



Low income and multiple disadvantage 1991–2001:

Analysis of the British Household Panel Survey for the Social Exclusion Unit in the Breaking the Cycle series

Summary

Introduction

This report presents the results of research commissioned by the Social Exclusion Unit to track changes in low income and multiple disadvantage between 1991 and 2001. It is based on analysis of the British Household Panel Survey (BHPS). The research was carried out by Mark Taylor, Stephen Jenkins and Richard Berthoud of the Institute of Social and Economic Research at the University of Essex.

Key findings

The key conclusions of the research are:

- Working age individuals were generally better off in 2001 than in 1991, whether “better off” is defined in terms of income or in terms of other indicators of disadvantage.
- However, there were a number of dimensions in which improvement was less evident: poor health, social isolation and living in a workless household (which improved only marginally relative to unemployment).
- According to non-income indicators, the position of those on low incomes improved by at least as much as for those on higher incomes, and in many cases by more over the 1990s.
- Pensioners did not share in the growing affluence over the 1990s to the same extent as working age people. On average, they were more likely to be on a low income, to be disadvantaged and to suffer more disadvantages than working age individuals. In addition, when looking at the same people over time, their position has deteriorated, whereas it has improved for working age individuals. This is partly associated with the ageing process.
- What remains clear is that persistent disadvantage and disadvantage across different domains remain a problem.

Summary of the research

This research was commissioned by the Social Exclusion Unit to track changes in low income and multiple disadvantage between 1991 and 2001. It is part of a series of projects in the 'Breaking the Cycle' series. In particular, this research addresses six questions:

1. What happened to the prevalence of low income and to low-income persistence over the 1990s?
2. What happened to the prevalence of disadvantage?
3. Are the people with the lowest incomes also those counted as being disadvantaged? Did this relationship change over the 1990s?
4. How much persistence in disadvantage is there? Did this change over the 1990s?
5. What are the associations between measures of disadvantage and have these changed?
6. How does the prevalence of disadvantage change when people move into, move out of and stay in low income? Did this change over the 1990s?

The *entrenchment* hypothesis is of particular interest. It is interpreted as having two separate elements: (a) a decline in the fraction of individuals who experienced any disadvantage, together with (b) greater disadvantage among those who experienced any disadvantage.

This project used individual-level data from the first 11 waves of the British Household Panel Survey (BHPS), covering the years 1991–2001. The data is used as a series of repeated cross sections, and as longitudinal data to trace the same people over time.

What happened to the prevalence of low income and to low income persistence, and did this change over the 1990s?

- Throughout the 1990s, real incomes increased across the range from poorest to richest, and for all age groups.
- Women (particularly female pensioners), pensioners in general, lone parents, and children were over-represented in the poorest fifth of the income distribution throughout the 1990s. However, these same groups also became slightly less over-represented among the poor over the period.
- Persistence of low income increased, with a larger proportion of both working and pension-age people experiencing persistent low income between 1996 and 2001 than between 1991 and 1996. For example, 23% of pensioners were in low income for at least five out of six years between 1996 and 2001, up from 18% between 1991 and 1996.

What happened to the prevalence of disadvantage and did this change over the 1990s?

- There was a general decline over the 1990s in the proportion of working age and pension age individuals that experienced disadvantage across various domains. For example, the fraction of working age individuals experiencing unemployment fell, as did the proportion of working and pension age individuals living in overcrowded housing, experiencing accommodation problems or reporting problems in their local area.
- Both working age individuals and pensioners increased their access to consumer durables, had fewer problems meeting their housing costs, and were better able to afford items and activities that the BHPS asked about. This trend reflects the rise in living standards and falling prices of consumer goods over the 1990s.

- There was, however, an increase in the proportions of working and pension age individuals whose daily activities were restricted by their health. There was also an increased propensity to live alone among working age individuals.

Are people with the lowest incomes also counted as disadvantaged? Did this relationship change over the 1990s?

- Those with a low income were more likely to be disadvantaged on other indicators (relative to higher income people). For people of working age, the measures of disadvantage most closely associated with low income were: living in a workless household, living in social housing, the ratio of accommodation size to household size (overcrowding), access to consumer durables, lifestyle hardship, and a lack of educational qualifications. The measures of disadvantage with a weak association with income were related to living alone and subjective social isolation.
- Among pensioners, the correlations between income and the various measures of disadvantage were weaker than for working age individuals.
- People on low incomes generally became better off in the sense that a lower proportion was experiencing disadvantage on each indicator in 2001 than in 1991 (i.e. *absolute* improvement). In addition, the position of the poorest fifth *relative* to those on higher incomes also improved according to a minority of indicators.
- However, the position of those in the poorest fifth of the income distribution fell in both *absolute* and *relative* terms for the subjective physical health measure and living alone.

How much persistence in disadvantage is there? Did this change over the 1990s?

- Among men and women of working age, the greatest levels of persistence were in having no educational qualifications, living in social housing and smoking. There were relatively large *increases* in persistence in poor subjective physical health, poor mental health, and non-participation in organisations. There were relatively large *decreases* in persistence in unemployment, social housing, access to consumer durables, and financial stress.
- Pensioners suffered more persistent disadvantage than working age individuals on all indicators except subjective social isolation. There were relatively large *increases* between the two periods in persistence in poor mental health and financial stress. There were relatively large *decreases* in persistence in subjective isolation and access to consumer durables.

What are the associations between measures of disadvantage and have these changed?

- A smaller proportion of working age adults in 2001 than in 1991 experienced any disadvantage, although there was a small increase between 1996 and 2001. There was also a fall in the mean number of disadvantages experienced by each individual, both in total and depending on experiencing at least one or at least three disadvantages. This result provides no support for the hypothesis of entrenchment in disadvantage among working age individuals.
- Pensioners were more likely to experience any disadvantage and, on average, experienced more disadvantages than working age individuals. However, there was also a fall in the mean number of disadvantages experienced by each pensioner, both in total, and conditional on experiencing at least one disadvantage. This analysis provides no support for the hypothesis of entrenchment in disadvantage among pensioners.

How does the prevalence of disadvantage change when people move into, move out of and stay in low income? Did this change over the 1990s?

- Between 1991 and 1996, and between 1996 and 2001, working age individuals as a cohort generally became better off. Within each five-year period the fraction experiencing each disadvantage typically fell, the percentage with zero disadvantages rose, and the mean number of disadvantages fell. This description is true for every income dynamics group, with the exception of low-income entrants, for whom there was a modest rise in disadvantage (in both periods).
- Pensioners in each income group became worse off. The fraction of pensioners with zero disadvantages at best stayed the same, and the average number of disadvantages experienced by pensioners typically increased. For pensioners, therefore, some elements of the entrenchment hypothesis hold in the longitudinal analysis.

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