

in brief...

Cycles of disadvantage

More than a quarter of Britain's children are growing up in poverty. New research by **Jo Blanden** and **Steve Gibbons** measures the extent to which children's experience of relative financial hardship increases their chances of being poor in adulthood – and whether that 'persistence' of poverty across generations has got worse.

The fact that roughly 3.4 million children – or 27% of the child population – are living in poverty is a critical policy issue. Much has been made of the government's commitment to reducing child poverty, particularly its first target of a 25% fall in the numbers in poverty between 1998/99 and 2004/05, which has just been narrowly missed.

This concern about child poverty relates not just to the immediate effects of poverty. More importantly, the experience of poverty in childhood may influence social, economic and health outcomes throughout later life, leading to the 'persistence' of poverty into adulthood and consequences for the next generation.

In order to investigate the long-term impact of growing up in poverty, we need to observe children's family circumstances and then return to see how they are doing later in life. Such information can be found in the two British cohort studies: the National Child Development Study and the British Cohort Study. The availability of these two data sources – one a cohort born in 1958, the other a cohort born in 1970 – allows us to compare the fortunes of people who were teenagers in the 1970s and the 1980s.

Our initial estimates of the persistence of poverty compare the poverty rates of people in their early thirties between those who grew up in poverty and those who did not:

- Of people whose families were poor when they were 16 in the 1970s, 19% were poor in their early thirties and 81% were not. So the 'odds' against growing up to be poor if your parents were poor were over four-to-one.
- Of people whose families were *not* poor when they were 16 in the 1970s, 90% were not poor in their early thirties while 10% were poor. So the 'odds' against growing up to be poor if your parents were *not* poor were about nine-to-one.

Persistence of poverty can be measured by dividing the odds of being poor if one's parents were poor by the odds of being poor if they were not – a number called the 'odds ratio'.

Calculations of this odds ratio show that for a teenager in the 1970s, the odds of being poor as an adult were doubled if his or her parents were poor. Similar calculations for the later cohort who were teenagers in the 1980s show that the odds of being poor in adulthood were nearly quadrupled by having poor parents (see Figure 1). Comparing these odds across the cohorts indicates that the strength of poverty persistence has approximately doubled, with an increase for men that is slightly greater than for women.

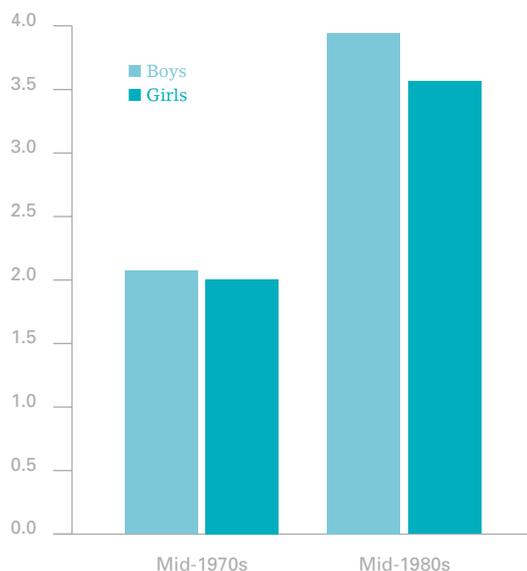
For teenagers growing up in the 1970s, teenage poverty doubled the odds of being poor at age 33. For this older cohort, it is also possible to observe their situations at age 42. The impact of teenage poverty on poverty at age 42 is very similar to its impact at age 33, also doubling the chances of being poor. For this group, teenage poverty is therefore as strongly related to middle-age poverty as to poverty in earlier adulthood.

This is perhaps surprising: we might expect the influence of teenage poverty to fade as the years go by. One explanation could be that teenage poverty influences poverty in early adulthood, and this then links through to poverty in later life. But accounting for poverty at age 33 has very little impact on the odds ratios for poverty at age 42. The link between poverty in teenhood and adulthood continues through to middle age, regardless of whether or not an individual is recorded as poor in their thirties.

These results raise an important policy question: what is it about growing up in poverty that makes it more likely that poor children will experience disadvantage in later life? This is crucial in terms of putting in place effective policies to alleviate the effects of early disadvantage. For example, if we can show that it is lack of money in itself

Growing up in poverty makes it more likely that children will be poor in later life

Figure 1:
How teenage poverty affects the odds of being poor as an adult



Note: The bars report the odds ratios for poverty at 16 in a logit model of poverty at age 33 for the earlier cohort and age 30 for the later cohort.

that is causing children to do badly, then redistribution is an obvious solution and reducing child poverty through benefits will have important effects.

We know that poor families differ in many ways from those who are not poor: they are more likely to be headed by lone parents and/or parents with low education and employment. Policy prescriptions are more difficult if it is these factors that lead to disadvantageous outcomes for children, as they are much less subject to change. The cohort studies include information on family characteristics, which makes it possible to measure the extent to which they are connected with poverty in later life:

- For the teenagers growing up in the 1970s, it seems that the impact of these factors on children can explain all of the higher later poverty rates for children who experienced poverty as teenagers. It was their family characteristics, in particular their parents' lack of education and work, that resulted in their later poverty and not the fact that their parents lacked income per se.
- For those who were teenagers in the 1980s, this is not the case: even when taking account of their family characteristics, there is evidence that poverty in itself puts these young people at a significant disadvantage.

Teenagers who lived in poverty in the 1980s are twice as likely to be poor in adulthood as their 1970s counterparts

These results could be taken to imply that straightforward redistribution would have had substantial benefits for the younger group. But this conclusion is too simplistic as it does not take account of the ways in which poor and non-poor families differ that are difficult to observe.

For example, we do not have a measure of parents' ability to help and encourage their children to learn and persevere. Evidence from other studies suggests that policies to reduce child poverty through transfers must be coupled with policies that help children's learning and development, particularly at early ages.

The most striking finding from this research is that the persistence of poverty from the teens into the early thirties has risen over time, with teenage poverty having a greater impact on later outcomes for teenagers in the 1980s compared with teenagers in the 1970s. This finding adds to the wider evidence that family background has had a growing impact on later outcomes between these cohorts.

This article summarises *The Persistence of Poverty across Generations: A View from two British Cohorts* by Jo Blanden and Steve Gibbons, published for the Joseph Rowntree Foundation by The Policy Press (<http://www.jrf.org.uk/bookshop/details.asp?pubID=778>).

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