

## Ways in and out of low income in rural England

### Summary

Over the course of a year broadly similar proportions of rural and urban populations move into poverty and similar proportions move out. Children and women are especially susceptible to entering poverty and, once poor, find it hard to escape. Single people of all ages are vulnerable to poverty, but, while elderly people and lone parents face long-term poverty, for other single people it is often short-lived.

Large drops in earnings, caused by working fewer weeks during the year or relationship breakdown, are the two main causes of adults entering income poverty. Similarly, large increases in earnings, arising from an increase in the number of working weeks, are their main route out of poverty. Similar triggers operate in both rural and non-rural areas.

Children's fates are inextricably linked to their mothers'. They are primarily taken into poverty by their mothers becoming lone parents, but events leading to a reduction in her earnings also play a part. The triggers for adults' moves out of poverty, however, tended to do little for child poverty.

The Government's view, that rural poverty is best tackled by national policies, is supported by this research, as is the recent introduction of 'rural proofing' of policy by the Government supported by the Countryside Agency.

### Main findings

#### The dynamics of poverty

Earlier research found that income poverty was slightly less common in rural areas. The present study, which has analysed a larger number of years of the British Household Panel Survey and used more than one definition of income poverty, shows that it is just as much a feature of rural life.

Between 1995 and 1997, on average, each year, 7.2 per cent of people in rural areas, who were not previously poor, entered fairly persistent poverty and 36 per cent of those who were poor succeeded in escaping poverty<sup>1</sup>. The differences between rural and urban areas were slight, but moves into income poverty were higher in 'country and coastal' areas than in the 'industrial margins'. These differences seemed largely to be explained by the effects of retirement.

For every 100 adults moving into poverty in a rural area, 45 children were also affected. Rather fewer (38 per 100 adults) were affected by moves out of poverty. Again the differences between rural and non-rural areas were slight, although persistent child poverty was more a feature of urban areas.

<sup>1</sup> Using a threshold of 50% of the mean annual household income. The entry rate on a shorter-term measure, based on a threshold of 60% of median current household income, was slightly higher at 8.6 per cent; while the exit rate was 37 per cent. Household incomes were used through out this analysis.

## Who is most at risk of income poverty in rural areas?

People who were most vulnerable to long-term poverty included elderly people (especially those living alone), lone parents, families with three or more children and people who lacked skills or qualifications.

Shorter-term poverty, in contrast, was associated with young people (under 25) and single people of working age, who had a high risk of entering poverty but were also quite likely to escape.

## Triggers for moves into poverty

The research has identified a number of important triggers for moves into poverty but none of these was more common in rural areas than in urban ones (see table below).

### Overview of triggers for moves into income poverty

Trigger event	Extent of increased risk <sup>2</sup>		Incidence in rural cf urban areas	Effect in rural cf urban areas
	Annual income	Current income		
<b>Employment</b>				
Fall in no. of working weeks in year	11.6	5.5	*	*
Job termination	5.4	11.2	*	0.60
Entry to unemployment	4.4	8.6	*	*
Drop in number of earners	3.9	6.7	*	0.75
Move into self-employment	1.55	2.0	*	*
<b>Retirement</b>				
Entry to retirement	3.5	3.2	*	*
Additional pensioner	2.7	-	*	*
<b>Health and disability</b>				
Becoming disabled	2.1	1.6	*	*
Becoming a carer	2.0	1.2	*	*
Onset of work-limiting disability	1.6	2.3	*	*
<b>Family circumstances</b>				
Entry to lone parenthood	16.9	7.4	*	*
No longer a couple	6.1	4.3	*	*
Becoming head of household (or partner of one)	3.7	2.7	*	*
Widowhood	2.1	-	*	*
<b>House moves</b>				
Rural to urban moves	3.9	3.6	*	*
Loss of use of a car	2.6	2.6	*	*

- effect is risk neutral

\* not significant

Loss of earned income was the main trigger. Two life events increased the risk<sup>2</sup> of entering poverty more than ten-fold: becoming a lone parent and a big drop in the number of weeks worked during the year from over 45 to less than 26. Both these events carried the same risk of entering income poverty in both rural and urban areas.

Other important triggers included job termination, entering unemployment and a fall in the number of earners in a household. Each quadrupled the risk of entering poverty but affected current incomes (and shorter-term poverty) more than annual incomes (and more persistent poverty). Both job termination and a drop in the number of earners increased the risk of income poverty by rather less in rural areas than they did elsewhere.

Entry to retirement tripled the risk of entering poverty, as did becoming the head of household by setting up home independently. Again these factors had much the same effect on the risk of poverty in both rural and urban areas.

<sup>2</sup> The increased risk associated with a particular event is expressed as an 'odds ratio', which was calculated as the odds of entering poverty for someone who was affected by an event divided by the odds of entering poverty by someone who was not affected by it. The annual income threshold for poverty was below 50% of the mean annual income; the current income threshold was below 60% of the median currently weekly income.

Moving home from a rural area to an urban one carried a fourfold increase in the risk of entering poverty, while moves in the opposite direction had hardly any effect. This suggests that rural areas are ‘exporting’ poor people who move to look for work and that, without this movement, entry to poverty in rural areas would be even higher.

### Moves out of income poverty

Once again, there seemed to be very little difference between rural and urban areas in the events that could trigger a move out of poverty (see table below).

#### Overview of triggers for moves out of income poverty

	Extent of increased chances		Incidence in rural	Effect in rural
Trigger event	Annual income	Current income	cf urban areas	cf urban areas
Employment				
Rise in no: of working weeks in year	6.2	4.3	*	*
Leaving unemployment	2.9	2.9	*	*
Move into self-employment	2.9	3.4	*	*
Entry to job after not being in work	2.5	4.2	*	*
Part-time to full-time work <sup>1</sup>	-	2.69	*	*
Rise in number of earners	1.6	2.6	*	*
Family circumstances				
Entering into a relationship <sup>1</sup>	3.1	3.0	+	*
Ceasing to be head of household	3.0	3.0	*	*

+ for women only

<sup>1</sup> Analysis was undertaken for combined rural and urban population, owing to small numbers

- effect is risk neutral

\* not significant

The event that most increased the chance of leaving poverty (by a factor of six) was a large increase in the number of weeks worked in the year – from under 26 to more than 45.

Other important factors included three relating to employment - leaving unemployment; entry into a job from either unemployment or economic activity; and becoming self-employed – and two to family circumstances - getting married and ceasing to be a head of household (or the partner of one). All five factors trebled the chances of leaving poverty. There was, however, no difference between rural and urban areas in either their incidence or their effect on the chances of leaving poverty.

A move from part-time to full-time employment and a rise in the number of earners in the household also trebled the chances of leaving poverty, but both only did so in the short-term.

In other words, most of the events associated with long-term moves out of income poverty involved a reversal of factors that were most associated with entering poverty in the first place.

### Child poverty

The presence of children in a household was strongly associated with moves into income poverty. Entry into lone parenthood had by far the greatest effect on children entering poverty, but only if they were living with their mother. Indeed, children’s fates were inextricably linked with their mothers’ in other ways too and particularly if they moved from full-time to part-time work, experienced a big drop in the number of weeks worked in the year, or stopped working altogether.

Children are particularly susceptible to poverty following relationship breakdown or if their mother’s earnings fall. And, once poor, they are quite likely to remain that way for extended periods of time.

## Labour market transitions

Self-employment was also more common in rural areas than in towns and cities, with one in ten of the rural population aged over 16 being self-employed. Half of the people entering self-employment had previously been employed, the other half had been either unemployed or economically inactive. This almost certainly explains why becoming self-employed was associated both with an increased risk of entering poverty and an enhanced chance of leaving it.

People in rural areas who had left self-employment were much less likely to become either unemployed or economically inactive than people who had left paid employment. This is consistent with the risk of poverty associated with leaving self-employment being lower than the risk following job termination.

Part-time working was slightly more common in rural areas than elsewhere. But moves from full-time to part-time working had little effect on moves into poverty, largely because most of the moves from full-time to part-time working were made by women, many of whom will be the second earner in the household.

## Conclusions

These findings lend a good deal of support to the view, expressed in the Government's Rural White Paper, *Our countryside: the future*, that rural poverty will primarily be tackled by national policy changes and not by purely local initiatives. They also underline the importance of 'rural-proofing' national policies and initiatives to tackle income poverty, to ensure that they can be delivered as effectively in rural areas as in the towns and cities. Indeed, this is arguably the single most important conclusion of the research.

The research also enables us to identify key areas of social policy that will be important in tackling poverty, reducing the likelihood of people entering poverty and increasing their chances of escaping. These include:

- increasing access to secure, well-paid jobs, through more skills training and retraining, better child care provision and improved advice and support for small businesses;
- tackling family breakdown, where prevention is more effective than cure; and
- increasing the stability of incomes following retirement.

## Further reading

'Self employment in rural England' Report for The Countryside Agency (2002) - Elaine Kempson, Michael White, CRN 49.

'Not seen, not heard? Social Exclusion in rural areas' Report for The Countryside Agency (2000) CA49

'The role and contribution of women to rural economies' Report for The Countryside Agency (2002) CA97

'Indicators of poverty and social exclusion in rural England: 2002' Report for The Countryside Agency (2002) by the New Policy Institute CAX117

## About this research

The research was undertaken by Elaine Kempson and Michael White and is largely based on secondary analysis of data from the British Household Panel Surveys between 1991 and 1997. The analysis began with a thorough investigation of a range of income poverty thresholds, including three relating to annual incomes and two to current incomes. In addition, secondary analysis of the Quarterly Labour Force Surveys for 1996 and 1997 was undertaken, to assess short-term changes in employment.

**Countryside Agency Research Notes can also be viewed on our website:**  
**[www.countryside.gov.uk](http://www.countryside.gov.uk)**