

Institution: University of Essex
Unit of Assessment: 18 – Economics and Econometrics
Title of case study: Changing how poverty is measured and understood
<p>1. Summary of the impact</p> <p>Essex research, conducted between 1994 and 2010, has provided a new way for the UK Government to measure income poverty, leading to a measure of persistent poverty being included in the <i>Child Poverty Act 2010</i>. The research has enriched policymakers' understanding of changes in inequality and provided a framework for the analysis of poverty dynamics. It has also changed the way in which the Joseph Rowntree Foundation approaches its research and policy work on poverty. A sub-strand of work, on how incomes change after couples separate, has informed policy development work by the charity Gingerbread.</p> <p>2. Underpinning research</p> <p>Shortly after longitudinal micro-data on UK household income first became available, Stephen Jenkins and colleagues at Essex, in a programme of work from 1994 to 2010, developed techniques to study changes to income inequality and income-based measures of poverty. They produced new substantive results on the extent and nature of dynamics in household income and poverty in the UK.</p> <p>In the mid-1990s, using the newly-available data on household income, Jenkins and Jarvis (1998) gave the first robust impression of the extent of income mobility in the UK, showing that much of this involves small changes in household income. As more data became available, Jenkins and Rigg (2001) were able to go beyond the usual conventional way of analysing low income in the UK (which was to measure incomes at a point in time, and estimate what fraction lives in a household whose equivalised income is below 60% of the contemporaneous national median) to both construct measures of persistent poverty, and analyse the dynamics in the usual poverty measure (showing, for example, that one in three individuals experience relative poverty at least once in a four-year period).</p> <p>Cappellari and Jenkins (2002) and Jenkins and Rigg (2001), the latter commissioned directly by the Department for Work and Pensions, found that children, pensioners, female adults, lone parent families, and working-age workless families were all subgroups that are especially likely to experience persistent and recurrent poverty. These findings allow policy initiatives to be directed towards the most vulnerable. Jenkins and Rigg (2001) analysed the factors associated with moves in and out of poverty, finding that changes in a household's labour earnings accounted for 62% of exits from poverty and 44% of entries to poverty – this is one of the key pieces of evidence behind many UK policymakers' claims that work is the best route out of poverty.</p> <p>Related work (Jenkins, 2008) using the same longitudinal data on household incomes has documented the changes in income that are associated with the breakdown of marital partnerships, and established the substantial average decline in equivalised income experienced by separating women, whereas separating men see an average rise in equivalised income.</p> <p>The research has involved significant methodological developments. Cappellari and Jenkins (2004) modelled poverty transitions that account for state dependence, initial poverty status and non-random attrition. Jenkins (2009) developed, in work commissioned by the National Equality Panel, a modelling framework for describing income-age trajectories that summarises not only the average profile for a group of similar individuals, but also how individual trajectories differ from the group average. Jenkins and Van Kerm (2006) show how, for any member of the generalised Gini class of indices, the change in inequality between two points in time can be additively decomposed into two components, one summarising mobility in the form of re-ranking, and one summarising progressivity in income growth (i.e. whether income growth is pro-poor rather than pro-rich). This allows for a more meaningful assessment of the extent of income mobility in society.</p>

The research team included:

Stephen Jenkins, Professor, at Essex 1994 – 2010

Lorenzo Cappellari, Nuffield Career Development Fellow, at Essex 2000 – 2001

Francesco Devicienti, Research Officer, at Essex 1999 – 2001

Sarah Jarvis, Senior Research Officer, at Essex 1995 – 1999

John Rigg, Senior Research Officer, at Essex 1999 – 2002

3. References to the research

Jenkins, S. P. and S. Jarvis (1998) How much income mobility is there in Britain? *Economic Journal*, 108 (447): 428–443. DOI: 10.1111/1468-0297.00296

Jenkins, S. P. and J. A. Rigg, with F. Devicienti (2001) *The dynamics of poverty in Britain*. DWP Research Report 157. ISBN 1841234176

Cappellari, L. and S. P. Jenkins (2002) Who stays poor? Who becomes poor? *Economic Journal* 112 (478): C60–C67. DOI: 10.1111/1468-0297.00028

Cappellari, L. and S. P. Jenkins (2004) Modelling low income transitions. *Journal of Applied Econometrics*, 19 (5): 593–610. DOI: 10.1002/jae.778

Jenkins, S. P. and P. Van Kerm (2006) Trends in income inequality, pro-poor income growth and income mobility. *Oxford Economic Papers* 58 (3): 531–548. DOI: 10.1093/oeq/gpl014

Jenkins, S. P. (2008) Marital Splits and Income Changes over the Longer Term. ISER Working Paper, No. 2008-07, Colchester: University of Essex.

<https://www.iser.essex.ac.uk/publications/working-papers/iser/2008-07.pdf>

Jenkins, S. P. (2009) Spaghetti Unravelling: a model-based description of differences in income-age trajectories. ISER Working Paper, 2009-30, University of Essex, Colchester, UK.

<https://www.iser.essex.ac.uk/publications/working-papers/iser/2009-30.pdf> (Later published as chapter 7 of Jenkins, S.P., 2011, *Changing fortunes: income mobility and poverty dynamics in Britain*, Oxford: OUP. ISBN 0199226431)

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Taylor, M., R. Berthoud and S. P. Jenkins, *Tracking the circumstances of those with the lowest incomes*. Social Exclusion Unit, 04.09.03 to 03.06.04, £51,725.

Gershuny, J. *ESRC Research Centre on Micro-Social Change*. ESRC, 01.10.04 to 30.09.09, £3,331,616.

Jenkins, S. P. *National Equality Panel*. Government Equality Office, 07.03.09 to 31.05.09, £10,000.

4. Details of the impact

The research has contributed significantly to the UK policy debate, and the policy response, surrounding poverty and income inequality. It has done this partly by providing new empirical evidence about the nature of poverty and inequality in the UK, which has formed the basis of useful inputs for policymakers, and partly by showing the value of a longitudinal analysis of income inequality and poverty in the UK. The research has had impact on government policy and on third-sector organisations.

Impact on government legislation and policy

The main impact of this research has been to fundamentally change the way in which poverty

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statistics are reported in Britain. Prior to this research, the annual official poverty statistics, as reported in the Department for Work and Pensions' report, Households Below Average Income (HBAI), concentrated solely on point-in-time measures of poverty and income inequality. Because of Essex research on poverty and low-income dynamics, the HBAI series now routinely produce statistics relating to income-dynamics poverty persistence and poverty transitions. The most recent example of this is the DWP's 2011 *Low-Income Dynamics* report. Section 4 of this report is on 'Transitions into and out of Low Income' and explicitly states that the methodology used is that developed by Jenkins and Rigg (2001) [corroborating source 1].

As a direct consequence of the change to the HBAI reports, a measure of persistent poverty now forms one of the four statutory measures of child poverty named in the *Child Poverty Act 2010*, against which future governments have to report progress [corroborating source 2]. Before bringing forward the Bill, the previous government consulted on how they should define and measure child poverty, and the consultation document [3] refers to research by Jenkins and Rigg (2001). These sorts of statistics continue to inform policymaking at the highest level: Figure 1.3 of the Cabinet Office's 2010 *State of the nation* report—a document which represents the current government's overall approach to poverty and disadvantage—cites statistics on persistent poverty [4]. This impact was generated largely through the academic outputs in Section 3, but also through writing reports for government departments and publishing more accessible versions of academic findings.

Essex research informed the work of the National Equality Panel (NEP), which was established by the Labour government in 2008 to identify the extent and depth of inequality in Britain. The NEP's final report, *An anatomy of economic inequality in the UK*, identified a range of deep-seated and systematic differences between social groups across many dimensions of life, and it has attracted a great deal of policy and media attention (over 400 items of media coverage since January 2010). Stephen Jenkins was a member of the NEP, and his work directly influenced the panel's thinking through Jenkins (2009), which was commissioned to support the panel's deliberations. The final report makes extensive reference to Jenkins' research [5].

Impact on the third sector

The research has also had significant impact on the way in which charitable organisations understand poverty. Essex research has been used extensively by The Joseph Rowntree Foundation (JRF), which has stated:

"The way that JRF approaches poverty (as outlined for example in its strategic plan and new programme to develop anti-poverty strategies) is informed by research undertaken by Stephen Jenkins while he was at the University of Essex Institute for Social and Economic Research... A clear thread of Stephen's work can be seen within JRF thinking on poverty over the last decade, influencing two major reviews and at least five separate programmes of research" [6].

The JRF's programme on 'recurrent poverty' was informed by Essex research, which is demonstrated by the very concept being drawn from Jenkins' work [5] and the final summary report in 2010 [7] directly referencing Jenkins and Rigg (2001). This review then fed into a further JRF programme on the future of the UK labour market, which again draws heavily on the dynamic approach to poverty developed at Essex [6]. Furthermore, the JRF's strategic plan states that one of its aims is to "equip policy-makers around the UK to understand the complex causes and dynamics of poverty, including how it relates to ethnicity, disability and ill-health across the age range" [8] [6]. A JRF programme called 'Anti-poverty strategies for the UK', which began in 2012, reflects these strategic aims and has as its core principle the ideas that poverty is dynamic and should be understood over the life-course [6].

Jenkins' work on income-changes after divorce has provided evidence on the link between single parenthood and poverty, which has been central to policy development work by the charity Gingerbread, which represents lone parents:

Impact case study (REF3b)

“Gingerbread has made significant use of research work undertaken by Stephen Jenkins on income changes after couples separate. This has been particularly valuable for us in policy development relating to the incidence and experience of poverty in single parent families. This, in turn, has played a particularly key role in our influencing work on child poverty, as a significant component in explaining why children in single parent families are disproportionately likely to be affected by poverty, and informing our development of relevant policy measures to tackle poverty” [9].

Essex research is referred to frequently in Gingerbread’s policy documents, including briefing materials and responses to government consultations. For instance, Jenkins (2008) is cited in the charity’s *Single parents, equal families* (2009) report [10] and Gingerbread has stated that Essex research has informed a further four policy documents, including its submission to the *Independent (Frank Field) review of poverty and life chances* and its response to government consultation on *Measuring child poverty: A consultation on better measures of child poverty* [9].

5. Sources to corroborate the impact

All documents are available from HEI on request.

[1] Department for Work and Pensions (2011) *Low-Income Dynamics 1991-2008* (Great Britain). London: DWP. See pp. 21-22.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/200978/low_income_dynamics_1991-2008.pdf

[2] HM Government (2010) *Child Poverty Act 2010*. London: Stationery Office. See Parts 6 & 7.

[3] Child Poverty Unit (2009) *Ending child poverty: Making it happen*, HM Government. See p. 22 and footnotes 37 & 39. <http://www.education.gov.uk/consultations/downloadableDocs/8061-CPU-Ending%20Child%20Poverty.pdf>

[4] Cabinet Office (2010) *State of the nation*. See Figure 1.3. <http://umbr4.cabinetoffice.gov.uk/media/410872/web-poverty-report.pdf>

[5] Hills, J., M. Brewer, S. Jenkins, R. Lister, R. Lupton, S. Machin, C. Mills, T. Modood, T. Rees and S. Riddell (2010) *An anatomy of economic inequality in the UK: Report of the National Equality Panel*, Government Equalities Office, London. See footnotes 41, 46, 180, 232 and section 11.5. Available as CASEReport 60: <http://eprints.lse.ac.uk/28344/1/CASEReport60.pdf>

[6] Head of Poverty, Policy and Research, Joseph Rowntree Foundation.

[7] Goulden, C. (2010) *Cycles of unemployment and low pay*. See p. 3. <http://www.jrf.org.uk/sites/files/jrf/poverty-employment-lowpay-summary.pdf>

[8] Joseph Rowntree Foundation, *Strategic plan 2012-2014*. See p. 9. <http://www.jrf.org.uk/sites/files/jrf/strategic-plan-2012-2014-full.pdf>

[9] Director of Policy, Advice and Communications, Gingerbread.

[10] Gingerbread (2009) *Single parents, equal families*, London: Gingerbread. See Footnote 40 of item 8. <http://www.gingerbread.org.uk/uploads/media/17/6841.pdf>