



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

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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 employment¹ had the highest poverty exit rate (75 per cent), whereas a transition from full 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.

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

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

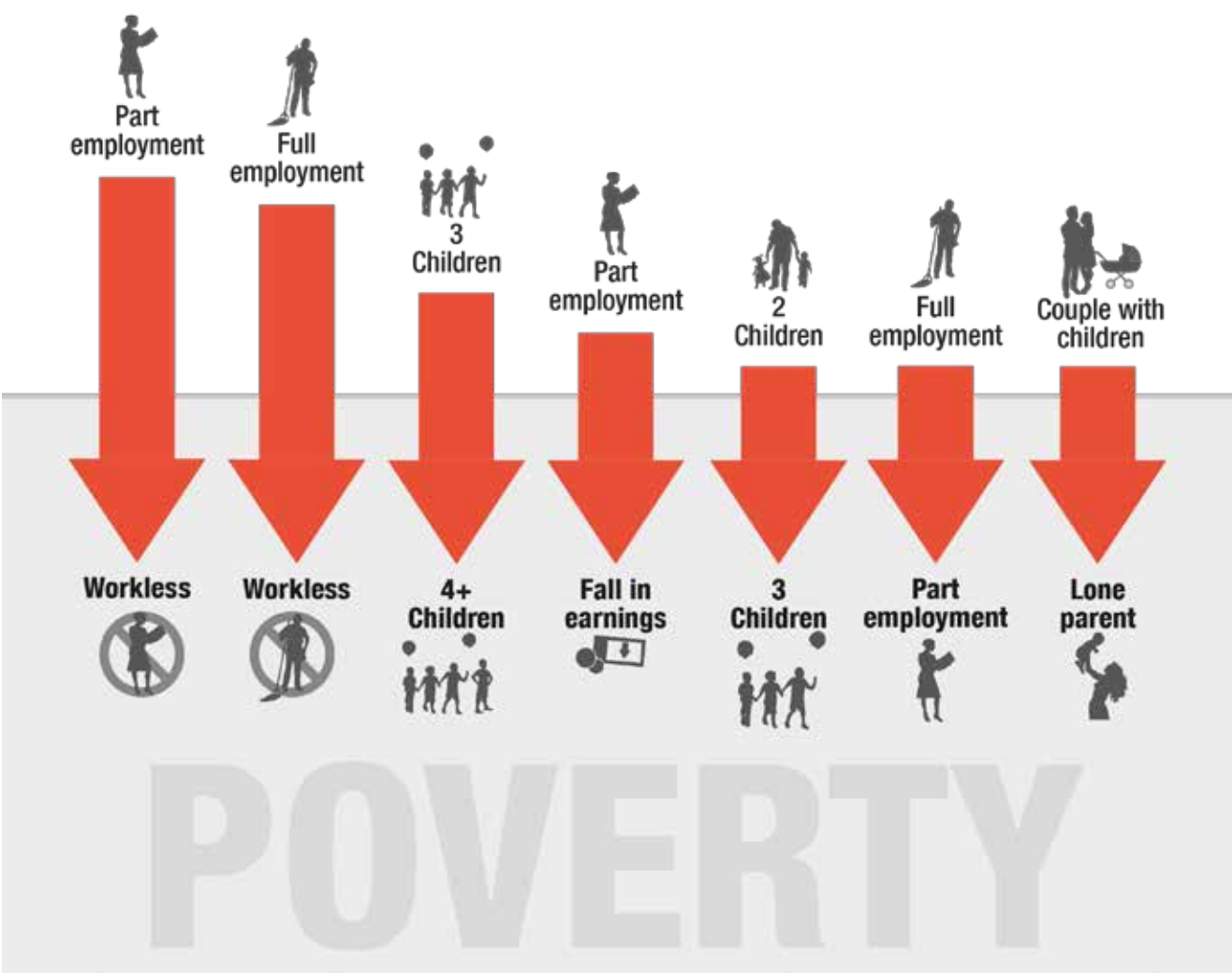
case even after controlling for other factors. This may be a result of the unstable and low-paid work associated with many jobs in this sector, meaning that households experienced fluctuations in their levels of income.

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

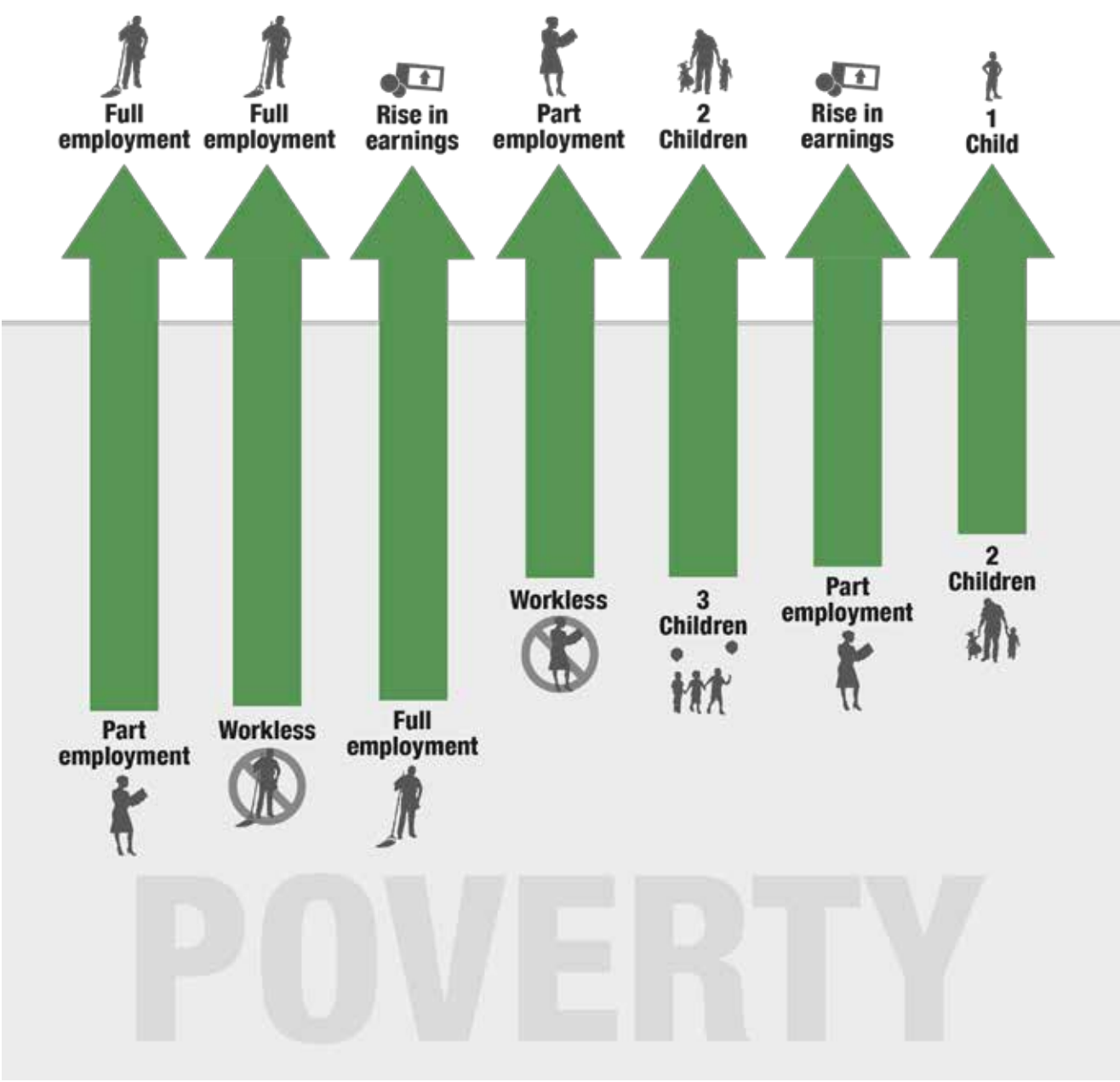
Gaining employment is an important way for workless families to exit poverty. Almost three-quarters (74 per cent) of poor workless families who found work escaped poverty. These families were more likely to be couples, with fewer children, and have no disabled adults in the family – all factors that 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 child² were more likely to enter poverty even when controlling for other factors, and families with a child reaching adulthood or leaving home³ were more likely to exit poverty, even after controlling for other factors.

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).
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.

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 income⁴ 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 factors⁵.

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

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.

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).

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 910219 75 1. Research Report 900. June 2015).

You can download the full report free from: <https://www.gov.uk/government/organisations/department-for-work-pensions/about/research#research-publications>

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