



# Dynamics of very deep poverty

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# Outline

- Background and motivations
- Definitions and measures
- Overview of very deep poverty dynamics
- Economic events and experiences that increase the risk of very deep
- Support from financial and social safety nets
- Upcoming work on ethnicity and very deep poverty



# Background and motivations

- DWP produces annual publication on the dynamics of low income each year
- JRF looks at range of income thresholds, and we wanted to know what is happening further down the income distribution
- Wondered if very deep poverty was “stickier” than poverty overall, and:
  - Which groups of people are most likely to enter and exit very deep poverty annually?
  - What are the events that make entry to or exit from very deep poverty more likely?
  - Which groups of people are most likely to experience persistent very deep poverty?
  - What types of support can protect people from the worst consequences of living in very deep poverty?

# Measuring poverty and very deep poverty

## In poverty

(Living in a household with an equivalised income, measured after housing costs, that is less than 60% of the UK median)

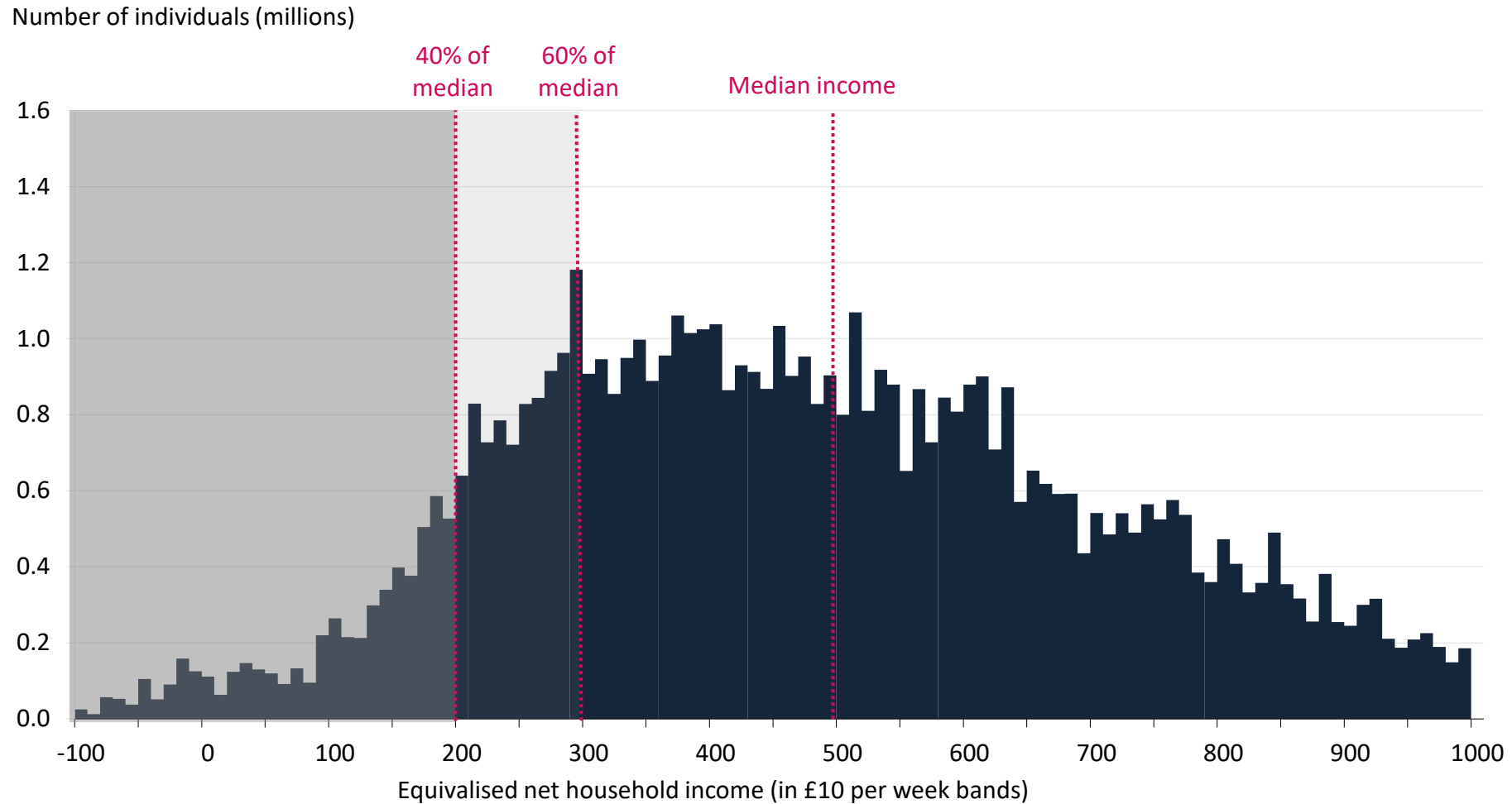
## In very deep poverty

(with an equivalised income, AHC, that is less than 40% of the UK median)

## In less deep poverty

(with an equivalised income, AHC, that is between 40% and 60% of the UK median)

# Measuring poverty and very deep poverty



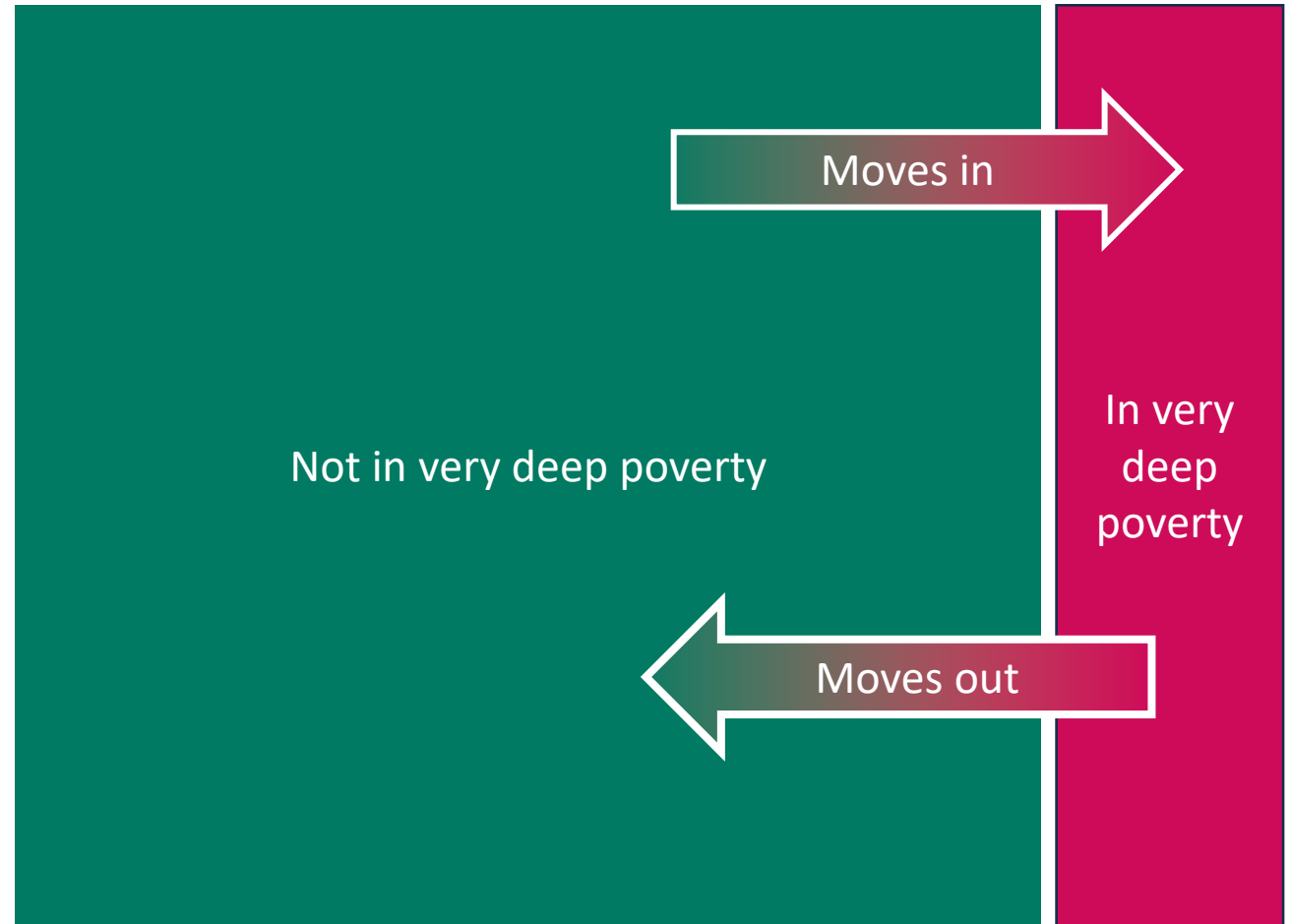
# Measuring annual moves into and out of very deep poverty

## Entry rate into very deep poverty

The proportion of people not in very deep poverty who move into very deep poverty the following year

## Exit rate from very deep poverty

The proportion of people in very deep poverty who move out of very deep poverty the following year



# Measuring long-term experiences of very deep poverty

## Long-term experiences of very deep poverty

Never  
(0 years out of  
4)

Short-term  
(1 or 2 years  
out of 4)

Persistent  
(3 or 4 years  
out of 4)

# Overall dynamics of very deep poverty



# Around 2.5 million people move in and out of very deep poverty each year

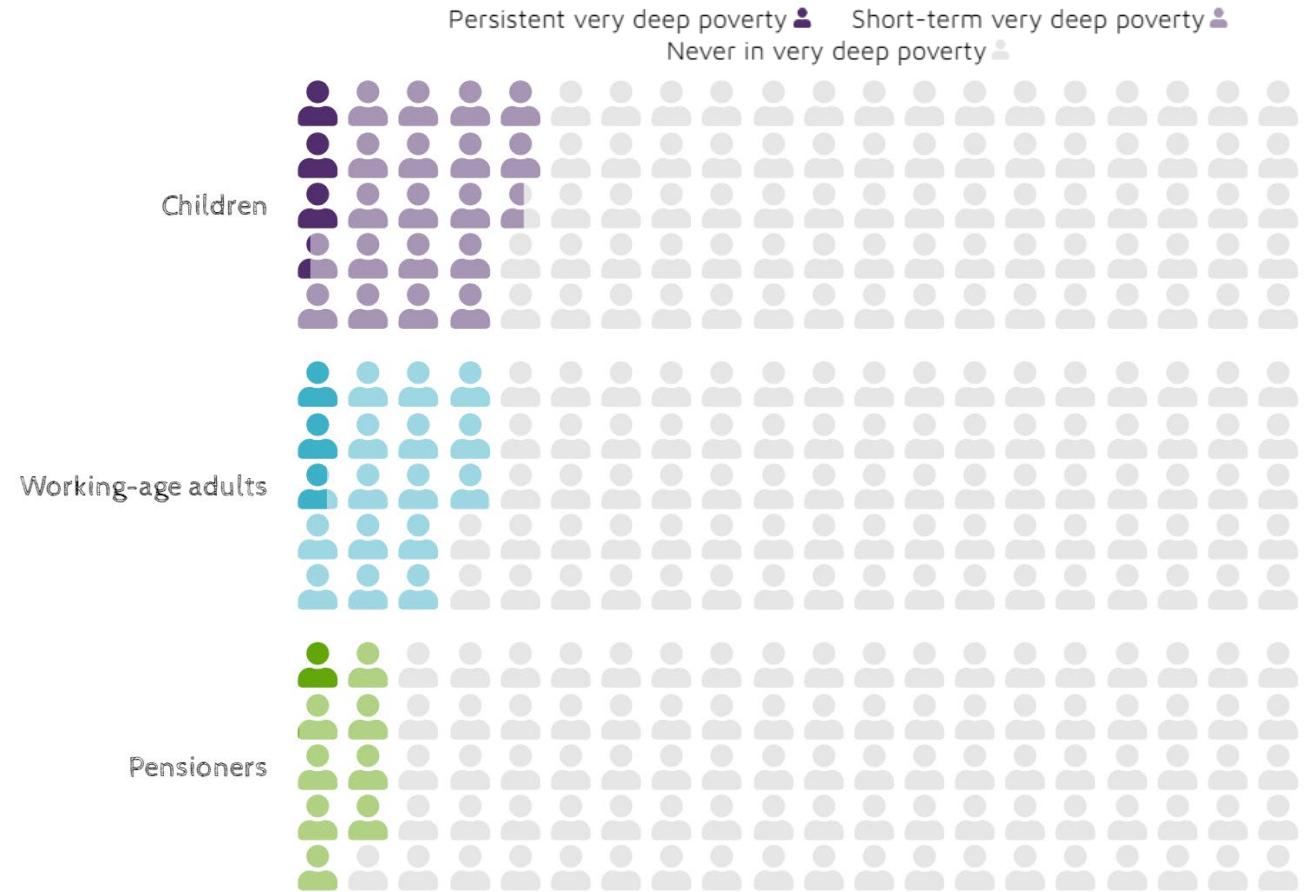
- Between 2017-18 and 2020-21, around 2.5 million people in the UK moved into very deep poverty each year. This included approximately:
  - 740,000 children
  - 1.5 million working age adults
  - 300,000 pensioners
- A similar number of people – making up around half of the total number who live in very deep poverty – move out of very deep poverty each year

# More than 12 million people experience very deep poverty in at least one year out of four

- Around 1.9 million people lived in persistent very deep poverty (in at least three out of four years) between 2017-18 and 2020-21. This included around:
  - 480,000 children
  - 1.3 million working-age adults
  - 200,000 pensioners
- A further 10.4 million people experienced very deep poverty in one or two years out of four

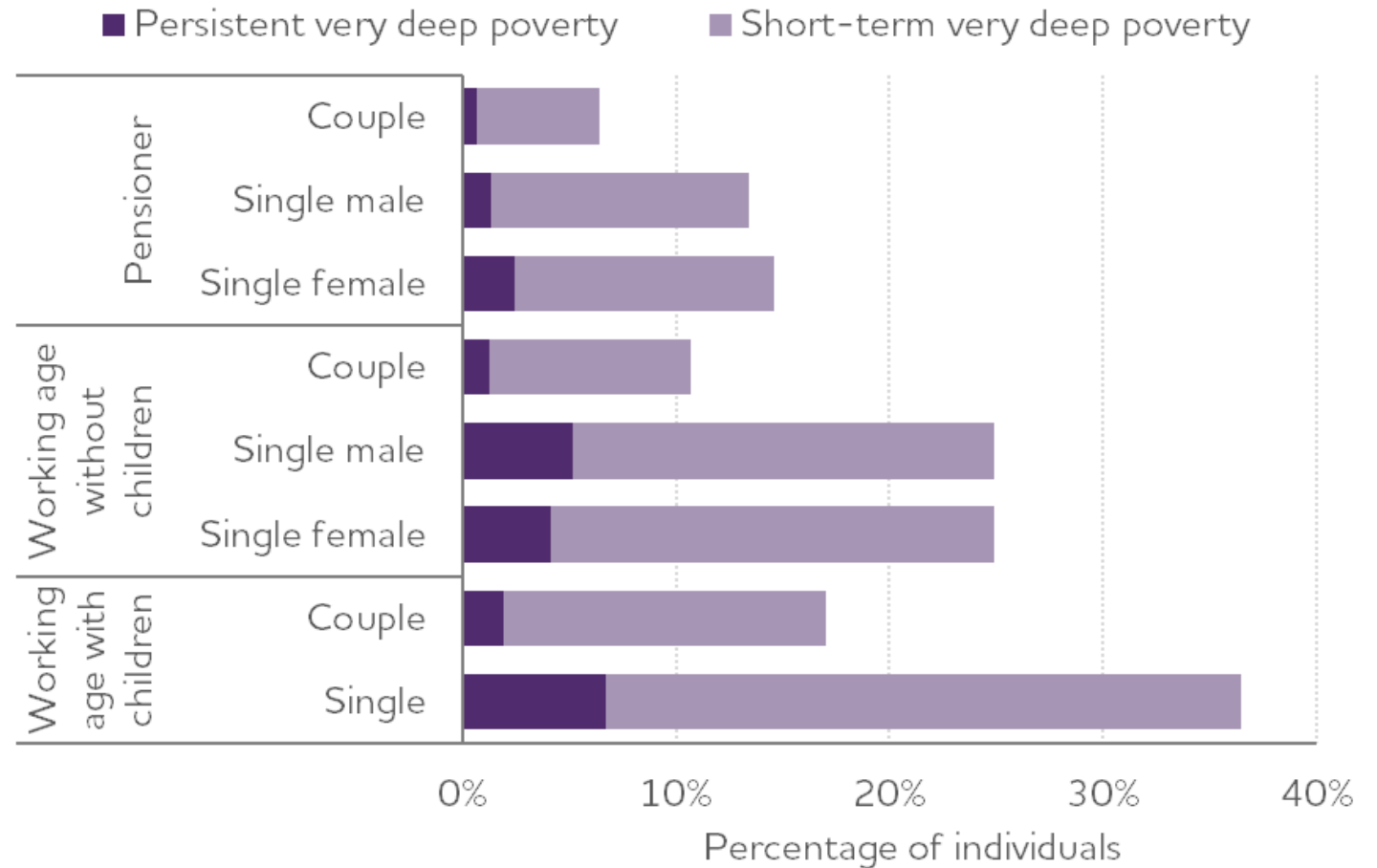
# Pensioners were the least likely group to experience persistent or short-term very deep poverty

- Children and working-age adults were twice as likely as pensioners to experience persistent very deep poverty
- Children were nearly two and a half times as likely as pensioners to experience short-term very deep poverty



# Many of the key risk factors for poverty are also risk factors for moving into, and staying in, very deep poverty

- This includes living in:
  - Families with children, particularly three or more children
  - Lone adult families (either with or without children)
  - Families with a disabled adult or unpaid carer



# Family breakdown or bereavement is strongly associated with moves into very deep poverty

- Across all couple families, 2.8% of people who remain in couple families move into very deep poverty, compared with 7.7% whose status changes from being in a couple to a single adult family.
- The difference is even bigger in families with children
  - Around one in seven people (14.1%) whose status change from living in a couple with children to a lone parent family move into very deep poverty - more than three and a half times more than those who remained in a couple family with children (3.7%).

# The impact of work, benefits and housing on experiences of very deep poverty



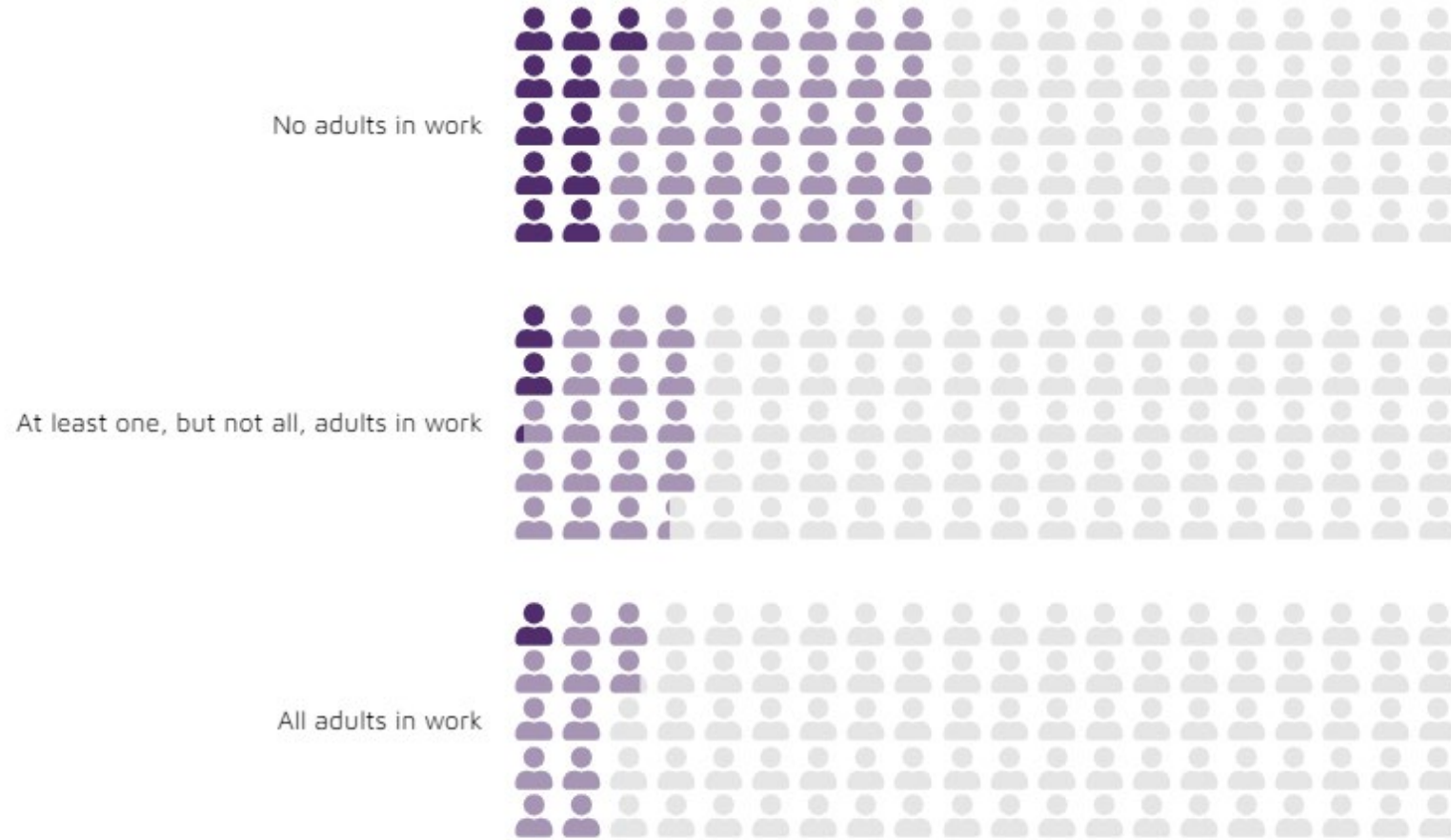
## Work matters....

- People in workless families are more than three times as likely to move into very deep poverty as people in families with all adults in work
- They are also more than ten times more likely than people in families with all adults in work to experience persistent very deep poverty.



# Work matters....

Persistent very deep poverty  Short-term very deep poverty   
Not in very deep poverty 





## ... but isn't equally protective for all families

Amongst families with children, compared with having no adults in work, having all adults in work:

- Reduces the risk of experiencing persistent very deep poverty by over ninety percent (from 10.6% to 0.6%) in couple families with children, but only 80% in lone parent families (12.0% to 2.2%)
- Reduces the risk of short-term very deep poverty by three-quarters (from 41.0% to 9.3%) in couple families with children, but only by half in lone parent families (from 41.6% to 19.7%).

## ... and stability and security of work matters too

- Less stable and insecure work increases the risk of workers moving into, and staying in very deep poverty
  - Self-employed people are around three times more likely to be in persistent very deep poverty than employees (2.8% compared with 0.9%)
  - People who do agency or casual work are twice as likely to experience persistent very deep poverty than workers on permanent contracts (2.3% compared with 1.0%)
  - Workers who are paid by the hour are around four times as likely as those who receive a salary to be in persistent very deep poverty (1.7% compared with 0.4%),

# Losing work (and earnings) pushes people into very deep poverty

- People whose family stops working are more than seven times more likely to move into very deep poverty than people in families that remain in work (21.3% compared with 2.9%).
- People are nearly three times more likely to move into very deep poverty if the number of people in work in their household falls (9.6%) than if it remains the same (3.3%).
- People living in a family whose earnings decrease are more than six times more likely to move into very deep poverty than those in families where this does not change (13.2% compared with 1.9%).

# Moving to less secure work pushes workers into very deep poverty

- Employees who move into self-employment are nearly five times more likely to move into very deep poverty than people who remain employees (7.2% compared with 1.5%).
- Moving from a permanent to a temporary position almost doubles someone's risk of moving into very deep poverty (3.3% compared with 1.8% of people who remain in a permanent positions).
- Workers who move from a salaried to a non-salaried role are more than two and a half times more likely to move into very deep poverty than people who remain in salaried positions (2.3% compared with 0.8%).

# Rising housing costs help to push many people, particularly renters, into very deep poverty

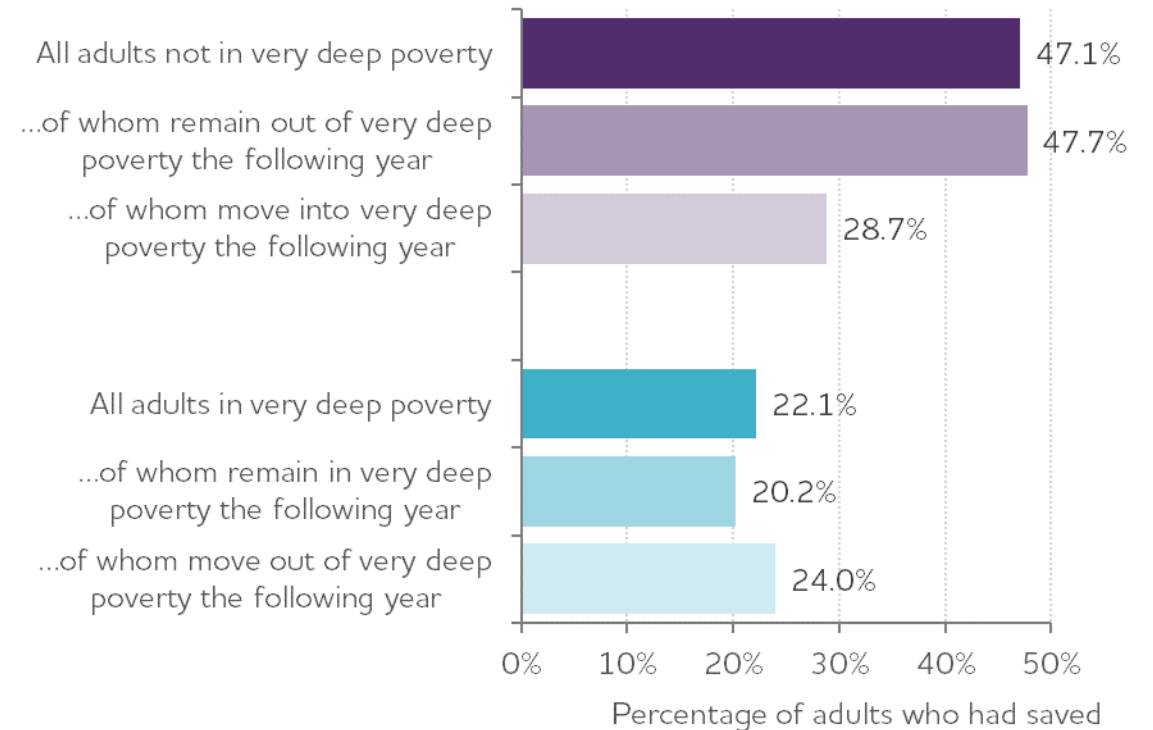
- Rising housing costs increases people's chances of moving into very deep poverty by more than 50% (6.8% compared with 3.9%).
- There are particularly high entry rates into very deep poverty for renters whose housing costs rise:
  - More than one in nine (12.5%) social renters moves into very deep poverty when their housing costs rise (compared with 8.6% whose costs do not change).
  - One in ten private renters moves into very deep poverty when their housing costs rise (10.0%, compared with 7.1%).

# The importance of social and financial safety nets for people in very deep poverty



# People in very deep poverty have little financial safety net

- Less than a quarter of adults in very deep poverty had been able to save money regularly, compared with nearly half of people not in very deep poverty
- But saving rates were also low amongst people who moved into very deep poverty the following year



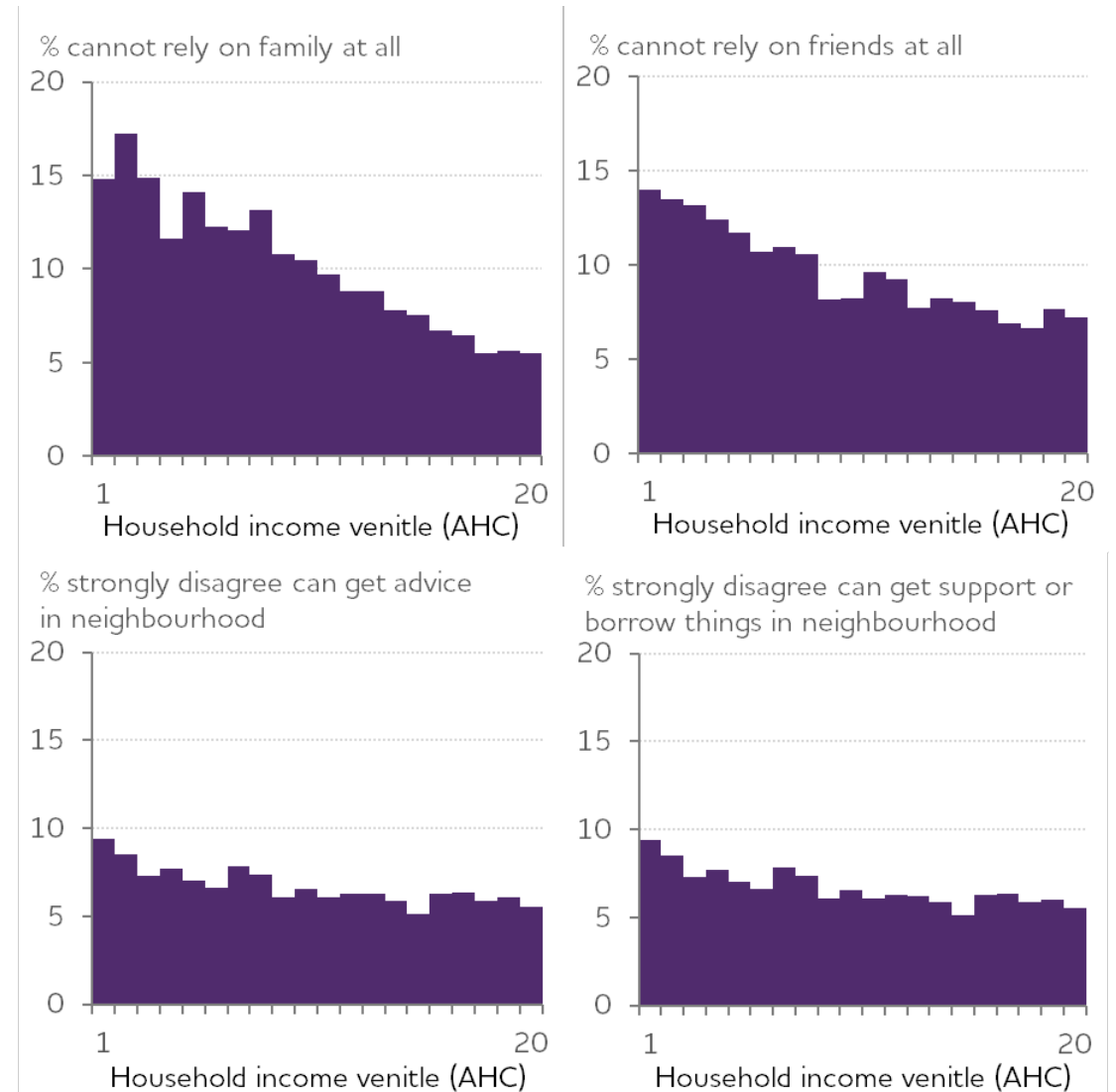
# Without a savings to fall back on, people in very deep poverty are much more likely to struggle with essential costs

- People who had not saved money before moving into very deep poverty were:
  - Around twice as likely as those who had saved money to be behind with their household bills (18.2% compared with 7.9%) or council tax payments (18.3% compared with 9.5%) at any point in the previous 12 months.
  - More than one and a half times more likely to have been behind with housing costs (23.9% compared with 14.7%) at any point in the previous 12 months.
  - Almost fifty percent more likely to have struggled to keep their home warm (13.3% compared with 9.4%).



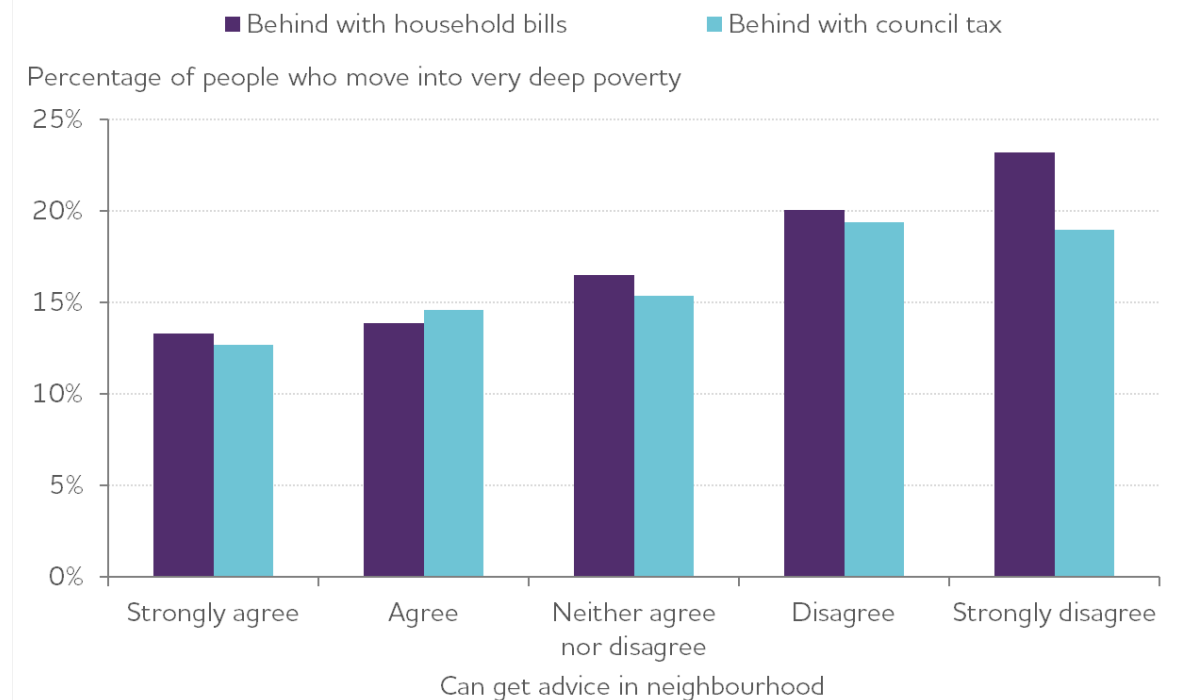
# Low-income families are less likely to have access to strong support networks.

- Adults on lower incomes are more likely to say that they:
  - Cannot rely on family
  - Cannot rely on friends (because they either say that they have no friends or that they cannot rely on any friends that they do have at all)
  - Cannot get advice in their neighbourhood
  - Cannot get support from their neighbours



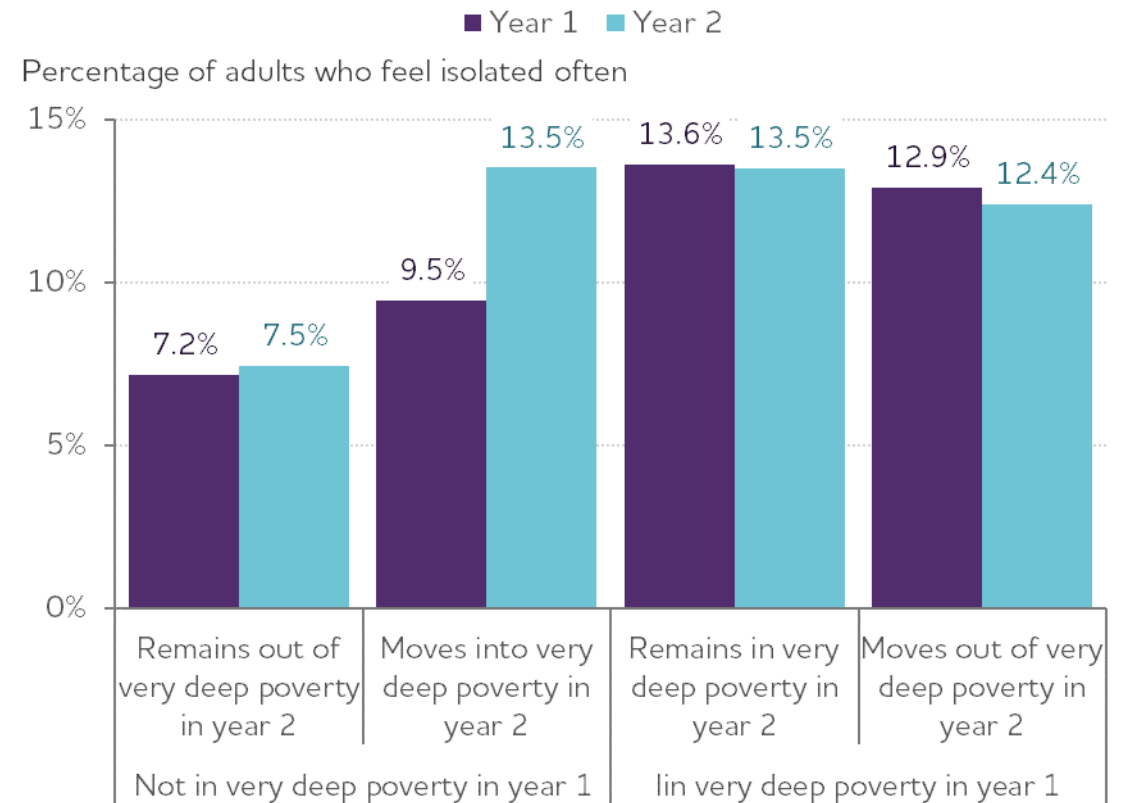
# People in very deep poverty with weak social networks are more likely to struggle to afford essential costs

- People in very deep poverty are more likely to have been behind with their household bills in the previous 12 months if they:
  - Cannot rely on friends (21.5%, compared with 9.3% of those who can)
  - Cannot rely on their family (17.4% compared with 12.3% of those who can)
  - Strongly disagree that they can get advice in their neighbourhood (23.2% compared with 13% of those who strongly agree that they can)



# Living in very deep poverty increases the risk of isolation...

- Adults in very deep poverty are nearly twice as likely as those who aren't to report feeling isolated often
- Adults are around 40% more likely to feel isolated often when they move into very deep poverty

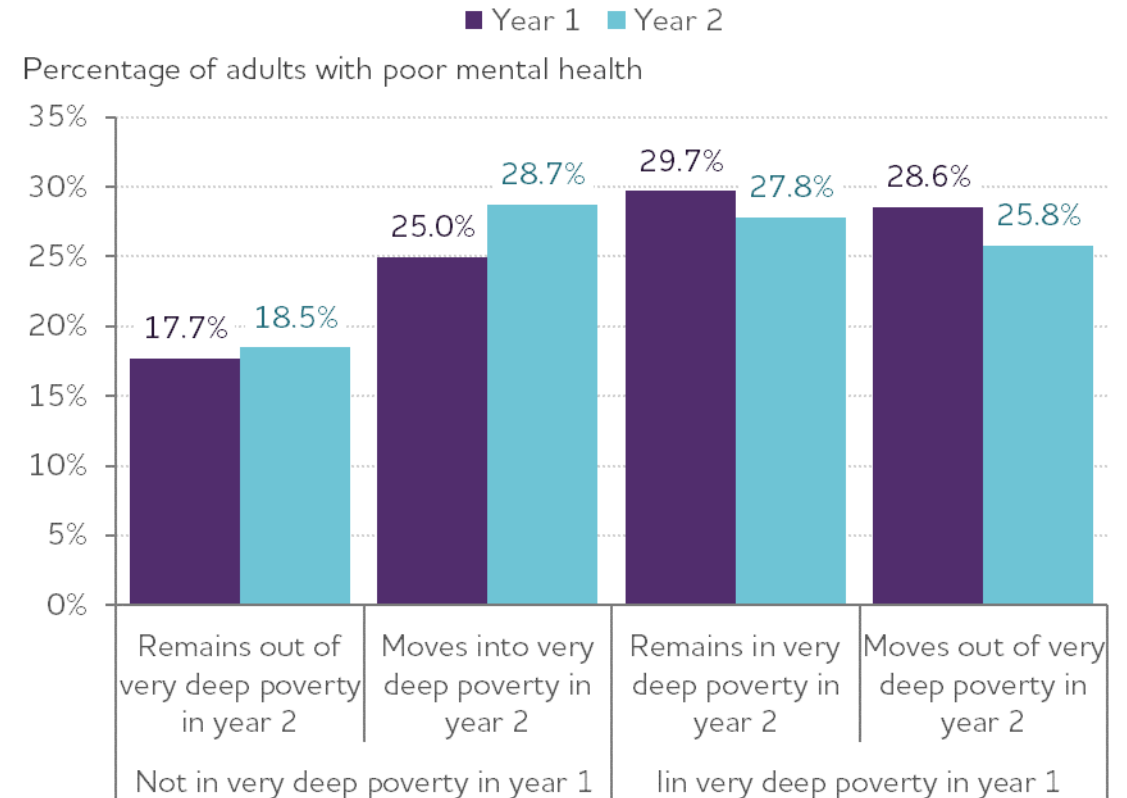


## **...and weak social networks increase this risk**

- People who said that they could not rely on family at all were more than twice as likely as those who could to feel isolated often after moving into very deep poverty (25.2% compared with 11.6%).
- People who said that they could not rely on friends at all were more than three times as likely as those who could to feel isolated often after moving into very deep poverty (34.6% compared with 9.8%).

# Poor mental health may contribute to, and be exacerbated by, some of the worst consequences of very deep poverty

- People in very deep poverty are more likely to experience poor mental health than those who are not in very deep poverty
- But adults who move into very deep poverty were already more likely to have poor mental health than those who remained above the very deep poverty line



# People in very deep poverty who have poor mental health are more likely to struggle to keep up with household costs

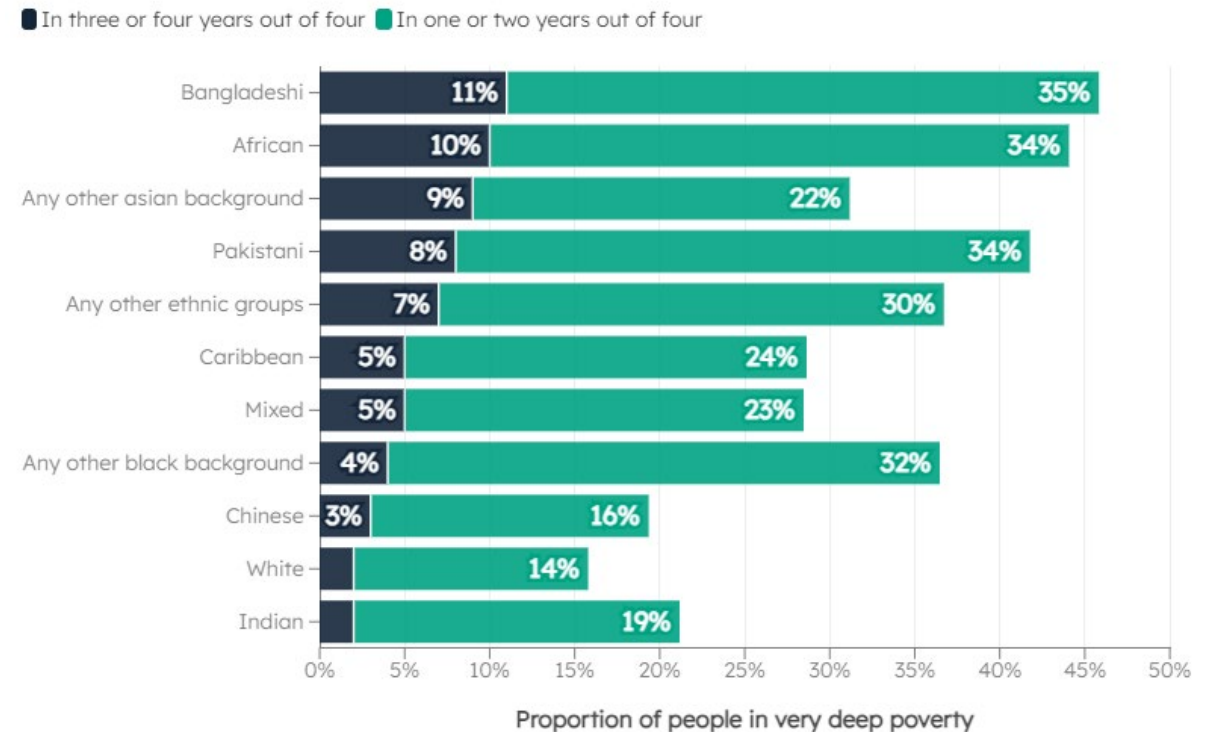
- Amongst people who do move into very deep poverty, those who have poor mental health are:
  - Nearly twice as likely to have been behind with their household bills (23.1% compared with 12.4%).
  - One and a half times as likely to have been behind with their housing costs (25.9% compared with 16.9%) .
  - More than one and a half times more likely to have been behind with their council tax (21.4% compared with 12.9%).
  - Twice as likely to have been unable to keep their home warm in winter (20.4% compared with 9.7%) .
  - Two and a half as likely to have used a foodbank (12.0% compared with 4.7%).

# Ethnicity and very deep poverty dynamics



# Bangladeshi and Black African households in particular experience incredibly high levels of very deep poverty

- Around one in ten people in Bangladeshi and Black African households experience persistent very deep poverty
  - This is more than four times the rate in white households.
- A further third of people in Bangladeshi and Black African households experience shorter periods of very deep poverty



Source: Understanding Society, 2021–22 (Institute for Social and Economic Research, 2023)



# Higher persistent very deep poverty rates are not fully explained by differences in family structures

- People in Bangladeshi households are at least three times more likely than those in white households to be in persistent very deep poverty, no matter the number of children they have
- Living in a couple family reduces the risk of persistent very deep poverty by three-quarters in white households, but makes little difference in Pakistani, Black African or Bangladeshi households

# Work does not offer the same protection to all households

- Around 1% of people in white households with all working-age adults in work live in persistent very deep poverty. This is four times higher in Pakistani households (4%), six times higher in Black African households (6%) and eight times higher in Bangladeshi households (8%).
- Nearly two-thirds of people in white households who move into work move out of very deep poverty (63%). But this is less than half of people in the equivalent Bangladeshi (35%) and Pakistani (44%) households.
- Bangladeshi, Black African and Pakistani workers in secure roles are more likely to be in persistent very deep poverty than white workers in insecure roles.

# Initial conclusions

- People across different minority ethnic groups have very different experiences of very deep poverty, and this needs to be fully acknowledged to be addressed
- People in Bangladeshi and Black African households in particular face a higher risk, even when taking into account their family structure, work or living arrangements.
- The protective factors for very deep poverty amongst white households do not appear to be equally protective across all ethnic groups.
- Controlling for a series of family, work and housing characteristics attenuates – but does not explain fully – the relationship between ethnicity and persistent very deep poverty



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