	646
Bangladeshi	3	16	7	464
Chinese	<0.5	4	<0.5	65
Any other Asian background	1	9	2	233

(Continued)

Entry rate of all children = 7%	Prevalence of event/ factor[1] (col %)	Entry rate, conditional on event[2] (%)	Share of all entries[3] (col %)	Base (n) 16,433
Caribbean	2	11	3	401
African	4	15	8	683
Arab	<0.5	7	<0.5	60
Any other ethnic group	2	14	3	295
Highest educational qualification				
Degree	37	4	21	6,038
Other higher	15	5	11	2,558
A-level etc.	19	8	21	3,168
GCSE etc.	19	10	25	3,155
Other	4	15	8	680
None	5	20	14	821
Health and disability status				
No adults ill/disabled in both waves	69	7	68	11,374
Change: One or more adults ill → no adults ill	9	9	10	1,407
Change: No adults ill → one or more adults ill	8	7	7	1,257
One or more adults ill/disabled in both waves	15	8	15	2,362
Tenure				
Owner occupier	65	5	44	10,392
Social housing	20	16	42	3,463
Private rent	15	7	14	2,547
Region				
North East	4	10	5	669
North West	10	9	13	1,759
Yorkshire and the Humber	9	8	9	1,409
East Midlands	7	8	8	1,181
West Midlands	8	10	12	1,365
East of England	9	6	7	1,464
London	17	10	23	2,752
South East	13	5	8	2,161
South West	8	4	4	1,320
Wales	4	7	4	683
Scotland	6	5	4	980
Northern Ireland	4	8	4	686
Rurality				
Urban	81	8	88	13,202
Rural	19	5	12	3,227

(Continued)

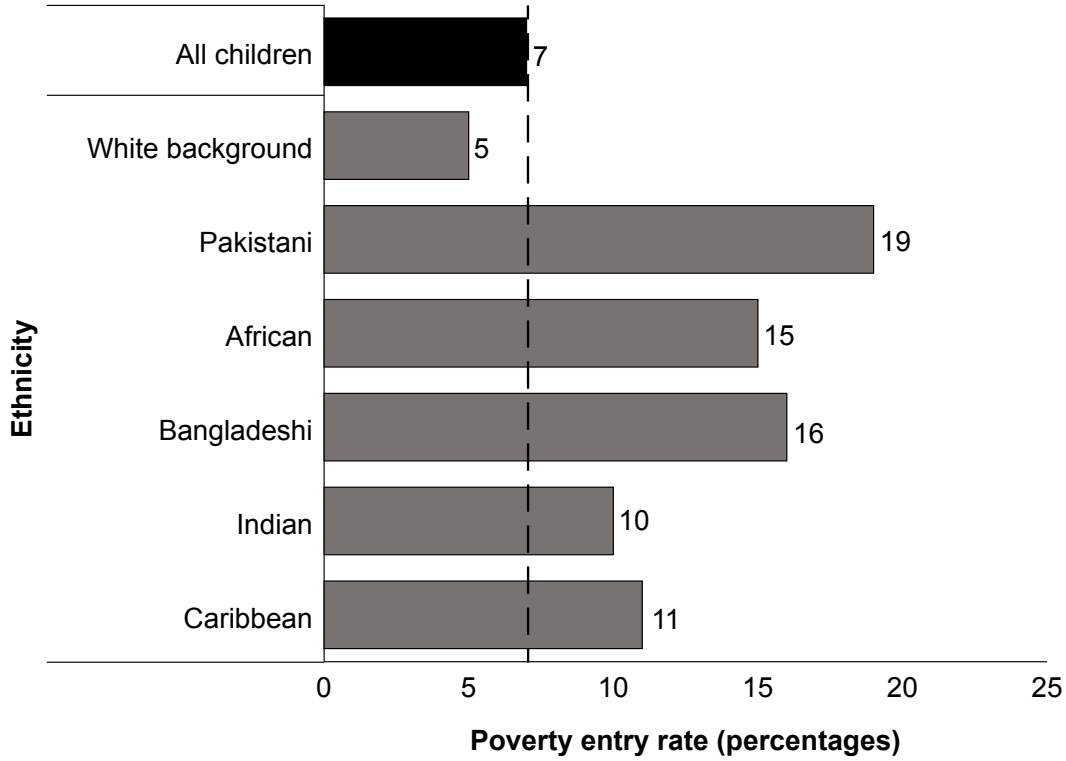
	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base
Entry rate of all children = 7%	**(col %)**	**(%)**	**(col %)**	**16,433**
Year				
2009/10-2010/11	54	7	53	8,722
2010/11-2011/12	46	8	47	7,711

1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.
4. [#] = low sample size.

3.2.1 Does poverty entry vary by ethnicity?

As discussed previously, children from ethnic minority groups – particularly Pakistani and Bangladeshi children – were particularly vulnerable to poverty.

Figure 3.3 Child poverty entry rate by ethnicity



Notes: 1) This shows the poverty entry rate for children with this characteristic.
2) Shaded bars with the category label in square brackets are based on low sample sizes.
3) The bars are ordered by the share of all entries – i.e. the proportion of children who entered poverty who have this characteristic – with the most common characteristic among those who enter poverty shown first. 4) For more information and the full data see Table 3.2.

The causes of poverty for ethnic-minority families are complex, but there is already some evidence that ethnicity is linked to low income even when other factors are accounted for (Longhi and Platt, 2008; Barnes *et al.*, 2008a; Hills *et al.,* 2010). In the recent Child Poverty Strategy (DWP, 2014b) the Government has committed to monitor poverty amongst these groups and to consider the likely impact of anti-poverty policies. However, in general there is relatively little analysis of why the poverty risks are so high for black and minority ethnic (BME) children, usually because of the small number of ethnic respondents in panel surveys. The ethnic minority boost sample in USoc allows for such investigations to be reported here.

The aforementioned regression analysis to identify predictors of entering child poverty was repeated for children from each ethnic group (albeit recategorised into 'South Asian' and 'black' to provide robust sample sizes). The main findings are:

- Again, work transitions played a large role in predicting poverty entry for all ethnic groups.
- Being long-term workless seemed a particular problem for both South Asian and black families.

However, some interesting differences between ethnic groups emerged. For example, children particularly at risk of entering poverty were:

- South Asian children from lone parent families.
- South Asian children living with a workless additional adult (for example, a grandparent).
- White children living in social housing.

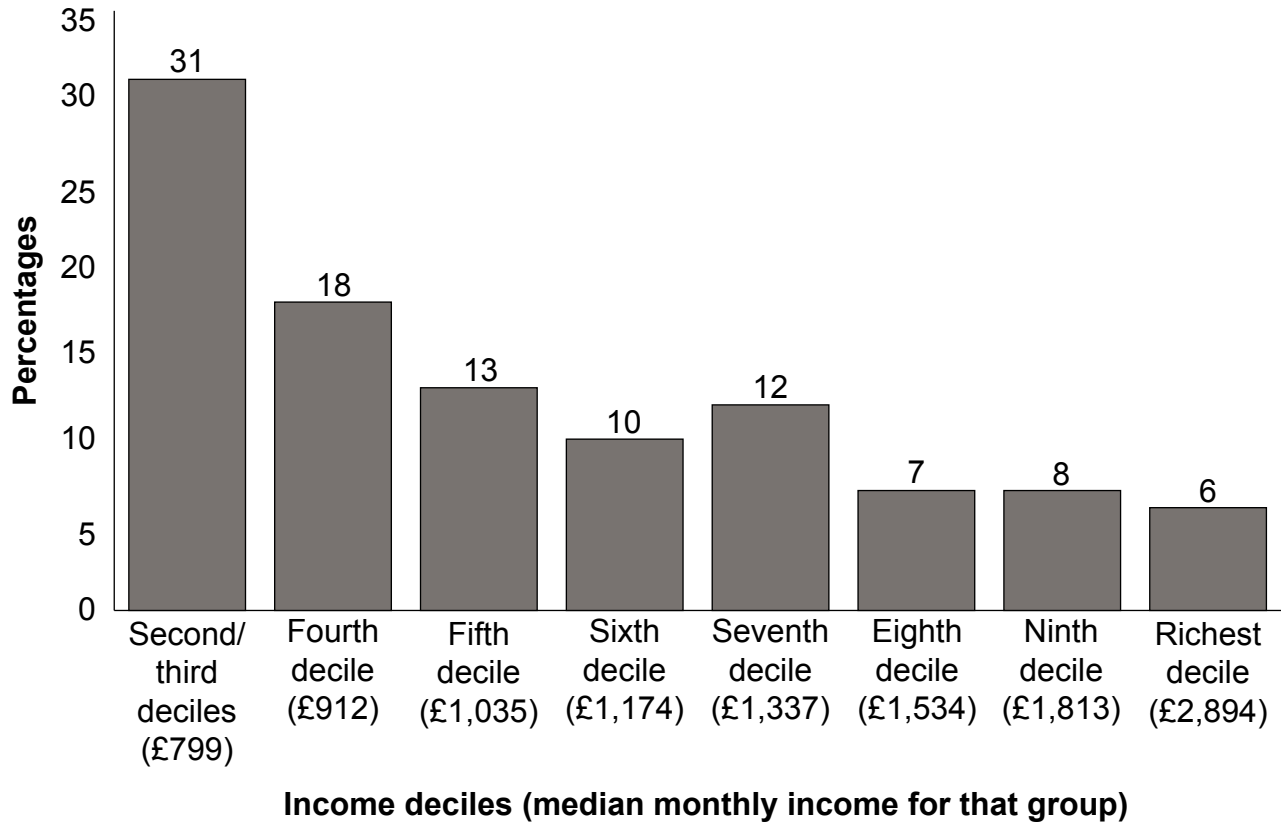
These findings are worthy of further analysis given that the number of ethnic minority children in some of these sub-groups is still low. In time further pairs of waves of USoc can be combined to increase the sample size of these sub-groups.

3.3 Entering poverty from employment

Our earlier analysis showed that although there were a large number of factors linked to poverty entry, the most strongly linked were associated with labour market transitions. This section explores further some of the main routes into poverty for children whose parents were initially in work.

Figure 3.4 illustrates the income distribution of children who entered poverty from families initially in work. Many families were initially quite close to the poverty line (31 per cent of entrants had household income no higher than the third income decile, and 62 per cent had incomes less than the median (approximately £1,000 pm)). However, some entered poverty from further up the income distribution (29 per cent had family income greater than around £1,300).

Figure 3.4 Working families prior household income distribution for children who entered poverty



Notes: 1) Income is equivalised, and represents income of a single adult without children. 2) This shows children split into 10 equal groups by level of household income in time point 1. In brackets is the average (median) income for the income deciles. Second and third deciles are combined as all of the first decile and most of the second are already in poverty. See Table A18 for further details.

Base: Children from families working in first time point who entered poverty.

3.3.1 Type of work

Previous research has generally not gone into great detail on the labour market characteristics of those who enter poverty and what exists is somewhat old. Other studies[26] which have examined employment and poverty dynamically have tended to focus on recurrent poverty, i.e. repeated poverty entries and exits, rather than just entries or exits per se.

Stewart (2008)[27] conducted a study into single mothers in low-skilled work and discovered that those in the manual and catering industries are more susceptible to unstable jobs, whilst those working in construction are more susceptible to low pay and in-work poverty.

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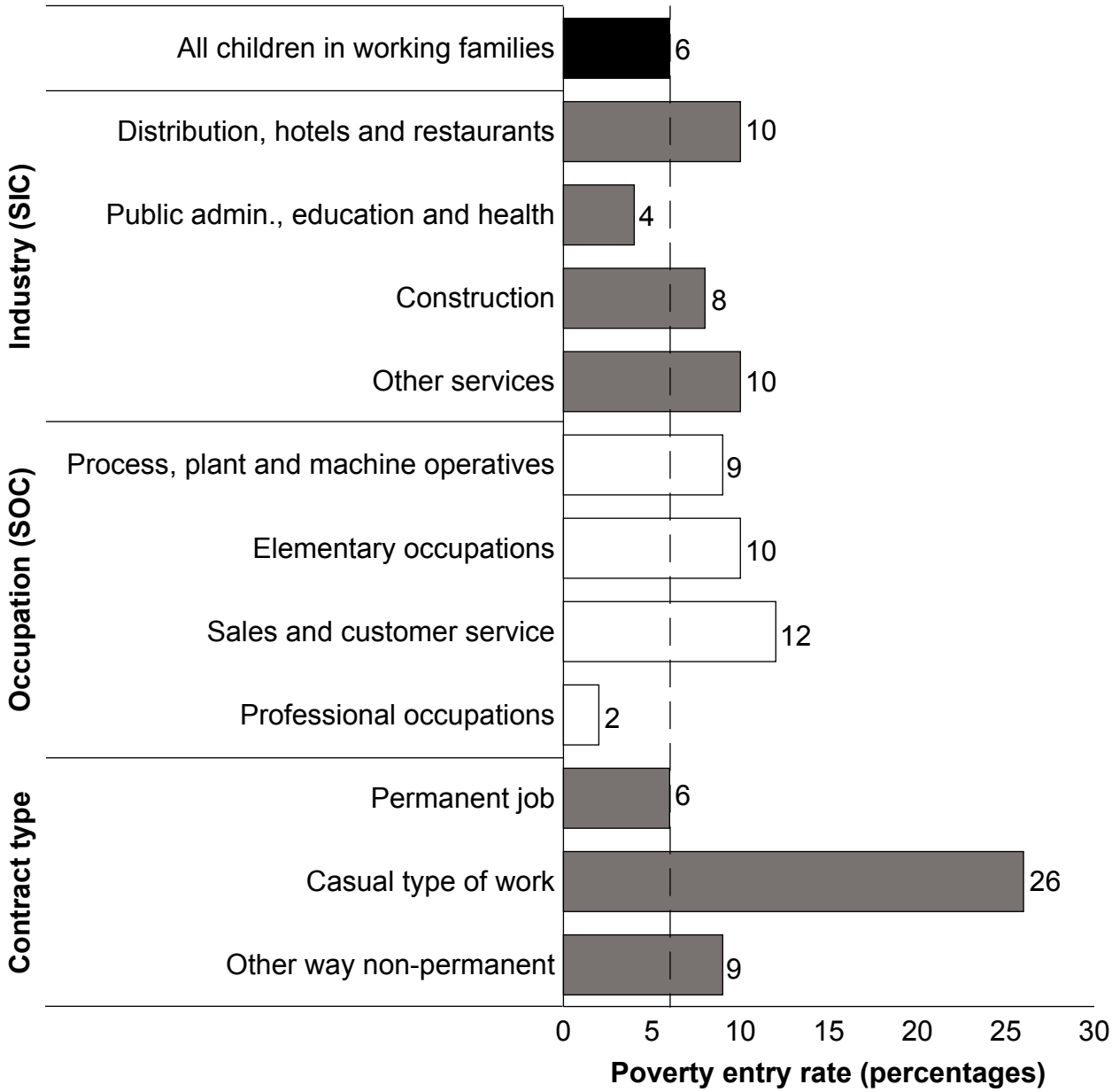
[26] McQuaid, R., Fuertes, V. and Richard, A. (2010) How can Parents Escape from Recurrent Poverty?, York: Joseph Rowntree Foundation http://www.jrf.org.uk/sites/files/jrf/parents-escaping-poverty-full.pdf
Ray, K., Hoggart, L., Vegris, S. and Taylor, R. (2010) Better off Working? Work, Poverty and Benefit Cycling? York: Joseph Rowntree Foundation http://www.jrf.org.uk/sites/files/jrf/work-poverty-benefits-full.pdf
Shildrick, T., MacDonald, R., Webster, C. and Garthwaite, K. (2010). The Low-Pay, No-Pay Cycle: Understanding Recurrent Poverty, York: Joseph Rowntree Foundation http://www.jrf.org.uk/publications/understanding-recurrent-poverty
Tomlinson, M. and Walker, R., (2010). Recurrent Poverty: The Impact of Family and Labour Market Changes, York: Joseph Rowntree Foundation. http://www.jrf.org.uk/sites/files/jrf/recurrent-poverty-impacts-full.pdf

[27] Stewart, K. (2008). Employment Trajectories for Mothers in Low-skilled Work: Evidence From the British Lone Parent Cohort. CASE. Discussion paper 122, London: London School of Economics and Political Science http://eprints.lse.ac.uk/6215/

Figure 3.5 Child poverty entry rate by selected job characteristics, for families initially in work



Notes: 1) This shows the poverty entry rate for children with this characteristic, for families initially in work. 2) Shaded bars with the category label in square brackets are based on low sample sizes. 3) The bars are ordered by the share of all entries – i.e. the proportion of children who entered poverty who have this characteristic – with the most common characteristic among those who enter poverty shown first. 4) For more information and the full data see Table 3.3.

Figure 3.5 and Table 3.3 illustrate the impact of occupation, contract type and industry type on poverty entry. The main findings are:

- The propensity to enter poverty varied according to the industry of the main earner. When taking into account the impact of all the predictors, there was an independent association between sector and the risk of entering poverty – children in working families were more likely to enter poverty if the main earner worked in the construction sector. Other industries with high poverty rates were:
  - Distribution, hotels and restaurants (ten per cent)
  - Other services (ten per cent), although very few families were in this latter group
- Almost half (45 per cent) of children who entered poverty had a parent who worked in either distribution, hotels and restaurants (25 per cent), or, public admin, education and health (20% per cent) (it is worth noting that of all children not in poverty, public admin, education and health was the most common industry (32 per cent) over twice as prevalent as any other industry).
- When taking into account the impact of all predictors, there was an independent association between occupation and the risk of entering poverty. Children with parents who worked in professional occupations were less likely to enter poverty (than skilled trades). In general, poverty entry rates were slightly higher than average for families with workers from lower grade occupations:
  - Sales and customer service (12 per cent).
  - Process, plant and machine operatives (nine per cent).
  - Elementary occupations (ten per cent).
- Poverty rates were also high for children in families with workers on casual contracts, although there were only 107 of these children in the survey (one per cent). Around a quarter (26 per cent) of these 107 children in the survey whose parents worked on a casual contract entered poverty, although these only made up a very small proportion of all poverty entrees (three per cent) as very few had this type of contract. There was no independent link between contract type and poverty entry risk, although this may have been due to the low numbers of people with non-permanent contracts in the survey.

Table 3.3 Child poverty entry rate by economic characteristics for families initially in work

Entry rate of all children in working families in the first wave = 6%	Prevalence of event/ factor[1] (col %)	Entry rate, conditional on event[2] (%)	Share of all entries[3] (col %)	Base (n) 13,999
Income sources				
Fall in benefit income	33	9	53	4,631
Fall in non-benefit, non-earnings income	9	6	9	1,207
Fall in investment income	6	4	4	842
Fall in private and occupational pension income	[0]	[4]	[0]	49

(Continued)

Entry rate of all children in working families in the first wave = 6%	Prevalence of event/ factor[1] (col %)	Entry rate, conditional on event[2] (%)	Share of all entries[3] (col %)	Base (n) 13,999
Economic status of parents				
Full employment in both time points fall in earnings	15	6	16	2,083
Part employment in both time points fall in earnings	7	19	23	940
Changed status: Full employment → part employment	6	14	15	867
Changed status: Full employment → workless	1	38	6	132
Changed status: Part employment → workless	2	42	14	282
Industry (SIC) of main earner (first wave)				
Agriculture, forestry and fishing	1	3	1	127
Energy and Water	2	2	1	273
Manufacturing	12	5	10	1,649
Construction	9	8	12	1,204
Distribution, hotels and restaurants	14	10	25	1,998
Transport and communications	12	7	13	1,594
Banking and Finance	15	5	14	2,091
Public admin, education and health	32	4	20	4,389
Other services	3	10	5	423
Occupation (SOC) of main earner (first wave)				
Managers and senior officials	20	4	14	2,803
Professional occupations	16	2	6	2,190
Associate prof. and technical occupations	15	4	11	2,168
Admin and secretarial occupations	7	6	7	1,052
Skilled trades occupations	12	7	15	1,623
Personal service occupations	7	8	9	973
Sales and customer service	4	12	8	559
Process, plant and machine operatives	10	9	15	1,283
Elementary occupations	9	10	15	1,258
Contract type of main earner (first wave)				
Permanent job	94	6	91	13,159
Fixed period or fixed task contract	3	6	3	426
Agency temping	1	3	<0.5	114
Casual type of work	1	26	3	107
Other way non-permanent	1	9	2	137
Fixed period or fixed task contract	3	6	3	426

Base: Children in working families in the first wave.

Notes:

1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.

3.3.2 Having multiple poverty risks

Things that can cause, or magnify the risk of, entering poverty do not necessarily occur in isolation. For example, a child could be living in a lone parent family, where the parent has low education and has recently lost a job. Although a parent becoming redundant may have been what pushed the child into poverty, this could have been compounded by living in a lone parent family.

In Table 3.4 we explore the multiple poverty risks of children in families that were initially in work and entered poverty. We count the number of risk events they experienced alongside the negative employment event that the majority of these families experienced (i.e. job loss, fall in hours, or otherwise drop in earnings).

As would be expected, it was quite rare for families to experience more than one risk event over a one-year period. Approximately half also had a drop in benefits. Other more marked events, such as having a new child or a change in health status, were relatively rare. However, it is interesting to note that the risk of entering poverty was generally higher when another risk event had taken place.

The Child Poverty Strategy identified a number of key factors that increase the risk of child poverty, including having low qualifications, parents raising children on their own, having three or more children to care for, and experiencing ill health (DWP, 2014b). Our analysis confirms that having a negative work event and at least one of these factors increased the rate of entering poverty – for example, the poverty entry rate was 23 per cent for children with two or more factors. The poverty entry rate was 33 per cent for children whose parents had low education and a negative work event.

Table 3.4 Multiple risk events/factors associated with child poverty entry for families initially in work

	Prevalence of event/ factor[1] (col %)	Entry rate, conditional on event[2] (%)	Share of all entries[3] (col %)	Base (n)
Poverty entry rate of all children initially in work (and not in poverty) = 6%				**13,999**
Poverty entry rate of all children initially in work (and not in poverty) and had a work-related event = 14%				**4,304**
Number of other poverty risk events[4]				
Work-related event and 0 other events	36	10	26	1,594
Work-related event and 1 other events	40	16	46	1,723
Work-related event and 2 or more other events	24	16	28	987
Combinations of work-related event & other risk event, i.e. Work-related event and…				
Fall in benefits	35	20	49	1,471
Fall in other income source	11	11	9	414

(Continued)

	Prevalence of event/ factor[1] (col %)	Entry rate, conditional on event[2] (%)	Share of all entries[3] (col %)	Base (n)
Poverty entry rate of all children initially in work (and not in poverty) = 6%				**13,999**
Poverty entry rate of all children initially in work (and not in poverty) and had a work-related event = 14%				**4,304**
Change in disability status	18	16	19	744
A child went from age 13 to age 14	12	17	14	501
Had a new child	7	19	10	312
Number of other poverty risk factors[4]				
Work-related event and 0 risk factors	44	12	37	1,862
Work-related event and 1 risk factors	42	13	40	1,840
Work-related event and 2 or more risk factors	13	23	22	602
Combinations of work-related event & poverty risk factors, i.e. Work-related event and…				
Family type				
Lone parent	17	18	22	805
Couple	83	13	78	3,499
Number of children				
1 child	26	10	19	1,080
2 children	44	14	43	1,914
3 or more children	30	18	38	1,292
Highest qualification				
Degree	40	10	28	1,689
Other higher degree	16	11	13	682
A-level	20	17	24	895
GCSE	17	17	21	753
Other	4	28	7	154
Low education (no qualifications)	3	33	7	129
Health				
Poor health	20	14	21	877
Good health	80	14	79	3,421

Base: Children in working families in the first wave.

Notes:

1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.
4. Risk events measure change in circumstance from time point 1 to time point 2. Other than work-related events, these are parental separation, having additional child/ren, parent becoming ill, and, child reaching age 14.
5. Poverty risk factors are taken from Child Poverty Strategy (DWP, 2014b) and measured at time point 1.

3.4 The risk of poverty for new families: Evidence from the Millennium Cohort Study

This section draws on Millennium Cohort Study (MCS) data to focus on poverty among 'new families' at the start of the new millennium. It looks in detail at the characteristics and circumstances of children who start their life in poverty. New families are defined here as families where the firstborn child[28] is around nine months old. In 2001/02 Statutory Maternity leave lasted for 18-29 weeks (depending on the duration of employment prior to pregnancy)[29] and hence only three per cent of mothers in the MCS were on maternity leave nine months after giving birth.

The MCS is the most recent of Britain's world-renowned national longitudinal birth cohort studies and follows the lives of around 19,000 children born in the UK in 2000/1. The families were first interviewed when the cohort child was aged nine months and have since been followed up at ages three, five, seven and 11 years to build up a uniquely detailed portrait of the children of the new century. The analysis in this section is based on just those cohort children who had no older siblings, to provide a picture of new families.

While the MCS data on new families is now out of date, the much larger sample size allows us to look in much more detail at the characteristics of new families in poverty than is possible using more recent data. For example, despite its large sample size, Understanding Society includes a relatively small sample of new families because it is representative of all households rather than focused on specifically tracking families with a new baby. As elsewhere in the report, income poverty is defined as below 60 per cent of median equivalised income.

It is important to note that in this section we do not look at poverty transitions, as the MCS does not collect information on family income prior to the birth of the first child. Hence we focus on whether a new family was in poverty around nine months after the birth of the first child.

[28] Or children in the case of families with twins or triplets.

[29] The Maternity and Parental Leave etc. Regulations (1999).

3.4.1 Rates of poverty

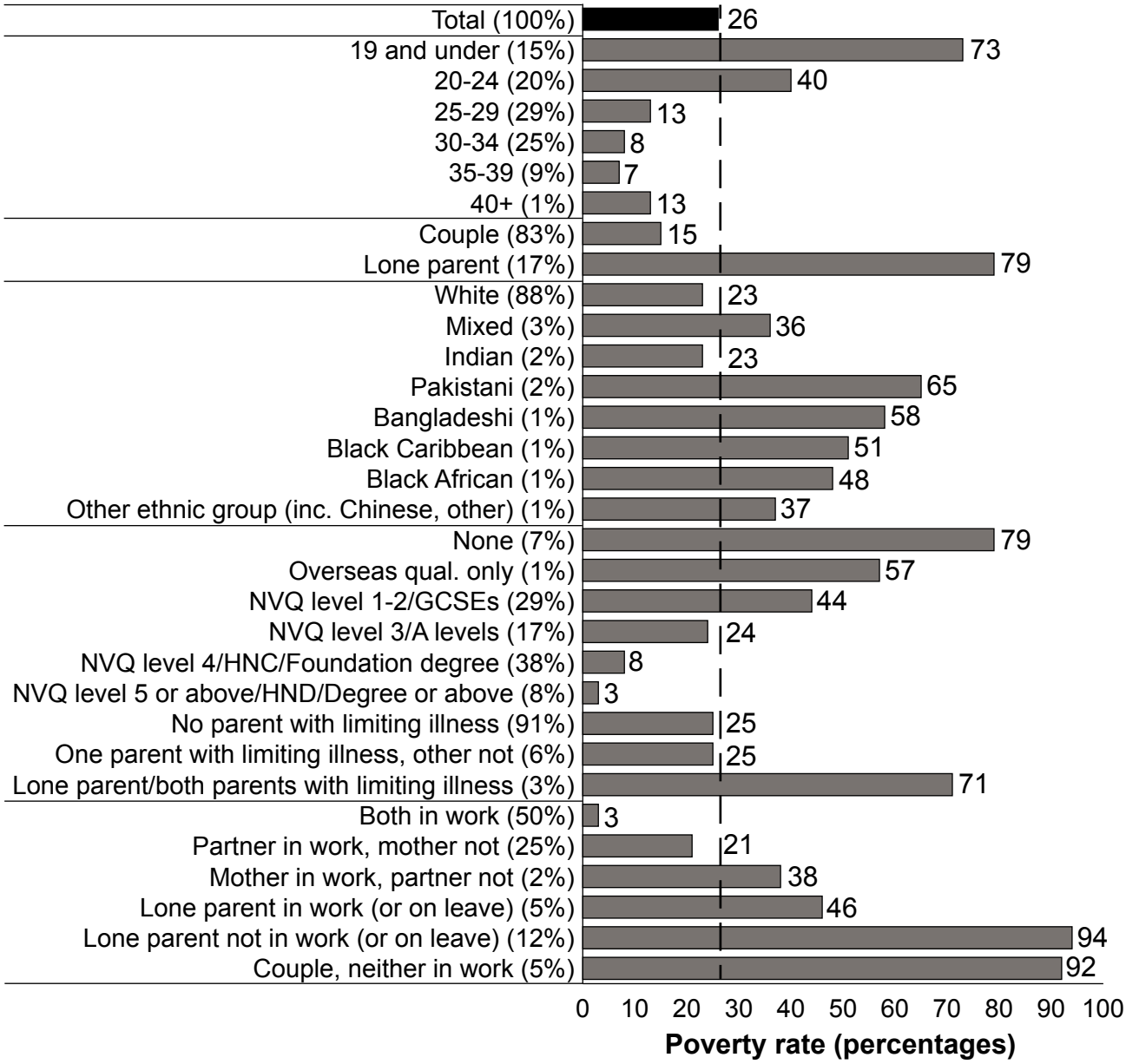
Around a quarter (26 per cent) of new families were income poor. This is similar to the poverty rate for all children (23 per cent) but far higher than for working-age adults without children (nine per cent for couples and 17 per cent for singles) in 2000/01 (DWP, 2014a)[30]. Having your first child can clearly mean an increase in the risk of being in poverty for many families.

Certain types of new family were disproportionately at risk of poverty (Figure 3.6), including:

- Young mothers (73 per cent of teenage mothers and 40 per cent of those aged 20-24 were income poor).
- Lone parents (79 per cent).
- Ethnic minorities; most notably Pakistani (65 per cent), Bangladeshi (58 per cent), black Caribbean (51 per cent) and black African (48 per cent)
- Parents with low education, for example where no parent had any formal qualifications (79 per cent).
- Parents with poor health, for example families where both parents (or the single parent in lone parent families) reported having an illness or disability that limited their activities (71 per cent).
- Workless families, not including parental leave (92 per cent of workless couple families and 94 per cent of workless lone parent families).

[30] These estimates come from Households Below Average Income (HBAI) and may not be strictly comparable to MCS estimates because of the more detailed way HBAI collects income information.

Figure 3.6 Poverty rate among new families



MCS sweep 1. Base: New families, total unweighted base 7,397, see Table A.32 for category base sizes.
Note: Percentages in parentheses show the prevalence of each category among all new families.

3.4.2 New lone parent families

The poverty rate at the turn of the millennium among new lone parent families was very high, at four in five (79 per cent). This highlights the high risk of poverty among lone parent families with very young children. The particularly high poverty risk for new lone parent families is in part explained by the fact that they have other characteristics linked to poverty. New lone parents were disproportionately likely to be:

- Younger: 42 per cent were teenage mothers compared with ten per cent of mothers in new couple families.
- Less well educated: 21 per cent had no qualifications, compared with four per cent of new couple families.
- Less likely to be working: 31 per cent were in work, compared with 63 per cent of mothers in new couple families.

3.4.3 Family work patterns in new families

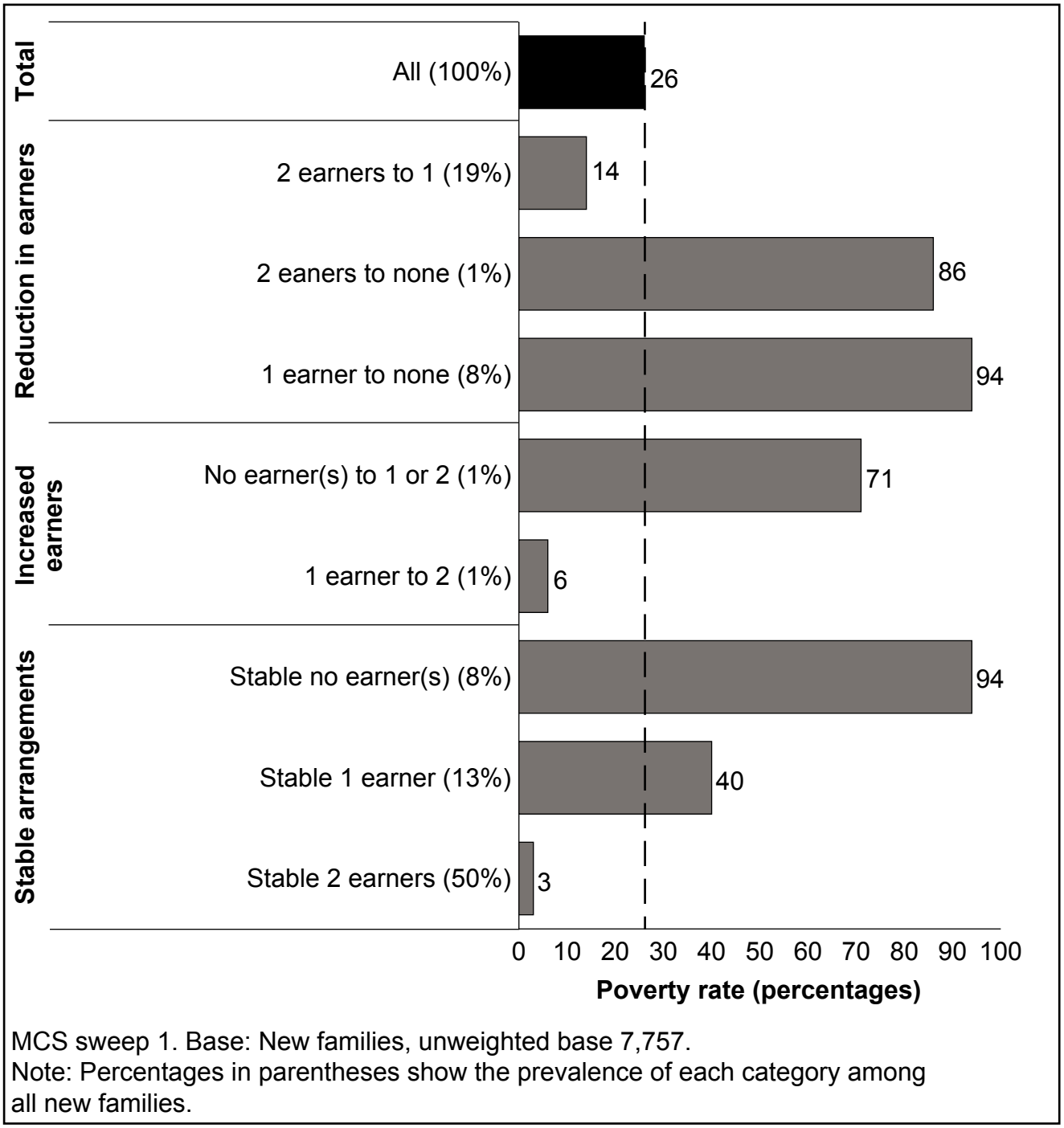
The MCS did not collect any income information relating to a time point prior to the birth, so it is not possible to look at poverty entry rates for new families. However, parents were asked about whether they were in work at the time of the pregnancy. Most families reported stable working patterns between pregnancy and after the baby was born, but where family working arrangements changed, the most common transition was that one parent had stopped working.

- Almost a quarter (23 per cent) of all new couple families reported having gone from a dual earner household to a one earner family.
- Around a third (34 per cent) of lone parents reported having worked in pregnancy but not after having their baby.

The vast majority of families that had not had a parent in work at either time point, or that had become workless around the time of the birth, were income poor at the time when the baby was nine months old. However, families with one parent in work at both time points also had higher than average risk of poverty. These were mainly couple families where being in work (with one worker) was not guaranteed protection from poverty. (Figure 3.7)

While overall, couple families that moved from a two earner household to a single earner family had a lower than average risk of poverty, this differed significantly by the ethnic group of the mother: 41 per cent of such new families where the mother was from an ethnic minority background were income poor, compared with 12 per cent of families where the mother was white.

Figure 3.7 Poverty rate among new families by change in family employment status since pregnancy



MCS sweep 1. Base: New families, unweighted base 7,757.
Note: Percentages in parentheses show the prevalence of each category among all new families.

3.4.4 Mothers' plans for future work

Unsurprisingly, most new mothers who were not working, nor looking for work, cited preferring to look after their own children as a reason for not working. This was the case for both mothers in income poor families (81 per cent) and families above the poverty threshold (86 per cent). However, four in five mothers (82 per cent) said they planned to return to work at some point.

When asked when they thought they might return to work, mothers in income poor families were somewhat more likely to plan an earlier return, with 39 per cent intending to start work by the time the baby was aged three years old, or earlier, compared with 33 per cent of mothers in families that were not income poor.

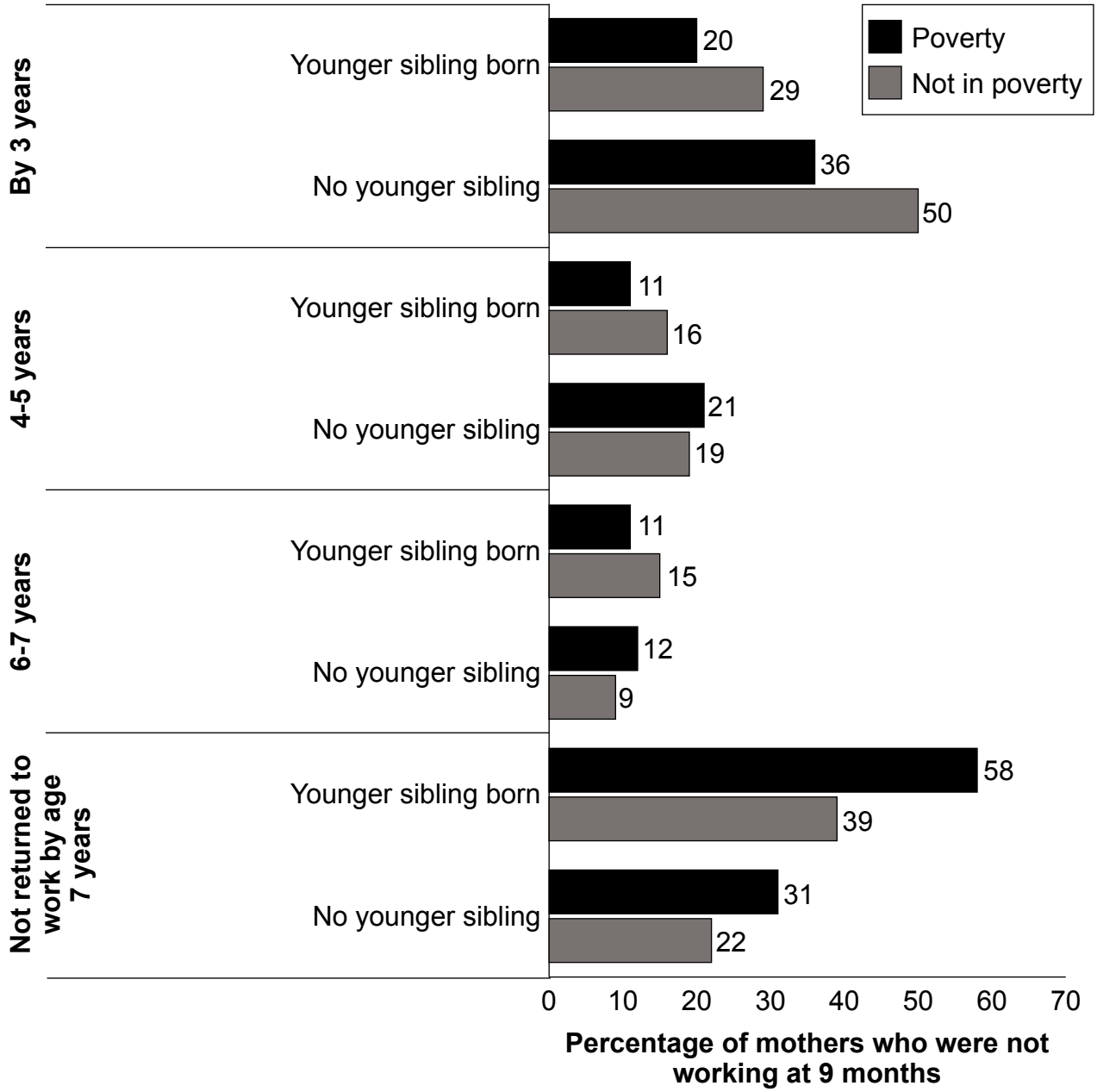
Mothers of mixed ethnic background (65 per cent), black Caribbean (58 per cent) and black African ethnic background (46 per cent) who were not working when the baby was nine months old were most likely to plan an early return. Mothers of Bangladeshi (14 per cent) and Pakistani (21 per cent) background were least likely to plan to return by the time the baby was aged three years.

Earlier planned return to work was also more common among higher qualified new mothers (46 per cent of mothers with a degree level or equivalent qualification planned to start working when their child was aged three or younger, compared to 28 per cent of mothers without qualifications).

3.4.5 Did mothers return to work?

Of the mothers who were not working at the time their child was nine months old, 31 per cent were working when the child was three years old and a further 29 per cent had returned to work by the time the child was aged seven (a further 16 per cent by age five and a further 13 per cent by age seven). Overall, poor mothers were less likely to have returned to work when their firstborn was aged three, five or seven years old, compared with not poor new mothers (Figure 3.8 and Table A6).

Figure 3.8 Percentage of mothers returning to work, by age of child when mother started work, by whether there was an additional sibling



MCS sweeps 1 to 4. Base: New families where mother was not working or on leave in sweep 1, unweighted base 2,046.

3.5 Summary

This chapter has focused on children who entered poverty. As found in other research (which often summarises the whole population rather than just families with children) there is considerable movement in family incomes from one year to the next. This is because some people experience poverty only once, whereas others move in and out of poverty more regularly. We have found that around seven per cent of children enter poverty each year.

The report is focused on understanding poverty transitions and hence much of the analysis identifies what employment and household changes accompanied a drop in family income. Around one in 14 children initially not in poverty had moved into poverty a year later (meaning the poverty entrance rate was seven per cent). This rate varied for different types of children and employment events, such as the family becoming workless (entry rate of 38 per cent from full employment, 42 per cent from part employment), were most strongly associated with poverty entries. But entering poverty was not solely about becoming workless. A significant proportion of families remained in work and children fell into poverty because of a fall in family earnings, sometimes caused by working fewer hours or one parent in a couple losing work.

The propensity to enter poverty varied according to industry, occupation and sector – and by contract type (although very few parents in the study had non-permanent contracts). Parents most likely to work in those industries, for example, with low educational qualifications, were also more likely to enter poverty.

Certain family circumstances and events meant they were more likely to enter poverty. These included having an extra child having already got two or more. Ethnic minorities were also more likely to enter poverty – the highest rates of poverty were found among Pakistani (19 per cent), Bangladeshi (16 per cent) and black African (15 per cent) children.

New families, i.e. those who had just had their first child, were at higher risk of poverty – particularly lone parents, who tended to be young mothers with low educational qualifications. Overall, mothers in poor new families were less likely to have returned to work by the time their firstborn child was age seven years old than non-poor mothers.

As discussed earlier, although some families move in and out of poverty, the factors linked to entering and exiting poverty are not necessarily the same. Hence policy should not assume that what works for preventing poverty entry will work to help already-poor families to escape poverty. Having explored issues for families that enter poverty the next chapter focuses on understanding what happened to families that were initially poor, but managed to escape poverty.

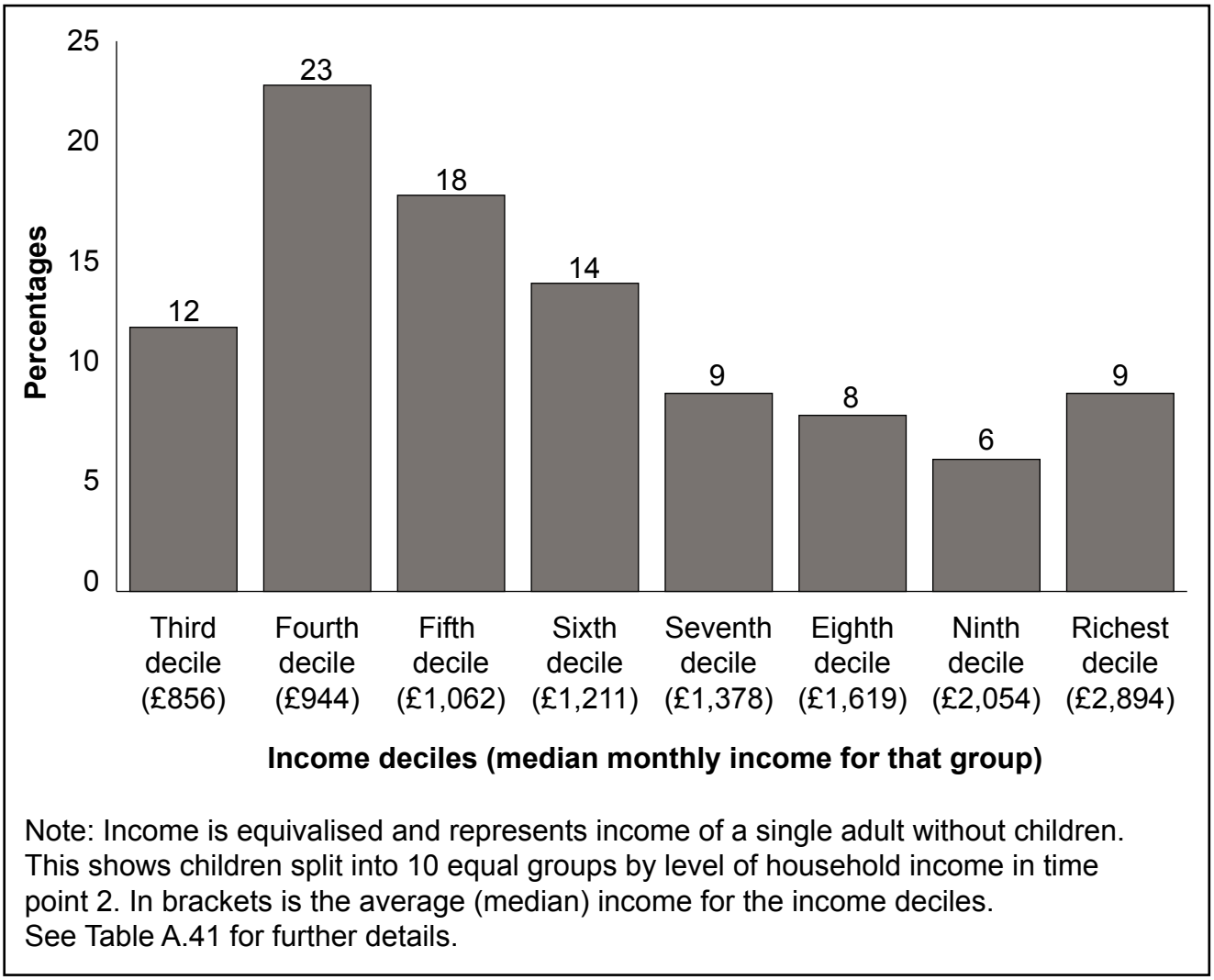
4 Exits out of poverty

This chapter explores exits out of child poverty. Helping families with children who are in poverty to move up the income distribution could aid child development and lead to better outcomes in later life.

4.1 Income changes on exiting poverty

As with poverty entries, it is important to understand the financial situation of families who exit poverty. Figure 4.1 shows the household income after a poverty exit. Most children who exited poverty remained on low incomes – over half (54 per cent) lived in households with incomes at or below the median. There were instances of larger moves away from poverty though, with nearly a quarter (23 per cent) moving to one of the top three income deciles, with average income rises of over £1,000 per month.

Figure 4.1 Subsequent income distribution for children who exit poverty



Note: Income is equivalised and represents income of a single adult without children. This shows children split into 10 equal groups by level of household income in time point 2. In brackets is the average (median) income for the income deciles.
See Table A.41 for further details.

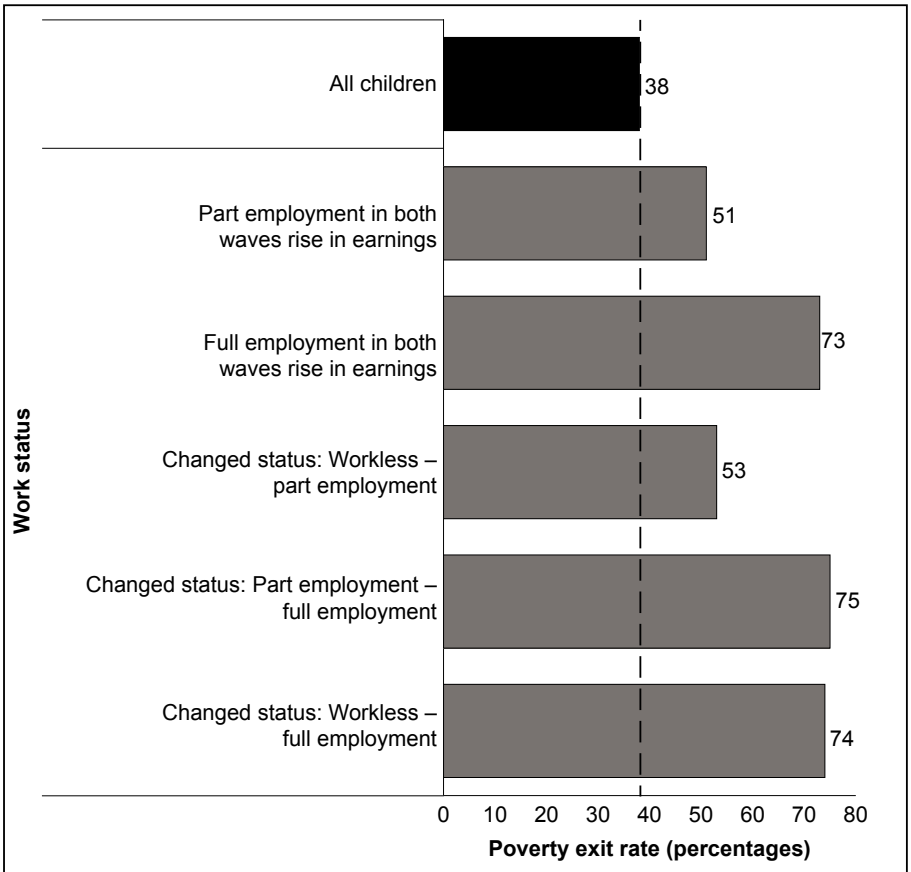
4.2 Which children are most likely to exit poverty?

The exit rate for all children in poverty was 38 per cent. This means that 38 per cent of children in poverty moved from below the poverty line to having a household income at least 10 per cent higher than the poverty line. Table 4.1 and Table 4.2 show a range of family characteristics and events, with the second column showing what proportion of children with these characteristics and events are initially in poverty. The third column shows how likely these children are to exit poverty, and the fourth column shows the proportion of all children who exited poverty who also experienced the event.

Economic characteristics linked to poverty exit

To escape poverty families need to have a considerable increase in their (equivalised) income, and this is likely to come through employment. Of all the children who exited poverty 64 per cent lived in families who had a 'positive' employment related event (Table 4.1) – an increase in family employment or an increase in earnings of ten per cent or more whilst remaining in the same family work status. Each of these five employment events had an exit rate of over 50 per cent (Figure 4.2).

Figure 4.2 Child poverty exit rate by employment events



Note: This shows the poverty exit rate for children with this characteristic. Note that only categories significantly different from average (all children) are shown. Shaded bars with the category label in square brackets are based on low sample sizes. The bars are ordered by the share of all exits – i.e. the proportion of children who exited poverty who have this characteristic – with the most common characteristic among those who exit poverty shown first. For more information and the full data see Table 4.1.

The bottom two bars in Figure 4.2 show the importance of full-time work for poverty exit. Approximately three-quarters of children living in families that moved into full employment exited poverty. However, moving from being a workless to a full employment household was relatively rare among families initially in poverty (two per cent of children); therefore this only made up four per cent of all poverty exits. The top two green bars show that some families exited poverty having increased earnings (whilst remaining within the same employment category) – either due to an increase in hours[31] or an increase in pay. These were the two most common positive employment related events, with a third of children exiting poverty this way.

Defining family work status

Full employment:

- lone parent working 30 or more hours per week; or
- couples where both parents are working and at least one of them is working 30 or more hours per week.

Part employment:

- lone parent working fewer than 30 hours per week; or
- couples both working fewer than 30 hours per week, couples one parent working the other workless.

Workless:

- no parent is in work.

As these families are all initially in poverty, even amongst those in employment earnings are likely to be relatively low and benefit receipt an important part of household income. An increase in benefit income of ten per cent or more had an exit rate of 48 per cent, and 57 per cent of children who exited poverty had this event[32]. A rise in income from other sources was rarer, with 14 per cent of children who exited poverty having this event with an exit rate of 44 per cent. An increase in investment income was rarer still (five per cent of children who exited poverty) but had a very high exit rate of 67 per cent among those who did (Table 4.1).

The regression analysis confirms that a change in the economic status of the family was the biggest independent predictor of a child exiting poverty, compared with children whose parents were in part employment in both time points and had no change in earnings. Again full employment was highly related to poverty exit, with children in families who either moved into full employment (nine to ten times the odds) or were in full employment and had a rise in earnings (seven times the odds) having particularly high odds of exiting poverty. Children living in a family that went from being workless to part employment had around four times

31 For those part employed one or both parents could have a small increase in hours that would not push them into the full employment category, whilst for full employed families this could be any increase in hours.

32 Twenty-nine per cent of children in families who exited poverty experienced a rise in both earnings and benefit income. There were various reasons why this occurred, including increases in tax credits due to working more hours, plus increases in housing benefit and due to changes in family size.

the odds of exiting poverty, and children living in a family that was in part employment in both waves and had an increase in earnings had around three times the odds of exiting poverty.

Other economic characteristics linked to poverty exit in the model were:

- Children who lived with an adult other than their parents (for example, a grandparent or an 'adult' sibling) who was not working in time point 1, but was working in time point 2, had around four times the odds of exiting poverty compared with children who did not live with other adults.
- Children living in a family who had experienced at least a ten per cent rise in benefit income had around four times the odds of exiting poverty compared with children who did not have this increase in benefit income.

For more information and the full data see annex Table A47.

Table 4.1 Poverty exit rate by economic risk factors and events

Main factors associated with poverty exit Exit rate of all children = 38%	Prevalence of event/ factor[1] (col %)	Entry rate, conditional on event[2] (%)	Share of all exits[3] (col %)	Base (n) 3,997
Economic status (includes events)				
Full employment4 in both waves same earnings	2	41	2	63
Full employment in both waves fall in earnings6	1	37	1	57
Full employment in both waves rise in earnings7	8	73	15	304
Part employment5 in both waves same earnings	9	31	7	356
Part employment in both waves fall in earnings	6	31	5	233
Part employment in both waves rise in earnings	13	51	17	493
Workless in both waves	38	19	19	1,611
Changed status: Full employment → part employment	1	35	1	58
Changed status: Part employment → full employment	7	75	13	260
Changed status: Part employment → workless	3	22	1	101
Changed status: Workless → full employment	2	74	4	87
Changed status: Workless → part employment	9	53	13	353
Income sources7				
Rise in earnings	41	59	64	1,581
Rise in benefit income	45	48	57	1,818
Rise in non-benefit, non-earnings income	12	44	14	441
Rise in investment income	3	67	5	108
Economic status of other adults in the household				
No other adults, both waves	81	37	80	3,439
Other adults, not in work, both waves	7	32	6	198
Other adults, in work, both waves	3	56	5	92
Change: No → Yes, not in work	[1]	[24]	[1]	40

(Continued)

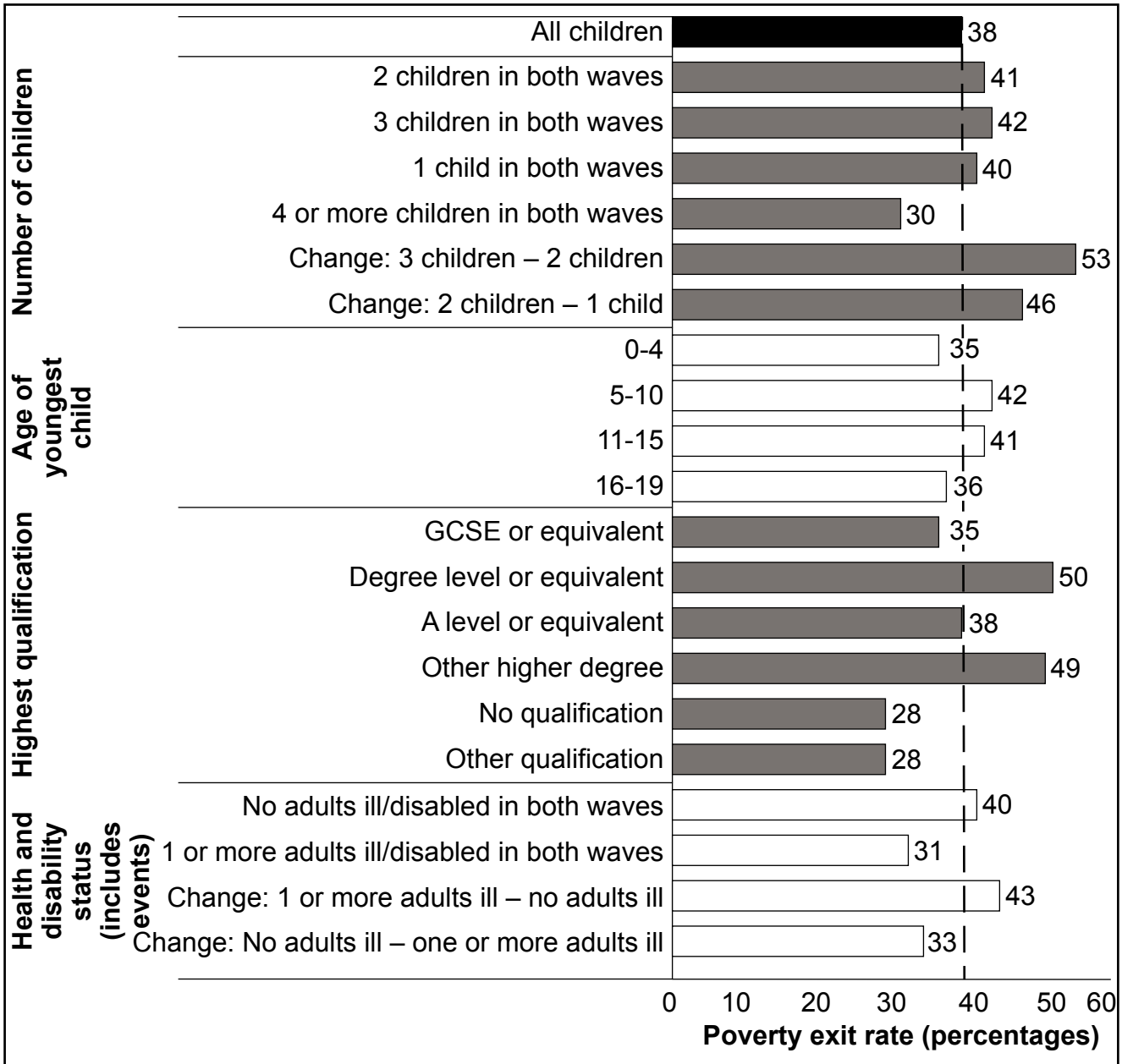
Main factors associated with poverty exit Exit rate of all children = 38%	Prevalence of event/ factor[1] (col %)	Entry rate, conditional on event[2] (%)	Share of all exits[3] (col %)	Base (n) 3,997
Change: No → Yes, in work	[1]	[44]	[1]	32
Change: Yes, not in work → No	2	30	1	65
Change: Yes, not in work → Yes, in work	2	59	3	63
Change: Yes, in work → No	[1]	[58]	[1]	33
Change: Yes, in work → Yes, not in work	[2]	[43]	[2]	35

1. This shows the proportion of children in poverty in the first wave with the characteristic.
2. This shows the poverty exit rate for children with this characteristic.
3. This shows the proportion of children who exited poverty who have this characteristic.
4. Couple: both in full-time work, Couple: one parent in full-time work and one parent in part-time work, Lone parent in full-time work.
5. Couple: one parent in full-time work, Couple: one parent in part-time work, Couple: both in part-time work, Lone parent in part-time work.
6. A fall in an income source is where it has decreased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month).
7. A rise in an income source is where it has increased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month).

Household characteristics linked to poverty exit

Events and characteristics that are non-economic can also be linked to an exit from poverty. Some of these are related to employment and the ability to gain employment, such as level of qualifications, health status, number of children, and age of youngest child in the family:

Figure 4.3 Child poverty exit rate by selected household characteristics



Notes: This shows the poverty exit rate for children with this characteristic. Shaded bars with the category label in square brackets are based on low sample sizes. The bars are ordered by the share of all exits – i.e. the proportion of children who exited poverty who have this characteristic – with the most common characteristic among those who exit poverty shown first. For more information and the full data see Table 4.2.

- The exit rate for children living in families where the highest earner had at least degree level qualifications was 50 per cent, and 24 per cent of exits were among children in these families.
- Families with four or more children had the lowest poverty exit rate.
- Going from three to two children in the family had an exit rate of 53 per cent.
- Going from two children to one child in the family had an exit rate of 46 per cent.

- The youngest child in the family being aged five to ten years old had a higher exit rate (42 per cent) than for families where the youngest child was aged four or younger (35 per cent).

The high exit rate among those with a degree is likely to be due to these families not only being better able to gain employment but also more likely to gain better paid work. It is also possible that these families were suffering from relatively short-term unemployment spells, so could have been between jobs and hence only temporarily on low income.

Having a child leave the family home, or remain in the home but turn working age, was linked with a higher poverty exit rate. The former would lead to an increase in equivalised income (all else being equal, as there are fewer people in the household) and the latter could result in an increase in household income if the young adult finds work. Furthermore, needing to care for fewer children increased employment opportunities. Similarly, the high exit rate for primary school children may be linked to children starting full-time schooling, and hence increasing the possibilities for parents to return to, seek or increase employment.

The regression analysis confirms the above findings, with certain household characteristics associated with a higher chance of exiting child poverty independent of the economic status of the family:

- Children living in a family where the highest earner had at least degree level qualifications had around twice the odds of exiting poverty compared with children whose highest earning parent had A-level qualifications.
- Children living in a family where the a child reached adulthood or left home had around twice the odds of exiting poverty compared with children living in families with two children in both time points.
- Children who lived in a family where the youngest child was aged less than one had around half the odds of exiting poverty compared with children living in a family where the youngest child was aged six to ten.

Table 4.2 Poverty exit rate by household risk factors and events

Main factors associated with poverty exit	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base
Exit rate of all children = 38%				
				3,997
Number of children (includes events)				
1 child in both waves	16	40	17	669
2 children in both waves	29	41	31	1,199
Changed status: 2 child → 1 children	2	46	2	52
3 children in both waves	22	42	25	894
Changed status: 3 children → 2 children	2	53	3	65
4 or more children in both waves	21	30	17	818

(Continued)

Main factors associated with poverty exit	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base
Exit rate of all children = 38%				
				3,997
Age of youngest child (first wave)				
0 to 4	51	35	47	2,057
5 to 10	31	42	34	1,241
11 to 15	15	41	16	587
16 to 19	3	36	3	112
Highest qualification[4] (first wave)				
Degree level or equivalent	18	50	24	689
Other higher degree	10	49	13	396
A-level or equivalent	20	38	20	775
GCSE or equivalent	29	35	27	1,203
Other qualification	8	28	6	315
No qualification	15	28	11	607
Health and disability status (includes events)				
No adults ill/disabled in both waves	64	40	67	2,580
Changed status: One or more adults ill/disabled → no adults ill/disabled	9	33	8	355
Changed status: No adults ill/disabled → one or more adults ill/disabled	9	43	10	356
One or more adults ill/disabled in both waves	18	31	14	687

1. This shows the proportion of children in poverty in the first wave with the characteristic.
2. This shows the poverty exit rate for children with this characteristic.
3. This shows the proportion of children who exited poverty who have this characteristic.
4. The qualification is taken from the parent with the higher level of qualification if the child lives with both parents.

Having multiple poverty risks

As mentioned in the previous chapter, the Child Poverty Strategy identified a number of key factors that increase the risk of child poverty, long-term worklessness, having low qualifications, raising children on your own, having three or more children to care for, and experiencing ill health (DWP, 2014b). Having one or more of these key factors restricts the chance of exiting poverty for families; for children living in families with none of these factors the exit rate is 60 per cent, compared with 48 per cent for children with one of the factors, 36 per cent for children with two factors and 23 per cent for children with three of the factors[33] (Table 4.3).

When looking at these key factors in combination with having a positive work event[34] we see the same pattern. The poverty exit rate for children living in a family who have experienced a positive work event is 61 per cent, rising to 67 per cent for children who also have none of

[33] Although poverty exit rate appears to rise again for children with four or five factors this difference is not statistically significant.

[34] A positive work event is gaining work, increasing work, or increasing earnings.

the Child Poverty Strategy key factors. For children with one of the factors the exit rate is 63 per cent, 49 per cent for children with two factors, and 52 per cent for children with three or more of the factors. Of the key factors, having low qualifications was associated with an exit rate that was particularly low – despite also having a positive work-related event only 45 per cent of children whose parents had no qualifications exited poverty.

Table 4.3 Multiple risk factors and events associated with poverty

Main factors associated with poverty exit	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base
Exit rate of all children = 38%				**3,997**
Exit rate of all children with a positive work-related event[4] = 61%				**4,497**
Number of key predictors of child poverty[5]				
None	9	60	14	330
One	27	48	34	1,038
Two	36	36	34	1,433
Three	21	23	13	886
Four or five	7	31	6	310
Select combinations of key predictors of child poverty				
Lone parent, long-term workless, and no qualifications	8	21	4	346
Lone parent, and 3 or more children	13	29	10	583
Poor health, long-term workless, and no qualifications	3	28	3	137
Number of other poverty risk factors[5]				
Work-related event and 0 risk factors	31	67	34	446
Work-related event and 1 risk factors	47	63	49	722
Work-related event and 2 risk factors	19	49	15	279
Work-related event and 3 or more risk factors	3	52	3	50
Combinations of work-related event and poverty risk factors, i.e. work-related event and…				
Family type				
Lone parent	23	57	22	384
Couple	77	62	78	1,113
Number of children				
1 child	18	67	20	277
2 children	38	64	40	569
3 or more children	44	56	41	649
Highest qualification				
Degree	27	73	32	401
Other higher degree	13	75	16	197
A-level	25	51	21	365
GCSE	24	60	24	361

(Continued)

Main factors associated with poverty exit	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base
Exit rate of all children = 38%				**3,997**
Exit rate of all children with a positive work-related event[4] = 61%				**4,497**
Other	5	46	3	68
Low education (no qualifications)	6	45	5	98
Health				
Poor health	20	58	19	299
Good health	80	61	81	1,191

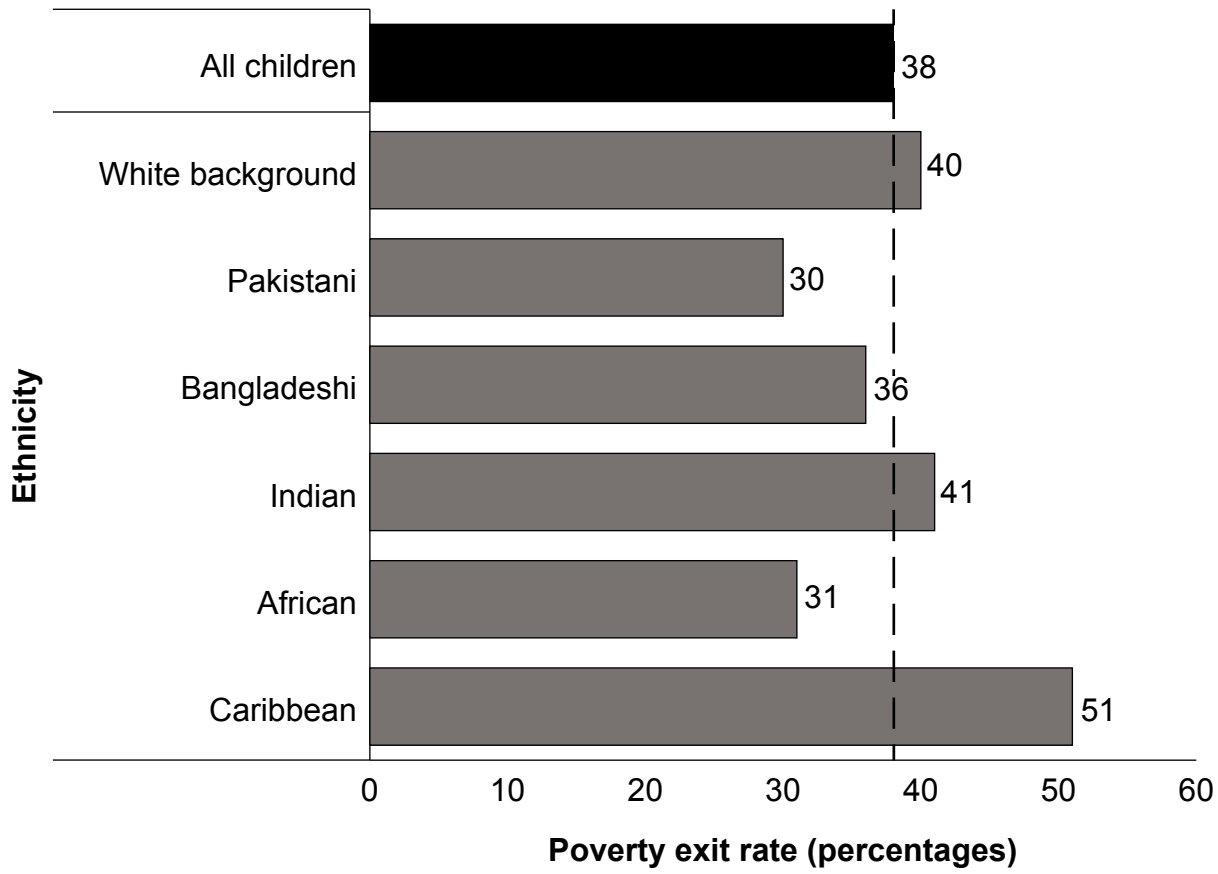
Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children in poverty in the first wave with the characteristic.
2. This shows the poverty exit rate for children with this characteristic.
3. This shows the proportion of children who exited poverty who have this characteristic.
4. A work-related event is gaining work, increasing work, or increasing earnings.
5. These are the five key predictors of child poverty identified by the Child Poverty Strategy: long-term worklessness, having low qualifications, raising children on your own, having three or more children to care for, and experiencing ill health (DWP, 2014b).

4.2.1 Does poverty exit vary by ethnicity?

As mentioned in the previous chapter, certain ethnic minority groups are particularly at risk of poverty and of entry into poverty. However, although differences in poverty exit rate vary by ethnicity the pattern is less clear than for poverty entries.

Figure 4.4 Poverty exit rate by ethnicity



This shows the poverty exit rate for children with this characteristic. Shaded bars with the category label in square brackets are based on low sample sizes. The bars are ordered by the share of all exits – i.e. the proportion of children who exited poverty who have this characteristic – with the most common characteristic among those who exit poverty shown first. For more information and the full data see Table A.42.

Children of white ethnicity had a poverty exit rate of 40 per cent, compared with 41 per cent for children of Indian ethnicity, 30 per cent for children of Pakistani ethnicity, 36 per cent for children of Bangladeshi ethnicity, 51 per cent for children of black Caribbean ethnicity and 31 per cent for children of black African ethnicity. So unlike for poverty entry rates there was more divergence in exit rates among those of South Asian ethnicity (Indian, Pakistani, and Bangladeshi) and among those of black ethnicity (Caribbean and African). This is further shown by the regression analysis, with no statistically significant difference in exiting poverty between Indian and white ethnicity children, Pakistani, Bangladeshi and African ethnicity children having lower odds of poverty exit than white ethnicity children, and Caribbean ethnicity children having approximately twice the odds of poverty exit compared with white ethnicity children.

- As with the exit chapter, the regression analysis was repeated separately for three of the ethnic groups, white, South Asian (Indian, Pakistani, and Bangladeshi), and black (Caribbean and African)[35]. Again, work transitions played a large role in predicting poverty exit for all ethnic groups, with gaining or increasing employment or a rise in earnings having high odds for all ethnic groups.

However some interesting differences between ethnic groups emerged. For example, children particularly likely to exit poverty were:

- White children in couple families.
- Black children in families where a child reached adulthood or left home.
- Black children in private rented homes.
- South Asian children in families where the youngest child was of secondary school age in the second time point (either age 11 or aged 12-15).

4.3 Exiting poverty through employment

The earlier analysis demonstrated the strong association between labour market transitions and poverty exits. Poverty exits rates were particularly high for children in working families who either increased the amount they worked (75 per cent exit rate for those who went from part to full employment) or increased earnings whilst remaining in the same family work status (73 per cent exit rate for those who in full employment and 51 per cent exit rate for those in part employment). Gaining employment for initially workless families had similarly high poverty exit rates (74 per cent exit rate for those moving into full employment and 53 per cent exit rate for those moving into part employment). This section further explores how employment enables families to escape poverty.

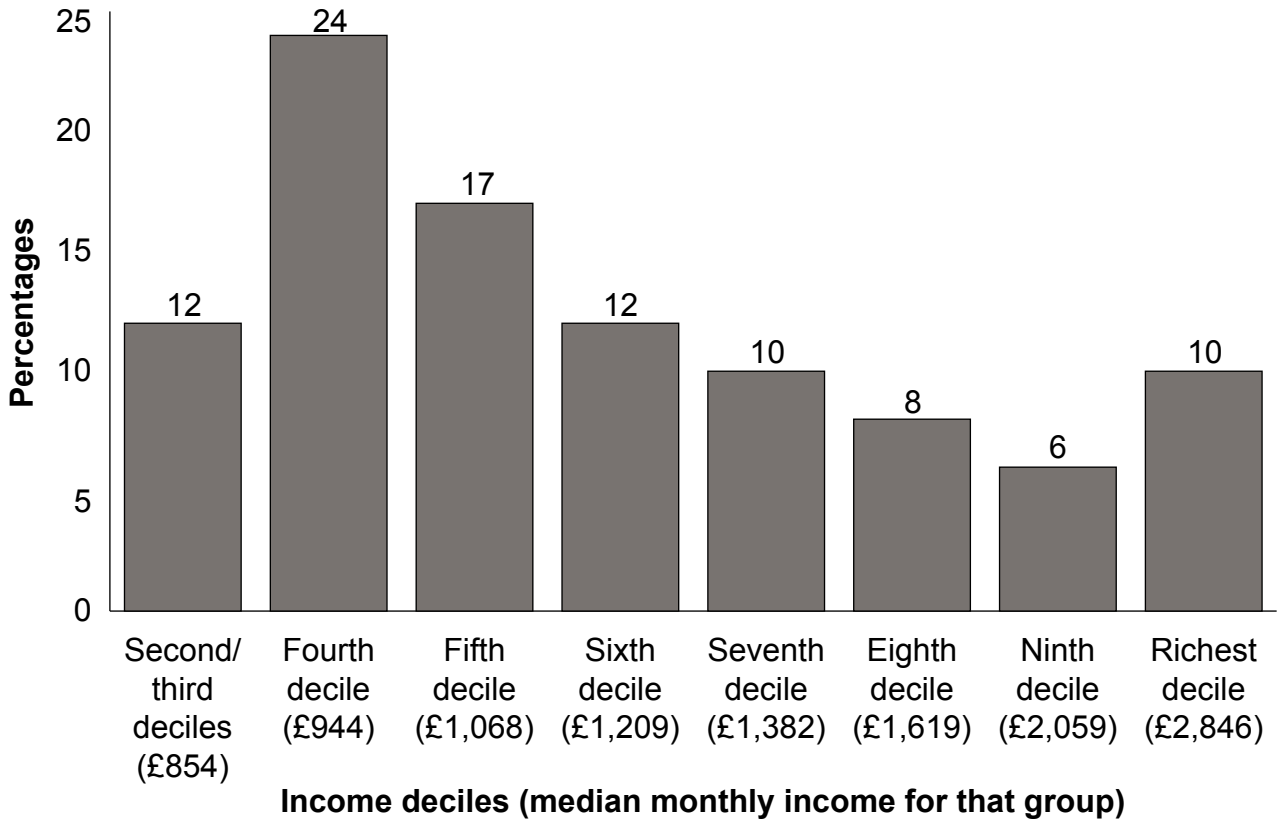
4.3.1 Working families and poverty exits

Many view paid employment as the main solution to poverty, and while getting families into work has been a key policy goal in attempting to eradicate child poverty, the existence of in-work poverty, and people trapped in the low-pay, no-pay cycle, means that reducing worklessness alone will not be sufficient (Goulden, 2010; Shildrick et al., 2010). Furthermore, more children in poverty are in working families rather than workless families (despite their lower poverty risk because there are more of them originally – DWP, 2014a), meaning that understanding this group and what is associated with an exit from working poverty is key. In this section we focus on how working families escape poverty.

When looking at the financial situation of working families who exit poverty (Figure 4.5), it is notable how similar it is to the overall situation of all families who exit poverty. This underlines the above point that the majority of families in poverty are working.

[35] The reason these larger ethnic groups were maintained was that sample sizes did not allow for splitting them further.

Figure 4.5 Working families subsequent income distribution for children who exit poverty



Base: Children from families working in first time point who exited poverty.
Note: Income is equivalised, and represents income of a single adult without children. This shows children split into 10 equal groups by level of household income in time point 2. In brackets is the average (median) income for the income deciles. See Table A.41 for further details.

Type of work

Previous research has shown that the type of work people do is important for poverty exits. Lawton (2009)[36], in her study of low pay and in-work poverty, found that moving out of low pay was much more difficult for workers in skilled trades, customer service, semi-skilled manual occupations and entry level jobs than in managerial, professional and associate professional occupations[37].

Tomlinson and Walker (2010) argue that the type of employment people secure is probably more important than personal circumstances in determining whether they are more likely to experience recurrent poverty. Ray *et al.'s* (2010) two-year longitudinal study which tracked

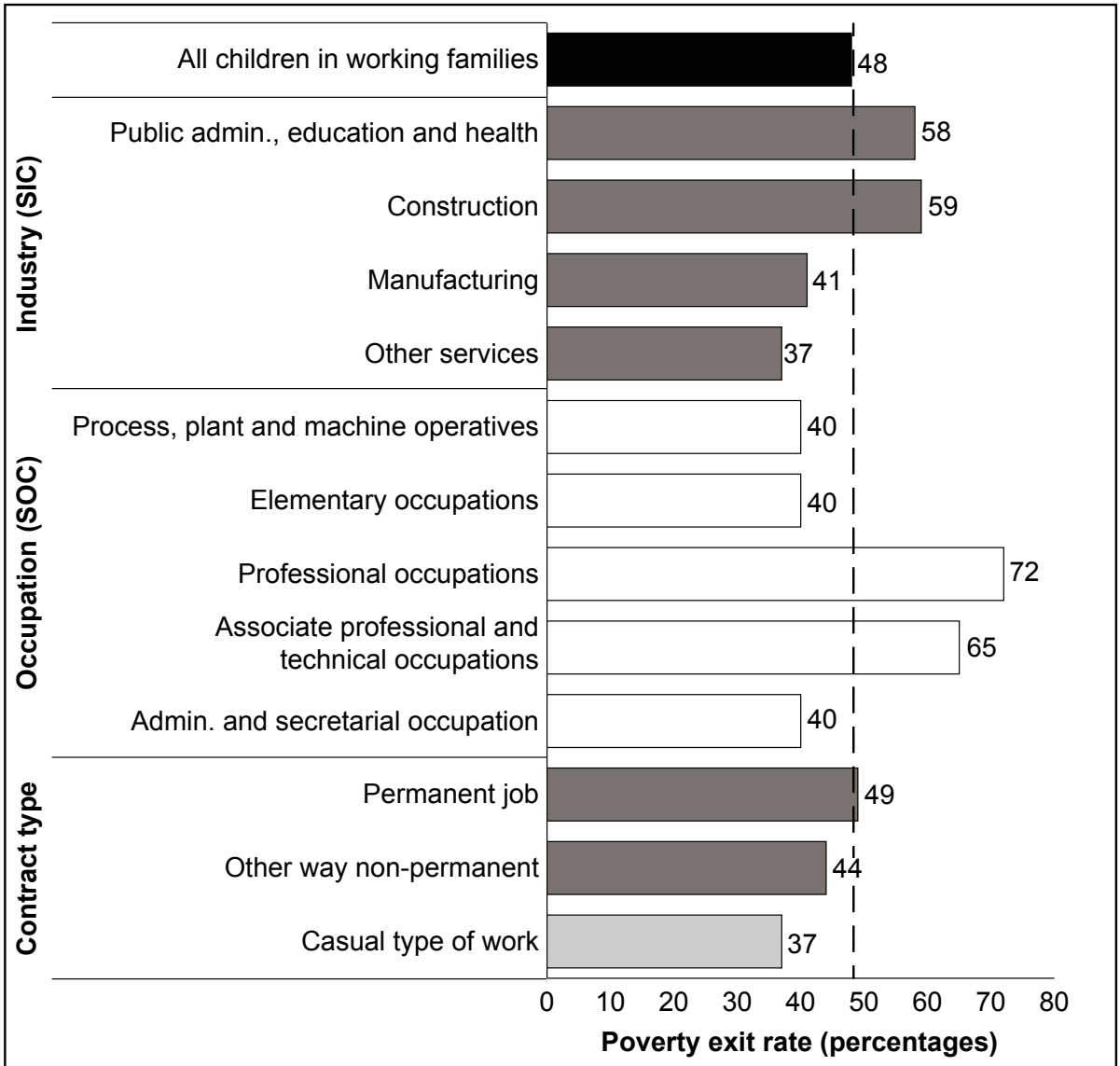
[36] Lawton, K., (2009). Nice Work if You Can Get It: Achieving a Sustainable Solution to Low Pay and In-work Poverty, London: IPPR. http://www.ippr.org.uk/publication/55/1671/nice-work-if-you-can-get-it-achieving-a-sustainable-solution-to-low-pay-and-in-work-poverty

[37] Ibid. pg. 25.

lower skilled workers concluded that part-time and temporary work limits the opportunities for people to escape the low pay/no pay cycle. This was mainly due to reduced job security and limited opportunities for progression, meaning that the employee is more likely to enter into benefit cycling[38].

For our analysis we looked at the type of work reported by the main earner in the first time point (Figure 4.6).

Figure 4.6 Poverty exit rate by selected job characteristics, for families initially in work



This shows the poverty exit rate for children with this characteristic, for families initially in work. Shaded bars with the category label in square brackets are based on low sample sizes. The bars are ordered by the share of all exits – i.e. the proportion of children who exited poverty who have this characteristic – with the most common characteristic among those who exit poverty shown first. For more information and the full data see Table 4.4.

[38] Benefit cycling is the regular movement between employment and unemployment Ray *et al.* (2010). Ibid; Shildrick *et al.*, (2010). Ibid refers to the 'low-pay, no-pay cycle'.

The type of work with particularly high poverty exit rates included:

- those in the construction industry (59 per cent);
- those in the public admin, education and health industry (58 per cent);
- those in a professional occupation (72 per cent);
- those in an associate professional/technical occupation (65 per cent).

The type of work with particularly low poverty exit rates included:

- those in the manufacturing industry (41 per cent);
- those in the other services industry (37 per cent);
- those in an admin/secretarial occupation (40 per cent);
- those in an elementary occupation (40 per cent).

The majority of people reported a permanent contract, and they had a poverty exit rate of 49 per cent, with the few workers reporting non-permanent contracts having slightly lower exits rates: 42 per cent for those on fixed period or fixed task contracts; 37 per cent for those reporting casual work; and 44 per cent exit rate for those who reported their contract was non-permanent in some other way.

The regression analysis also found differences in poverty exit rates for different types of work:

- Those in the construction industry had 1.5 times the odds of exiting poverty compared with those in the banking or finance industry.
- Those in the public admin, education and health industry had 1.3 times the odds of exiting poverty compared with those in the banking or finance industry.
- Those in a professional occupation had three times the odds of exiting poverty compared with those in a skilled trades occupation.
- Those in a non-permanent job had about half the odds of exiting poverty compared with those with a permanent contract.
- Those who went from part to full employment had around nine times the odds of exiting poverty compared with those in part employment in both time points and had no change in earnings.
- Those who were in full employment in both time points and increased earnings had about eight times the odds of exiting poverty compared with those in part employment in both time points and had no change in earnings.
- Those who were in part employment in both time points and increased earnings had around three times the odds of exiting poverty compared with those in part employment in both time points and had no change in earnings.
- Those who had an additional adult in the household (for example, a grandparent) who went from workless to working had around five times the odds of exiting poverty compared with families who were not living with an additional adult.

For more information and the full data see annex Table A50.

Table 4.4 Economic factors for families initially in work

Main factors associated with poverty exit Exit rate of all children in working families= 48%	Prevalence of event/ factor[1]	Exit rate, conditional on event2	Share of all exits3	Base 1,946
Industry (SIC) of main earner (first wave)				
Agriculture, forestry and fishing	*	*	*	20
Energy and water	*	*	*	12
Manufacturing	9	41	7	164
Construction	10	59	12	177
Distribution, hotels and restaurants	26	42	23	499
Transport and communications	15	45	14	272
Banking and finance	12	49	13	242
Public admin, education and health	20	58	25	394
Other services	6	37	4	108
Occupation (SOC) of main earner (first wave)				
Managers and senior officials	10	50	11	190
Professional occupations	8	72	12	144
Associate prof. and technical occupations	7	65	10	142
Admin and secretarial occupations	6	40	5	116
Skilled trades occupations	17	48	16	330
Personal service occupations	9	51	10	187
Sales and customer service	7	49	8	151
Process, plant and machine operatives	18	40	15	326
Elementary occupations	17	40	14	339
Contract type of main earner (first wave)				
Permanent job	91	49	93	1,738
Fixed period or fixed task contract	[2]	[42]	[2]	42
Agency temping	*	*	*	24
Casual type of work	[2]	[37]	[2]	45
Other way non-permanent	3	44	3	67

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children in poverty in the first wave with the characteristic.
2. This shows the poverty exit rate for children with this characteristic.
3. This shows the proportion of children who exited poverty who have this characteristic.

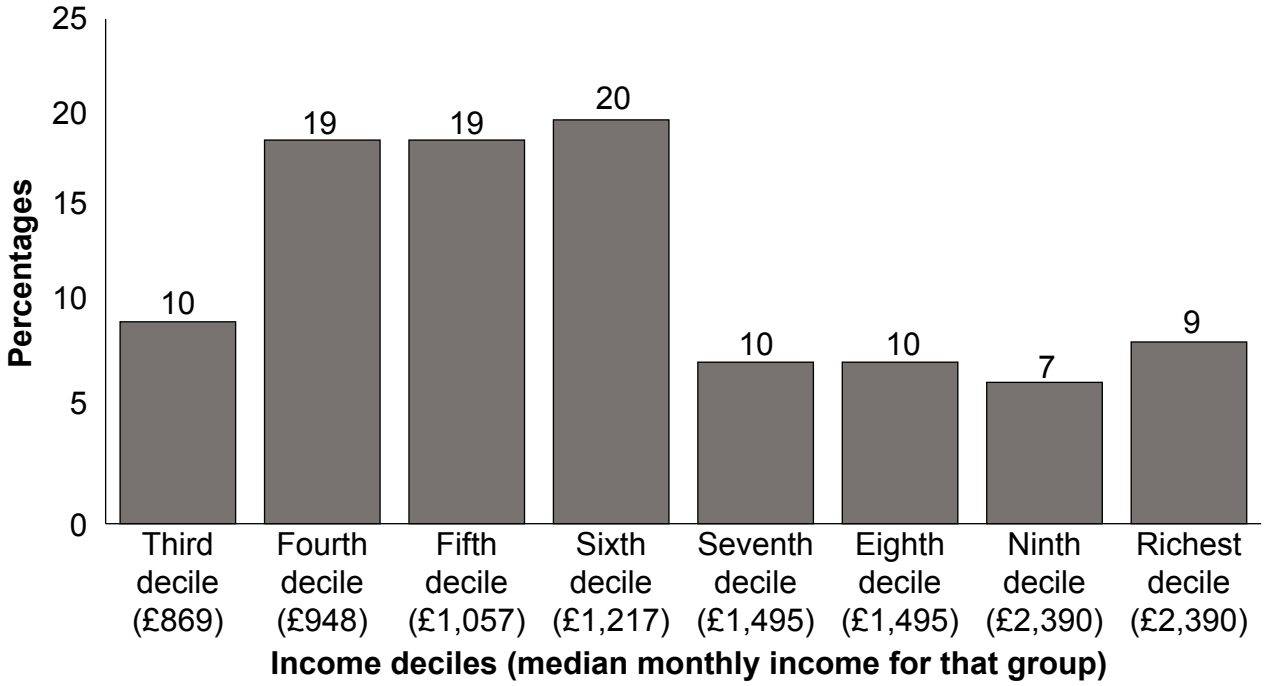
4.3.2 Gaining employment and exiting poverty

Despite the fact that the majority of poor children are in working rather than workless families (see above), children from workless families have a very high poverty rate of 38 per cent (DWP, 2014a). Children in workless families are also more likely to have lower standards of

living than children in employed families, even if they had a similar income level[39], and were more likely to suffer from material deprivation (Maplethorpe *et al.,* 2010). Other research has shown that Pakistani and Bangladeshi children are more likely to live in families who remain workless rather than gain employment (irrespective of poverty status)[40]. Moving workless families into work remains a key goal for anti-poverty strategies.

The financial situation of families who went from workless to working and exit poverty shows more improvement than that of all families who exit poverty, and of working families who exit poverty. Just less than half (48 per cent) still had less than median income after exiting poverty (Figure 4.7) compared with over half (54 per cent) of all families who exit poverty (Figure 4.1). These families have an average income rise of £602, compared with £542 for all families who exit poverty, and £554 for working families who exit poverty.

Figure 4.7 Families who gained employment and exited poverty subsequent income distribution



Base: Children from families workless in first time point who gained employment and exited poverty.
Note: Income is equalised, and represents income of a single adult without children. This shows children split into 10 equal groups by level of household income in time point 2. In brackets is the average (median) income for the income deciles. See annex Table A41 for further details.

39 Brewer, M., O'Dea, C., Paull, G. and Sibieta, L. (2009). The living standards of families with children reporting low incomes. DWP Research Report No 577.

40 Platt, L. (2010). Ten year transitions in children's experience of living in a workless household: variations by ethnic group. http://www.ons.gov.uk/ons/rel/population-trends-rd/population-trends/no--139--spring-2010/ten-year-transitions-in-children-s-experience-of-living-in-a-workless-household--variations-by-ethnic-group.pdf

Note: Income is equivalised, and represents income of a single adult without children. This shows children split into 10 equal groups by level of household income in time point 2. In brackets is the average (median) income for the income deciles. See annex Table A41 for further details.

The analysis in Section 4.2 has shown that children living in workless families who gained work had high poverty exit rates, 74 per cent for those who found full-time work and 53 per cent for those who found part-time work. In order to explore this further, we conducted regression analysis among initially poor workless families which compared those who remained workless and in poverty with those who gained employment and exited poverty.

Children in families who obtained employment and moved out of poverty were more likely to have the following characteristics:

- White ethnicity compared with Pakistani, Bangladeshi, or Black African ethnicities.
- Couple family compared with lone parent family.
- Have one child in the family compared with two children families.
- Have no adults ill or disabled in both time points compared with having at least one adult ill or disabled in both time points.
- To also have a rise in benefit income of ten per cent or more.

For more information and the full data see annex Table A51.

This suggests that certain types of family are in a better position to find work more easily. For lone parents it may be harder to find work and exit poverty due to childcare issues, whereas for couples this can be managed between the two of them. Similarly, for families with numerous children or an adult with a health issue, managing caring responsibilities and employment may be difficult, restricting the prospect of moving out of poverty.

4.4 What is the childcare use of families that exit poverty?

The cost, suitability and quality of childcare are issues that parents have to consider when weighing up the pros and cons of working whilst their children are still young. For working families in poverty or just above the poverty line, such issues are particularly important given the economic difficulties of paying for childcare whilst receiving low earnings. This is despite a number of policies designed to help families with the cost of childcare, such as Childcare Tax Credits, free childcare for three and four-year-olds, and tax-free childcare vouchers.

For families who exit poverty through finding work or increasing hours of work, decisions around childcare use are just as important. This report has already shown that families who escape poverty tend to remain on low to middle incomes. Therefore how families manage their childcare responsibilities can affect their ability to stay in work and not slip back below the poverty line.

The analysis in this section explores the childcare use of poor and low-middle income families, including those who exited poverty. It also looks at how patterns of childcare use,

both formal and informal[41], vary according to the employment status of the family, particularly whether there was a parent not working or working part-time who could have performed the childcare role.

Understanding Society (USoc) contains a number of questions about childcare use, including types of childcare, and hours used in term and holiday time. Because children in the same family could use different types of childcare, questions are asked separately about each child aged 14 and under. The analysis presented below attempts to summarise the childcare use of the family, for example, whether the family uses only formal or informal childcare or whether it uses both, and the total number of hours used across all children.

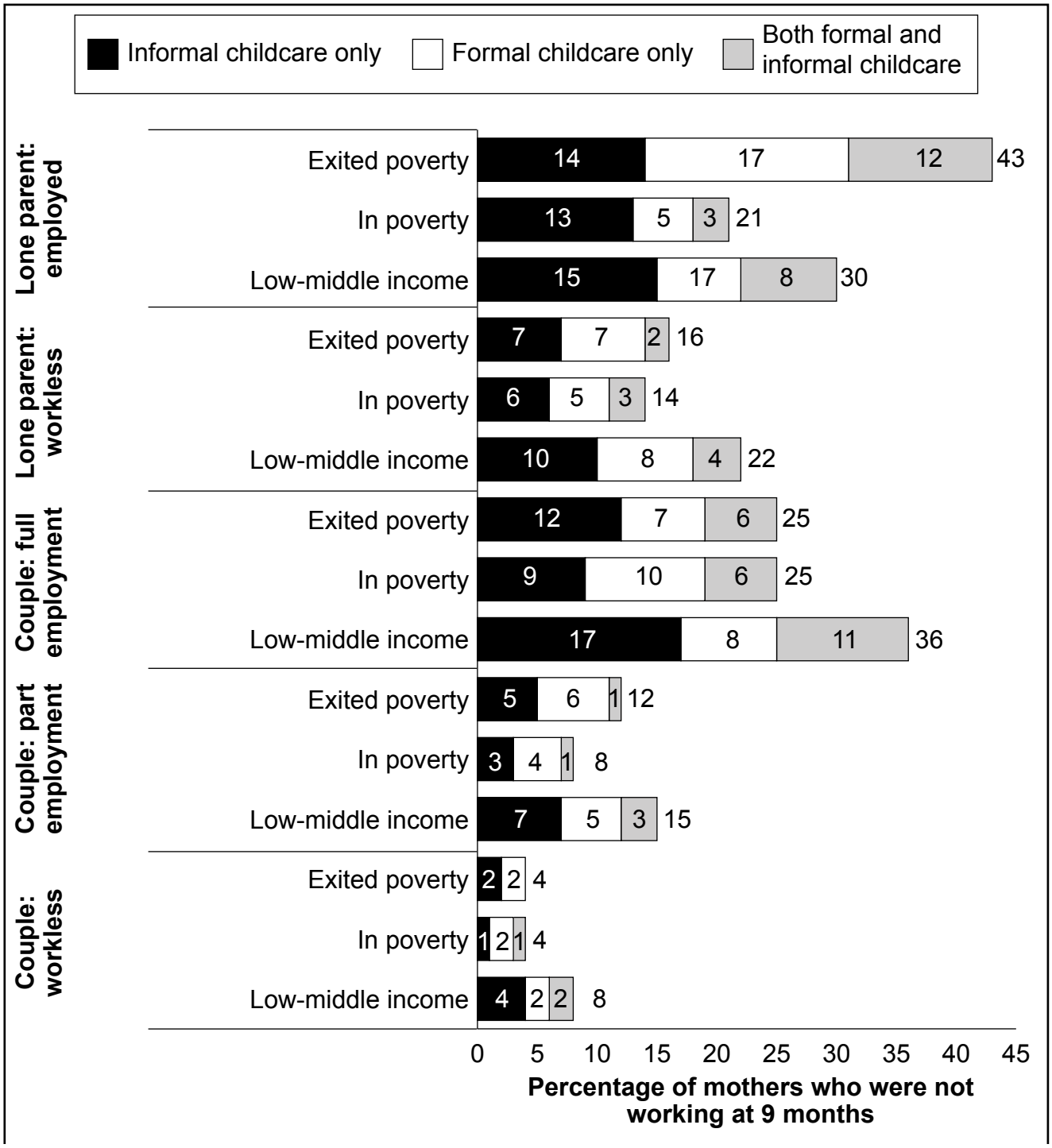
4.4.1 Findings

Unsurprisingly, families who worked more were more likely to use childcare. For couples childcare was used by six per cent of workless families, 12 per cent of part employed families, and 33 per cent of full employed families. Similarly, for lone parents childcare was used by 17 per cent of workless families and 31 per cent of employed families[42]. The fact that childcare use was similar among fully employed couples and employed lone parents was presumably driven by the fact that both sets of families would have no one at home to look after the children. Part-employed couples (i.e. likely to have one parent at home some of the time) were less than half as likely to use childcare as full-employed couples, irrespective of income. However, low-middle income families were more likely to use childcare than families in poverty – whether in work or not (Figure 4.8).

41 Formal childcare included nursery schools, child-minders, and nannies or au pairs. Informal childcare included playgroup or pre-school, the child's non-resident parent, and other family members such as the child's grandparents or elder sibling. Some families used formal or informal childcare, while others used both.

42 Sample sizes were too small to split part employed and full employed lone parents.

Figure 4.8 Childcare use by family type, employment status and income group



In general, families who exited poverty had similar childcare patterns to families in poverty. For example a quarter (25 per cent) of couples in full employment used childcare, and this was true for both families in poverty and families who exited poverty. The big exception was employed lone parents, where a much larger proportion of families who exited poverty used childcare. Among employed lone parents 43 per cent of families who exited poverty used childcare, compared with 22 per cent of families in poverty. Employed lone parents who used childcare were particularly likely to use formal childcare – 29 per cent reported using it either solely or with informal childcare (Figure 4.8 Table A52).

The fact that the highest childcare use was among employed lone parents may be a reflection of the longer hours that lone parents need to work to escape poverty (hours that could be shared across couple parents), and hence the requirement to use childcare to enable such work patterns. Even couples in full employment may be able to cover childcare duties between them to a certain extent, whereas this is less true for employed lone parents. Interestingly employed lone parents who escaped poverty were more likely to use formal childcare than low-middle income employed lone parents (29 per cent compared with 15 per cent) – suggesting that formal childcare played an important role in them being able to find or increase work.

4.5 Summary

This chapter has focused on children exiting poverty. Nearly four in ten (38 per cent) initially poor children exited poverty a year later. Work-related events were particularly key to this, with 64 per cent of poverty exits being associated with either gaining or increasing employment or families increasing their earnings. The majority of poverty exits came from initially working families, and poverty exit varied according to industry, occupation, and contract type – suggesting that certain employment types are more likely to lead to higher earnings and movement out of poverty.

For poor out-of -work families, gaining employment is likely to be the key way to exit poverty. In comparison to families who remained workless and stayed poor, families who gained work and exited poverty were more likely to be couples, have fewer and older children, and have neither parent ill or disabled. This probably reflects that these characteristics make caring for children and finding employment more straight forward.

Ethnic minorities were less likely to exit poverty – the lowest rates of poverty exit were found among Pakistani (30 per cent), black African (31 per cent) and Bangladeshi (36 per cent) children. For particular ethnic minorities certain characteristics and events were associated with an increased chance of poverty exit. Alongside employment related events black children with a smaller family size and South Asian families with older children were particularly likely to exit poverty.

Use of childcare can enable parents to work and to work more hours, which can enable movement out of poverty. Families who exited poverty generally had similar childcare use as families in poverty, with the exception of employed lone parents. A large proportion of working lone parents who exited poverty used childcare (particularly formal childcare), in comparison to working lone parents who remained poor. The ability to find affordable childcare is likely to be particularly important for lone parents to gain employment and exit poverty, as they do not live with a partner with whom they can split looking after the children.

The next chapter summarises the findings from this chapter and the previous chapter on poverty entries.

5 Conclusions

This study used Understanding Society (USoc) data from 2009/2010 to 2011/2012 to provide new evidence on transitions children make into and out of income poverty over a two-year period. Children most likely to make a move into or out of poverty were identified, using information on socio-economic characteristics.

This chapter summarises the main findings of this study, and relates the findings to previous studies on poverty transitions. It also discusses some of the implications for policy, before concluding with recommendations for further research.

5.1 Summary of main findings

Some events are strongly associated with both poverty entries and poverty exits, e.g. labour market events. However, the same factors do not completely explain both transitions. This suggests that policies required to prevent families from entering poverty need to differ from policies targeted at helping them escape.

5.1.1 Poverty entry and exit rates and income changes

Although a similar number of children entered poverty that exited poverty (around six to seven per cent of children), rates of exiting poverty were much higher than rates of entering poverty (38 per cent exited compared to seven per cent entered). This is due to there being fewer children in poverty than out of poverty at any one time.

There were differences between families entering and exiting poverty in terms of how close their income was to the poverty line prior to the poverty transition, and by how much their income changed as a result:

- Two-thirds of children who entered poverty were previously living in a household with income between the poverty line and median income, and hence were already relatively close to the poverty line.
- Children who moved out of poverty had, on average, a larger change in income than those who moved into poverty.
- Nearly half (46 per cent) of children exiting poverty moved over the median income line.
- Entering poverty was associated with a (median) average income drop of £406, while the change in income for a poverty exit was higher, with a (median) average income rise of £542. These figures include earnings and non-earnings. For those who experienced a benefit income fall the median average drop in monthly benefit income was £256. For those who experienced a benefit income rise the median average rise in monthly benefit income was £296.

5.1.2 Labour market events

Labour market events played a large role in describing both poverty entries and poverty exits. Movements into or out of employment, and increases and decreases in employment had particularly high poverty exit and entry rates.

Preventing families from becoming workless is a key protector from poverty. The labour market events with the largest entry rates involved moving from working to worklessness – either from being in full employment (entry rate of 38 per cent) or from part employment (entry rate of 42 per cent). A transition from full employment to part employment had a lower poverty entry rate (14 per cent), but one still twice the average, suggesting that in some situations full employment can help protect families against poverty, particularly when one partner is a reasonably high earner. Yet low earning families are likely to be at risk of poverty when one parent reduces their hours.

Gaining or increasing work was a key factor in families exiting poverty, especially when this left the family in full employment. Children living in a family who went from worklessness to full employment and from part employment to full employment had the highest poverty exit rates (74 per cent and 75 per cent respectively), although relatively few families actually made the leap from workless to full employment. This suggests that moving families into work – including both parents in couple families – and then increasing the number of hours they work, plays a key role in reducing poverty.

Some families did not have a change in employment status but did have either a rise or fall in their earnings, either due to a small change in hours worked or a change in rates of pay. For children in families who experienced a rise in earnings while in full employment there was an associated poverty exit rate of 73 per cent. Progressing in work leading to higher rates of pay is another route out of poverty for working families.

Working families

Understanding the poverty transitions made by working families is particularly important. Of special interest is understanding how working families can escape poverty. Poverty exit rates were found to vary by industry, occupation and contract type (of the main earner). For example, children living in families where the main earner works in public administration or the health industry, or has a professional occupation, had particularly high poverty exit rates (and low poverty entry rates), even when controlling for other factors. Having a permanent contract also increased the chances of exiting poverty. This mirrors previous research which has shown that those in a professional occupation are less likely than those in other occupations to have unstable work (Stewart, 2008) and that low-paid professionals are particularly likely to move out of low pay due to more progression opportunities (Lawton, 2009).

Some families move in and out of poverty due to the irregular nature of their work or other factors that can impact on the amount of work they can do. The poverty entry rate was 26 per cent where the main earner was in casual type of work[43]. Children living in families where the main earner works in the construction industry had both a higher than average poverty entry rate and poverty exit rate, and this remained the case even after controlling for other factors. These findings chime with previous research which suggested that those in such industries can cycle in and out of poverty due to reduced job security and limited opportunities for progression (for example, see (Stewart, 2008) and (Lawton, 2009)).

[43] Where respondents said that their job was non-permanent they were asked whether it was: seasonal work; under contract for a fixed period or a fixed task; agency temping; casual type of work; not permanent in another way.

Gaining employment

Reducing worklessness is an important policy goal and families who moved from workless to full employment had high poverty exit rates (74 per cent). However, less than one in five children who exited poverty did so because their family found work having been workless. Workless families who moved into work and escaped poverty were more likely to be couples, have fewer children and have no disabled adults in the household. Those that remained workless and poor were more likely to have characteristics that could limit their ability to search for and accept work, including being a lone parent, having numerous children or having a disabled adult in the family.

- Certain types of workless family may find it easier to work than others. Those families whose circumstances make it harder to find work may need extra support and incentives.

5.1.3 Household events

Various household events were also independently associated with families entering and exiting poverty. Having a new baby can push some families into poverty. This is more likely to be the case when it corresponds with a parent reducing their hours of work or stopping work altogether. Similarly, families with a child reaching adulthood or leaving home were more likely to exit poverty[44] even after controlling for other factors.

Parents' qualifications were also related to poverty transitions, with those with the very highest level qualifications appearing to be protected from entering poverty. Those with degree level qualifications were less likely to enter poverty, and more likely to exit, than those with A-levels and below. Higher levels of educational qualifications are likely to mean families are better able to find employment that is secure and well paid.

Parental separation, although a relatively uncommon event, can push some families into poverty. Moving into poverty is more likely to happen if the absent parent does not provide maintenance and the remaining parent is not in work or works few hours. Although children in lone parent families had higher poverty entry rates and lower poverty exit rates than those from couple families, parental separation was not independently associated with poverty entry after controlling for other predictors. This is likely to be because employment status has a more direct impact on family income and therefore outweighs the effect of parental separation.

Changing from a lone parent to a couple family was independently associated with a lower poverty entry rate. This additional adult in the family is not only an additional potential worker to contribute to household income, but may also allow the family to share childcare duties.

New families

Poverty can be of particular concern for families having their first child. These 'new families' had a higher than average child poverty rate. The rate was particularly high for lone parent families, workless families where the parent(s) had no formal qualifications or where the mother was young. The majority of new families where no parent was in work, whether while expecting their first child or when the baby was nine months old, were income poor at the time when the baby was nine months old.

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[44] Families may have fewer children at the later time point due to a child becoming an adult (whether they move out or stay at home), a child moving out (e.g. to live with another family member), or a child dying.

Overall, mothers in poor new families were less likely to have returned to work by the time their firstborn child was age seven-years-old, than mothers in families that were not poor when their (first) baby was nine months old.

- Certain families are vulnerable to poverty on the birth of their first child; particularly those with poor connections to the labour market. Single people and those who separate when the baby is young are at high risk of poverty.

Childcare

Affordable, flexible and high quality childcare can be an aide for families looking to find or maintain work – although the cost of childcare can be a disincentive for poorer parents. Childcare use tends to increase with longer hours worked, for obvious reasons, and the amount of childcare used by fully employed couples was similar to that used by fully employed lone parents – presumably driven by the fact that both sets of families would have no one at home to look after the children. Families who exited poverty generally had similar childcare use as families in poverty, with the exception of employed lone parents. A large proportion (43 per cent) of working lone parents who exited poverty used childcare (particularly formal childcare), in comparison to working lone parents who remained poor (22 per cent).

- The cost of childcare can keep poor families in poverty by disincentivising parents to find work. Childcare needs to be affordable, flexible and high quality and should not be an obstacle to finding or maintaining work.

Benefit income

Changes to benefit amounts and benefit eligibility can push families across the poverty line (in either direction).[45] Sources of income other than earnings are likely to be important for families in poverty or at risk of poverty, and rises and falls in these were associated with movements into and out of poverty. Benefit income was the most prevalent non-earnings income source, and a fall in benefit income was associated with a higher than average entry rate (13 per cent) and a rise in benefit income was associated with a higher than average exit rate (48 per cent) and this remained true when controlling for other factors.

5.1.4 Ethnicity

Children from ethnic minority groups are particularly vulnerable to poverty. Compared with children of white ethnicity, children of black African, Bangladeshi, and Pakistani ethnicities all had higher poverty entry rates and lower poverty exit rates, even after controlling for other factors.

- Certain ethnic groups (black African, Bangladeshi, and Pakistani) are more likely to enter poverty and remain poor, so likely to be at risk of persistent poverty.

Indian and black Caribbean children had both high poverty entry rates and high poverty exit rates, compared with white children, even after controlling for other factors.

- This suggests that these children may experience more temporary spells of poverty, as higher poverty entry rates are offset by higher poverty exit rates as well.

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[45] A rise or fall in benefit income is likely to be due to a change in household circumstances (such as employment or household composition) leading to a change in eligibility.

Low sample sizes meant ethnicities needed to be grouped in order to explore these issues further. Separate analysis was run exploring poverty entries and poverty exits among those of South Asian ethnicity (Indian, Pakistani, and Bangladeshi) and among those of black ethnicity (Caribbean and African), as well as for children of white ethnicity. Although findings tended to be similar to those for all children, interesting differences between ethnic groups did emerge. South Asian children from lone parent families and white children in social housing were particularly at risk of entering poverty, while black children in families where a child reached adulthood or left home, and South Asian children in families where the youngest child turned secondary school age were particularly likely to exit poverty.

- The evidence points to particular subgroups of ethnic minority families at high risk of poverty transitions. These subgroups are worthy of more in-depth (qualitative) investigation to explore the reasons for high poverty risks. Areas for further research are discussed in Section 5.3.

5.2 What has changed since before the recession?

Both the Low Income Dynamics (LID) report (DWP, 2010) and Jenkins (2011) analysed poverty transitions during years up to the recent recession in 2008 using data from the British Household Panel Survey (BHPS). In this section we compare the findings in our report, based on data after the recession (2009/10-2011/12), to the findings from those two pre-recession studies. In particular we discuss findings based on similar analysis of poverty transitions presented in LID (see annex tables; Table A23 and Table A45).

Clearly it is difficult to make direct comparisons between the studies as they use different data sources, and hence there are slight variations in some of the measures used. Furthermore, because of the lower sample size of the BHPS neither the LID or Jenkins studies focused solely on families with children. Although both studies made reference to child poverty transitions, the bulk of their findings relate to all individuals (whether living with children or not, and including pensioners).

Despite these caveats to the approach, in general the findings from this study appear to suggest similar findings to earlier studies. Again employment activities are most strongly linked to poverty transitions and the strength of these relationships seem close to that found in LID and the Jenkins work. These and other main findings are discussed in more detail below.

Poverty entries

Both LID and Jenkins found that changes in a household's labour earnings accounted for the largest shares of entries to poverty. We found that this is still true for families with children – 52 per cent of children who entered poverty lived in families whose earnings had fallen in 2009/10 to 2011/12, compared to 53 per cent of all individuals in 1991 to 2008.

LID found that a reduction in benefits accounted for 27 per cent of poverty entries (household size remaining the same)[46]. Our analysis of children found this to be higher (41 per cent), as benefit receipt was more common among families with children than the population as a whole. Other types of income – such as investment income and pensions – were less common for families with children.

Other changes such as demographic events accounted for a negligible fraction of poverty transitions. Both our research and LID found lone parents to have the highest entry rate into poverty at around one in seven. LID analysis actually picked up more households changing to become lone parents, mainly because we focused on families that had children at both waves and hence missed 'new families' (although we did look at these families separately, and found that new lone parents had a very high rate of being poor).

Poverty exits

Changes in a household's labour earnings also accounted for the largest share of exits out of poverty – 53 per cent of children who exited poverty lived in families whose earnings had risen in 2009/10 to 2011/12, as did the same proportion all individuals in 1991 to 2008. Similar findings were found across the studies for the rise in the number of workers.

Again, changes to benefit income appeared to have a bigger impact on children than all individuals (50 per cent of children who exited poverty lived in families whose benefit income had risen in 2009/10 to 2011/12 compared to 35 per cent of all individuals in 1991 to 2008).[47]

5.2.1 Further research

Using data from panel surveys to explore income transitions provides crucial evidence to policy makers trying to eradicate child poverty. It helps them understand why people move into poverty, and what helps them to escape. This information simply is not available from the standard cross-sectional surveys. Furthermore, cross-sectional research can ignore the fact that poverty at a point in time is the net outcome of movements into and out of poverty, and that the different factors that drive poverty entry and poverty exit can easily get overlooked.

More research that explores poverty transitions, and what drives them, is welcomed. This study has uncovered some important findings that are worthy of more in-depth investigation, whether through further analysis of longitudinal data or other methods such as qualitative research. Many of the findings would benefit from more waves of longitudinal data to further explore longer term patterns. For example, to measure how long families manage to escape poverty, how long families that enter poverty remain poor, and whether families cycle in and out of poverty.

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[46] A reduction in benefit income is likely to be due to a change in household circumstances (such as employment or household composition) leading to a change in eligibility. Household composition may change while household size remains the same due to differences in the number of children and adults, which may affect benefit eligibility.

[47] A reduction in benefit income is likely to be due to a change in household circumstances (such as employment or household composition) leading to a change in eligibility. Household composition may change while household size remains the same due to differences in the number of children and adults, which may affect benefit eligibility.

Moving into, and progressing in, work is clearly a key way for poorer families to increase their incomes. Tracking families for longer periods would enable us to observe whether parents who move into work, particularly low-paid work, manage to sustain their jobs, and if so whether they are able to increase their earnings. This is likely to vary according to family circumstances and type of job, so new research would look to understand the different enablers and barriers.

Childcare is a key factor that enables parents to work, and more research is needed to understand how families manage work and family life, particularly at key transition points such as the birth of a child, children reaching school age and leaving home, and as parents change job roles or employer.

Surveys such as USoc capture various aspects of children's development and wellbeing. It would be useful to explore how changes in family income, particularly those that push children above, or below, the poverty line have a direct impact on various child outcomes.

This research has identified differential rates of poverty transitions across ethnic groups. Despite boosting the number of ethnic minority respondents in the USoc survey, the ability to understand the role of ethnicity is still limited by the small sample sizes. Collating respondents across more pairs of waves will enlarge sample sizes and allow for further analysis. Of particular interest will be to explore how ethnicity interacts with other factors linked to poverty transitions, such as family type and family size.

Other aspects of poverty transitions that this study did not cover include defining poverty in different ways, for example, according to material deprivation rather than solely by income, looking further at the depth of poverty, and understanding how poverty relates to other economic measures such as debts, the amount of savings, and spending patterns.

Finally, exploring poverty dynamics, collecting detailed information on people's incomes, and deciding if and why incomes have changed is not straightforward. People receive income from a variety of sources and it is relatively easy for people to forget what and how much they get. This can be compounded when calculating household, rather than individual, income as under or misreporting can happen from different people in the same household. So research to continue to improve the quality of income information in panel surveys is of paramount importance. That the events that can trigger a change in income did not perfectly align with the poverty transitions investigated in this study is not surprising. Although panel surveys are designed to be able to measure change, often this is only achieved by piecing together information from different time points (for example, consecutive surveys) – and observing how circumstances, behaviours and attitudes differ from one time point to another. More research could be done to help verify changes, such as income transitions and events that may cause them, within the survey interview. This would not only help explain why a poverty transition has taken place, but also verify whether it took place at all.

Appendix A
Imputing Understanding Society income data

Introduction

When researching poverty transitions using a measure of income poverty, consistency in income collection across the waves[48] is essential. This is because of the focus on changes in income, and any events or characteristics associated with this change. Therefore confidence is needed that any change in income is 'real' and not due to measurement error. As incomes are skewed towards the lower end of the income scale this issue is particularly important, as a small change in income can result in a large movement along the income distribution. Where problems with the data occur, imputation methods can be used to try to correct the data.

In this annex we describe a number of steps taken to correct the problems with the Understanding Society (USoc) income data:

- How income data is collected in USoc.
- The problem with wave 1 USoc income data.
- The different imputation options.
- The method we used.

How income data is collected in Understanding Society

USoc is a large-scale longitudinal survey that tracks the circumstances, behaviours and attitudes of the British population. The first wave of the survey took place in 2009-10 (a wave spans two calendar years) and respondents are surveyed every year (wave two spans 2010-2011 and so on). The survey collects information on a wide range of topics, including detailed income information. All respondents who are aged 16 or over are asked to report all their personal income:

Labour income:

- Wages;
- Self-employment earnings; and
- Second job earnings.

[48] In surveys where the same households are interviewed at regular time points (for example annually) each interview period is referred to as a 'wave'.

Benefits

- benefits (National Insurance/State Retirement Pension, Widow's or War Widow's Pension, Widowed Mother's Allowance or Widowed Pension, Pension Credit, Severe Disablement Allowance, Disability Living Allowance, War Disablement Pension, Attendance Allowance, Carer's Allowance, Incapacity Benefit,Income Support, Jobseeker's Allowance, National Insurance credits, Child Benefit, Child Tax Credit, Working Tax Credit, Maternity Allowance, Housing Benefit, Council Tax Benefit, Foster Allowance/Guardian Allowance/rent rebate, rate rebate, Employment and Support Allowance, Return to Work Credit, sickness and accident insurance, in-work credit for lone parents).

Saving and investment income:

- interest and dividends from savings and assets.

Other sources:

- pension from a previous employer, pension from a spouse's previous employer, private pension/annuity, educational grant, trades union and friendly society payment, maintenance or alimony, payments from a family member not living together, amount for rent from boarders or lodgers, rent from any other property.

Summing the total incomes of all household members gives the total gross household income. Net income is the gross household income with deductions made for income tax payments, National Insurance contributions, domestic rates/council tax, contributions to occupational pension schemes, and child support payments. The analysis presented below focuses on net household income, i.e. after deductions.

Respondents don't always know the amount of income they receive, just that they know they receive something. For example, a respondent may know that they receive a particular benefit, but not how much they receive. These amounts get imputed into the dataset by taking an average amount from similar respondents receiving that same benefit[49]. Imputation such as this is not carried out for those who do not report an income source at all, for example, a respondent who does receive Child Benefit, but forgets to mention this in the interview. For the Family Resources Survey[50] (FRS), the Department for Work and Pensions' (DWP's) specialist income series, imputation is carried out so that there is no missing information for "components of key derived variables, such as total household income and housing costs, and areas key to the work of the Department, such as benefit receipt"[51]. On top of this, validation work is carried out on the FRS dataset where income amounts have been reported. This includes examining zero and near-zero income amounts, assessing

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49 For more on this see https://www.understandingsociety.ac.uk/d/82/MS_UserManual.pdf?1388678212

50 The FRS, made available by the UK Data Archive, provides a comparison with USoc based on a well-established specialist income survey. Figures labelled in this chapter are derived from the FRS based on direct analysis of the FRS dataset, not the results reported in the official FRS publications. All FRS money figures are adjusted to make them more directly comparable with USoc, by converting weekly to monthly amounts. FRS data are restricted to adults with children in that year, as the FRS interviews different households each year. Due to this and other differences between the surveys, figures may not be directly comparable.

51 See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206887/frs_2011_12_report.pdf

outliers, and credibility checks, with amounts edited where applicable. This validation could be seen as a 'gold standard' of income validation and imputation work, although this process takes an extensive amount of time.

An extra technique to improve the quality of income data can be used in longitudinal surveys such as USoc. To help respondents remember the benefits (and 'other sources', see list above) that they receive, wave 2 of the survey included 'dependent interviewing'. This makes use of the fact that the same respondents are interviewed over time, and draws on information the respondent gave at a previous wave (hence why it is only possible to use dependent interviewing from wave 2 onwards). If at wave 2 a respondent failed to mention a benefit that they had mentioned at wave 1, a message is triggered to the interviewer to check whether the respondent still received that benefit. This check was carried out for 36 different income sources in total. Out of our sample of 31,184 adults who are in each of the three waves, 2,822 adults were reminded of a benefit or other income source they had reported at wave 1 and said that they did still receive that income source.

Example of how dependent interviewing works

ID	1_BenA	1_BenB	1_BenC	2_BenA	2_ BenAchk	2_BenB	2_ BenBchk	2_BenC	2_ BenCchk
1	£15	£25		£15		£25			
2	£15	£10		£15			X		
3	£15	£20		£15		£20	X	£10	
4	£15	£25		£15		£25		£30	

ID 1: Recorded Benefit A and Benefit B in both waves. Dependent interviewing not triggered.
ID 2: Recorded Benefit A and Benefit B in wave 1. Recorded only Benefit A in wave 2. Dependent interviewing triggered a check to see if Benefit B received in wave 2. Respondent said no.
ID 3: Recorded Benefit A and Benefit B in wave 1. Recorded Benefit A and Benefit C in wave 2. Dependent interviewing triggered a check to see if Benefit B received in wave 2. Respondent said yes, and recorded £20 for wave 2, resulting in receipt of three benefits in wave 2 up from two benefits in wave 1. Respondent is not asked whether they also received Benefit C in wave 1.
ID 4: Recorded Benefit A and Benefit B in both waves. Recorded Benefit C in wave 2 only. Dependent interviewing not triggered.

The problem with wave 1 USoc income data

A problem was found with the income data in USoc wave 1. When restricting the dataset to our group of interest – adults who are in each of wave 1, wave 2, and wave 3 – there was an increase in net income between wave 1 and wave 2 of approximately 10 per cent (see Table A1). This appears to mainly be driven by the large rise in income from 'benefits and other sources' (a 27 per cent increase in mean amount, 45 per cent increase in median amount). For the other areas that contribute to overall income, large rises were not seen. Between wave 1 and wave 2, net labour-market income rose one per cent for the mean and fell two per cent for the median, while income from savings and investments fell on average by two per cent.

Although there is evidence that respondents get better at answering survey questions over time, and so would be more likely to recall their income sources in wave 2 compared to

wave 1[52], it is likely that the dependent interviewing has further enhanced this recall. The dependent interviewing has given respondents an additional opportunity to declare income at wave 2 – an opportunity that they did not have at wave 1 – and hence their income has risen more than would be expected between wave 1 and wave 2.

Table A.1 The USoc income data

	Wave 1	Wave 2	Wave 3
Mean amount of benefits and other sources per month	£414	£524	£581
% change from previous wave	–	27%	11%
Median amount of benefits and other sources per month	£125	£180	£213
% change from previous wave	–	45%	18%
Mean amount of net labour income per month	£782	£786	£812
% change from previous wave	–	1%	3%
Median amount of net labour income per month	£325	£317	£316
% change from previous wave	–	-2%	0%
Mean amount of income from savings/investments per year	£373	£365	£345
% change from previous wave	–	-2%	-5%
Median amount of income from savings/investments per year	£0	£0	£0
% change from previous wave	–	0%	0%
Mean amount of net income per month	£1,297	£1,433	£1,537
% change from previous wave	–	10%	7%
Median amount of net income per month	£1,044	£1,138	£1,205
% change from previous wave	–	9%	6%
Trimmed* mean amount of net income per month	£1,294	£1,378	£1,467
% change from previous wave	–	7%	6%
Trimmed* median amount of net income per month	£1,100	£1,174	£1,237
% change from previous wave	–	7%	5%

The income sources in this table are all the different income sources available, grouped. Mean and median amounts are for all respondents, not just those reported each source.
* In these calculations we have removed ('trimmed') respondents with zero or negative incomes, plus the top and bottom one per cent of the positive reported incomes. These incomes are more likely to be inaccurate and have an impact when calculating the mean. This procedure also impacts on the median, as more incomes from the lower end of the income distribution are removed, hence increasing the median.

Analysis of the FRS suggests that net income did not rise by as much as the USoc data implies (see Table A2). The differences are particularly apparent when comparing the income grouped into 'benefits and other sources'. Whilst in USoc there was an increase of 27 per cent between wave 1 and wave 2 in mean amount (45 per cent increase in median amount) the FRS showed much smaller increases in benefit and other sources income.

[52] Lynn, P. (2006:43). 'Quality Profile: British Household Panel Survey Version 2.0: Waves 1 to 13: 1991–2003 http://www.iser.essex.ac.uk/files/bhps/qualityprofiles/BHPS-QP-01-03-06-v2.pdf

It is important to note that one would not expect USoc and FRS to provide exactly the same income estimates, as FRS collects income in a more detailed way than USoc (although FRS is not longitudinal so does not benefit from being able to do dependent interviewing). However, the differences across the years are much higher in USoc and support the theory that the wave 1 USoc data is lower than would be expected.

Table A.2 Comparison of USoc with FRS

	USoc*			FRS		
	Wave 1 2009-10	**Wave 2 2010-11**	**Wave 3 2011-12**	**2009/10**	**2010/ 11**	**2011/ 12**
Mean amount of benefits and other sources per month	£414	£524	£581	£431	£450	£460
% change from previous wave	–	27%	11%	–	4%	2%
Median amount of benefits and other sources per month	£125	£180	£213	£143	£150	£148
% change from previous wave	–	45%	18%	–	5%	-2%
Mean amount of net income per month	£1,297	£1,433	£1,537	£1,409	£1,408	£1,431
% change from previous wave	–	10%	7%	–	-1%	7%
Median amount of net income per month	£1,044	£1,138	£1,205	£1,125	£1,138	£1,160
% change from previous wave	–	9%	6%	–	1%	2%
Trimmed** mean amount of net income per month	£1,294	£1,378	£1,467	£1,323	£1,337	£1,360
% change from previous wave	–	7%	6%	–	1%	2%
Trimmed[6] median amount of net income per month	£1,100	£1,174	£1,237	£1,125	£1,138	£1,160
% change from previous wave	–	7%	5%	–	1%	2%

The income sources in this table are all the different income sources available grouped. Mean and median amounts are for all respondents, not just those reported each source.

* Note that USoc covers the calendar year whereas FRS covers the financial year, so these are not directly comparable time points.

** Income amounts are trimmed to remove those with zero or negative reported incomes, plus the top and bottom one per cent of the positive reported incomes.

As noted above, consistency and accuracy in collecting income is important. If the large increases in net incomes and amount of income from benefits and other sources are due to measurement errors then our findings would be compromised. A method for dealing with this is imputation, which is described in the next section.

Different imputation options

Non-reporting of income is potentially an issue in any survey, but a longitudinal survey such as USoc does allow exploration of differences over time. Therefore respondents can be examined to see if, for example, they mention receiving Child Benefit at wave 2 having forgotten to mention it at wave 1. Of course, the respondent may have reported their income correctly at both waves and the reason for additional benefit receipt at wave 2 could be due to a change in circumstances – for example having a child or losing employment between

interviews. Consideration needs to be taken that any imputing of non-reported income does not cover up valid variation in the data.

We considered three options for imputation in this project, all with imputation at wave 1 but not at wave 2 or wave 3:

- Option 1: Reverse dependent interviewing imputation;
- Option 2: Full reverse imputation; and
- Option 3: Targeted reverse imputation.

Option 1 – Reverse dependent interviewing imputation

One imputation method is to carry out the dependent interviewing in reverse – i.e. for respondents who report receipt of a benefit at wave 2 that they did not mention at wave 1 we could assume they did in fact receive it previously but had merely forgotten to mention it. If we take all those who declared additional income at wave 2 due to dependent interviewing and assumed that any 'new' benefits declared at wave 2 had been forgotten at wave 1, we could impute these amounts and see the impact on average incomes.

ID	1_BenA	1_BenB	1_BenC	2_BenA	2_ BenAchk	2_BenB	2_ BenBchk	2_BenC	2_ BenCchk
1	£15	£25		£15		£25			
2	£15	£10		£15			X		
3	£15	£20		£15		£20	X	£10	
4	£15	£25		£15		£25		£30	

This would mean that imputation would occur for respondent with ID 3 only, as they are the only respondent who triggered the dependent interviewing check. We would not take into account whether the respondent with ID 3 was eligible for Benefit C at wave 1, and the £10 would be imputed at wave 1.

Carrying this out leads to mean and median 'benefit and other sources' income being £429 and £127 respectively, still well below (over 22 per cent) the equivalents at wave 2 and 3. This led to a total of 1,099 respondents having income imputed (out of our sample of 31,184 individuals who are in each of the three waves). As each respondent could have more than one imputation, there were 1,530 imputations in total.

Table A.3 Option 1 – Reverse dependent interviewing imputation

	Wave 1	Wave 2	Wave 3
Mean amount of benefits and other sources per month	£429	£524	£581
% change from previous wave	–	22%	11%
Median amount of benefits and other sources per month	£127	£180	£213
% change from previous wave	–	42%	18%
Mean amount of net income per month	£1,313	£1,433	£1,537
% change from previous wave	–	9%	7%
Median amount of net income per month	£1,061	£1,138	£1,205
% change from previous wave	–	7%	6%

Option 2 – Full reverse imputation

Another option is instead of focusing on those who triggered the dependent interviewing check; imputation could be carried out for all those who reported benefits at wave 2 that they had not mentioned at wave 1. Imputing amounts for these benefits could be incorrect and also reduce the likelihood of observing real income transitions.

ID	1_BenA	1_BenB	1_BenC	2_BenA	2_ BenAchk	2_BenB	2_ BenBchk	2_BenC	2_ BenCchk
1	£15	£25		£15		£25			
2	£15	£10		£15			X		
3	£15	£20		£15		£20	X	£10	
4	£15	£25		£15		£25		£30	

Under this imputation method anyone with a benefit at wave 2 that they didn't report at wave 1 has this imputed (again, we do not take account of whether the respondent was eligible for that benefit or not in wave 1). So both respondent with ID 3 and respondent with ID 4 would have their wave 2 Benefit C amounts imputed at wave 1 (£10 and £30 respectively).

Doing this leads to mean and median benefit and other sources income being £527 and £228 respectively. This imputed mean amount is one per cent above the wave 2 amount, while the median is 21 per cent above the wave 2 amount. This led to a total of 8,815 respondents having income imputed and 12,711 imputations in total.

Table A.4 Option 2 – Full reverse imputation

	Wave 1	Wave 2	Wave 3
Mean amount of benefits and other sources per month	£527	£524	£581
% change from previous wave	–	-1%	11%
Median amount of benefits and other sources per month	£228	£180	£213
% change from previous wave	–	-21%	18%
Mean amount of net income per month	£1,410	£1,433	£1,537
% change from previous wave	–	2%	7%
Median amount of net income per month	£1,146	£1,138	£1,205
% change from previous wave	–	-1%	6%

Option 3 – Targeted reverse imputation

However, as mentioned previously, there will be respondents who did receive benefits at wave 2 that they actually did not receive at wave 1. Therefore taking into account eligibility for the benefit at wave 1 could lead to greater accuracy when imputing. The eligibility at wave 1 consists of reporting that benefit or income source at wave 2 (having not mentioned it at wave 1) and fitting some basic eligibility criteria to assess whether the respondent was likely to be receiving the benefit or income source in wave 1. Under this method both respondent with ID 3 and respondent with ID 4 would have Benefit C imputed at wave 1 as long as they fit some eligibility criteria at wave 1. For example, if Benefit C were Child Benefit and respondent with ID 3 had children at wave 2 but not at wave 1 then Benefit C would not be imputed at wave 1 for them. If respondent ID 4 did have children at both wave 1 and wave 2 then Benefit C would be imputed at wave 1 for them.

ID	1_BenA	1_BenB	1_BenC	2_BenA	2_ BenAchk	2_BenB	2_ BenBchk	2_BenC	2_ BenCchk
1	£15	£25		£15		£25			
2	£15	£10		£15			X		
3	£15	£20		£15		£20	X	£10	
4	£15	£25		£15		£25		£30	

The eligibility criteria varied for each source and used respondent information such as employment status, family type, age, disability status, and income. For benefits sources (see above) the amount was deflated to take account of how much those benefits were uprated[53]. This uprating was not carried out for the private pensions or other income sources. Child Benefit was the exception, where the amount was worked out in relation to the number of children in the household in wave 1 and using the benefit rate applicable when the interview was carried out. Table A5 below shows the benefits and other income sources and the criteria for eligibility we used.

Table A.5 Eligibility rules

Name of 'benefit or other income source'	Rule	Whether deflated
NI retirement /State Retirement (old age) Pension	If in wave 1 they were above the State Pension age (65 for men, 60 for women) and had declared their job status as 'retired'.	Yes
A pension from a previous employer	If in wave 1 they had declared their job status as 'retired' and/or were above the State Pension age and whilst not in employment.	No
A pension from a spouse's previous employer	If in wave 1 they had declared their job status as 'retired' and/or were above the State Pension age whilst not in employment.	No
A private pension/annuity	If in wave 1 they had declared their job status as 'retired' and/or were above the State Pension age and whilst not in employment.	No
A Widowed Mother's Allowance/Widowed Parent's Allowance	If in wave 1 they had a marital status of 'widowed' and had one or more children and were below State Pension age	Yes
Pension Credit (includes guarantee credit and saving credit)	If in wave 1 they were above the State Pension age and had declared their job status as 'retired'.	Yes
Severe Disablement Allowance	If in wave 1 they had a long-standing illness, impairment or disability and were not in employment	Yes
Industrial Injury Disablement Allowance	If in wave 1 they had a long-standing illness, impairment or disability and were not in employment	Yes
Disability Living Allowance	If in wave 1 they had a long-standing illness, impairment or disability	Yes
Attendance Allowance	If in wave 1 they had a long-standing illness, impairment or disability and were over the State Pension age	Yes
Carer's Allowance (formerly Invalid Care Allowance)	If in wave 1 they looked after/gave special help to someone who is sick, disabled or elderly (this could be someone living with them or living elsewhere)	Yes

(Continued)

[53] See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223561/Abstract2012_v02b.pdf

Name of 'benefit or other income source'	Rule	Whether deflated
War Disablement Pension	If in wave 1 they had a long-standing illness, impairment or disability	Yes
Incapacity Benefit	If in wave 1 they had a long-standing illness, impairment or disability and were not in employment	Yes
Income Support	If in wave 1 they had a long-standing illness, impairment or disability or were not in employment or worked as an employee for 16 hours or less per week	Yes
Jobseeker's Allowance	If in wave 1 they were not in employment or worked as an employee for 16 hours or less per week	Yes
Child Benefit (including lone parent Child Benefit payments)	If in wave 1 they had one or more children and their partner (if applicable) did not receive Child Benefit	N/A
Child Tax Credit	If in wave 1 they had one or more children and their partner did not receive Child Tax Credit and their income was below the 'low income' classification	Yes
Working Tax Credit (includes Disabled Person's Tax Credit)	If in wave 1 their income was below the 'low income' classification and their partner did not receive Working Tax Credit and they worked for 16 hours per week or more	Yes
Housing Benefit	If in wave 1 their housing tenure was renting (of some sort) and their household income was less than wave 2 household income + 10%*	Yes
Council Tax Benefit	If in wave 1 their household income was less than wave 2 household income + 10%	Yes
Educational grant (not student loan or tuition fee loan)	If in wave 1 they were studying full time	Yes
Maintenance or alimony	If in wave 1 their marital status was the same as it was in wave 2	No
Payments from a family member not living there	If in wave 1 their household income was less than their wave 2 household income and their 'benefit and other sources' income was less than their wave 2 'benefit and other sources' income	No
Rent from boarders or lodgers (not family members) living there	If in wave 1 their household income was less than their wave 2 household income and their 'benefit and other sources' income was less than their wave 2 'benefit and other sources' income and their household composition had not changed	No
Rent from any other property	If in wave 1 their household income was less than their wave 2 household income and their 'benefit and other sources' income was less than their wave 2 'benefit and other sources' income**	No
Employment and Support Allowance	If in wave 1 they were not employed as an employee and they do not receive incapacity benefit and they do not receive Jobseeker's Allowance	Yes

* This additional 10 per cent was used so that individuals would remain eligible as long as their household income had not fallen by over 10 per cent between wave 1 and wave 2. This is so they would be eligible as long as they had not seen a large change in income over the period.

** There is not a question on USoc about owning a property not lived in, so it is difficult to check eligibility for this. Instead it is assumed that they received this as long as wave 1 incomes are less than wave 2 equivalents.

Using this approach, the mean and median amounts for benefits and other sources were £467 and £153 respectively. If this approach was used, the increase in average 'benefit and other sources' income between wave 1 and wave 2 would be between 12 per cent and 18 per cent, while for overall net income there would be a six per cent or four per cent increase between waves.

Table A.6 Option 3 – Targeted reverse imputation

	Wave 1	Wave 2	Wave 3
Mean amount of benefits and other sources per month	£467	£524	£581
Percentage change from previous wave	–	12%	11%
Median amount of benefits and other sources per month	£153	£180	£213
Percentage change from previous wave	–	18%	18%
Mean amount of net income per month	£1,350	£1,433	£1,537
Percentage change from previous wave	–	6%	7%
Median amount of net income per month	£1,096	£1,138	£1,205
Percentage change from previous wave	–	4%	6%

Comparing the results of the different imputation methods

Table A7 shows the mean and median amounts of benefits and other sources of income, and total net income over the three waves. It also shows the percentage change between waves, and how this differs for each of the imputation methods. To summarise:

- Imputation option 1 made only a minimal effect.
- Imputation option 2 had a much greater impact, with the mean wave 1 benefit amount now more than the wave 2 equivalent.
- Imputation option 3 had a greater impact that option 1 but less of one that option 2.

Table A.7 Comparing the results of the different imputation methods

	Wave 1								Wave 2		Wave 3
	Current data		Method 1. Reverse dependent interviewing		Method 2. Full reverse imputation		Method 3. Targeted reverse imputation				
	£	wave1-2 change	£	wave1-2 change	£	wave1-2 change	£	wave1-2 change	£	wave2-3 change	£
Benefits and other income											
Mean	£414	27%	£429	22%	£527	-1%	£467	12%	£524	11%	£581
Median	£125	45%	£127	42%	£228	-21%	£153	18%	£180	18%	£213
Net income											
Mean	£1,297	10%	£1,313	9%	£1,410	2%	£1,350	6%	£1,433	7%	£1,537
Median	£1,044	9%	£1,061	7%	£1,146	-1%	£1,096	4%	£1,138	6%	£1,205

Whilst the first imputation option appeared to have a limited impact on the average income amounts, the second imputation option resulted in a substantial increase in average benefit and other sources of income. However, there are a variety of reasons why someone might start claiming a benefit at wave 2 that they had not been receiving at wave 1, meaning that this approach might introduce greater error. Imputation option 3 had more of an impact than option 1, whilst also applying basic eligibility criteria for those benefits and other income sources. Due to this (and after agreement from CPU) we applied imputation option 3 to the wave 1 benefits and other sources income data. This will mean that respondents with these income sources at wave 2, who had not mentioned them at wave 1, were given that income where they appeared eligible for them. This imputation presumes that these respondents had forgotten these sources at the wave 1 interview, and so boosts their income.

Validation of Option 3

After running imputation option 3 on the wave 1 data, various checks and validation measures were carried out in order to look for and correct potential errors or unintended changes.

Table A8 below shows each of the 36 benefits and other income sources and the number and percentage of adults who receive them. This is shown for wave 1 data pre-imputation, those affected by the imputation, the wave 1 data after imputation, and the wave 2 data. For 25 of these income sources the number of adults receiving this source was at least ten per cent lower in wave 1 compared with wave 2 (shown in yellow[54]). There were only three income sources where the number of adults receiving this source was at least ten per cent higher in wave 1 compared with wave 2 (shown in red), although these were all income sources where receipt was low in each of the waves. After imputation, the number of income sources where the number of adults receiving this source was at least ten per cent lower in wave 1 compared with wave 2 fell to eight (shown in yellow). There were a further seven income sources where the number of adults receiving this source was now at least ten per cent higher in wave 1 compared with wave 2, having not been so previously (shown in red). Overall benefit receipt increased from 57 per cent of adults in wave 1 to 61 per cent of adults after imputation, which was the same proportion of adults as in wave 2.

Table A.8 Number and % of adults affected*

Name of 'benefit or other income source'	Wave 1		Imputed at Wave 1		Wave 1 after imputation		Wave 2	
	Number of adults	% of adults	Number of adults	% of adults	Number of adults	% of adults	Number of adults	% of adults
Child Benefit (including lone parent child benefit payments)	8,944	20	333	1	9,277	21	9,172	20
Child Tax Credit	6,612	15	387	1	6,999	15	6,848	15
Working Tax Credit (includes Disabled Person's Tax Credit)	2,362	5	273	1	2,635	6	2,806	6
Council Tax Benefit	4,255	10	1,138	3	5,393	13	5,114	12
Housing Benefit	3,709	9	814	2	4,523	11	4,452	11
Income Support	1,948	4	508	1	2,456	6	1,999	5
Maintenance or alimony	555	1	207	0	762	2	700	2
Disability Living Allowance	1,828	4	487	1	2,315	6	2,257	5
Rent from any other property	919	2	8	0	927	2	1,282	3

(Continued)

[54] For all of the yellow and red shading this is only done where number of adults is 50 or more.

Name of 'benefit or other income source'	Wave 1		Imputed at Wave 1		Wave 1 after imputation		Wave 2	
	Number of adults	% of adults	Number of adults	% of adults	Number of adults	% of adults	Number of adults	% of adults
Jobseeker's Allowance	943	3	255	1	1,198	3	944	2
Educational grant (not student loan or tuition fee loan	612	2	307	1	919	2	769	2
Carer's Allowance (formerly Invalid Care Allowance)	501	1	146	0	647	2	685	2
Incapacity Benefit	1,106	3	204	1	1,310	3	1,123	3
A pension from a previous employer	4,778	13	667	2	5,445	14	5,571	15
NI Retirement/ State Retirement (old age) Pension	7,731	21	495	1	8,226	22	8,639	23
Payments from a family member not living here	297	1	198	1	495	1	437	1
Employment and Support Allowance	183	0	70	0	253	1	302	1
A private pension/ annuity	1,570	4	614	2	2,184	6	2,299	6
Severe Disablement Allowance	184	0	125	0	309	1	277	1
National Insurance credits	168	0	0	-	168	0	199	1
Rent from boarders or lodgers (not family members) living here	140	0	4	0	144	0	195	1
A pension from a spouse s previous employer	904	3	257	1	1,161	3	1,093	3
Pension Credit (includes guarantee credit and saving credit)	809	2	315	1	1,124	3	1,152	3
Industrial Injury Disablement Allowance	116	0	30	0	146	0	150	0
A Widow's or War Widow's Pension	167	0	0	-	167	0	191	1
Attendance Allowance	377	1	192	1	569	2	551	2

(Continued)

Name of 'benefit or other income source'	Wave 1		Imputed at Wave 1		Wave 1 after imputation		Wave 2	
	Number of adults	% of adults	Number of adults	% of adults	Number of adults	% of adults	Number of adults	% of adults
Return to Work Credit	33	0	0	-	33	0	34	0
War Disablement Pension	74	0	16	0	90	0	94	0
Rent rebate	132	0	0	-	132	0	77	0
A Widowed Mother's Allowance/ Widowed Parent's Allowance	12	0	6	0	18	0	21	0
Maternity Allowance	9	0	1	0	10	0	9	0
Rate rebate	99	0	0	-	99	0	103	0
Foster Allowance/ Guardian Allowance	6	0	0	-	6	0	9	0
In-work credit for lone parents	4	0	0	-	4	0	2	0
Trades union/ friendly society payment	5	0	0	-	5	0	10	0
Sickness and accident insurance	13	0	0	-	13	0	8	0
Total receiving any of these income components	22,839	57	6,021	15	24,319	61	24,529	61

* This table is ordered by prevalence of the benefit among adults living with children at wave 2. So Child Benefit is the most common of these income sources among that group, followed by Child Tax Credit. The actual figures shown in the table are for all adults (i.e. adults living with children and not living with children), which is why the percentage of adults affected column does not show this pattern.

Table A9 (below) shows the mean monetary amount received for the 36 benefits and other income sources. There were 16 income sources where the average monetary amount was at least ten per cent lower in wave 1 compared with wave 2 (shown in yellow). For four income sources the average was now at least ten per cent higher than in wave 2 (shown in red), although for two of these they were only just over a pound more on average.

Table A10 shows the distribution of income for wave 1 pre-imputation, wave 1 after imputation, and wave 2. For each of the deciles, imputation increased wave 1 income to nearer, but just below the wave 2 equivalents.

Table A11 to Table A14 show the impact of the imputation on the poverty rates (note that these are presented at adult rather than child level). While the poverty entry rate is unchanged, the exit rate is lower after imputation, both where the ten per cent income rule is used and where it is not used, and when using a relative or absolute poverty measure. The three-wave poverty count was very similar pre- and post-imputation.

Table A.9 Monetary amount

Name of 'benefit or other income source'	Wave 1		Imputed at Wave 1		Wave 1 after imputation		Wave 2	
	Number of adults	Mean £	Number of adults	Mean £	Number of adults	Mean £	Number of adults	Mean £
Child Benefit (including lone parent child benefit payments)	8,944	£23	333	£1	9,277	£24	9,172	£24
Child Tax Credit	6,612	£33	387	£2	6,999	£36	6,848	£36
Working Tax Credit (includes Disabled Person's Tax Credit)	2,362	£10	273	£1	2,635	£11	2,806	£13
Council Tax Benefit	4,255	£8	1,138	£2	5,393	£11	5,114	£11
Housing Benefit	3,709	£27	814	£6	4,523	£33	4,452	£33
Income Support	1,948	£13	508	£3	2,456	£16	1,999	£13
Maintenance or alimony	555	£4	207	£1	762	£5	700	£5
Disability Living Allowance	1,828	£12	487	£3	2,315	£15	2,257	£14
Rent from any other property	919	£19	8	£0	927	£20	1,282	£25
Jobseeker's Allowance	943	£7	255	£2	1,198	£8	944	£7
Educational grant (not student loan or tuition fee loan	612	£6	307	£3	919	£9	769	£8
Carer's Allowance (formerly Invalid Care Allowance)	501	£3	146	£1	647	£3	685	£4
Incapacity Benefit	1,106	£10	204	£2	1,310	£11	1,123	£10
A pension from a previous employer	4,778	£85	667	£8	5,445	£93	5,571	£122
NI Retirement/State Retirement (old age) Pension	7,731	£97	495	£6	8,226	£102	8,639	£111
Payments from a family member not living here	297	£5	198	£2	495	£7	437	£5
Employment and Support Allowance	183	£1	70	£1	253	£2	302	£2

(Continued)

Name of 'benefit or other income source'	Wave 1		Imputed at Wave 1		Wave 1 after imputation		Wave 2	
	Number of adults	Mean £	Number of adults	Mean £	Number of adults	Mean £	Number of adults	Mean £
A private pension/ annuity	1,570	£19	614	£5	2,184	£24	2,299	£23
Severe Disablement Allowance	184	£2	125	£1	309	£3	277	£2
National Insurance credits	168	£1	0	£0	168	£1	199	£1
Rent from boarders or lodgers (not family members) living here	140	£1	4	£0	144	£1	195	£2
A pension from a spouse's previous employer	904	£11	257	£2	1,161	£13	1,093	£20
Pension Credit (includes guarantee credit and saving credit)	809	£4	315	£1	1,124	£6	1,152	£6
Industrial Injury Disablement Allowance	116	£1	30	£0	146	£1	150	£1
A widow's or War Widow's Pension	167	£2	0	£0	167	£2	191	£2
Attendance Allowance	377	£3	192	£2	569	£5	551	£5
Return to Work Credit	33	£0	0	£0	33	£0	34	£0
War Disablement Pension	74	£1	16	£0	90	£1	94	£1
Rent rebate	132	£1	0	£0	132	£1	77	£0
A Widowed Mother's Allowance/Widowed Parent's Allowance	12	£0	6	£0	18	£0	21	£0
Maternity Allowance	9	£0	1	£0	10	£0	9	£0
Rate rebate	99	£0	0	£0	99	£0	103	£0
Foster Allowance/ Guardian Allowance	6	£0	0	£0	6	£0	9	£0
In-work credit for lone parents	4	£0	0	£0	4	£0	2	£0
Trades union/friendly society payment	5	£0	0	£0	5	£0	10	£0
Sickness and accident insurance	13	£1	0	£0	13	£1	8	£0
Total receiving any of these income components	22,839	£410	6,021	£54	24,319	£464	24,529	£508

Table A.10 Income distribution

	Net income at wave 1	Net income at wave 1 after imputation	Net income at wave 2
Mean	£1,297	£1,350	£1,433
Median	£1,044	£1,096	£1,138
Deciles 1	£170	£230	£263
Deciles 2	£433	£504	£545
Deciles 3	£665	£733	£770
Deciles 4	£866	£917	£950
Deciles 5	£1,044	£1,096	£1,138
Deciles 6	£1,250	£1,300	£1,343
Deciles 7	£1,507	£1,553	£1,600
Deciles 8	£1,854	£1,903	£1,966
Deciles 9	£2,487	£2,515	£2,638

Table A.11 Two-wave transitions, NOT including 10 per cent rule

	Prevalence			Rate		
	Not imputed at wave 1	Imputed at wave 1		Not imputed at wave 1	Imputed at wave 1	
	wave 1-wave 2	wave 1-wave 2	wave 2-wave 3	wave 1-wave 2	wave 1-wave 2	wave 2-wave 3
Avoid poverty	76	78	77	92	92	92
Enter poverty	7	7	7	8	8	8
Persistent poverty	10	10	9	56	62	55
Escape poverty	7	6	7	44	38	45

Table A.12 Two-wave transitions, including 10 per cent rule

	Prevalence			Rate		
	Not imputed at wave 1	Imputed at wave 1		Not imputed at wave 1	Imputed at wave 1	
	wave 1-wave 2	wave 1-wave 2	wave 2-wave 3	wave 1-wave 2	wave 1-wave 2	wave 2-wave 3
Avoid poverty	78	79	79	95	95	95
Enter poverty	4	4	4	4	5	5
Persistent poverty	12	12	11	66	70	67
Escape poverty	6	5	6	34	30	33

Table A.13 Two-wave transitions using absolute poverty measure*, including 10% rule

	Prevalence			Rate		
	Not imputed at wave 1	Imputed at wave 1		Not imputed at wave 1	Imputed at wave 1	
	wave 1-wave 2	wave 1-wave 2	wave 2-wave 3	wave 1-wave 2	wave 1-wave 2	wave 2-wave 3
Avoid poverty	76	79	79	95	95	95
Enter poverty	4	4	4	5	5	5
Persistent poverty	13	12	11	63	69	65
Escape poverty	8	5	6	37	31	35

* This uses the poverty line at wave 2 then uses the Consumer Price Index (CPI) to downrate this for the wave 1 poverty line and to uprate it for the wave 3 poverty line. The wave 2 poverty line is used rather than wave 1 as Child Poverty Unit (CPU) were happier with the income amounts in this year, and so we can show the impact of the imputation on wave 1 income.

Table A.14 Three-wave count

Number of times in poverty	Not imputed at wave 1	Imputed at wave 1
	wave 1- wave 3	wave 1- wave 3
0	71	72
1	16	16
2	8	7
3	5	5

Appendix B
Analysis tables

A B.1 Child characteristics

Table A.15 Child characteristics (wave one)

	Column percentages
Family type	
Couple	74
Lone parent	26
Number of children (in family)	
0	2*
1	25
2	41
3	21
4 or more	12
Long-term limiting illness or disability (of parents)	
Lone parent without long-term limiting illness	21
Lone parent with long-term limiting illness	5
Couple, neither have long-term limiting illness	55
Couple, one has long-term limiting illness	16
Couple, both have long-term limiting illness	3
Highest educational qualification (of parents)	
Degree	33
Other higher	14
A-level etc.	19
GCSE etc.	21
Other	5
None	7
Age of youngest child (in family)	
0 to 4	45
5 to 10	30
11 to 15	19
16 to 19	6
Ethnicity (of mother)[1]	
White background	71
Mixed background	2
Indian	5
Pakistani	7
Bangladeshi	4
Chinese	0

(Continued)

	Percentages
Other Asian background	1
Caribbean	2
African	5
Other black background	0
Arab	1
Other ethnic group	2
Work status (of parents)	
Couple, both full-time work[2]	13
Couple, one part-time work[3], one full-time work	18
Couple, both part-time work	1
Couple, one workless, one full-time work	17
Couple, one workless, one part-time work	4
Couple, workless	7
Lone parent, full-time work	5
Lone parent, part-time work	6
Lone parent, workless	14
One or more self-employed (couples and lone parents)	16
Income (of household)	
Mean equivalised monthly income after imputation	£1,313
Median equivalised monthly income after imputation	£1,099
Tenure	
Owner occupier	60
Social housing	25
Private rent	15
Rurality	
Urban area	82
Rural area	18
Government Office Region	
North East	4
North West	11
Yorkshire and the Humber	9
East Midlands	7
West Midlands	9
East of England	9
London	18
South East	12
South West	7
Wales	4
Scotland	6
Northern Ireland	4
Base (all children)	22,330

* This is due to the analysis including families who did not have children in wave 1, but then did have children at wave 2, in order to assess the poverty transitions for families having their first child.

Understanding Society wave 1 (2009/10).
1. Where information on ethnicity of the mother is not available, ethnicity of the father is used.
2. Full-time work is defined as 30 or more hours per week.
3. Part-time work is defined as fewer than 30 hours per week.

Table A.16 Cross-sectional poverty rate (first wave) by child characteristics (first wave)

	Row and column percentages	
	Poverty risk[1]	**Poverty composition[2]**
All children	20	100
Family type		
Lone parent:	28	38
Couple with children:	17	62
Work status (of parents)		
Couple, both full-time work[3]	2	1
Couple, one part-time work[4], one full-time work	3	3
Couple, both part-time work	13	1
Couple, one workless, one full-time work	18	15
Couple, one workless, one part-time work	41	9
Couple, workless	49	19
Lone parent, full-time work	7	2
Lone parent, part-time work	14	4
Lone parent, workless	44	30
One or more self-employed (couples and lone parents)	21	17
Number of children in the family		
One child	15	18
Two children	15	33
Three children	23	26
Four or more children	36	23
Age of youngest child in the family		
0 to 4	22	51
5 to 10	20	31
11 to 15	16	15
16 to 19	16	3
Ethnicity (of mother)[5]		
White background	15	55
Mixed background	21	2
Indian	23	6
Pakistani	40	14

(Continued)

	Poverty risk[1]	Poverty composition[2]
Bangladeshi	36	8
Chinese	9	0
Other Asian background	24	2
Caribbean	22	3
African	28	7
Other black background	52	1
Arab	34	1
Other ethnic group	22	2
Tenure		
Owned outright	23	10
Buying with mortgage	11	30
Social rented sector tenants	35	45
All rented privately	20	15
Base (all children)	*20,433*	*3,998*

Understanding Society wave 1 (2009/10).

1. Poverty risk is the proportion of children with this characteristic who are in poverty.
2. Poverty composition is the proportion of children in poverty who have this characteristic (i.e. column percentages which sum to 100 per cent for each section).
3. Full-time work is defined as 30 or more hours per week.
4. Part-time work is defined as fewer than 30 hours per week.
5. Where information on ethnicity of the mother is not available, ethnicity of the father is used.

Table A.17 Two-year poverty status by child characteristics (first wave)

Row percentages

	Avoid poverty (00)	Enter poverty (01)	Escape poverty (10)	Consecutive poverty (11)
All children	**74**	**6**	**7**	**12**
Economic status of the family and family type				
Lone parent:	63	9	8	20
In full-time work	88	6	4	3
In part-time work	78	8	6	9
Not working	46	10	11	32
Couple with children:	78	5	7	9
Both in full-time work	96	2	1	1
One in full-time work, one in part-time work	94	3	2	1
One in full-time work, one not working	77	5	9	10
One or more in part-time work				
Both not in work	44	8	14	34
Self-employed (couples and lone parents)	72	8	10	10
Economic status of the family				
All adults in work	90	4	3	3
At least one adult in work, but not all	66	8	12	14

(Continued)

				Row percentages
	Avoid poverty (00)	**Enter poverty (01)**	**Escape poverty (10)**	**Consecutive poverty (11)**
Workless households	45	9	13	33
Number of children in the family				
One child	80	5	6	9
Two children	79	5	6	9
Three or more children	64	8	10	18
Three or more children				
Age of youngest child in the family				
0 to 4	72	6	8	14
5 to 10	74	6	8	11
11 to 15	79	5	6	9
16 to 19	78	4	6	11
Tenure				
Owners:	82	4	6	7
Owned outright	71	6	8	15
Buying with mortgage	84	4	6	6
Social rented sector tenants	55	10	11	24
All rented privately	75	6	8	12
Base (all children)				*20,430*

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

A B.2 Entries into child poverty

Income changes on entering poverty

Table A.18 Income changes on entering poverty by work status

Time 1 income group	All children			Working in first time point			Workless in both time points		
	Total %	Median T1 income	Median income drop	Total %	Median T1 income	Median income drop	Total %	Median T1 income	Median income drop
Second/third deciles	37	£800	£221	31	£799	£243	51	£810	£200
Fourth decile	17	£913	£320	18	£912	£325	16	£913	£313
Fifth decile	13	£1,032	£450	13	£1,035	£479	15	£1,032	£420
Sixth decile	9	£1,172	£649	10	£1,174	£672	6	£1,268	£692
Seventh decile	9	£1,340	£779	12	£1,337	£811	4		
Eighth decile	5	£1,542	£1,008	7	£1,534	£1,018	3	£1,858	£1,157
Ninth decile	4	£1,823	£1,323	4	£1,813	£1,468	4		
Richest decile	5	£2,845	£2,464	6	£2,894	£2,524	2		
Total	100	£950	£406	100	£1,000	£499	100	£866	£327

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).
Note: Income is equivalised, and represents income of a single adult without children. This shows children split into ten equal groups by level of household income in time point 1. Second and third deciles are combined due to only a very small proportion of children who enter poverty falling into the second income decile. For households workless in both time points the sixth and seventh deciles, and the eighth, ninth and tenth deciles are combined for median income and median income drop due to low sample sizes.

Which children are most likely to enter poverty?

Table A.19 Poverty risk and poverty entry rate by child characteristics

Row percentages

	Poverty risk[1]	Poverty entry rate	Base
All children	20	7	16,433
Family type (includes events)			
Couple (in both waves)	17	6	12,027
Lone parent (in both waves)	28	12	4,194
Event: couple → lone parent	11	14	109
Event: lone parent → couple	26	3	103
Number of children (includes events)			
1 (in both waves)	15	6	3,506
1 → 2	13	6	428
2 (in both waves)	15	6	6,826
2 → 3	23	14	320

(Continued)

	Poverty risk[1]	Poverty entry rate	Base
3 (in both waves)	23	7	3,086
3 → 4	29	25	167
4 or more (in both waves)	35	15	1,507
Age of youngest child (first wave)			
0 to 4	22	8	7,513
5 to 10	19	8	5,244
11 to 15	16	6	3,166
16 to 19	18	5	509
Age of youngest child (second wave)			
0	23	13	784
1 to 4	22	8	5,767
5	22	6	1,133
6 to 10	19	7	4,368
11	19	8	724
12 to 15	15	6	2,719
16 to 19	18	5	937
Age of parents (first wave)			
16-24	30	11	570
25-34	22	10	3,903
35-44	19	6	7,952
45-54	17	6	3,607
55+	23	12	371
Health of parents (includes events)			
No one ill/disabled (in both waves)	18	7	11,374
Event: Someone ill/disabled → no one ill/disabled	21	9	1,407
Event: No one ill/disabled → someone ill/disabled	22	7	1,257
One or more ill/disabled (in both waves)	22	8	2,362
Highest qualification of parents (first wave)			
Degree	10	4	6,038
Other higher	14	5	2,558
A-level etc.	20	8	3,168
GCSE etc.	27	10	3,155
Other	32	15	680
None	41	20	821
Work status of parents(includes events)			
Full employment (in both waves)[2]	3	1	6,297
Part employment (in both waves)[3]	20	6	3,254
Workless (in both waves)	43	18	2,112
Event: Full employment → part employment	5	14	665
Event: Full employment → workless	14	42	117
Event: Part employment → full employment	24	3	593
Event: Part employment → workless	24	43	252
Event: Workless → part employment	60	13	213

(Continued)

	Poverty risk[1]	Poverty entry rate	Base
Self-employed (in either wave)	21	10	2,869
At least one parent long-term workless[4] (first wave)			
No	10	5	11,455
Yes	35	13	4,978
Other adults in household (first wave)			
No	19	7	14,625
Yes, but not in work	36	13	613
Yes, in work	12	6	1,195
Tenure (first wave)			
Owner occupier	13	5	10,392
Social housing	35	16	3,463
Private rent	20	7	2,547
Rurality (first wave)			
Urban area	21	8	13,202
Rural area	12	5	3,227
Ethnicity of mother[5] (first wave)			
White background	15	5	12,496
Mixed background	21	9	347
Indian	23	10	686
Pakistani	40	19	646
Bangladeshi	36	16	464
Other Asian background	24	9	233
Caribbean	22	11	401
African	28	15	683
Other ethnic group	22	14	295
Government Office Region (first wave)			
North East	19	10	669
North West	21	9	1,759
Yorkshire and the Humber	20	8	1,409
East Midlands	22	8	1,181
West Midlands	25	10	1,365
East of England	20	6	1,464
London	23	10	2,752
South East	12	5	2,161
South West	15	4	1,320
Wales	19	7	683
Scotland	18	5	980
Northern Ireland	19	8	686

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. Poverty risk is the proportion of children with this characteristic who are in poverty in wave 1.
2. Couple: both in full-time work, Couple: one parent in full-time work and one parent in part-time work, Lone parent in full-time work.
3. Couple: one parent in full-time work, Couple: one parent in part-time work, Couple: both in part-time work, Lone parent in part-time work.
4. Long-term workless is defined as having been out of work for a year or longer.
5. Where information on ethnicity of the mother is not available, ethnicity of the father is used.

Table A.20 Conditional entry rate, prevalence, share of entries by family type (d-dynamic), number of children (d), age of youngest child (d), ethnicity

Cell percentages

	Prevalence of event/factor1	Entry rate, conditional on event[2]	Share of all entries[3]	Base
Entry rate of all children = 7%				**16,433**
Family type (includes events)				
Couple in both waves	76	6	61	12,027
Lone parent in both waves	23	12	37	4,194
Changed status: Couple → lone parent	1	14	1	109
Changed status: Lone parent → couple	1	3	0	103
Number of children (includes events)				
1 child in both waves	21	6	16	3,506
Changed status: 1 child → 2 children	3	6	2	428
2 children in both waves	41	6	33	6,826
Changed status: 2 children → 3 children	2	14	4	320
3 children in both waves	18	7	16	3,086
Changed status: 3 children → 4 or more children	1	25	3	167
4 or more children in both waves	9	15	19	1,507
Age of youngest child (first wave)				
0 to 4	45	8	48	7,513
5 to 10	32	8	34	5,244
11 to 15	20	6	16	3,166
16 to 19	3	5	2	509
Age of youngest child (second wave)				
0	5	13	9	784
1 to 4	35	8	38	5,767
5	7	6	6	1,133
6 to 10	26	7	25	4,368
11	4	8	5	724
12 to 15	17	6	14	2,719
16 to 19	6	5	4	937
Ethnicity of mother[4]				
White background	74	5	54	12,496
Mixed background	2	9	2	347
Indian	5	10	6	686
Pakistani	5	19	13	646
Bangladeshi	3	16	7	464
Chinese	0	4	0	65
Any other Asian background	1	9	2	233
Caribbean	2	11	3	401
African	4	15	8	683
Arab	0	7	0	60
Any other ethnic group	2	14	3	295

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).
1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.
4. Where information on ethnicity of the mother is not available, ethnicity of the father is used.

Table A.21 Conditional entry rate, prevalence, share of entries by economic activity status (d), long-term worklessness, income sources (d), tenure

Cell percentages

	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base
Entry rate of all children = 7%				**16,433**
Work status (includes events)				
Full employment4 in both waves same earnings	21	0	1	3,451
Full employment in both waves fall in earnings6	13	6	11	2,083
Full employment in both waves rise in earnings7	16	1	1	2,643
Part employment5 in both waves same earnings	10	6	8	1,719
Part employment in both waves fall in earnings	6	19	16	940
Part employment in both waves rise in earnings	7	3	3	1,096
Workless in both waves	12	18	29	2,112
Changed status: Full employment → part employment	5	14	10	867
Changed status: Full employment → workless	1	38	4	132
Changed status: Part employment → full employment	5	6	4	786
Changed status: Part employment → workless	2	42	9	282
Changed status: Workless → part employment	1	11	2	238
Changed status: Workless → full employment	0	23	2	84
Economic status of other adults in the household				
No other adults, both waves	83	7	83	14,413
Other adults, not in work, both waves	3	14	6	372
Other adults, in work, both waves	8	4	4	823
Change: No → Yes, not in work	1	8	1	113
Change: No → Yes, in work	1	3	0	99
Change: Yes, not in work → No	1	14	1	119
Change: Yes, not in work → Yes, in work	1	8	1	122
Change: Yes, in work → No	1	13	2	237
Change: Yes, in work → Yes, not in work	1	7	1	135
Long-term worklessness (first wave)				
All adults in work	63	4	36	10,494
One adult in work, one short-term workless	4	9	5	681
One adult in work, one long-term workless	18	11	26	2,824
All adults short-term workless	2	17	4	280

(Continued)

	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base
Entry rate of all children = 7%				**16,433**
Workless household: one short-term, one long-term	9	19	23	1,625
All adults long-term workless	4	14	7	529
Income sources				
Fall in earnings	27	15	52	4,297
Fall in benefit income	35	13	63	5,711
Fall in non-benefit, non-earnings income	9	7	9	1,418
Fall in investment income	6	5	4	878
Fall in private and occupational pension income	0	7	0	70
Tenure (first wave)				
Owner occupier	65	5	44	10,392
Social housing	20	16	42	3,463
Private rent	15	7	14	2,547
Year				
2009/10-2010/11	54	7	53	8,722
2010/11-2011/12	46	8	47	7,711
Age of parent (main earner) (first wave)				
16-24	3	11	5	570
25-34	23	9	30	3,903
35-44	48	6	41	7,952
45-54	23	6	20	3,607
55-64	3	12	4	371
65 or older	[0]	[19]	[0]	30
Government Office Region (first wave)				
North East	4	10	5	669
North West	10	9	13	1,759
Yorkshire and the Humber	9	8	9	1,409
East Midlands	7	8	8	1,181
West Midlands	8	10	12	1,365
East of England	9	6	7	1,464
London	17	10	23	2,752
South East	13	5	8	2,161
South West	8	4	4	1,320
Wales	4	7	4	683
Scotland	6	5	4	980
Northern Ireland	4	8	4	686
Rurality (first wave)				
Urban	81	8	88	13,202
Rural	19	5	12	3,227

(Continued)

	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base
Entry rate of all children = 7%				**16,433**
Income deciles (first wave)				
2nd	2	23	5	242
3rd	13	19	32	2,143
4th	13	10	17	2,100
5th	12	8	13	2,067
6th	12	6	9	1,987
7th	12	6	9	2,028
8th	12	3	5	1,994
9th	12	3	4	1,928
Richest	12	3	5	1,944

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.
4. Couple: both in full-time work, Couple: one parent in full-time work and one parent in part-time work, Lone parent in full-time work.
5. Couple: one parent in full-time work, Couple: one parent in part-time work, Couple: both in part-time work, Lone parent in part-time work.
6. A fall in an income source is where it has decreased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month).
7. A rise in an income source is where it has increased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month).

Table A.22 Conditional entry rate, prevalence, share of entries by highest qualification, health (d)

Cell percentages

Entry rate of all children = 7%	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base 16,433
Highest qualification4 (first wave)				
Degree level or equivalent	37	4	21	6,038
Other higher degree	15	5	11	2,558
A-level or equivalent	19	8	21	3,168
GCSE or equivalent	19	10	25	3,155
Other qualification	4	15	8	680
No qualification	5	20	14	821
Health and disability status (includes events)				
No adults ill/disabled in both waves	69	7	68	11,374
Changed status: One or more adults ill/ disabled → no adults ill/disabled	9	9	10	1,407

(Continued)

Entry rate of all children = 7%	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base 16,433
Changed status: No adults ill/disabled → one or more adults ill/disabled	8	7	7	1,257
One or more adults ill/disabled in both waves	15	8	15	2,362

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).
1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.
4. The qualification is taken from the parent with the higher level of qualification if the child lives with both parents.

Table A.23 Conditional entry rate, prevalence, share of entries mirrors LID table 11.1

Cell percentages

Main factors associated with poverty entry Entry rate of all children = 7%	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base 16,433
Labour income events				
Fall in earnings	22	18	52	3,473
Fall in number of workers (same household size)	7	22	19	1,053
Fall in number of full-time workers (same household size)	8	14	15	1,270
Non-Labour income events				
Fall in benefit income (same household size)	25	12	41	4,026
Fall in non-benefit, non-earnings income (same household size)	8	7	7	1,158
Fall in investment income (same household size)	5	5	4	756
Fall in private and occupational pension income (same household size)	1	3	0	109
Demographic events				
Change in household type	1	8	1	212
Change to single parent household	1	14	1	109

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).
1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.

Table A.24 Conditional entry rate, prevalence, share of entries by count of significant factors and selected combinations of significant factors

Cell percentages

Main factors associated with poverty entry Entry rate of all children = 7%	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base 16,433
Number of key predictors of child poverty[4]				
None	34	4	17	5,357
One	36	6	29	5,987
Two	20	12	31	3,304
Three	8	15	16	1,390
Four or five	2	21	7	395
Select combinations of key predictors of child poverty				
Lone parent, long-term workless, and no qualifications	2	22	6	335
Lone parent, and 3 or more children	6	18	15	1,159
Poor health, long-term workless, and no qualifications	1	19	3	196

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.
4. These are the five key predictors of child poverty identified by the Child Poverty Strategy: long-term worklessness, having low qualifications, raising children on your own, having three or more children to care for, and experiencing ill health (DWP, 2014b).

Table A.25 Conditional entry rate, prevalence, share of entries by risk events and number of risk events

Cell percentages

Main factors associated with poverty entry Entry rate of all children = 7%	Prevalence of event/factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base 16,433
Fall in benefit income	35	13	63	5,711
Fall in non-benefit, non-earnings income	9	7	9	1,418
Fall in investment income	6	5	4	878
Fall in private and occupational pension income	0	7	0	70
Full employment in both waves fall in earnings	13	6	11	2,083
Part employment in both waves fall in earnings	6	19	16	940
Changed status: Full employment → part employment	5	14	10	867
Changed status: Full employment → workless	1	38	4	132
Changed status: Part employment → workless	2	42	9	282
Changed status: Workless additional adults → No additional adults	1	14	1	119
Changed status: Working additional adults → No additional adults	1	13	2	237
Changed status: Working additional adults → Workless additional adults	1	7	1	135
Changed status: Couple → lone parent	1	14	1	109
Changed status: 1 child → 2 children	3	6	2	428
Changed status: 2 children → 3 children	2	14	4	320

(Continued)

Main factors associated with poverty entry Entry rate of all children = 7%	Prevalence of event/factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base 16,433
Changed status: 3 children → 4 or more children	1	25	3	167
Changed status: One or more adults ill/disabled → no adults ill/disabled	9	9	10	1,407
Changed status: No adults ill/disabled → one or more adults ill/disabled	8	7	7	1,257
Child in the benefit unit went from age 13 to age 14	12	8	13	1,982
Number of risk events[4]				
0	30	1	6	4,965
1	39	8	40	6,367
2	21	13	36	3,479
3 or more	10	13	18	1,622

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.
4. The risk events are:
   Fall in benefit income;
   Fall in non-benefit, non-earnings income;
   Fall in investment income;
   Fall in private and occupational pension income;
   Fall in work status or earnings (Full employment in both waves fall in earnings, Part employment in both waves fall in earnings, Changed status: Full employment → part employment, Changed status: Full employment → workless, or Changed status: Part employment → workless);
   Additional adult status changed (Changed status: Workless additional adults → No additional adults, Changed status: Working additional adults → No additional adults, or Changed status: Working additional adults → Workless additional adults);
   Went from couple to lone parent;
   Increased number of children;
   Changed disability status (Changed status: One or more adults ill/disabled → no adults ill/disabled, or Changed status: No adults ill/disabled → one or more adults ill/disabled);
   A child in the benefit unit went from age 13 to age 14.

Table A.26 Regression model of poverty entry for all children

Characteristic/event	Category	Odds ratio
Year	2010/11-2011/12 versus 2009/10-2010/11	1.520
Ethnicity	Mixed background versus white	1.209
	Indian versus white	2.719
	Pakistani versus white	2.487
	Bangladeshi versus white	2.110
	Chinese versus white	1.784
	Any other Asian background versus white	1.641
	Caribbean versus white	1.826
	African versus white	2.114
	Any other black background versus white	4.776
	Arab versus white	1.309
	Any other ethnic group versus white	2.305
Family type	Lone parent in both time points versus Couple in both time points	1.099
	Went from couple to lone parent versus Couple in both time points	.870
	Went from lone parent to couple versus Couple in both time points	.111
Age of youngest child (time point 2)	0 versus 6-10	1.007
	1-4 versus 6-10	1.168
	5 versus 6-10	.905
	11 versus 6-10	1.405
	12-15 versus 6-10	1.039
	16-18 versus 6-10	1.019
Number of children	1 child in both time points versus 2 in both time points	1.029
	1 to 2 children versus 2 in both time points	1.416
	2 to 1 child versus 2 in both time points	.911
	2 to 3 children versus 2 in both time points	2.674
	3 to 2 or 1 child versus 2 in both time points	.944
	3 children in both time points versus 2 in both time points	.749
	3 to 4 or more children versus 2 in both time points	3.169
	4 or more children to 1, 2 or 3 children versus 2 in both time points	3.324
	4 or more children in both time points versus 2 in both time points	1.106
Age of parent (main earner) (time point 1)	16-24 versus 35-44	.702
	25-34 versus 35-44	.957
	45-54 versus 35-44	1.268
	55-64 versus 35-44	2.057
	65 or older versus 35-44	1.983
Tenure (time point 1)	Social housing versus Owner occupier	1.121
	Private rent versus Owner occupier	.594
	Other versus Owner occupier	2.601

(Continued)

Characteristic/event	Category	Odds ratio
Work status	Full employment in both time points versus Part employment in both time points	.148
	Full employment in both time points fall in earnings versus Part employment in both time points	2.239
	Full employment in both time points rise in earnings versus Part employment in both time points	.128
	Part employment in both time points fall in earnings versus Part employment in both time points	4.612
	Part employment in both time points rise in earnings versus Part employment in both time points	.402
	Workless in both time points versus Part employment in both time points	2.661
	Full employment to part employment versus Part employment in both time points	5.126
	Full employment to workless versus Part employment in both time points	23.924
	Part employment to workless versus Part employment in both time points	19.736
	Increased work versus Part employment in both time points	1.236
Long-term (1yr+) worklessness	Yes versus No	1.077
Other adults in household (and their work status)	Additional adults not in work versus No additional adults	.869
	Additional adults in work versus No additional adults	.332
	None to Yes, but not in work versus No additional adults	.910
	None to Yes, in work versus No additional adults	.458
	Yes, but not in work to None versus No additional adults	1.569
	Yes, but not in work to Yes, in work versus No additional adults	.421
	Yes, in work to None versus No additional adults	1.934
	Yes, in work to Yes, but not in work versus No additional adults	.554
Parent (main earner) health	1+ ill to none ill versus None ill at both time points	.903
	None ill to 1+ ill versus None ill at both time points	.726
	1+ ill in both years versus None ill at both time points	.556
Parent/s' highest qualification (time point 1)	Degree versus A-levels	.669
	Other higher degree versus A-levels	.710
	GCSE etc. versus A-levels	.922
	Other qualification versus A-levels	.952
	No qualification versus A-levels	.942

(Continued)

Characteristic/event	Category	Odds ratio
Income deciles (time point 1)	2 versus 5	2.251
	3 versus 5	2.423
	4 versus 5	1.006
	6 versus 5	.658
	7 versus 5	.585
	8 versus 5	.404
	9 versus 5	.339
	Richest deciles versus 5	.382
Region (time point 1)	North East versus East of England	2.097
	North West versus East of England	1.372
	Yorkshire and the Humber versus East of England	.849
	East Midlands versus East of England	1.320
	West Midlands versus East of England	1.334
	London versus East of England	.866
	South East versus East of England	.930
	South West versus East of England	.774
	Wales versus East of England	1.110
	Scotland versus East of England	1.015
	Northern Ireland versus East of England	2.044
Rurality (time point 1)	urban area versus rural area	1.073
Benefit income fell by at least 10%	Yes versus No	4.593
Other income fell by at least 10%	Yes versus No	1.141
Investment income fell by at least 10%	Yes versus No	.956
Pension income fell by at least 10%	Yes versus No	1.191

1. Odds ratios: >1 indicates more likely to enter poverty, <1 indicates less likely to enter poverty.
2. Whole row dark grey means that variable is not statistically significant, just odds ratio column light grey means that category is not statistically significantly different from the reference category.

Does poverty entry vary by ethnicity?

Table A.27 Regression model of poverty entry for children in each ethnic group

Characteristic/event	Category	White	South Asian	Black
Year	2010/11-2011/12 versus 2009/10-2010/11	1.569	1.295	1.376
Family type (time point 1)	Lone parent versus Couple	1.100	3.769	1.810
Age of youngest child (time point 2)	0 to 4 versus 11-19	.869	1.001	1.257
	5 to 10 versus 11-19	1.130	.968	.957
Number of children	1 versus 2	1.037	.569	1.473
	3 versus 2	.935	.672	1.551
	4 or more versus 2	1.092	1.493	1.170
Parent (main earner) age (time point 1)	16-34 versus 35-44	1.069	2.263	.434
	45+ versus 35-44	1.007	2.699	.771
Tenure (time point 1)	Social housing versus Owner occupier	1.313	.702	.787
	Private rent versus Owner occupier	.594	.758	.667
Work status	Full employment in both time points fall in earnings versus Employed in both time points earning same/higher	7.835	4.676	27.998
	Part employment in both time points fall in earnings versus Employed in both time points earning same/higher	13.450	6.177	19.697
	Workless in both time points versus Employed in both time points earning same/higher	7.501	1.126	9.571
	Decreased work versus Employed in both time points earning same/higher	32.332	22.301	50.825
	Increased work versus Employed in both time points earning same/higher	3.255	2.121	4.340
Long-term (1yr+) worklessness	Yes, 1+ LT workless versus No	1.238	3.242	2.265
Other adults in household (and their work status)	Yes, but not in work versus No	.445	2.624	.532
	Yes, 1+ in work versus No	1.046	.124	.322
Parent (main earner) health	Health problem in any wave versus None ill at both time points	.796	.826	.669
Parent/s' highest qualification (time point 1)	Degree versus A-levels	.687	.244	1.042
	Other higher degree versus A-levels	.593	.518	1.110
	GCSE etc. versus A-levels	.950	.531	.520
	Other qualification versus A-levels	.910	1.766	1.469
	No qualification versus A-levels	1.007	.690	.893
Income decile (time point 1)	2&3 versus 4&5	2.667	1.561	3.122
	6-10 versus 4&5	.477	.520	.271
Benefit income fell by at least 10%	Yes versus No	4.152	3.707	7.780
Other income fell by at least 10%	Yes versus No	1.506	.121	2.169

1. Odds ratios: >1 indicates more likely to enter poverty, <1 indicates less likely to enter poverty.
2. Dark grey means that variable is not statistically significant, light grey means that category is not statistically significantly different from the reference category.

Entering poverty from employment

Table A.28 Poverty risk and poverty entry rate by SIC, SOC, contract type, children in families in work in first wave

Row percentages

	Poverty risk[1]	Poverty entry rate	Base
Children in families in work in first wave	12	6	13,999
Contract type of main earner (first wave)			
Permanent job	12	6	13,159
Fixed period or fixed task contract	9	6	426
Agency temping	17	3	114
Casual type of work	29	26	107
Other way non-permanent	32	9	137
Occupation (SOC) of main earner (first wave)			
Managers and senior officials	7	4	2,803
Professional occupations	7	2	2,190
Associate prof. and technical occupations	6	4	2,168
Admin and secretarial occupations	10	6	1,052
Skilled trades occupations	16	7	1,623
Personal service occupations	16	8	973
Sales and customer service	21	12	559
Process, plant and machine operatives	21	9	1,283
Elementary occupations	22	10	1,258
Industry (SIC) of main earner (first wave)			
Agriculture, forestry and fishing	13	3	127
Energy and water	5	2	273
Manufacturing	9	5	1,649
Construction	13	8	1,204
Distribution, hotels and restaurants	20	10	1,998
Transport and communications	15	7	1,594
Banking and finance	11	5	2,091
Public admin, education and health	8	4	4,389
Other services	21	10	423

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. Poverty risk is the proportion of children with this characteristic who are in poverty.

Table A.29 Conditional entry rate, prevalence, share of entries by SIC, SOC, contract type, children in families in work in first wave

Cell percentages

Main factors associated with poverty entry Entry rate of all children in families in work in first wave = 6%	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base 13,999
Industry (SIC) of main earner (first wave)				
Agriculture, forestry and fishing	1	3	1	127
Energy and water	2	2	1	273
Manufacturing	12	5	10	1,649
Construction	9	8	12	1,204
Distribution, hotels and restaurants	14	10	25	1,998
Transport and communications	12	7	13	1,594
Banking and finance	15	5	14	2,091
Public admin, education and health	32	4	20	4,389
Other services	3	10	5	423
Occupation (SOC) of main earner (first wave)				
Managers and senior officials	20	4	14	2,803
Professional occupations	16	2	6	2,190
Associate prof. and technical occupations	15	4	11	2,168
Admin and secretarial occupations	7	6	7	1,052
Skilled trades occupations	12	7	15	1,623
Personal service occupations	7	8	9	973
Sales and customer service	4	12	8	559
Process, plant and machine operatives	10	9	15	1,283
Elementary occupations	9	10	15	1,258
Contract type of main earner (first wave)				
Permanent job	94	6	91	13,159
Fixed period or fixed task contract	3	6	3	426
Agency temping	1	3	0	114
Casual type of work	1	26	3	107
Other way non-permanent	1	9	2	137

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.

Table A.30 Conditional entry rate, prevalence, share of entries by risk events and number of risk events, for children in working families in the first wave

Cell percentages

Main factors associated with poverty entry Entry rate of all children in working families in the first wave = 6%	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base 13,999
Fall in benefit income	33	9	53	4,631
Fall in non-benefit, non-earnings income	9	6	9	1,207
Fall in investment income	6	4	4	842
Fall in private and occupational pension income	[0]	[4]	[0]	49
Full employment in both time points fall in earnings	15	6	16	2,083
Part employment in both time points fall in earnings	7	19	23	940
Changed status: Full employment → part employment	6	14	15	867
Changed status: Full employment → workless	1	38	6	132
Changed status: Part employment → workless	2	42	14	282
Changed status: Workless additional adults → No additional adults	1	11	1	77
Changed status: Working additional adults → No additional adults	1	9	2	204
Changed status: Working additional adults → Workless additional adults	1	4	1	96
Changed status: Couple → lone parent	1	13	1	100
Changed status: 1 child → 2 children	3	4	2	378
Changed status: 2 children → 3 children	2	13	5	278
Changed status: 3 children → 4 or more children	1	22	3	123
Changed status: One or more adults ill/disabled → no adults ill/disabled	9	7	10	1,200
Changed status: No adults ill/disabled → one or more adults ill/disabled	8	6	9	1,079
Child in the benefit unit went from age 13 to age 14	12	7	14	1,679
Number of risk events				
0	29	1	4	4,156
1	38	5	32	5,312
2	22	11	41	3,058
3 or more	11	12	23	1,473

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.
4. The risk events are:
   Fall in benefit income;
   Fall in non-benefit, non-earnings income;
   Fall in investment income;
   Fall in private and occupational pension income;
   Fall in work status or earnings (Full employment in both waves fall in earnings, part employment

in both waves fall in earnings, changed status: Full employment → part employment, changed status: Full employment → workless, or changed status: Part employment → workless);
Additional adult status changed (Changed status: Workless additional adults → no additional adults, Changed status: Working additional adults → no additional adults, or changed status: Working additional adults → workless additional adults);
Went from couple to lone parent;
Increased number of children;
Changed disability status (Changed status: One or more adults ill/disabled → no adults ill/disabled, or Changed status: No adults ill/disabled → one or more adults ill/disabled);
A child in the benefit unit went from age 13 to age 14.

Table A.31 Regression model of poverty entry for all children initially in in-work families

Characteristic/event	Category	Odds ratio
Year	2009/10-2010/11 versus 2010/11-2011/12	.703
Ethnicity	South Asian versus White	2.619
	Black versus White	2.174
	Mixed versus White	1.317
	Other versus White	3.537
Family type (time point 1)	Lone parent versus Couple	1.025
Age of youngest child (time point 2)	0 to 4 versus 11-19	.945
	5 to 10 versus 11-19	1.038
Number of children (time point 1)	1 versus 2	.868
	3 versus 2	.790
	4 or more versus 2	1.270
Age of parent (main earner) (time point 1)	16-34 versus 35-44 45+ versus 35-44	1.096 1.493
Tenure (time point 1)	Social housing versus Owner occupier	1.250
	Private rent versus Owner occupier	.681
Long-term (1yr+) worklessness	Yes versus No	.927
Other adults in household (and their work status)	Yes, but not in work versus No Yes, 1+ in work versus No	1.021 .466
Parent (main earner) health	1+ ill to none ill versus None ill at both time points	.917
	None ill to 1+ ill versus None ill at both time points	.787
	1+ ill in both years versus None ill at both time points	.603
Parent/s' highest qualification (time point 1)	Degree versus A-levels Other higher degree versus A-levels	.750 .761
	GCSE etc. versus A-levels	.945
	Other qualification versus A-levels	1.062
	No qualification versus A-levels	1.293
Income decile (time point 1)	2&3 versus 4&5	2.752
	6-10 versus 4&5	.487

(Continued)

Characteristic/event	Category	Odds ratio
Region (time point 1)	North East versus East of England	1.416
	North West versus East of England	1.375
	Yorkshire and the Humber versus East of England	.814
	East Midlands versus East of England	1.262
	West Midlands versus East of England	1.020
	London versus East of England	.775
	South East versus East of England	.962
	South West versus East of England	.870
	Wales versus East of England	1.133
	Scotland versus East of England	1.071
	Northern Ireland versus East of England	2.138
Rurality (time point 1)	urban area versus rural area	1.118
Work status	Full employment in both time points versus Part employment in both time points	.152
	Full employment in both time points fall in earnings versus Part employment in both time points	2.333
	Full employment in both time points rise in earnings versus Part employment in both time points	.117
	Part employment in both time points fall in earnings versus Part employment in both time points	4.686
	Part employment in both time points rise in earnings versus Part employment in both time points	.490
	Full employment to part employment versus Part employment in both time points	5.502
	Full employment to workless versus Part employment in both time points	19.785
	Part employment to workless versus Part employment in both time points	19.759
	Increased work versus Part employment in both time points	1.205
Industry (time point 1)	Agriculture etc. + Energy etc. + Other services versus Banking and finance	.761
	Manufacturing versus Banking and finance	.817
	Construction versus Banking and finance	1.452
	Distribution, hotels and restaurants versus Banking and finance	1.105
	Transport and communications versus Banking and finance	.967
	Public admin, education and health versus Banking and finance	.573

(Continued)

Characteristic/event	Category	Odds ratio
Occupation (time point 1)	Managers and senior officials versus Skilled trades	1.088
	Professional occupations versus Skilled trades	.580
	Associate prof. and technical occupations versus Skilled trades	1.339
	Admin and secretarial occupations versus Skilled trades	1.014
	Personal service occupations versus Skilled trades	1.023
	Sales and customer service versus Skilled trades	1.136
	Process, plant and machine operatives versus Skilled trades	1.017
	Elementary occupations versus Skilled trades	.927
Contract type (time point 1)	Non-permanent contract versus Permanent contract	.882
Benefit income fell by at least 10%	Yes versus No	2.824
Other income fell by at least 10%	Yes versus No	1.244

1. Odds ratios: >1 indicates more likely to enter poverty, <1 indicates less likely to enter poverty.
2. Whole row dark grey means that variable is not statistically significant, just odds ratio column light grey means that category is not statistically significantly different from the reference category.

The risk of poverty for new families: Evidence from the Millennium Cohort Study

Table A.32 Risk of poverty by family characteristics (MCS)

	Poverty rate	Above 60% median	Base	Category prevalence
All new families	**26**	**74**	**7,775**	**100**
Age of mother				
19 and under	73	27	1,360	15
20-24	40	60	1,844	20
25-29	13	87	2,126	29
30-34	8	92	1,727	25
35-39	7	93	610	9
40 and over	13	87	90	1
Family type				
Couple	15	85	6,158	83
Lone parent	79	21	1,617	17
Ethnic group (child)				
White	23	77	6,583	88
Mixed	36	64	251	3
Indian	23	77	198	2
Pakistani	65	35	291	2
Bangladeshi	58	42	94	1
Black Caribbean	51	49	94	1
Black African	48	52	120	1
Other ethnic group (Inc. Chinese, Other)	37	63	131	1
Highest level of parental qualification				
None	79	21	662	7
Overseas qual only	57	43	99	1
NVQ level 1-2/ GCSEs	44	56	2,414	29
NVQ level 3/ A-levels	24	76	1,400	17
NVQ level 4/ HNC/ Foundation degree	8	92	2,654	38
NVQ level 5 or above/ HND/ Degree or above	3	97	546	8
Parental health status				
No parent with limiting illness	25	75	6,754	91
1 parent with limiting illness, other not	25	75	421	6
Lone parent/Both parents with limiting illness	71	29	222	3
Parental work status (9 months)				
Both in work	3	97	3,648	50
Partner in work, mother not	21	79	1,870	25
Mother in work, partner not	38	62	190	2
Lone parent in work (or on leave)	46	54	489	5
Lone parent not on work (nor on leave)	94	6	1,128	12
Couple, neither in work	92	8	447	5

Table A.33 Characteristics of new lone parent families (MCS)

	Lone parent	Couple	All
Age of mother			
19 and under	42	10	15
20-24	30	18	20
25-29	15	32	29
30-34	8	28	25
35-39	4	10	9
40 and over	1	1	1
Highest level of parental qualification			
None	21	4	7
Overseas qual only	2	1	1
NVQ level 1-2/ GCSEs	50	25	29
NVQ level 3/ A-levels	16	18	17
NVQ level 4/ HNC/ Foundation degree	11	44	38
NVQ level 5 or above/ HND/ Degree or above	1	9	8
Ethnicity (child)			
White	85	89	88
Mixed	6	3	3
Indian	1	2	2
Pakistani	1	3	2
Bangladeshi	0	1	1
Black Caribbean	3	0	1
Black African	3	1	1
Other ethnic group (inc. Chinese, Other)	1	1	1
Mother's work status			
Currently doing paid work	27	61	55
Has paid job but on leave	4	2	3
Has worked in the past but no current paid job	55	32	36
Never had a paid job	14	4	6
Base	*1,606*	*6,162*	*7,768*

Base: All new families.

Table A.34 Poverty rate among new families by change in family work situation since pregnancy (MCS)

	Poverty rate	Above 60% median	Base	Category prevalence
All new families	**26**	**74**	**7,757**	**100**
Parental work status transition (Pregnancy – 9months)				
Two earners to one	86	14	1,114	19
Two earners to none	14	86	70	1
One earner to none	6	94	644	8
No earner(s) to one or two	29	71	79	1
One earner to two	94	6	102	1
Stable no earner(s)	6	94	764	8
Stable 1 earner	60	40	1,035	13
Stable 2 earners	97	3	3,179	50

Base: All new families.

Table A.35 Reasons for mother not working at 9 months (MCS)

	In poverty	Above 60% median	Total
Reasons for mother not looking			
Prefer to look after own child(ren)	81	86	84
Cannot earn enough to pay for childcare	8	6	7
Cannot find suitable childcare	6	3	5
No jobs in the right place	1	1	1
No jobs with the right hours	2	1	1
No jobs available	1	0	1
Studying or training	8	4	6
Would lose benefits	3	0	2
Caring for an elderly or ill relative or friend	0	0	0
Own poor health	5	3	4
Prefer not to work	9	19	14
Husband/ partner disapproves	1	2	2
Pregnant	1	2	2
Other	4	4	4
Unweighted bases	*1,523*	*1,056*	*2,592*

Base: New families where mother was not in work at 9 months.
Note: Multiple responses.

Table A.36 Age of child when plan to return to work (MCS)

	Up to 3	4 or older	No plans to work	Bases
Total	**36**	**46**	**18**	**2,464**
Mother's ethnic background				
White	36	48	15	1,898
Mixed	65	24	11	47
Indian	36	33	32	76
Pakistani	21	29	50	192
Bangladeshi	14	41	45	60
Black Caribbean	58	20	22	35
Black African	46	38	16	55
Other ethnic group (inc Chinese)	37	33	31	96
Mother's qualification				
None	28	42	30	583
Overseas qualification only	30	39	31	122
NVQ level 1-2/GCSEs	38	47	15	1,052
NVQ level 3/A-levels	37	53	10	315
NVQ level 4/ HNC/Foundation degree	41	43	16	354
NVQ level 5+/ HND/Degree or above	46	32	22	37

Base: New families where mother was not in work at 9 months.

Table A.37 Age of child when actually returned to work, by poverty rate at 9 months and whether had a subsequent new birth (MCS)

	By 3 years	4-5 years	6-7 years	Not at work by age 7 years	Bases
All families with mother not in work at 9 months	31	16	13	40	2,055
Poor at 9 months					
Younger sibling born	20	11	11	58	666
No younger sibling	36	21	12	31	409
Above 60% median at 9 months					
Younger sibling born	29	16	15	39	708
No younger sibling	50	19	9	22	263
Total					
All poor at 9 months	27	15	11	47	1,075
All above 60% median at 9 months	35	17	14	35	971
All with younger sibling born	26	14	14	46	1,381
All without younger sibling born	42	20	10	27	674

Base: New families where mother was not in work at 9 months.

Poverty entry for workless families

Table A.38 Conditional entry rate, prevalence, share of entries by risk events and number of risk events, for children in workless families in both waves

Main factors associated with poverty entry	Prevalence of event/ factor[1]	Entry rate, conditional on event[2]	Share of all entries[3]	Base
Entry rate of all children in workless families in both waves = 18%				**2,112**
Fall in benefit income	44	34	83	885
Fall in non-benefit, non-earnings income	9	20	10	160
Fall in investment income	*	*	*	25
Fall in private and occupational pension income	*	*	*	15
Full employment in both time points fall in earnings	n/a	n/a	n/a	n/a
Part employment in both time points fall in earnings	n/a	n/a	n/a	n/a
Changed status: Full employment → part employment	n/a	n/a	n/a	n/a
Changed status: Full employment → workless	n/a	n/a	n/a	n/a
Changed status: Part employment → workless	n/a	n/a	n/a	n/a
Changed status: Workless additional adults → No additional adults	[2]	[24]	[2]	36
Changed status: Working additional adults → No additional adults	*	*	*	24
Changed status: Working additional adults → Workless additional adults	[2]	[12]	[2]	35
Changed status: Couple → lone parent	*	*	*	7
Changed status: 1 child → 2 children	[2]	[21]	[2]	45
Changed status: 2 children → 3 children	2	16	2	50
Changed status: 3 children → 4 or more children	[2]	[37]	[4]	41
Changed status: One or more adults ill/disabled → no adults ill/disabled	8	17	8	168
Changed status: No adults ill/disabled → one or more adults ill/disabled	7	13	5	151
Child in the benefit unit went from age 13 to age 14	13	15	12	264
Number of risk events				
0	33	4	8	734
1	44	23	57	929
2	18	27	27	350
3 or more	6	25	8	99

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children not in poverty in the first wave with the characteristic.
2. This shows the poverty entry rate for children with this characteristic.
3. This shows the proportion of children who entered poverty who have this characteristic.
4. The risk events are:
   Fall in benefit income;
   Fall in non-benefit, non-earnings income;
   Fall in investment income;

Fall in private and occupational pension income;
Fall in work status or earnings (Full employment in both waves fall in earnings, part employment in both waves fall in earnings, changed status: Full employment → part employment, changed status: Full employment → workless, or changed status: Part employment → workless);
Additional adult status changed (Changed status: Workless additional adults → no additional adults, changed status: Working additional adults → no additional adults, or changed status: Working additional adults → workless additional adults);
Went from couple to lone parent;
Increased number of children;
Changed disability status (Changed status: One or more adults ill/disabled → no adults ill/disabled, or changed status: No adults ill/disabled → one or more adults ill/disabled);
A child in the benefit unit went from age 13 to age 14.

5. A fall in an income source is where it has decreased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month)
6. A rise in an income source is where it has increased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month)

Table A.39 Income transitions for workless families who entered poverty

Time point 1 income group	Total	Median income at time point 1	Median income drop
Second/third deciles	51%	£810	£200
Fourth decile	16%	£913	£313
Fifth decile	15%	£1,032	£420
Sixth/seventh decile	10%	£1,268	£692
Eighth – richest decile	9%	£1,858	£1,157
Total	100%	£866	£327

Table A.40 Type of benefit fall, for workless families who had a fall in benefit income

Type of benefit[1]	Receive same amount	Fall in benefit income of 10% or more	Stopped claiming benefit
Income Support	64	19	18
Child Benefit	77	19	4
Child Tax Credit	64	26	9
Housing Benefit	56	33	10
Council Tax Benefit	80	11	9
Base			*340*

1. For the benefits with highest sample size among workless families who had a fall in benefit income of ten per cent or more.

Children in workless families were also disproportionately at risk of entering poverty. One in five children were living in workless families and a certain level of worklessness is inevitable given that some lone parent families will have young children, and some parents will have disabilities or long-term health conditions. But being workless does not necessarily mean having a constant income and for some families a reduction in income means slipping into poverty.

Table A39 illustrates the income transitions made by children whose families remained workless. On average income fell by around £325 per month, so significantly lower than for families in work (whose incomes fell by around £500 per month on average, see previous section). Given the limited amount of income that benefits can provide, these families were also more likely than working families to be closer to the poverty line both before and after the poverty transition.

Table A40 shows which benefits were most likely to cause this fall in benefit income. A third of this group reported a fall in Housing Benefit, while a quarter reported a fall in Child Tax Credit and 19 per cent reported falls in Income Support and Child Benefit. Some families reported that they had stopped claiming the benefit, with 18 per cent of these workless families no longer reporting receipt of Income Support. There are a number of potential reasons for receipt of these benefits either falling or stopping among workless households. These include changes to the household type, change in number of children in the household, moving to a different benefit (for example, moving from Income Support to Jobseeker's Allowance), moving house, stopping a benefit claim due to change in circumstances and not reclaiming (for example, stopping receiving Income Support due to a period of employment between waves and not taking up the benefit once out-of-work again), and misreporting of benefit receipt in either of the interviews. Tax credits are dependent on recipients promptly informing Her Majesty's Revenue and Customs of any change in their circumstances, otherwise overpayments or underpayments may occur, resulting in changes in amount received a while after the recipients change in situation[55].

[55] www.adviceguide.org.uk/b_overpayment_of_tax_credits.pdf

A B.3 Exits out of child poverty

Income changes on exiting poverty

Table A.41 Income changes on exiting poverty by work status

Time 2 income group	All children			Working in first time point			Gained employment		
	Total	Median T2 income	Median income rise	Total	Median T2 income	Median income rise	Total	Median T2 income	Median income rise
Third decile	12%	£856	£228	12%	£854	£231	10%	£869	£250
Fourth decile	23%	£944	£315	24%	£944	£318	19%	£948	£327
Fifth decile	18%	£1,062	£420	17%	£1,068	£433	19%	£1,057	£498
Sixth decile	14%	£1,211	£597	12%	£1,209	£603	20%	£1,217	£697
Seventh decile	9%	£1,378	£795	10%	£1,382	£802	8%	**£1,495**	**£954**
Eighth decile	8%	£1,619	£1,053	8%	£1,619	£1,068	8%		
Ninth decile	6%	£2,054	£1,585	6%	£2,059	£1,596	7%	**£2,390**	**£1,986**
Richest decile	9%	£2,894	£2,443	10%	£2,846	£2,319	9%		
Total	100%	£1,098	£542	100%	£1,107	£554	100%	£1,152	£602

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).
Note: Income is equivalised, and represents income of a single adult without children. This shows children split into ten equal groups by level of household income in time point 2. For households who gained employment seventh and eighth deciles, and ninth and tenth deciles are combined for median income and median income rise due to low sample sizes.

Which children are most likely to exit poverty?

Table A.42 Conditional exit rate, prevalence, share of exits by family type (d), number of children (d), age of youngest child (d), ethnicity

Main factors associated with poverty exit Exit rate of all children = 38%	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base 3,997
Family type (includes events)				
Couple in both waves	62	43	70	2,295
Lone parent in both waves	37	30	29	1,660
Changed status: Couple → lone parent	*	*	*	13
Changed status: Lone parent → couple	*	*	*	29
Number of children (includes events)				
1 child in both waves	16	40	17	669
2 children in both waves	29	41	31	1,199
Changed status: 2 child → 1 children	2	46	2	52
3 children in both waves	22	42	25	894
Changed status: 3 children → 2 children	2	53	3	65
4 or more children in both waves	21	30	17	818
Age of youngest child (first wave)				
0 to 4	51	35	47	2,057
5 to 10	31	42	34	1,241
11 to 15	15	41	16	587
16 to 19	3	36	3	112
Ethnicity of mother[4]				
White background	55	40	58	2,330
Mixed background	2	43	3	99
Indian	6	41	6	191
Pakistani	14	30	11	478
Bangladeshi	8	36	7	288
Chinese	*	*	*	6
Any other Asian background	2	28	1	70
Caribbean	2	51	4	115
African	7	31	5	268
Arab	[1]	[23]	[1]	30
Any other ethnic group	2	41	2	83

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).
1. This shows the proportion of children in poverty in the first wave with the characteristic.
2. This shows the poverty exit rate for children with this characteristic.
3. This shows the proportion of children who exited poverty who have this characteristic.
4. Where information on ethnicity of the mother is not available, ethnicity of the father is used.

Table A.43 Conditional exit rate, prevalence, share of exits by economic activity status (d), long-term worklessness, income sources (d), tenure

Main factors associated with poverty exit Exit rate of all children = 38%	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base 3,997
Economic status (includes events)				
Full employment[4] in both waves same earnings	2	41	2	63
Full employment in both waves fall in earnings[6]	1	37	1	57
Full employment in both waves rise in earnings[7]	8	73	15	304
Part employment[5] in both waves same earnings	9	31	7	356
Part employment in both waves fall in earnings	6	31	5	233
Part employment in both waves rise in earnings	13	51	17	493
Workless in both waves	38	19	19	1,611
Changed status: Full employment → part employment	1	35	1	58
Changed status: Part employment → full employment	7	75	13	260
Changed status: Part employment → workless	3	22	1	101
Changed status: Workless → full employment	2	74	4	87
Changed status: Workless → part employment	9	53	13	353
Economic status of other adults in the household				
No other adults, both waves	81	37	80	3,439
Other adults, not in work, both waves	7	32	6	198
Other adults, in work, both waves	3	56	5	92
Change: No → Yes, not in work	[1]	[24]	[1]	40
Change: No → Yes, in work	[1]	[44]	[1]	32
Change: Yes, not in work → No	2	30	1	65
Change: Yes, not in work → Yes, in work	2	59	3	63
Change: Yes, in work → No	[1]	[58]	[1]	33
Change: Yes, in work → Yes, not in work	[2]	[43]	[2]	35
Income sources				
Rise in earnings	41	59	64	1,581
Rise in benefit income	45	48	57	1,818
Rise in non-benefit, non-earnings income	12	44	14	441
Rise in investment income	3	67	5	108
Rise in private and occupational pension income	*	*	*	23
Income deciles (first wave)				
Poorest	53	39	54	2,098
2nd	47	37	46	1,899

(Continued)

Main factors associated with poverty exit Exit rate of all children = 38%	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base 3,997
Long-term worklessness[8] (first wave)				
All adults in work	18	55	25	720
One adult in work, one short-term workless	7	52	9	255
One adult in work, one long-term workless	26	43	30	971
All adults short-term workless	6	39	7	262
Workless household: one short-term, one long-term	31	26	21	1,352
All adults long-term workless	13	24	8	437
Tenure				
Owner occupier	40	46	48	1,462
Social housing	45	31	36	1,916
Private rent	15	39	15	611

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children in poverty in the first wave with the characteristic.
2. This shows the poverty exit rate for children with this characteristic.
3. This shows the proportion of children who exited poverty who have this characteristic.
4. Couple: both in full-time work, Couple: one parent in full-time work and one parent in part-time work, Lone parent in full-time work.
5. Couple: one parent in full-time work, Couple: one parent in part-time work, Couple: both in part-time work, Lone parent in part-time work.
6. A fall in an income source is where it has decreased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month).
7. A rise in an income source is where it has increased by at least ten per cent and the difference is an absolute monetary value of at least £10 a week (£43.45 a month).
8. Long-term workless is defined as being out of work for a year or more (including never having worked) while short-term workless is defined as having been out of work for less than a year.

Table A.44 Conditional exit rate, prevalence, share of exits by highest qualification, health (d)

Main factors associated with poverty exit	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base
Exit rate of all children = 38%				**3,997**
Highest qualification[4] (first wave)				
Degree level or equivalent	18	50	24	689
Other higher degree	10	49	13	396
A-level or equivalent	20	38	20	775
GCSE or equivalent	29	35	27	1,203
Other qualification	8	28	6	315
No qualification	15	28	11	607
Health and disability status (includes events)				
No adults ill/disabled in both waves	64	40	67	2,580
Changed status: One or more adults ill/disabled → no adults ill/disabled	9	33	8	355
Changed status: No adults ill/disabled → one or more adults ill/disabled	9	43	10	356
One or more adults ill/disabled in both waves	18	31	14	687

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children in poverty in the first wave with the characteristic.
2. This shows the poverty exit rate for children with this characteristic.
3. This shows the proportion of children who exited poverty who have this characteristic.
4. The qualification is taken from the parent with the higher level of qualification if the child lives with both parents.

Table A.45 Conditional exit rate, prevalence, share of exits mirrors LID table 10.1

Main factors associated with poverty exit	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base
Exit rate of all children = 38%				**3,997**
Labour income events				
Rise in earnings	33	62	53	1,277
Rise in number of workers (same household size)	16	65	28	651
Rise in number of full-time workers (same household size)	11	65	20	454
Rise in number of workers (different household size)	3	56	5	101
Rise in number of full-time workers (different household size)	2	70	4	68
Non-labour income events				
Rise in benefit income (same household size)	37	51	50	1,502
Rise in non-benefit, non-earnings income (same household size)	11	42	12	372
Rise in investment income (same household size)	3	64	5	96
Rise in private and occupational pension income (same household size)	*	*	*	20
Demographic events				
Change in household type	[1]	[44]	[2]	42
Change from single to couple status	*	*	*	29

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).
1. This shows the proportion of children in poverty in the first wave with the characteristic.
2. This shows the poverty exit rate for children with this characteristic.
3. This shows the proportion of children who exited poverty who have this characteristic.

Table A.46 Conditional exit rate, prevalence, share of exits by count of significant factors and selected combinations of significant factors

Main factors associated with poverty exit	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base
Exit rate of all children = 38%				**3,997**
Exit rate of all children with a work-related event[4]= 61%				**4,497**
Number of key predictors of child poverty[5]				
None	9	60	14	330
One	27	48	34	1,038
Two	36	36	34	1,433
Three	21	23	13	886
Four or five	7	31	6	310

(Continued)

Main factors associated with poverty exit	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base
Exit rate of all children = 38%				**3,997**
Exit rate of all children with a work-related event[4]= 61%				**4,497**
Select combinations of key predictors of child poverty				
Lone parent, long-term workless, and no qualifications	8	21	4	346
Lone parent, and 3 or more children	13	29	10	583
Poor health, long-term workless, and no qualifications	3	28	3	137
Number of other poverty risk factors				
Work-related event and 0 risk factors	31	67	34	446
Work-related event and 1 risk factors	47	63	49	722
Work-related event and 2 risk factors	19	49	15	279
Work-related event and 3 or more risk factors	3	52	3	50
Combinations of work-related event and poverty risk factors, i.e. work-related event and…				
Family type				
Lone parent	23	57	22	384
Couple	77	62	78	1,113
Number of children				
1 child	18	67	20	277
2 children	38	64	40	569
3 or more children	44	56	41	649
Highest qualification				
Degree	27	73	32	401
Other higher degree	13	75	16	197
A-level	25	51	21	365
GCSE	24	60	24	361
Other	5	46	3	68
Low education (no qualifications)	6	45	5	98
Health				
Poor health	20	58	19	299
Good health	80	61	81	1,191

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children in poverty in the first wave with the characteristic.
2. This shows the poverty exit rate for children with this characteristic.
3. This shows the proportion of children who exited poverty who have this characteristic.
4. A work-related event is gaining work, increasing work, or increasing earnings.
5. These are the five key predictors of child poverty identified by the Child Poverty Strategy: long-term worklessness, having low qualifications, raising children on your own, having three or more children to care for, and experiencing ill health (DWP, 2014b).

Table A.47 Regression model of poverty exit for all children

Characteristic / event	Category	Odds ratio
Year	2010/11-2011/12 versus 2009/10-2010/11	1.087
Ethnicity	Mixed background versus White	1.526
	Indian versus White	.756
	Pakistani versus White	.638
	Bangladeshi versus White	.726
	Caribbean versus White	1.715
	African versus White	.659
	Any other ethnic group versus White	.735
Family type	Lone parent in both time points versus Couple in both time points	.770
	Went from couple to lone parent versus Couple in both time points	1.359
	Went from lone parent to couple versus Couple in both time points	1.436
Age of youngest child (T2)	0 versus 6-10	.504
	1-4 versus 6-10	.937
	5 versus 6-10	.680
	11 versus 6-10	1.210
	12-15 versus 6-10	.929
	16-18 versus 6-10	.683
Number of children	1 child in both time points versus 2 in both time points	1.371
	1 to 2 children versus 2 in both time points	1.186
	2 to 3 children versus 2 in both time points	.738
	3 children in both time points versus 2 in both time points	1.271
	3 to 4 or more children versus 2 in both time points	.580
	4 or more children in both time points versus 2 in both time points	.982
	Number of children reduced versus 2 in both time points	1.568
Age of parent	16-24 versus 35-44	1.005
	25-34 versus 35-44	1.173
	45-54 versus 35-44	.836
	55 and over versus 35-44	.465
Tenure (T1)	Social housing versus Owner occupier	.729
	Private rent versus Owner occupier	.798

(Continued)

Characteristic / event	Category	Odds ratio
Employment status	Full employment in both time points versus Part employment in both time points	1.325
	Full employment in both time points fall in earnings versus Part employment in both time points	1.124
	Full employment in both time points rise in earnings versus Part employment in both time points	7.185
	Part employment in both time points fall in earnings versus Part employment in both time points	.978
	Part employment in both time points rise in earnings versus Part employment in both time points	2.707
	Workless in both time points versus Part employment in both time points	.605
	Part employment to full employment versus Part employment in both time points	9.737
	Workless to full employment versus Part employment in both time points	8.859
	Workless to part employment versus Part employment in both time points	3.833
	Decreased work versus Part employment in both time points	.608
Whether other adults in the household	Additional adults not in work versus No additional adults	.992
	Additional adults in work versus No additional adults	1.708
	None to Yes, but not in work versus No additional adults	.334
	None to Yes, in work versus No additional adults	1.110
	Yes, but not in work to None versus No additional adults	1.411
	Yes, but not in work to Yes, in work versus No additional adults	4.435
	Yes, in work to None versus No additional adults	2.646
	Yes, in work to Yes, but not in work versus No additional adults	2.317
Disability status	One or more adults ill/disabled to no adults ill/disabled versus No adults ill/disabled at both time points	.751
	No adults ill/disabled to one or more adults ill/disabled versus No adults ill/disabled at both time points	1.173
	One or more adults ill/disabled both time points versus No adults ill/disabled at both time points	.940
Highest qualification	Degree versus A-levels	1.555
	Other higher degree versus A-levels	1.586
	GCSE etc. versus A-levels	1.252
	Other qualification versus A-levels	1.118
	No qualification versus A-levels	1.584
T1 income deciles	Poorest deciles versus 2nd deciles	.596
Government Office Region	North East versus East of England	1.052
	North West versus East of England	.669
	Yorkshire and the Humber versus East of England	.594
	East Midlands versus East of England	.778
	West Midlands versus East of England	.588
	London versus East of England	1.126

(Continued)

Characteristic / event	Category	Odds ratio
	South East versus East of England	1.027
	South West versus East of England	.613
	Wales versus East of England	.733
	Scotland versus East of England	.862
	Northern Ireland versus East of England	.607
Rurality	urban area versus rural area	.982
Rise in benefit income	Yes versus No	3.997
Rise in other income	Yes versus No	1.476
Rise in investment income	Yes versus No	1.887
Rise in pension income	Yes versus No	1.310

1. Odds ratios: >1 indicates more likely to exit poverty, <1 indicates less likely to exit poverty.
2. Whole row dark grey means that variable is not statistically significant, just odds ratio column light grey means that category is not statistically significantly different from the reference category.

Does poverty exit vary by ethnicity?

Table A.48 Regression model of poverty exit for children in each ethnic group

Characteristic / event	Category	White	South Asian	Black
Year	2010/11-2011/12 versus 2009/10-2010/11	1.212	0.898	1.746
Family type (time point 1)	Couple with children versus Lone parent	1.581	0.912	.147
Age of youngest child in the family (time point 2)	0-4 versus 6-10	0.732	0.978	.364
	5 versus 6-10	0.544	0.559	.103
	11 versus 6-10	0.871	2.643	.064
	12-15 versus 6-10	0.609	2.401	.268
	16-18 versus 6-10	0.552	0.592	1.360
Number of children in the family	1 child in both time points versus 2 in both time points	1.485	3.292	.215
	Number of children increased versus 2 in both time points	0.578	0.481	.822
	3 children in both time points versus 2 in both time points	1.216	1.509	1.076
	4 or more children in both time points versus 2 in both time points	0.578	1.956	.436
	Number of children reduced versus 2 in both time points	2.362	1.544	9.422
Age of parent (time point 1)	16-24 versus 35-44	1.479	1.91	.053
	25-34 versus 35-44	1.235	0.964	.561
	45-54 versus 35-44	0.936	1.093	.211
	55 and over versus 35-44	0.582	0.308	.509
Tenure (time point 1)	Social housing versus Owner occupier	0.589	1.647	2.313
	Private rent versus Owner occupier	0.564	1.271	2.250

Characteristic / event	Category	White	South Asian	Black
Employment status	Employed in both time points fall in earnings versus Employed in both time points	1.006	0.843	.673
	Full employment in both time points rise in earnings versus Employed in both time points	6.6	7.85	3.028
	Part employment in both time points rise in earnings versus Employed in both time points	3.209	2.384	4.629
	Workless in both time points versus Employed in both time points	0.543	0.497	.281
	Part employment to full employment versus Employed in both time points	8.289	5.219	10.203
	Workless to employed versus Employed in both time points	5.529	2.638	2.052
	Decreased work versus Employed in both time points	0.341	1.005	.439
Whether additional adults in the household	Additional adults in both versus No additional adults in both	1.644	1.475	2.041
	None to yes versus No additional adults in both	0.483	0.33	3.708
	Yes to none versus No additional adults in both	3.881	1.129	.142
Disability status	One or more adults ill/disabled to no adults ill/disabled versus No adults ill/disabled at both time points	0.898	0.359	.928
	No adults ill/disabled to one or more adults ill/disabled versus No adults ill/disabled at both time points	1.087	0.666	5.985
	One or more adults ill/disabled both time points versus No adults ill/disabled at both time points	1.122	0.651	3.130
Highest qualification (time point 1)	Degree versus A-levels	2.31	1.527	6.428
	Other higher degree versus A-levels	1.282	2.703	2.652
	GCSE etc. versus A-levels	1.111	1.299	3.829
	Other qualification versus A-levels	0.796	0.996	2.285
	No qualification versus A-levels	1.025	1.77	.588
Income deciles (time point 1)	Poorest decile versus 2	0.684	0.647	.484
Benefit income rise of at least 10%	Yes versus No	3.906	3.235	9.522
Other income rise of at least 10%	Yes versus No	2.261	1.125	1.249

1. Odds ratios: >1 indicates more likely to exit poverty, <1 indicates less likely to exit poverty.
2. Dark grey means that variable is not statistically significant, light grey means that category is not statistically significantly different from the reference category.

Exiting poverty through employment

Table A.49 Conditional exit rate, prevalence, share of exits by SIC, SOC, contract type

Main factors associated with poverty exit	Prevalence of event/ factor[1]	Exit rate, conditional on event[2]	Share of all exits[3]	Base
Exit rate of all children in working families= 48%				**1,946**
Industry (SIC) of main earner (first wave)				
Agriculture, forestry and fishing	*	*	*	20
Energy and Water	*	*	*	12
Manufacturing	9	41	7	164
Construction	10	59	12	177
Distribution, hotels and restaurants	26	42	23	499
Transport and communications	15	45	14	272
Banking and Finance	12	49	13	242
Public admin, education and health	20	58	25	394
Other services	6	37	4	108
Occupation (SOC) of main earner (first wave)				
Managers and senior officials	10	50	11	190
Professional occupations	8	72	12	144
Associate prof. and technical occupations	7	65	10	142
Admin and secretarial occupations	6	40	5	116
Skilled trades occupations	17	48	16	330
Personal service occupations	9	51	10	187
Sales and customer service	7	49	8	151
Process, plant and machine operatives	18	40	15	326
Elementary occupations	17	40	14	339
Contract type of main earner (first wave)				
Permanent job	91	49	93	1,738
Fixed period or fixed task contract	[2]	[42]	[2]	42
Agency temping	*	*	*	24
Casual type of work	[2]	[37]	[2]	45
Other way non-permanent	3	44	3	67

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. This shows the proportion of children in poverty in the first wave with the characteristic.
2. This shows the poverty exit rate for children with this characteristic.
3. This shows the proportion of children who exited poverty who have this characteristic.

Table A.50 Regression model of poverty exit for all children initially in in-work families

Characteristic/event	Category	Odds Ratio
Year	2010/11-2011/12 versus 2009/10-2010/11	1.209
Ethnicity	Mixed background versus White	.579
	Indian versus White	.593
	Pakistani versus White	.661
	Bangladeshi versus White	.713
	Caribbean versus White	1.625
	African versus White	.425
	Any other ethnic group versus White	.446
Family type	Couple with children versus Lone parent	1.639
Age of youngest child (T2)	0 versus 6-10	.994
	1-4 versus 6-10	1.141
	5 versus 6-10	.653
	11 versus 6-10	1.095
	12-15 versus 6-10	.889
	16-18 versus 6-10	.636
Number of children	1 child in both time points versus 2 in both time points	1.449
	1 to 2 children versus 2 in both time points	1.402
	2 to 3 children versus 2 in both time points	1.054
	3 children in both time points versus 2 in both time points	1.275
	3 to 4 or more children versus 2 in both time points	.242
	4 or more children in both time points versus 2 in both time points	1.293
	Number of children reduced versus 2 in both time points	1.080
Age of parents	16-24 versus 35-44	3.205
	25-34 versus 35-44	1.133
	45-54 versus 35-44	.562
	55 and over versus 35-44	.780
Tenure (T1)	Social housing versus Owner occupier	.777
	Private rent versus Owner occupier	.773
Employment status	Full employment in both time points versus Part employment in both time points	1.700
	Full employment in both time points fall in earnings versus Part employment in both time points	1.301
	Full employment in both time points rise in earnings versus Part employment in both time points	7.823
	Part employment in both time points fall in earnings versus Part employment in both time points	1.009
	Part employment in both time points rise in earnings versus Part employment in both time points	2.712
	Part employment to full employment versus Part employment in both time points	8.880
	Decreased work versus Part employment in both time points	.519

(Continued)

Characteristic/event	Category	Odds Ratio
Whether other adults in the household	Additional adults not in work versus No additional adults	.464
	Additional adults in work versus No additional adults	1.855
	None to Yes, but not in work versus No additional adults	.123
	None to Yes, in work versus No additional adults	.624
	Yes, but not in work to None versus No additional adults	1.134
	Yes, but not in work to Yes, in work versus No additional adults	4.765
	Yes, in work to None versus No additional adults	.397
	Yes, in work to Yes, but not in work versus No additional adults	1.238
Disability status	One or more adults ill/disabled to no adults ill/disabled versus No adults ill/disabled at both time points	1.046
	No adults ill/disabled to one or more adults ill/disabled versus No adults ill/disabled at both time points	1.045
	One or more adults ill/disabled both time points versus No adults ill/disabled at both time points	.633
Highest qualification	Degree versus A-levels	1.384
	Other higher degree versus A-levels	1.660
	GCSE etc. versus A-levels	.895
	Other qualification versus A-levels	1.878
	No qualification versus A-levels	1.315
T1 income deciles	Poorest decile versus 2nd deciles	.650
Government Office Region	North East versus East of England	.876
	North West versus East of England	.786
	Yorkshire and the Humber versus East of England	.383
	East Midlands versus East of England	1.863
	West Midlands versus East of England	.810
	London versus East of England	1.096
	South East versus East of England	1.263
	South West versus East of England	.581
	Wales versus East of England	1.001
	Scotland versus East of England	.756
	Northern Ireland versus East of England	1.024
Rurality	urban area versus rural area	.838
Industry	Agriculture etc. + Energy etc. + Other services versus Banking and finance	.579
	Manufacturing versus Banking and finance	.638
	Construction versus Banking and finance	1.480
	Distribution, hotels and restaurants versus Banking and finance	.843
	Transport and communications versus Banking and finance	.932
	Public admin, education and health versus Banking and finance	1.296

(Continued)

Characteristic/event	Category	Odds Ratio
Occupation	Managers and senior officials versus Skilled trades	.813
	Professional occupations versus Skilled trades	2.966
	Associate prof. and technical occupations versus Skilled trades	1.238
	Admin and secretarial occupations versus Skilled trades	.493
	Personal service occupations versus Skilled trades	.777
	Sales and customer service versus Skilled trades	1.186
	Process, plant and machine operatives versus Skilled trades	.941
	Elementary occupations versus Skilled trades	.881
Contract type	Non-permanent contract versus Permanent contract	.556
Benefit income rise of at least 10%	Yes versus No	2.975
Other income rise of at least 10%	Yes versus No	1.306
Investment income rise of at least 10%	Yes versus No	1.840
Pension income rise of at least 10%	Yes versus No	2.443

1. Odds ratios: >1 indicates more likely to exit poverty, <1 indicates less likely to exit poverty.
2. Whole row dark grey means that variable is not statistically significant, just the odds ratio column light grey means that category is not statistically significantly different from the reference category.

Table A.51 Regression model of poverty exit for all children whose family move into work (base is all children initially in workless families and in poverty)

Characteristic/event	Category	Odds Ratio
Year	2010/11-2011/12 versus 2009/10-2010/11	1.245
Ethnicity	Mixed background versus White	1.461
	Indian versus White	.800
	Pakistani versus White	.383
	Bangladeshi versus White	.572
	Caribbean versus White	.679
	African versus White	.268
	Any other ethnic group versus White	.845
Family type	Lone parent versus Couple	.242
Age of youngest child (T2)	0 versus 6-10	.078
	1-4 versus 6-10	.531
	5 versus 6-10	.953
	11 versus 6-10	.576
	12-15 versus 6-10	1.951
	16-18 versus 6-10	.688
Number of children	1 versus 2	1.393
	3 versus 2	1.097
	4 or more versus 2	.767
Age of parents	16-24 versus 35-44	1.285
	25-34 versus 35-44	.942
	45 and over versus 35-44	.213
Tenure (T1)	Social housing versus Owner occupier	.615
	Private rent versus Owner occupier	.969
Whether additional adults in the household (T2)	Yes, additional adults in the household versus No additional adults in the household	1.010
Disability status	One or more adults ill/disabled to no adults ill/disabled versus No adults ill/disabled at both time points	.874
	No adults ill/disabled to one or more adults ill/disabled versus No adults ill/disabled at both time points	.418
	One or more adults ill/disabled both time points versus No adults ill/disabled at both time points	.234
Highest qualification	Degree versus A-levels	1.221
	Other higher degree versus A-levels	1.171
	GCSE etc. versus A-levels	.611
	Other qualification versus A-levels	.393
	No qualification versus A-levels	.348
T1 income deciles	Poorest deciles versus 2nd deciles	1.776

(Continued)

Characteristic/event	Category	Odds Ratio
Government Office Region	North East versus East of England	.871
	North West versus East of England	.772
	Yorkshire and the Humber versus East of England	.330
	East Midlands versus East of England	.449
	West Midlands versus East of England	.593
	London versus East of England	.906
	South East versus East of England	.357
	South West versus East of England	.399
	Wales versus East of England	.645
	Scotland versus East of England	.593
	Northern Ireland versus East of England	.313
Rurality	urban area versus rural area	.961
Benefit income rise of at least 10%	Yes versus No	1.749
Other income rise of at least 10%	Yes versus No	1.222

1. Odds ratios: >1 indicates more likely to gain employment and exit poverty, <1 indicates less likely to gain employment and exit poverty (i.e. more likely to stay workless and remain in poverty).
2. Whole row dark grey means that variable is not statistically significant, just the odds ratio column light grey means that category is not statistically significantly different from the reference category.

Poverty exit and childcare

Table A.52 Use of childcare for children whose family exit poverty and move into work

	Couple: workless			Couple: part-employment[4]			Couple: full-employment[5]			Lone parent: workless		
	Low-middle income[1]	In poverty[2]	Exited poverty[3]	Low-middle income	In poverty	Exited poverty	Low-middle income	In poverty	Exited poverty	Low-middle income	In poverty	Exited poverty
No childcare used	91	96	96	85	91	89	64	75	75	76	86	85
Childcare is used	9	4	4	15	9	11	36	25	25	24	14	15
Whether childcare used is informal, formal or both												
Informal only	4	1	2	7	3	5	17	9	12	10	6	7
Formal only	2	2	2	5	4	6	8	10	7	8	5	7
Both	2	1	-	3	1	1	11	6	6	4	3	2
Base	*338*	*633*	*101*	*1,374*	*881*	*353*	*1,176*	*171*	*229*	*768*	*1,445*	*227*
Base		*1,072*			*2,608*			*1,576*			*2,440*	

Table A52 (continued)

	Lone parent: employed[6]			One or more self-employed			Total		
	Low-middle income	In poverty	Exited poverty	Low-middle income	In poverty	Exited poverty	Low-middle income	In poverty	Exited poverty
No childcare used	70	78	57	74	81	82	76	87	80
Childcare is used	30	22	43	26	19	18	24	13	20
Whether childcare used is informal, formal or both									
Informal only	15	13	14	9	7	7	11	5	8
Formal only	7	5	17	7	8	5	6	5	7
Both	8	3	12	9	3	6	6	3	4
Base	*795*	*329*	*234*	*579*	*623*	*362*	*5,030*	*4,082*	*1,506*
Base	*1,358*	*1,564*	*10,618*						

Understanding Society waves 1, 2 and 3 (2009/10, 2010/11 and 2011/12).

1. Low-middle income are those not in poverty in both waves, and who are in income deciles 3-5 in wave 2.
2. In poverty group are those in poverty in wave 2.
3. Exited poverty are those who were in poverty at wave 1 but exited poverty in wave 2 (including the ten per cent rule).
4. Couple: one parent in full-time work, Couple: one parent in part-time work, Couple: both in part-time work.
5. Couple: both in full-time work, Couple: one parent in full-time work and one parent in part-time work.
6. Lone parent in full-time work or part-time work.

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