Policy implications – what the research says

Analysis of individual and household level has helped to better understand the nature of change among low income households. Both ‘income’ events and ‘demographic’ events, like separation or divorce are important in explaining what triggers movements in and out of poverty.

This dynamic perspective, rare two decades ago, is now widely accepted. It recognises the role of policy and active programmes and has been reflected in welfare reforms since the 1990s. It also underpins the introduction of Universal Credit from 2013, which seeks to provide greater incentives to work by changing the rate at which benefits are withdrawn in relation to earned income. However, it remains to be seen whether the use of a single taper rate – the rate at which benefits are withdrawn as earnings increase – will work equally for all types of different individuals and households.

The OECD, in its report Divided we Stand (2011), argues that there is nothing inevitable about inequality: government can and should act, and its actions should focus on three main pillars:

1. investment in human capital
2. inclusive employment promotion, and
3. well-designed tax/transfer redistribution policies.

In a more precarious labour market where many people, particularly those on low income, are continually exposed to greater fluidity in their working lives, a well-designed benefits system that can respond in ‘real time’ can help stabilise lives. Equally, policy needs to ensure that the benefits system does not inadvertently contribute to greater casualisation of work at the margins, without other measures to help individuals and households escape long-term poverty.

Further information and resources

The DWP has ceased the production of its Low Income Dynamics Report to enable it to exploit the richer data from Understanding Society. According to the Department, persistent low-income estimates will become available in 2015 covering the period 2010 to 2013 and transition rates will be available from 2016. DWP contact: Income Monitoring; E-mail: team.hbai@dwp.gsi.gov.uk

Please refer to the Understanding Society Users Guide to see further information on the income measure and imputation. There are some very minor variations between the BHPS and Understanding Society. If you need further assistance please contact info@understandingsociety.ac.uk.


If you would like a more detailed briefing on this research or to discuss how you can make use of Understanding Society in your research please email info@understandingsociety.ac.uk.
Persistent low income is much more damaging for families and individuals than brief spells on low income. Knowing who is being trapped in poverty and who is escaping is crucial to efforts to turn around lives and target resources.

Researchers at the Department of Work and Pensions (DWP) have traditiona...