

Cycles of poverty, unemployment and low pay

Round-up
Reviewing the evidence

February 2010

Household incomes are dynamic and families can move in and out of poverty over time, with some of them becoming trapped in a cycle. What causes this kind of 'recurrent' poverty and how does it relate to unemployment and low pay? How could these cycles be broken?

This paper:

- summarises the findings of four projects about recurrent poverty and the low-pay/no-pay cycle
- examines relevant current UK policy and practice and suggests ways to create longer-lasting routes out of poverty

Key points

- Incomes are dynamic, with households moving in and out of poverty over time, and policy and practice needs to reflect this.
- About a fifth of poverty is 'recurrent', where people escape from poverty only temporarily.
- Having a job, and the conditions of that job, relates strongly to recurrent poverty but other important factors included family change, qualifications, occupation, age and how the benefits system works.
- The issue of people moving repeatedly between work and unemployment is an endemic problem in the UK and has risen by 60 per cent since 2006, mostly as a result of the recession.
- Entering work cannot provide a sustainable route out of poverty if job security, low pay and lack of progression are not also addressed.
- Distinctions in effectiveness between employers who used more permanent or more flexible and temporary workforces were hard to detect. Improvements to employment conditions could be made relatively easily if, as it appears, the choice of human resource model is mainly due to differences in ethos.
- There are a number of implications for employers, governments and those providing support to individuals trapped in cycles of poverty. These relate to job security and wage levels:
 - improving rights and conditions for agency workers;
 - raising pay through 'living wage' campaigns or the national minimum wage;
 - addressing the issues within public-sector purchasing decisions;
 - ensuring job and careers advice covers security, pay and progression; and
 - making childcare available and affordable for parents on low incomes.

Author

Chris Goulden, Policy and Research, Joseph Rowntree Foundation

The Joseph Rowntree Foundation's recurrent poverty research programme examined the extent and causes of cycles of poverty. These causes stem from the circumstances of the individual and their families, the support they receive to increase their incomes and the current economic climate. Supply and demand in the labour market are crucial factors and the issue of low-paid, insecure work is particularly pressing in the context of the recession and high levels of short- and longer-term unemployment. The downturn has decreased the security of employment and depressed wages, which is likely to make cycling between low pay and welfare more acute and widespread for those able to find work at all. In the midst of the recession, the first phase of the 'Flexible New Deal', outsourcing employment support for longer-term worklessness, began and other changes outlined in the Welfare Reform Act, such as greater use of benefit sanctions and the 'Work for your Benefits' pilot, are imminent. The future direction of welfare-to-work policy in the UK remains uncertain in the light of political instability and the longer term social and economic impacts of the recession.

Four research projects in this programme formed the basis of this *Round-up*. Two were based on in-depth interviews with people, often families with children, in or at the margins of insecure labour markets. A third examined the perspectives of employers and the fourth project was a statistical analysis of recurrent poverty in a nationally-representative longitudinal survey, the British Household Panel Study (BHPS). A fifth project in the programme, not yet complete, is a longitudinal qualitative analysis of people at risk of poverty based in the North East of England. This will track some of the impacts of the recession on the issues explored in this report and will be published later in 2010.

The research

This paper draws on the following reports from JRF's recurrent poverty programme (all published by the Joseph Rowntree Foundation, York)

McQuaid, R., Fuertes, V. and Richard, A. (2010) *How can parents escape from recurrent poverty?*

Metcalf, H. and Dhudwar, A. (2010) *Employers' role in the low-pay/no-pay cycle.*

Ray, K., Hoggart, L., Vegeris, S. and Taylor, R. (2010) *Better off working? Work, poverty and benefit cycling*

Tomlinson, M. and Walker, R. (2010) *Recurrent poverty: the impact of family and labour market changes.*

Poverty is dynamic

Poverty is often discussed in the media and in politics as a static concept, where a group of people are labelled permanently 'poor' and the rest are not. In fact, poverty is highly dynamic, reflecting the shifting nature of both individual income and family change. When longer-term data is examined, it becomes clear that a majority rather than a minority of people in the UK experience at least a year below the relative poverty line during their lifetimes (DWP, 2009a). Not only does the static depiction of poverty belie the evidence, it can also reinforce the stigmatising treatment of people with experience of poverty (Lister, 2005).

Research on the dynamics of poverty typically breaks down the experience into different types. For example, it can be described as 'persistent' (long periods of poverty), 'recurrent' (cycling in and out of poverty) and 'transient' (in poverty only briefly). JRF's review of the evidence in this area (Smith and Middleton, 2007) revealed a gap in the research on 'recurrent' poverty in particular. While there is no single definition of this in the literature, it captures the idea of households whose exits from poverty are not maintained for any meaningful period of time: they are merely 'bumping along the runway' and never taking off.

It seems sensible on the face of it to assume that recurrent poverty could be related to patterns of repeated, low-paid insecure employment (cycles of poverty caused by cycles of worklessness). However, this assumption needs to be examined carefully. Research using national survey data showed a strong association between *persistent* poverty and experiencing multiple transitions in and out of work (Adelman *et al.*, 2003). The implication is that employment of the 'wrong' sort – low paid and insecure – could in some cases be worse than no employment at all because of the instability it brings to a family's finances. As this shows, the dynamic relationship

between poverty and worklessness is far from straightforward.

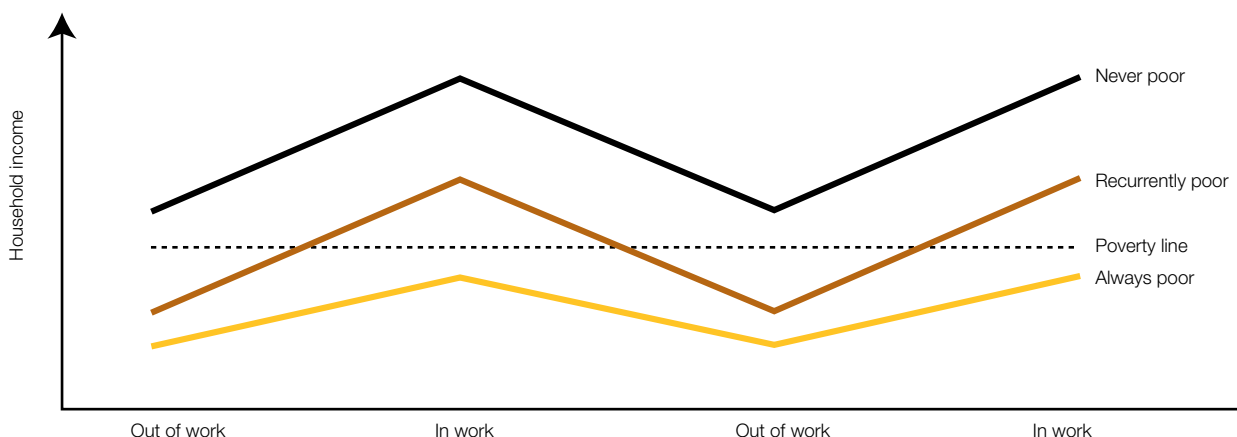
The level to which cycling in and out of work is linked to recurrent poverty depends on the make-up and earnings of the whole household and how these interact and change over time. The yellow line in Figure 1 – those always below the poverty line – relates to the group identified by Adelman *et al.* The JRF programme on recurrent poverty is concerned with this group (persistently in poverty but cycling in and out of work) but also with those represented by the orange line (those cycling in and out of both poverty and work). Furthermore, as will be seen, it is not only the labour market that potentially determines the risk of recurrent poverty, but also, for example, family change, so these and other socio-demographic factors are also of interest.

Recurrent poverty and the policy context

There are a number of causes of recurrent poverty, based on the interaction between people's incomes and the make-up of their households. Some of the direct and indirect explanations identified in the literature (e.g. Jenkins *et al.*, 2001) include:

- Repeated broken spells of employment, including temporary contracts.
- Working irregular hours.
- Adult relationships beginning or breaking down.
- Children being born into or leaving households.
- Intermittent health problems affecting employment and benefits.

Figure 1: Relationship between cycles of income and worklessness



- Otherwise erratic income from employment, benefits, pensions or Tax Credits.

In recent years there have been some signs that policy in the UK is starting to recognise and respond to the problems caused by cycles of poverty (Cabinet Office, 2009; DWP, 2009b). The clearest policy response has been the new focus on job retention and progression, most notably in contracts for the ‘Flexible New Deal’, where there has been considerable academic enquiry and political debate about the optimum job outcome targets to set for contractors (Finn, 2008; Work and Pensions Select Committee, 2009). The old target of ‘in employment at 13 weeks’ was replaced by a 26-week job retention target but commentators have called for even longer objectives of a year or more, including the total of all spells within paid work during that period (Social Market Foundation, 2009). The Conservatives announced a one-year job retention target as part of the ‘Work Programme’ at their 2009 conference. However, as JRF’s research programme demonstrates, people are still being hampered by a reliance on flexible/insecure low-paid employment on the one hand and the rigidity and incompatibility of the benefits system on the other. If employers and workers need and want greater flexibility to respond to labour demand fluctuations and its causes, the welfare system needs to be able to respond effectively to the consequences.

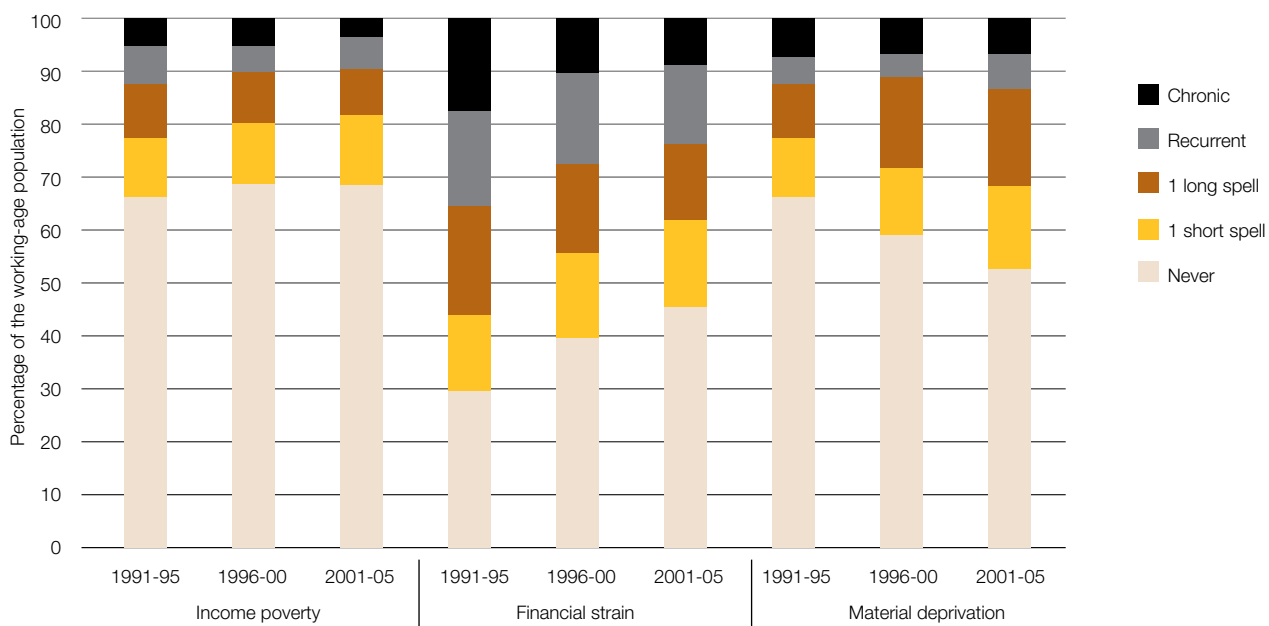
Types and extent of recurrent poverty in Britain

Changes in income are the most common but not the only way of measuring poverty over time. In their research, in addition to income-based measures, Tomlinson and Walker considered recurrence of both ‘financial strain’ (a subjective measure based on whether families are reporting in the survey that they are struggling to get by) and of ‘material deprivation’ (where families reported not owning certain consumer durables). These three dimensions of poverty all showed different trends over time when comparing successive five-year ‘windows’ between 1991 and 2005. This highlights the value of focusing not simply on a single measure of poverty or a single point in time. Even though the trends over time differ according to which measure of poverty is taken, the same factors relating to the labour market and household change tend to reappear as causes.

Figure 2 shows the changing composition of households experiencing income poverty, financial strain and material deprivation according to the particular pattern of poverty dynamics:

- *Chronic*: all five years spent in poverty, financial strain or deprivation.
- *Recurrent*: more than one discrete period during the five years.
- *One long spell*: one period lasting two to four years.
- *One short spell*: one period lasting one year.
- *Never*: never experienced poverty, financial strain or deprivation.

Figure 2: Household poverty dynamics over time



Source: Tomlinson and Walker (2010).

- *One short spell*: one period lasting for a single year.
- *Never*: no experience of poverty, strain or deprivation during the five-year window.

This shows that both recurrent income poverty and recurrent material deprivation remained broadly stable in the five-year periods between the early 1990s and the mid-2000s, although recurrent financial strain declined marginally (from 18 per cent to 15 per cent) over the 15-year period. The level of material deprivation has risen but it is important to note that this is a measure of *relative* deprivation, as absolute standards of living have been going up. The proportion saying that they did not experience any financial strain during the five-year window, in contrast, rose considerably. A possible explanation is the increased availability of personal credit in terms of the amounts available, ease of access and market reach during that time. If this explanation is true, it seems likely that the picture for the subsequent period (2006 and beyond) will highlight considerable financial strain arising from the impact of the credit crunch and recession on people's access to finance.

As Figure 2 shows, in terms of income-based measures, recurrent poverty accounts for about a fifth of the overall experience of poverty in the working-age population (slightly more for financial strain and slightly less for material deprivation). It is therefore an important matter for policy-makers' attention. However, there is a lack of evidence about what causes recurrent poverty, a gap addressed by this programme of research.

Causes of recurrent poverty

Tomlinson and Walker isolated the independent factors associated with recurrent income poverty for people of working age in Britain. 'Independent' in this context means that each characteristic has its own, separate impact. For example, there was an association between recurrent poverty and both single parent status and recently having a baby, over and above any link between the two factors. These causes are listed in Table 1, in order of strength of risk of recurrent poverty. For example, previous experience of poverty had an effect about four times as strong as that of having a baby on increasing the chance of recurrent poverty. Opposite effects of similar strengths would also cancel each other out – for example, getting divorced increased the risk of recurrent poverty by about the same amount that working in an 'associate professional and technical' occupation decreased the risk (this employment category includes jobs like web designer and paramedic).

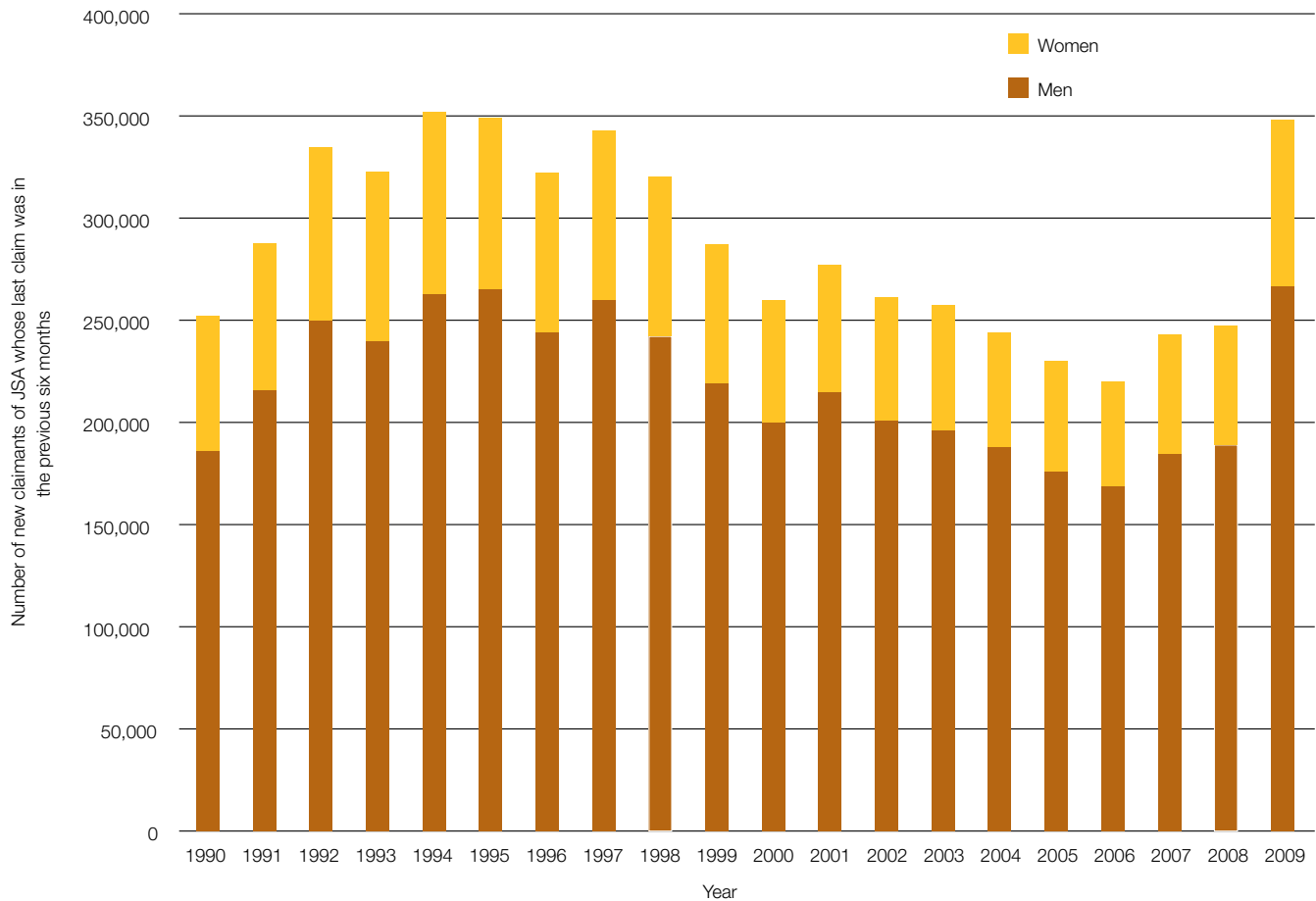
All of the factors listed in Table 1 were highly statistically significant – that is, the relationship between the factor and the risk of poverty is highly likely to exist in the overall working-age population and not just in the sample. More details on the technical aspects of the modelling used, plus further models for different measures of poverty, can be found in Tomlinson and Walker (2010).

Table 1: Factors affecting the risk of recurrent poverty

<i>Factor</i>	<i>Risk of poverty</i>	<i>Relative strength of impact</i>
Core labour market	Decreases	→
Intermediate labour market	Decreases	→
Previous experience of poverty	Increases	→
Peripheral labour market	Decreases	→
Couple with no dependants	Decreases	→
Associate professional and technical occupation	Decreases	→
Self-employed (permanent)	Decreases	→
Professional occupation	Decreases	→
Divorced/separated	Increases	→
Single parent	Increases	→
Higher level education	Decreases	→
Administrative or secretarial occupation	Decreases	→
Skilled trade occupation	Decreases	→
Age 25–34	Decreases	→
Had a child	Increases	→

Source: Tomlinson and Walker (2010). Note: These effects were all calculated compared to relevant 'base' categories, which were (for cases with non-binary variables): Age 45+, no qualifications, 'other' household types, unskilled occupations, other economically inactive. 'Age 18–24' was also a significant factor but not to the level of those shown here in Table 1.

Figure 3: Number of men and women making a new claim for Jobseeker's Allowance who were last claiming this benefit less than six months previously



Source: www.poverty.org.uk. All data are for the first quarter in the stated year.

The authors used information from the BHPS about people's employment contracts and chances for progression in work, in order to segment the labour market into various categories. The categories covered those not employed, the self-employed and three levels of other employment – core, intermediate and periphery. Core and intermediate workers have permanent contracts but are differentiated by chances of progression, as measured by annual salary increments and promotion prospects. Workers in the periphery are those with no chance of wage progression and include those with temporary contracts. About a fifth of the working-age population falls into each of those three groups, according to data from the 2005 BHPS (with 8 per cent self-employed and 30 per cent non-employed – looking after the home, unemployed, early retirement or otherwise 'economically inactive').

The analysis showed that, of the factors considered, people's employment conditions had by far the strongest impact on the risk of recurrent poverty (and indeed other forms of poverty). People were most at risk of going on to experience recurrent poverty in the following five years if they were unemployed, economically inactive, retired early or temporarily self-employed. The latter group includes people who

could be working for someone else (for example, as is common in the construction industry) and are only self-employed in a technical sense.

In contrast, being permanently self-employed or looking after a home (while having a partner in paid work) offered at least some protection compared to those highest risk groups. The other forms of employment all gave even greater protection against future recurrent poverty – workers in the core labour market had stronger defence than those in the intermediate segment and intermediate workers were better off than those in 'peripheral' employment. 'Peripheral' employment was defined in the model to include more than just temporary, low-paid work, which is one reason why it is relatively protective against future poverty. Overall, being in the core labour market compared to being unemployed was a risk factor about five times larger than having a new baby, for example.

The authors concluded:

...while personal attributes and circumstances contribute significantly to determining the risk of recurrent poverty, they are overshadowed by structural factors that shape the opportunities for financial security offered by the labour market. It follows that policies that encourage people to find work that pay little attention to the kind of jobs that are available are unlikely to secure a significant reduction in recurrent poverty or a sustained fall in the poverty rate.

The recession and insecure, low-paid employment

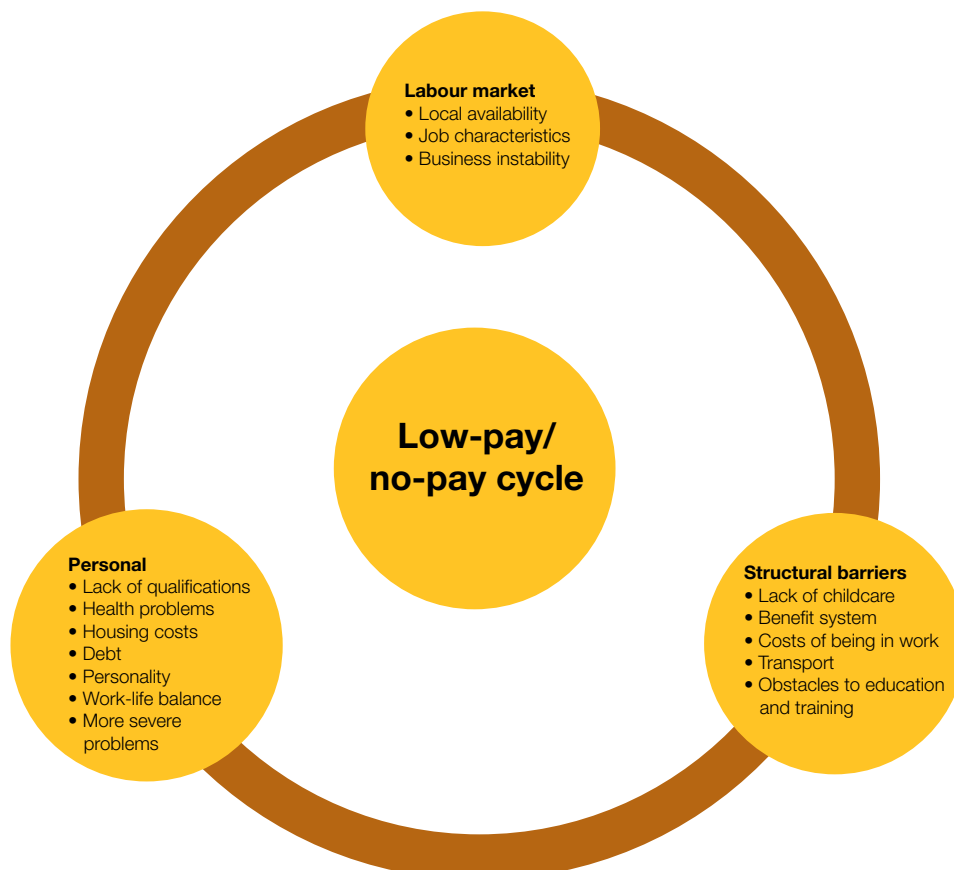
The analysis of national survey data outlined above shows how important the conditions of people's employment are in determining their household's risk of cycling in and out of poverty. The process of churning between low-paid temporary jobs and benefits has long been a major problem in the UK economy and it is being exacerbated by the impact of the recession on the labour market.

Figure 3 shows that between 1990 and 2003 there was a rise followed by a slower fall in the numbers of new claimants for Jobseeker's Allowance (JSA) who

were last claiming this benefit less than six months previously. The number of people 're-claiming' JSA rose by nearly 60% from its low point in 2006, and increased substantially in the last year (2009) as a result of the recession. This affected men and women equally. However, the downturn also increased new claims for JSA at a faster rate than that by which people are 'cycling' between JSA and a job. This means that 2009 saw proportionally fewer re-claimants, even though both figures have gone up. This does not mean there has been improvement in the extent of the 'insecure employment-JSA' cycle; it is only because that category is not growing as quickly as new JSA claims.

Other research in the recurrent poverty programme explored the perspectives of people who were facing the prospect of, or were already doing, insecure, low-paid jobs. Ray *et al.* interviewed lone parents (mostly women) and long-term unemployed people (mostly men) who had previously been through the UK government experiment to provide in-work financial and personal support (the *Employment Retention and Advancement* demonstration). McQuaid *et al.* interviewed mostly female lone parents who had previously been given support from the Scottish Government's *Working for Families Fund*. It is important to note that the two studies in the JRF programme do not assess the impact of these initiatives.

Figure 4: Factors creating the low-pay/no-pay cycle for individuals



Both projects found that many people struggled to get by, experienced financial strain and remained in poverty after they had found employment. This was especially so for those who entered short-term intermittent work. Figure 4 summarises the factors that keep people in cycles of low-pay/no-pay, highlighted by this research.

The factors affecting this cycle included aspects related directly to the job and the local labour market, but also other employment-supporting structural factors such as the availability of childcare, education and training, transport and the benefits system. Job characteristics were very important, with low pay, part-time hours and temporary contracts identified as key determinants of cycling. For parents, shift-work and anti-social hours were seen as important barriers, even for those who had childcare. Typically, there was less generous sick pay, holiday pay, pensions and potential for promotion in these jobs compared to those in stable jobs. Workplaces that did have structured training and promotion opportunities enabled people to feel supported in attempting to advance. An alternative approach – progression through moving to a new job – was potentially risky without appropriate support.

Another recent JRF study (Crisp *et al.*, 2009) highlighted how people can feel forced into working long hours in order to make ends meet. Although some people involved in the study valued the importance of work beyond simple but vital considerations of pay, the study demonstrated how often employment did not ‘pay’ as a route out of poverty. One woman noted that:

I do struggle now, I work 16 hours when I’m actually £1.02 better off a week ... which is really scary, it’s madness. But the only reason I work is for me personally and the kids, so I can say, ‘Look Mum goes out to work every week, we all have to work’ ... which is the only reason.

The characteristics of the individual, such as their health, debts and other spending decisions, as well as their personality and aspirations, were also influential. Progression at work was not something that everybody sought, in part due to low confidence or fatalism about future prospects, but also because of trade-offs with other aspirations and motivations.

Childcare was a particular problem for parents with more than two children, or whose children had health problems or were not between 5 and 12 years of age. The younger children needed additional care because they were not yet at school full-time and out-of-school hours provision for teenagers is generally poor. The lack of childcare available outside a ‘typical’ working week in the evening and at weekends caused difficulties for parents in finding and keeping employment. The complex interactions with and between the benefits and Tax Credits system were also a barrier for these families,

with the childcare element of Working Tax Credit (WTC) singled out as particularly problematic. This is because it is received four weeks after starting employment, whereas payment for childcare providers, and often a deposit, is required up front. Childcare WTC is capped at 80 per cent of total childcare costs and the remaining 20 per cent was very difficult for parents to afford. Other problems related to it being based on a limit of needing care for only two children and averaged over an annual period, when costs are in practice intermittent. Finding money in advance is a struggle for people on low incomes who have restricted access to affordable credit.

There are relatively few elements of the welfare system designed specifically for when people move from benefits into employment – although some new ideas, such as post-employment advisory support and in-work bonuses, were trialled as part of the *Employment Retention and Advancement* demonstration project. Out-of-work benefits are also generally slow to re-establish once employment has ended and there can be an income gap from the end of benefits to the first salary, which is difficult to manage.

An important part of the picture was that people in the study felt that incomes in and out of work were too low compared to what people said they needed to survive. This resonates with work funded by JRF on what the public agree is the minimum amount needed to live on (Hirsch *et al.*, 2009), which was often considerably more than the amount received in out-of-work benefits or working full-time on the National Minimum Wage. Housing costs form a large proportion of what people need to spend and this was felt especially acutely among those in work. This included both high rents for those in the private rented sector and accumulated mortgage debt for low-income home-owners. Debt is also a more general issue, as it is not taken into account in routine measures of poverty but clearly affects disposable income and living standards directly. In these studies, debt was caused by error and delays in the benefits system but also accrued to cover day-to-day living expenses while out of work. Creditors often increased pressure to pay back these debts when individuals did regain paid work. This was not the only cost that increased on getting a job; it could also mean additional transport costs, including running a car.

Moving out of the low-pay/no-pay cycle, then, is assisted and impeded by a mixture of personal and structural factors, with the characteristics of jobs and the local labour market of key importance. It is critical therefore to explore why employers feel they need to take a ‘temporary/low-pay’ approach to the organisation of their business.

The role of employers

In addition to the factors that people on low incomes saw as important, other research in the programme, by Metcalf and Dhudwar, examined the low-pay/no-pay cycle from the point of view of employers. This was done through a series of 26 case studies with employers in different sectors and locations of the UK economy and an analysis of the Labour Force Survey (LFS, a national study of the working-age population) for April–June 2007. Interviews were also held with seven ‘purchaser’ companies, whose practices were thought to influence organisations providing them with services, as well as with Trade Union representatives.

The sectors covered by the case studies were cleaning, food processing, packing, waste management, education, childcare and sports and leisure. These sectors were selected because each needs to cope with fluctuations in demand for their goods or services. The reasons for this fluctuation can vary. For instance, it can be seasonal (including the impact of school holidays), due to uncertainty over the number and scope of external contracts that are being won, or because of changing purchaser decisions.

The authors concluded:

... the effect of demand fluctuations on temporary working appeared to be moderated by cost pressures and by skill requirements. Higher cost pressures pushed employers to minimise costs and to more closely match labour input to demand. With fluctuating product demand, this resulted in employing only as many permanent staffing as were needed to meet minimum demand levels, leading to the need for temporary staff when product demand was higher. This approach was only feasible because of the low

skills required or ready supply of qualified temps, enabling employers to recruit when demand grew and minimising loss of human capital and training expenditure. (Metcalf and Dhudwar, 2010).

Extent of temporary, low-paid work

The LFS analysis showed that temporary employment (defined according to whether the employee reports this in the survey) is relatively rare at 6 per cent of all employees, but one in three temporary jobs are low paid, compared with one in five overall. The extent of low pay rises to two in three among seasonal workers, about one in two for casual workers and two in five among agency temps. The analysis also showed that temporary workers who are low paid are more likely than those who are higher paid to be working under that type of contract because they cannot find the permanent employment they want. They are also more likely to be working part-time than higher paid temps – and again more likely to be frustrated in their wish to work full-time. Other research (Booth *et al.*, 2002) highlights the association between lack of training and temporary posts. These figures paint a picture of frustration and a lack of opportunities to escape the low-pay/no-pay cycle, undoubtedly for many of the reasons highlighted through the qualitative work described above.

Why do employers use temporary staff?

Generally, required skill levels were low in the industries studied with little chance for progression and small increments for promotion. Pay was at or just above the national minimum wage. Within this context, there were several factors that affected job insecurity and low pay in companies (see Figure 5). Fluctuations in demand were fundamental to the nature of the businesses but also important were cost pressures, markets dominated by a few major buyers and the relatively easy flow of labour, which all kept wages depressed. Smaller

Figure 5: Factors affecting job insecurity and low pay in companies



Source: Metcalf and Dhudwar (2010).

companies seemed to resort to using temporary labour more readily and had fewer opportunities for staff progression. A high degree of division of labour within companies, in terms of skills required, also lowered the chances for both progression and higher pay. Company ethos was another factor (discussed in more detail below). Legislation was a final determinant, most notably the level of the National Minimum Wage and how companies had responded to this (such as by cutting overtime or raising productivity).

Given these factors, there were three different human resource approaches used that affected employment security in the organisations studied (see Table 2). Sometimes a blend of these approaches was used. Companies using the ‘permanent’ model, by definition, created less of the low-pay/no-pay cycle among its employees than those using ‘core-periphery’ or ‘temp to perm’ forms of employment.

Table 2: Human resource models

<i>Model</i>	<i>Description</i>
‘Permanent’	Few temporary workers, variations in demand addressed by overtime, multi-skilling and other methods
‘Core-periphery’	A core of permanent workers, variations in demand addressed by using peripheral, temporary workers
‘Temp to perm’	Most workers employed temporarily initially and moved to permanent status depending on demand and performance

What was striking about the use of these methods was that there seemed to be little to distinguish the effectiveness of organisations, whether employers chose a permanent approach or not, except in terms of differences in ethos about employee treatment or the perceived benefits of having a more committed, better-paid workforce. Metcalf and Dhudwar concluded that *‘employers would not go out of business if they shifted to other models which afforded more employment security for low paid workers.’* This has implications for how cycles of worklessness might be tackled. If employers can be shown the benefits – or at least be shown that there are no adverse effects – some might switch to a more ‘permanent’ approach, thus tackling at source the problem of insecure work. However, this question does need addressing using a larger dataset to examine the impacts of the choice of human resource model on effectiveness, profitability etc. in the longer term.

Implications for policy and practice

Implications for addressing the low-pay/no-pay cycle

The research with employers indicates that the ethos within a business is important but this needs greater exploration to assess the pros and cons for companies who are using different models, or mixtures of models, within separate sectors. This is crucial as, without such information, there seems little reason why such companies would change their practices of their own accord.

There are also a number of areas where further regulation, rather than persuasion, might help tackle cycles of poverty and worklessness. This could include making temporary working more costly, reducing the acceptability of such practices or increasing the relative power of employees. The latter could be achieved through implementing the EU Directive on Agency Working, reducing the time required to gain employment protection rights and counting broken periods of employment towards gaining protection.

The Competition Commission has recently made recommendations for tackling problems caused by ‘monopsonies’ (where one buyer faces many sellers) in the grocery sector, which may assist with some of the causes of job insecurity in that sector. The role of the state as a purchaser could also be examined, in, for instance, buying policies within central and local government. Clarification is also needed on how social factors can and should be taken into account in ‘Best Value’ decisions. Ensuring that equal pay legislation is fully complied with would help raise wages, especially in the childcare and education sectors where women workers predominate. Trade Union and Living Wage campaigns could potentially be effective in raising levels of pay, in both the public and private sectors.

As shown in Figure 4, the factors affecting the low-pay/no-pay cycle can be split into labour market conditions, structural issues that can support employment like childcare and those relating directly to the individual. In addition to considerations for employment practice, this research suggests what extra support might be given to those caught up in the low-pay/no-pay cycle.

The information and guidance provided for job re-entry could be greatly improved, with people being helped to aim for jobs that do act as stepping stones to better conditions and pay. This needs national and local evidence about where and what these jobs are. As part of this, sector-based careers ladders might be developed to show the opportunities available, including realistic options for part-time workers. The new Adult Advancement and Careers Service (DIUS, 2008), planned to start in Autumn 2010, would be an ideal opportunity to implement this kind of approach, but it will be important for the advisers in the new service to have access to high quality local information and the ability to innovate in reaching vulnerable groups. Jobcentre Plus personal advisers also have a key potential role (McNeil, 2009). In order to progress within employment, formal skills and qualifications are necessary, and sometimes sufficient, but 'softer' skills and people's confidence and self-esteem also need to be developed and some of the barriers to adult education need to be addressed. The extent and nature of people's debts and living costs and how these are affected by entries and exits from employment, all should be examined.

For parents, affordable and quality childcare, for all ages of children and across all weekly work patterns – shift-work, weekends and evenings – is needed before work can become a secure route out of poverty. This needs to be combined with greater flexibility to suit individual circumstances in the hours that people work, balanced against the impact on employers and the overall economy. The evidence from the recurrent poverty programme pointed to particular problems with the childcare element of Working Tax Credit. In general, the way the benefits system operates has unintended negative consequences. These need to be identified and reduced, to reflect the new understanding of poverty dynamics.

Implications for addressing recurrent poverty

As the modelling showed, the conditions of someone's employment can affect their chances of getting trapped in a cycle of poverty. Other significant risk factors included household change, such as having a new baby or the breakdown of a relationship. This indicates that current levels of support relating to these kinds of family change (such as the additional Tax Credits for families with a new baby up to the age of one) do not seem to provide sufficient protection.

Nevertheless, the modelling confirms that employment does remain the best defence against poverty – but primarily for those with permanent contracts, a chance of a promotion or a pay rise and for those working in higher status occupations. People's personal characteristics have some impact on the risks of recurrent poverty but structural labour market factors remain the strongest influence, implying that this is where the focus of efforts should lie. Otherwise, the risk remains that welfare-to-work strategies will not provide people and their families with sustainable routes out of poverty.

While this research suggests that policy may be right to focus on work as a route out of poverty, the evidence points to key factors that need to be addressed on pay and job security if this approach is to eventually lead to success on a sustainable basis. These include:

- improving rights and conditions for agency workers;
- increasing pay through 'living wage' campaigns or the national minimum wage;
- addressing the issues directly in public procurement decisions and in careers advice; and
- making childcare more available and affordable for parents on low incomes.

If the end of the recession means a return to growth in the number of available jobs, this could be crucial to underpin the success of the other recommendations.

About this paper

This *Round-up* draws on the JRF's programme of research on recurrent poverty, managed by Chris Goulden, a programme manager in the Policy and Research Department at JRF. The first four studies in this programme, published in February 2010, investigated the problems associated with cycling in and out of poverty and in and out of employment. A fifth study (Shildrick *et al.*), tracking the experiences of people in insecure sectors of the economy in Teeside before and during the recession, will be published later in 2010.

This paper was informed by other forthcoming JRF research in or related to this programme:

Crisp, R., Batty, E., Cole, I. and Robinson, D. (2009) *Work and worklessness in deprived neighbourhoods: Policy assumptions and personal experiences*. York: JRF

Shildrick, T. *et al.* (forthcoming) *Understanding recurrent poverty: two steps forward, two steps back*. York: JRF

References

Adelman, L., Middleton, S. and Ashworth, K., (2003) *Britain's Poorest Children: severe and persistent poverty and social exclusion*. London: Save the Children

Booth, A., Francesconi, M. and Frank, J. (2002) *Temporary jobs: stepping stones or dead ends?* The Economic Journal: 112 (480), F189-F213(25)

Cabinet Office (2009) *New opportunities: fair chances for the future*. London: Stationery Office

Department for Innovation, Universities & Skills (2008) *Shaping the Future: a new adult advancement and careers service for England*. London: DIUS

Department for Work and Pensions (2009a) *Low-Income Dynamics 1991–2007 (Great Britain)*. London: DWP

Department for Work and Pensions (2009b) *Building Britain's Recovery: Achieving Full Employment*. London: Stationery Office

Finn, D. (2008) *Lessons from contracting out welfare to work programmes in Australia and the Netherlands*. York: JRF

Hirsch, D., Davis, A. and Smith, N. (2009) *A minimum income standard for Britain 2009*. York: JRF

Jenkins, S., Rigg, J. and Devicienti, F. (2001) *The dynamics of poverty in Britain*. London: DWP

Lister, R. (2005) *Poverty*. Cambridge: Polity Press

McNeil, C. (2009) *Now It's Personal: personal advisers and the new public service workforce*. London: IPPR

Smith, N. and Middleton, S. (2007) *A review of poverty dynamics research in the UK*. York: JRF

Social Market Foundation (2009) *Vicious cycles: sustained employment and welfare reform for the next decade*. London: SMF

Work and Pensions Select Committee (2009) *DWP's Commissioning Strategy and the Flexible New Deal*. London: House of Commons