

The Dynamics of Rural Poverty in Britain 1991-2008.

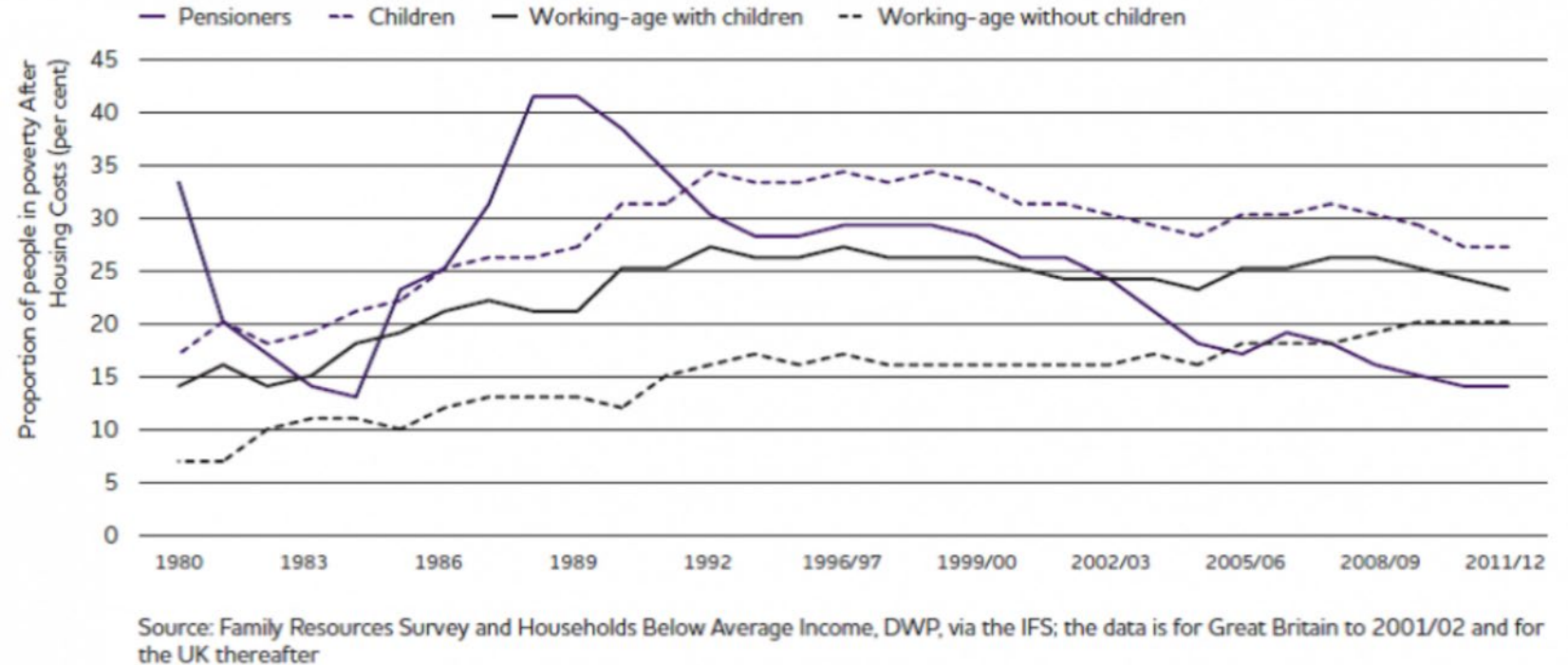


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Rural England meeting, London, January 2020.

Our Research Questions:

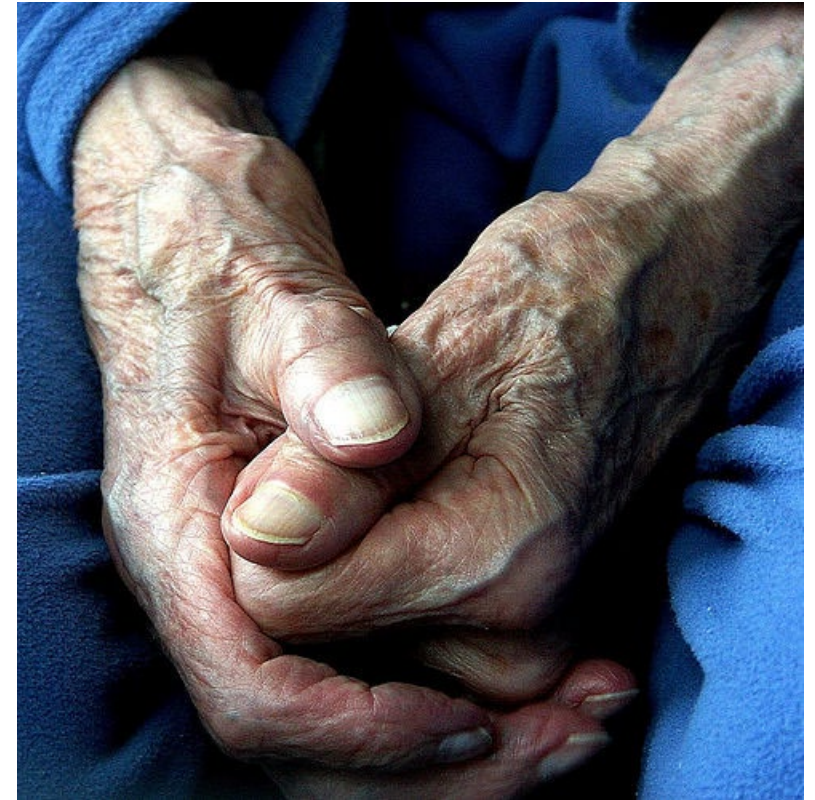
In Britain, poverty grew during the 1980s & 1990s, then declined after Labour government elected 1997.



- What can we discover about the dynamics of rural poverty?
- Were rural poverty dynamics different from urban?
- Did New Labour's social policy reforms affect rural areas differently?

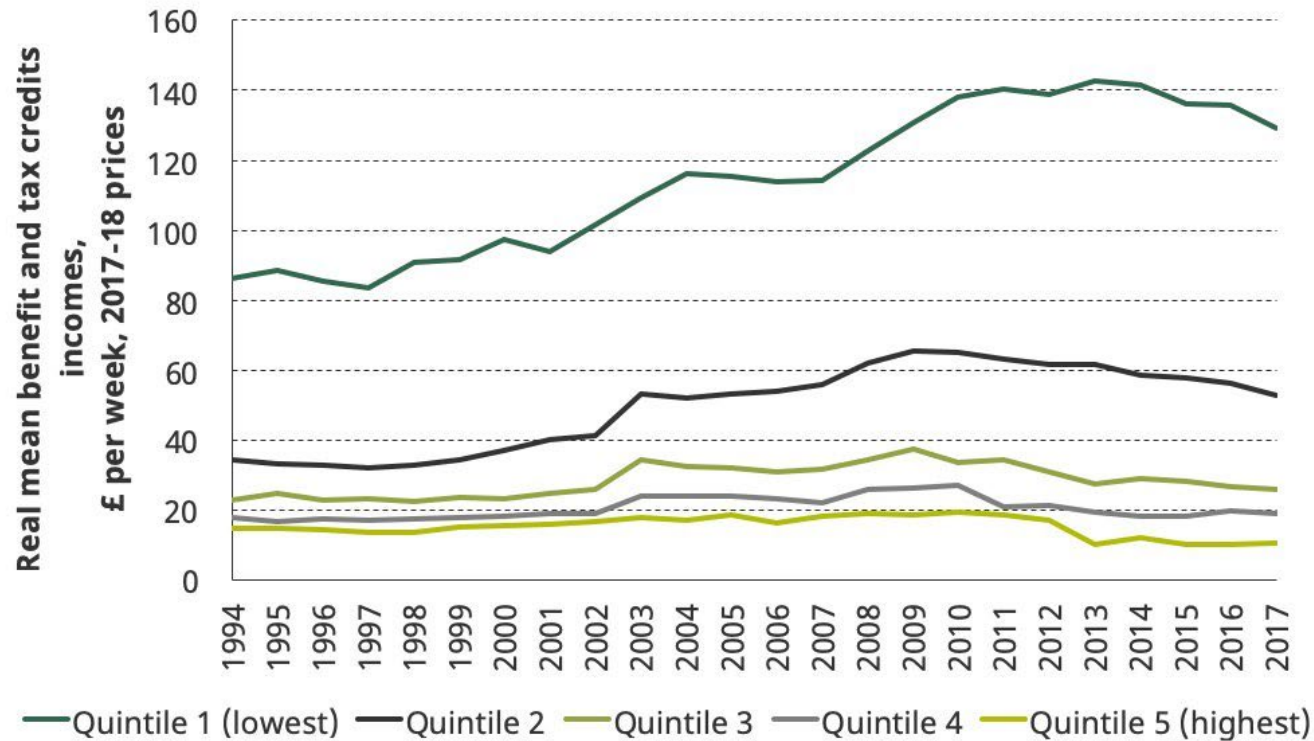
Labour's reforms

- During 1990s, Conservative government made several reforms to social assistance to 'make it harder to claim'. From 1997, Labour continued these but combined them with more generous measures 'to make work pay' – both increasing incentives to work.
 - 1996 Job Seekers' Allowance (JSA) replaced Income Support and Unemployment Benefit
 - 1997 New Deal for Young People
 - 1999 National Minimum Wage
 - 1999 Working Family Tax Credit
 - 1999 Pension Credit
 - Incapacity Benefit
- Labour's social policy reforms shifted support from benefits to tax credits, and from DWP to HMRC, to offer more generous in-work support for low-income families and for pensioners.
 - Pensioner poverty fell from 29% (1997) to 17% (2006)
 - Child poverty fell from 34% (1997) to 30% (2006)
 - The falls were even higher in rural districts.



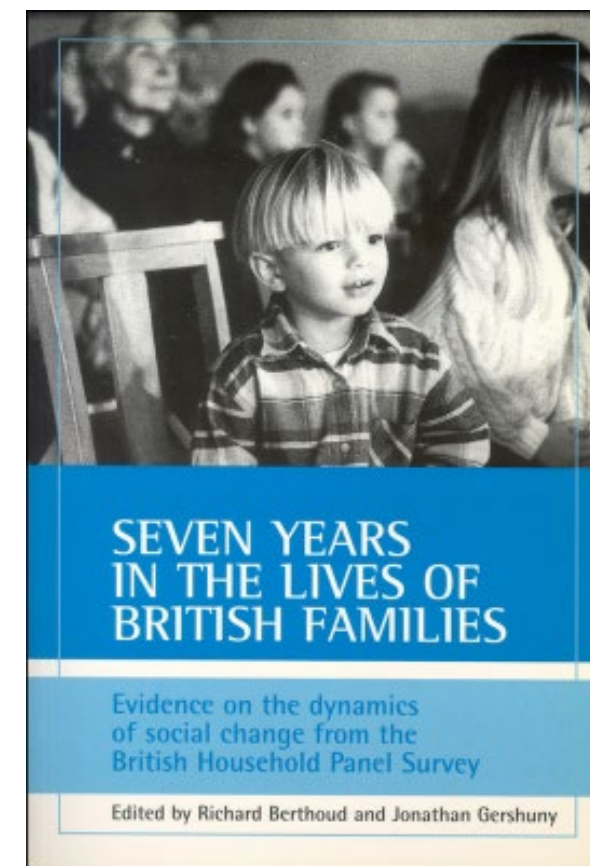
Labour's reforms

Change in real mean benefit incomes for working households, by AHC income quintile



BHPS and Methods

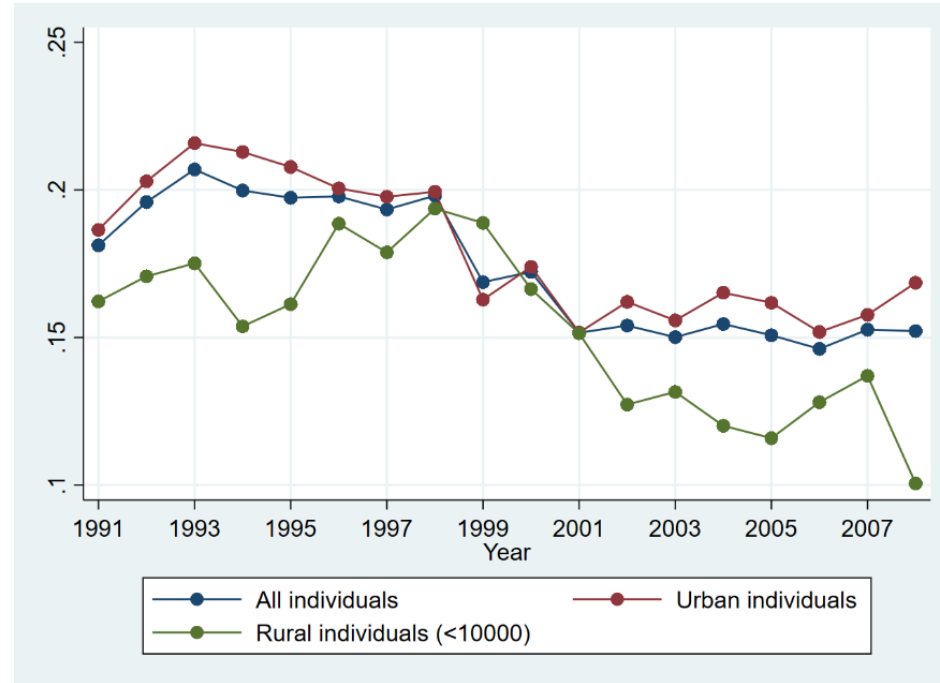
- Our approach uses longitudinal household panel data.
- The British Household Panel Survey (BHPS) followed 5,000 households through 18 waves from 1991-2008. The unit of analysis is the individual but the equivalised household income is attributed to each individual.
- Low income: <60% median household income
- Persistent poverty: low income for 4+ continuous years
- Rural: living in settlement <10,000 people (2004 classification)
- The longitudinal data allow us to examine the dynamics of poverty, using poverty exit and re-entry hazard models.



Poverty trends in rural Britain

Poverty rates in rural and urban Britain, 1991-2008

Source: authors' calculations from BHPS



- How widespread is rural poverty?
 - **50.2%** of households in rural Britain experienced at least one spell of poverty during 1991-2008, compared to **55.2%** in urban Britain. Rural poverty is not a minority experience.
 - The risk of poverty diminished after Labour came to power, and by more in rural than urban.
 - Persistent poverty and length of poverty spells also declined in both rural and urban areas.

Who experienced rural poverty?

- Social groups more likely to be poor include women and people aged 65+. Other such groups include: widows, retired households, lone parents, single households.
- Rural and urban patterns are similar, although single elderly households are more likely to be poor in rural areas, and vice versa for lone parents.
- Some evidence of more 'poverty in work' and of low pay in rural Britain. Self-employed males also more likely to be poor.
- *Trapdoors and trampolines*: events associated with exit from and re-entry to poverty are similar in rural and urban, for example, changes in household composition (ie. numbers of earners, adults, children) or employment status.
- *Spells of poverty* are relatively short. Both exits and re-entry show negative duration dependence, ie.
 - The longer one is poor, the less likely one is to exit poverty
 - The longer one is out of poverty, the less likely one is to re-enter poverty



Poverty Spells Tend to Be Short

- While over half of the BHPS panel spent at least one year in poverty, poverty spells were relatively brief
 - About ½ of all spells of poverty lasted 1 or 2 years
 - Fewer than 1/5 of all poverty spells lasted 6+ years

# yrs poor	Total		Rural		Non-Rural	
	'91-99	'00-08	'91-99	'00-08	'91-99	'00-08
0	.56	.60	.58	.64	.56	.59
1+	.44	.40	.42	.36	.44	.41
1-2	.21	.23	.21	.21	.21	.23
3-5	.14	.12	.12	.10	.14	.12
6-9	.09	.05	.09	.05	.09	.06

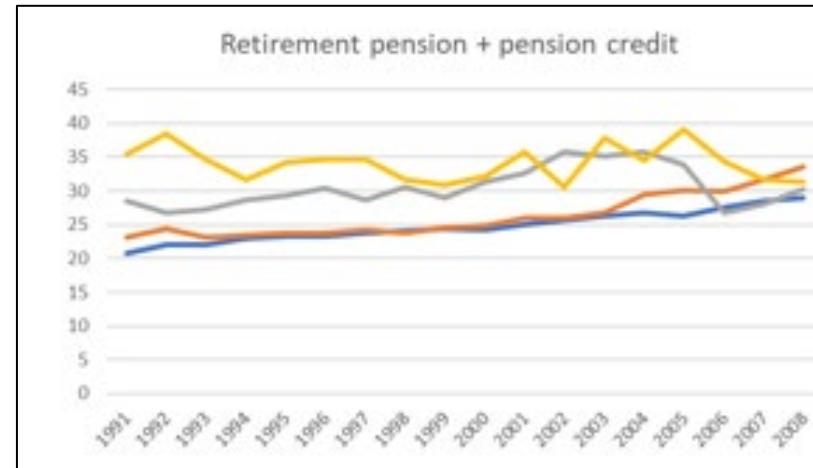
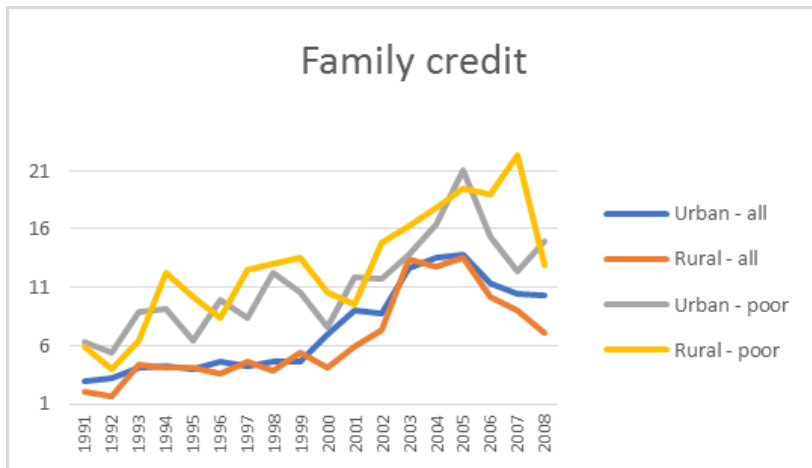
Multivariate analysis: rural/urban difference?

- While similar events and household characteristics are associated with the chances of exiting from or re-entering poverty in rural and urban areas, we found convincing evidence of a '*rural effect*' beyond this...
- The multivariate analysis indicates that living in a rural area reduces the probability of exiting poverty (non-significant) and increases the probability of re-entering poverty (highly significant at 0.1% level), after controlling for personal and household characteristics.
- The analysis also shows that the probability of exiting rural poverty increased significantly and the probability of re-entering rural poverty fell significantly after 1999.



Multivariate analysis: New Labour policies?

- The probability of exit from poverty increased significantly after 1999, but the fall in the re-entry rate is not significant. It is the increased exit rate which drove the fall in poverty.
- But were Labour's social policy reforms responsible? Or other factors (e.g. growing economy; falling inflation)? No conclusive answer, but let's consider the policy instruments again...



Multivariate analysis: New Labour policies?

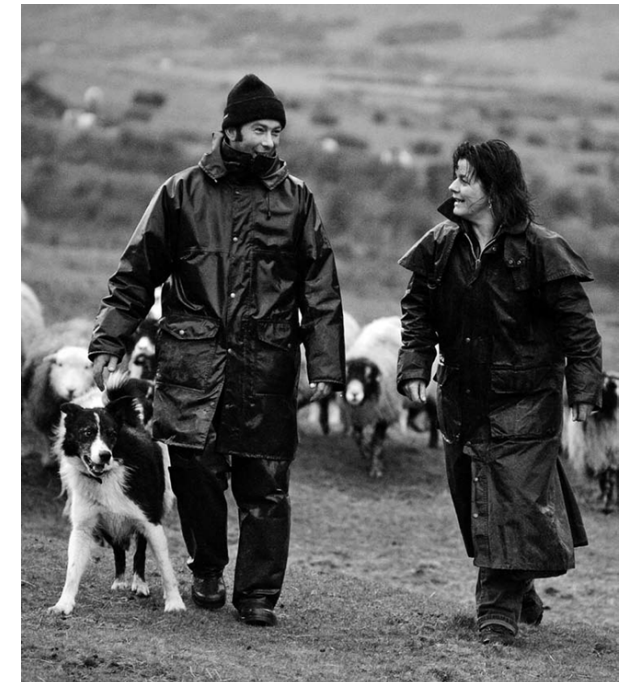
- Consider this Table:

Rural/Urban trends of exit and re-entry hazards by household type, 1992-2007

	Without benefit dummies			
	Poverty exit		Poverty re-entry	
	1993/98	1999/07	1993/98	1999/07
Rural Single elderly	-0.10	0.19	0.38*	0.34**
Rural Couple dep children	-0.062	0.029	0.56***	0.36***
Rural lone parents	-0.47***	0.40***	0.43*	0.67***
Rural other hholds	-0.087	0.11	0.44***	0.27**
Non-rural Single elderly	-0.17*	0.37***	0.44***	0.11
Non-rural Couple dep children	-0.019	0.23***	0.11	0.28***
Non-rural lone parents	-0.13	0.22**	0.86***	0.48**
Non-rural other hholds	Ref.	0.002	Ref.	0.21**

r2

- The household types most likely to benefit from Labour's policy changes improved significantly between 1993/98 and 1999/2007. Thus, we see significant improvements for the single elderly, lone parents and couples with dependent children. It does seem likely that these reflect increases in family tax credit, retirement pensions and pension credit.



Does Rural Residence Matter?

Interaction of Residence Type and Time Period:

- Both rural and non-rural poor were more likely to exit poverty during 1999-08 compared with non-rural poor in 1993-98
- Previously poor rural people are less likely to re-enter poverty during 1999-2008 than in 1993-1999

Table 6. Rural/Non-rural heterogeneous trends of exit and re-entry hazards, 1992-2007				
	Poverty exit		Poverty Re-entry	
	1993-1998	1999-2007	1993-1998	1999-2007
Overall population	reference	0.22***	reference	-0.013
A. Place of Residence				
Rural	-0.075	0.17**(+)	0.30***	0.16*(+)
Non-rural	reference	0.21***	reference	0.028



Conclusions

- Poverty declined in both rural and urban Britain after 1999, and was more pronounced in rural areas.
- Half the people in rural Britain experienced at least one spell of poverty 1991-2008 (Rural 50.2%; Urban 55.2%), exploding a common misconception that poverty is primarily urban.
 - But length of poverty spells was typically short
- Persistent poverty and spell length also diminished. The fall in poverty was driven by an increase in the 'exit rate'.
- There is clear evidence of a 'rural effect' after controlling for personal and household characteristics.
- We cannot conclusively say how far the improvement was driven by New Labour's social policy reforms (compared to economic growth) but we *can* say these contributed to lower poverty rates, especially among pensioners and children.
- Policy implications...



Thank You

