

## Summary

### A long shortage

#### Long-term poverty in the Netherlands

The most recent economic recession, which began in the final quarter of 2008 and lasted until the middle of 2013 (CPB 2014: 33), was accompanied by a substantial rise in poverty in the Netherlands. The number of people living in households with a lower disposable income than the norm amount needed to meet basic needs (such as housing, clothing and food) grew over that period from just over 600,000 to more than 850,000. If that norm amount is increased to allow for (minimal) expenditure on leisure and social participation, the increase is even more pronounced: the number of people with a household income below this ‘modest but adequate’ threshold increased from around 870,000 in 2008 to 1,255,000 (SCP/CBS 2014: 61).

According to SCP/CBS 2014, long-term poverty also rose over that period, though this only became fully apparent from 2011. According to the ‘basic needs’ criterion, there were 169,000 people living in long-term poverty in 2011, and 316,000 according to the ‘modest but adequate’ criterion; by 2013 these figures had risen to 226,000 and 410,000, respectively (SCP/CBS 2014: 62). These latter figures were calculated by first looking at how many people were living in poverty in a given year and then investigating whether those people were also living below the poverty line in the two preceding years. There are however other ways of establishing long-term poverty, sometimes producing very different results.

The first aim of this study was to map out the extent of long-term poverty in the Netherlands and its development over the last two decades. We also investigated whether there are concentrations of long-term poverty within certain sections of the population.

In carrying out this study, we drew on administrative data for the period 1989-2013 from the Income Panel Survey (IPO) administered by Statistics Netherlands (CBS).

#### S.1 How extensive is long-term poverty in the Netherlands?

As indicated above, there are different ways of determining whether a person is living in long-term poverty, and ascertaining the number of people in long-term poverty the Netherlands is therefore not straightforward. Perhaps the best way of measuring the risk of people who have just become poor becoming long-term poor is to consider their chances of escaping poverty and their risk of falling back into poverty having once escaped it. Looking at the chance of escaping poverty presents a fairly positive picture. Around 60% of people are no longer below the poverty line after the first year, and this applies for almost 20% after two years. This means that, of the average of almost 300,000 people who become poor each year according to the ‘modest but adequate’ criterion, just under 75,000 are still in poverty two years later. They have then been poor for at least three years, thus meeting the criterion for long-term poverty. However, earlier research has shown that

this picture is too optimistic: a sizeable proportion of people who move out of poverty fall back into it at a certain point. Our data also reflect this: of those who move above the poverty line in a given year, almost 20% are back below it a year later. Five years after moving out of poverty, a total of more than 40% have fallen back into it.

Another way of measuring long-term poverty is to investigate whether the total population below the poverty line are or have been long-term poor in a given year. Several variants are possible here. One is to look at whether someone is poor in a given year and then at whether they are still in poverty in the two ensuing years. This ‘foresight method’ leads to the conclusion that 33% of all people who are poor in a given year according to the modest but adequate criterion face the prospect of being poor for at least the next two years. This is an average percentage; in the most recent year for which we were able to apply this method (2011), the figure was 41%. During that year, just over one million people were poor, of whom ultimately almost 420,000 remained so for the next two years. A second variant looks back to the years preceding the reference year. In this variant, a person is classed as long-term poor if they have already been in poverty for at least three years in the reference year. Based on this ‘historical method’, too, roughly a third of the total poor population in the Netherlands are long-term poor. In absolute numbers, the figure is once again just under 420,000 individuals (the same as with the foresight method, but this time looking back two years from 2013).

Both variants underestimate the extent of long-term poverty; some of those who were poor at the time of the measurement will also have been poor in the preceding years or will continue to be poor in the ensuing years. We used a third variant which takes this into account and which therefore offers a more reliable measurement of the extent of the problem. We term this the ‘episodic method’. Here, we look for each reference year at both the two preceding and the two ensuing years. We then find that the percentage of people in long-term poverty averages just under 55% of the total poor population. In the most recent reference year (2011), almost 600,000 people (58%) were in this position.

#### [Relationship between the percentage of people in long-term and short-term poverty](#)

Based on the episodic method, the share of people in long-term poverty dominates among the total poor population. As stated, over half (just under 55% on average) of poor people have been in poverty for three years or more. Those who have been in poverty for only one year account for just a fifth of the total (the remainder are people who have been in poverty for two years). These findings are based on the modest but adequate criterion; if the stricter basic needs criterion is applied, the share of people in long-term poverty is substantially lower (40-45%), while the share of people in short-term poverty goes up slightly (around 25%). One explanation for this may be that the basic needs poverty threshold, which represents EUR 970 net per month for a single person, provides a stronger incentive to escape from poverty as quickly as possible. There may also be a difference in the group composition; it is for example highly plausible that the category of people with an income below the basic needs criterion contains a relatively high proportion of self-employed peo-

ple, who have a very low income one year but make sufficient profit the next to take them above the poverty line.

### Has long-term poverty increased or decreased over the last two decades?

In earlier research, Achterberg and Snel (2008) investigated whether poverty was becoming a more temporary or more entrenched phenomenon. They concluded that the latter was the case, identifying an increase in the proportion of people in long-term poverty (using the foresight method) between 1984 and 2000, while the percentage in short-term poverty remained more or less unchanged.

Despite a number of differences compared with the study by Achterberg and Snel, we reach the same conclusion in our study for the period from 2000 onwards. The share of people in long-term poverty increased between 2000 and 2013, while the percentage in short-term poverty remained stable. On the other hand, the growth in the share of people in long-term poverty appears to be due mainly to the economic recession at the end of our study period; until 2008 there were only slight fluctuations. There was also a visible link to the economic cycle in the 1990s, when the percentage of people in long-term poverty rose during the 1991-1993 recession before falling back again to its original level. Given these findings, we may conclude that long-term poverty has increased temporarily, but that there is also a substantial possibility that it will fall again as the economy picks up.

### 5.2 Is long-term poverty concentrated among certain groups in the population?

There is currently a debate in the field of sociology, in which one camp argues that poverty today is mainly the result of people's own choices and personal life events, which means that everyone can on occasion be briefly confronted with poverty. Others counter this by arguing that there is a growing division between the disadvantaged and more privileged sections of society and that certain groups encounter long-term poverty much more often than others. In this study – without wishing to test the veracity of either claim – we explore both sides of this debate.

To test the claim that everyone in the Netherlands today could occasionally be confronted with a (short) period of poverty, we investigated whether different sections of the population are at equal risk of being in poverty for just one year. A distinction was made by household type, main source of household income and ethnic background. The outcomes suggest that the risk of short-term poverty is greater for people without children or with grown-up children, people in households where paid work (salaried or self-employed) is the main source of income, and persons with a native Dutch background. The probability is much smaller for single people and single-parent families or couples with young children, who relatively often encounter periods of poverty lasting more than a year. This also applies for benefit recipients and non-Western migrants.

To answer the opposing question, i.e. whether there is a concentration of long-term poverty in certain sections of the population, we performed similar analyses and looked at the chance of being poor for at least three years. In line with the foregoing results, couples

without (young) children, households living mainly on income from employment and Dutch natives much less often face a period of long-term poverty than households with young children, benefit recipients and pensioners and non-Western migrants. Closer analysis reveals an interaction between family composition and ethnic origin: as stated, the presence of young children is associated with a higher risk of long-term poverty, but this effect is much stronger for non-Western migrants than for Dutch natives or Western migrants. Non-Western migrants with children face long-term poverty significantly more often than Dutch natives or Western migrants with children, and also than non-Western migrants without children. Finally, a caveat needs to be applied for pensioners: although they are at heightened risk of long-term poverty, the chance that they will fall into poverty in the first place is relatively small.

### Is long-term poverty rising in certain population groups?

If we look at the trend in long-term poverty in different sections of the population, we find that some groups have faced poverty more often than others over time. Couples with children living below the poverty line are an example: the share of long-term poverty in this group rose between 2005 and 2011 from just over half to almost two-thirds. This group have therefore easily surpassed single-parent families, traditionally the group at greatest risk of long-term poverty. As regards main source of income, the figures show that people in paid work are less often long-term poor than benefit recipients or pensioners. However, the share of long-term working poor has increased sharply: in 2005, 40-45% of all working poor had been poor for at least three years; in the 2011 reference year, this had increased by around ten percentage points. Finally, the extent of long-term poverty has also increased among poor non-Western migrants, from just under 60% in the 2005-2006 reference years to around 67% in 2010-2011. This increase was relatively limited among Dutch natives and Western migrants, in both cases rising from around 50% to just under 55% of the total group of poor.