

## Appendix IV

# The Impact of Poverty – Physical and Mental Health

*“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”*

*Franklin D Roosevelt*<sup>46</sup>

Each year, dozens of reports are published, nationally and internationally, looking at the issue of poverty. Two definitions are widely used in these reports: *absolute poverty* refers to the state of not having enough food, shelter, clothing, and fuel to sustain life; *relative poverty* refers to a situation in which, while existence may be possible, having a normal life is not. Of course, absolute poverty is a more serious condition than relative poverty, and it can be tempting to assume that relative poverty does not really matter. There is a lively debate among politicians on precisely this point. Some do not even agree with themselves. As David Cameron, then the leader of the Conservative party in opposition, said in 2006<sup>47</sup>:

*“In the past we used to think of poverty in absolute terms - meaning straightforward material deprivation. That's not enough. We need to think of poverty in relative terms - the fact that some people lack those things which others in society take for granted. So I want this message to go out loud and clear - **the Conservative Party recognises, will measure and will act on relative poverty.**”*

Having come to power, by 2011, Cameron had changed his mind<sup>48</sup>:

*“I think there is a real problem with the way we measure child poverty in this country. Because it's done on relative poverty, if you increase the pension, that means more children are in poverty. I think that's illogical. It's the right thing to do to increase the pension. It does not make any child in our country poorer, because you are giving pensioners more money at a time when they need it. I think what we have got to start doing is measuring how we help children out of poverty and keep them out of poverty.”*

Both David Camerons make valid points: it is not enough merely to look at absolute poverty, but equally, to focus exclusively on relative poverty would be illogical. Both

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46 (Roosevelt, Second Inaugural Address, 1927)

47 (Cameron, Tories claim 'big change' on poor, 2006)

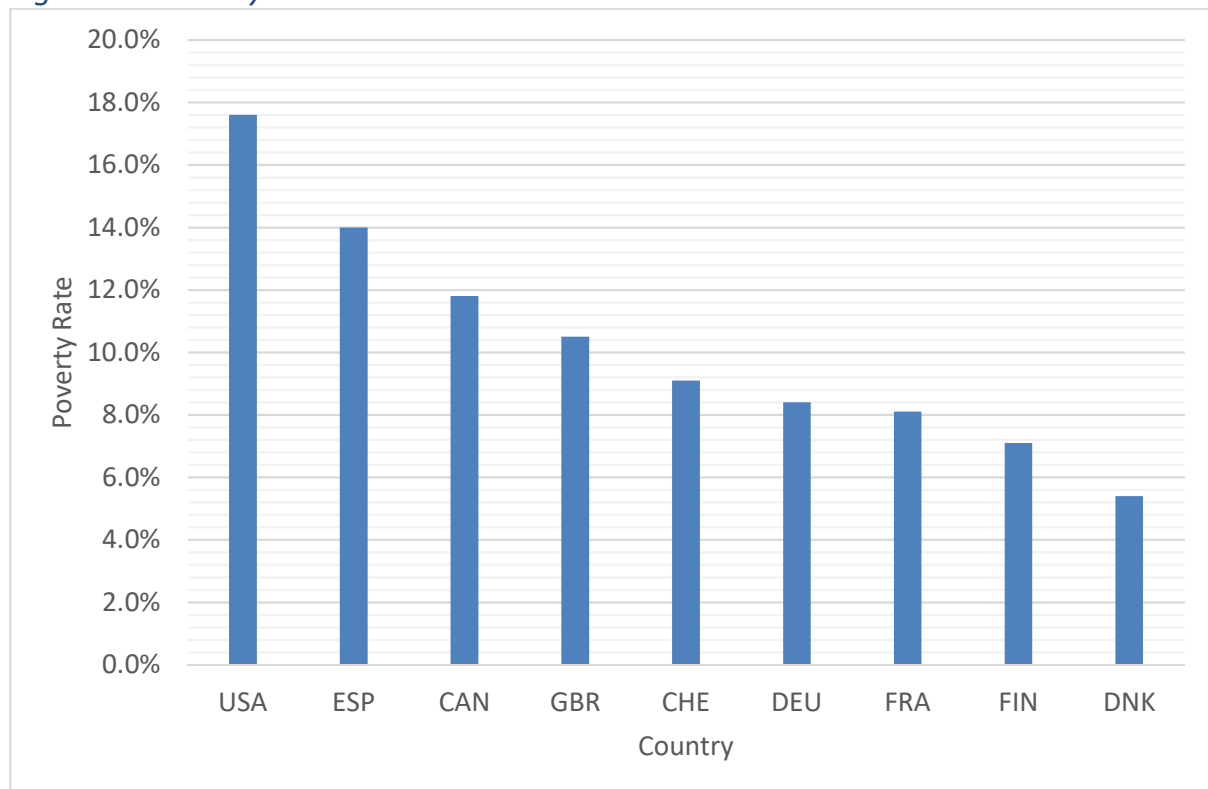
48 (Curtis, 2011)

forms of poverty are surprisingly widespread – including in the US and the UK – and serious in terms of their effects; in fact, poverty is already a matter of life and death for many people even in the developed world.

### Poverty is widespread even in the developed world

In the developed world, according to the OECD, the rates of relative poverty vary substantially, from almost 18% in the USA to a little over 5% in Denmark. The UK has around 10% of its population in relative poverty, as shown in the chart below.

Figure 27: Poverty rates in selected OECD countries



Source: OECD<sup>49</sup>

The definition of poverty rate used by the OECD is the proportion of people (in a given age group) whose income falls below the poverty line, taken as half the median household income of the total population. This is of course a measure of relative poverty, not absolute poverty, and it is theoretically possible (if the median income were high enough) that in fact one could have a comfortable life even while in poverty.

In fact, as we shall see below, the impact of being in relative poverty is severe, on several dimensions. Many countries – such as the UK – therefore take a view that poverty begins at a higher percentage of median than in the OECD measure. A

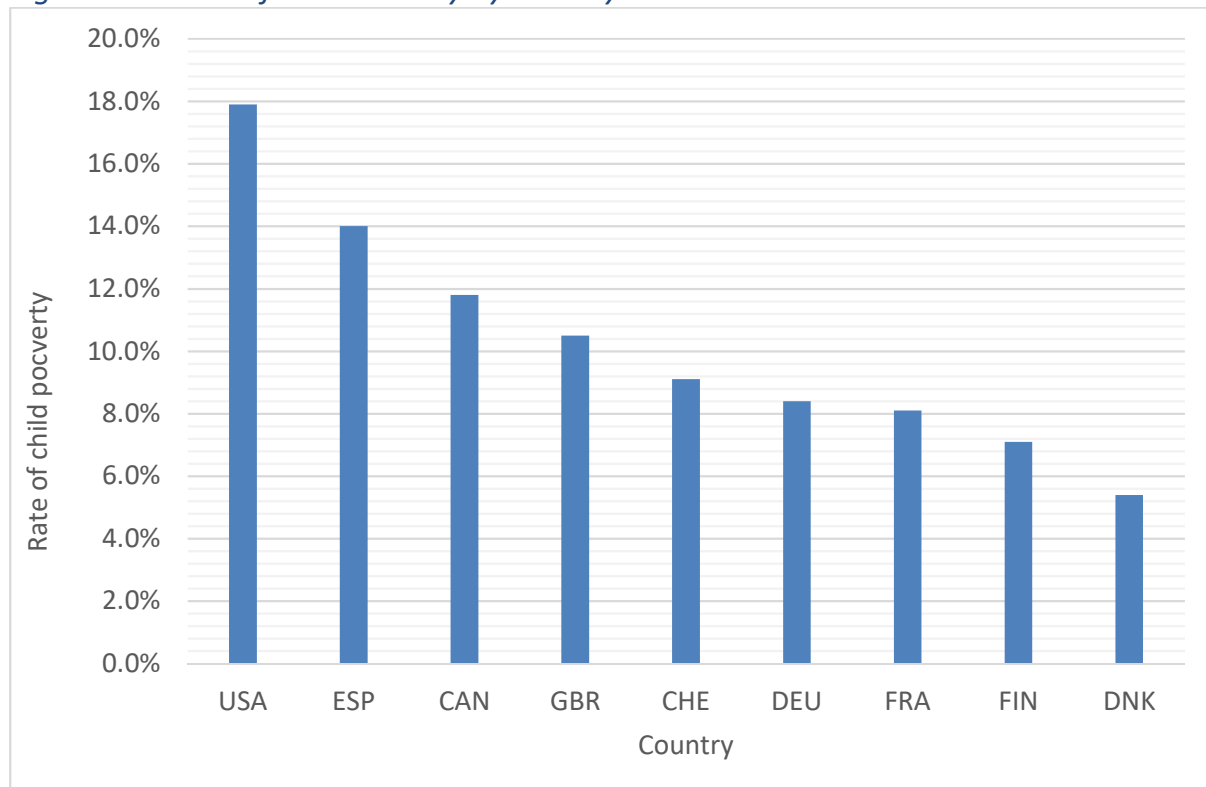
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49 (OECD, 2015)

definition of relative poverty beginning at 60% of median income is often used, and this of course produces even higher poverty rates than those above.

An argument sometimes made is that, although it is unfortunate that more than one in six people in the United States are living in relative poverty, this is the result of a meritocratic process and these people, unfortunately, do not *deserve* any higher standard of living. Of course, for children, who cannot earn their own living, the meritocratic argument is much harder to sustain. The chart below shows the equivalent data for children up to the age of 17, again by country. The picture is almost identical.

Figure 28: Rates of Child Poverty by country



Source: OECD<sup>50</sup>

In the United States, more than one in six children are living in poverty, in Spain the figure is roughly one in seven and in the United Kingdom more than one in 10 – about double the rate in Denmark. This is an extraordinary difference, given that all of these countries have advanced, Western economies. If it is possible to run an economy in such a way that its population has a 95% chance of *not* living in poverty – as in Denmark – how is it that some, at least equally rich, countries run their economies in such a way that their populations have only an 82% chance of escaping poverty? One answer is that it depends on how the pie is shared: if everyone had an equal share of

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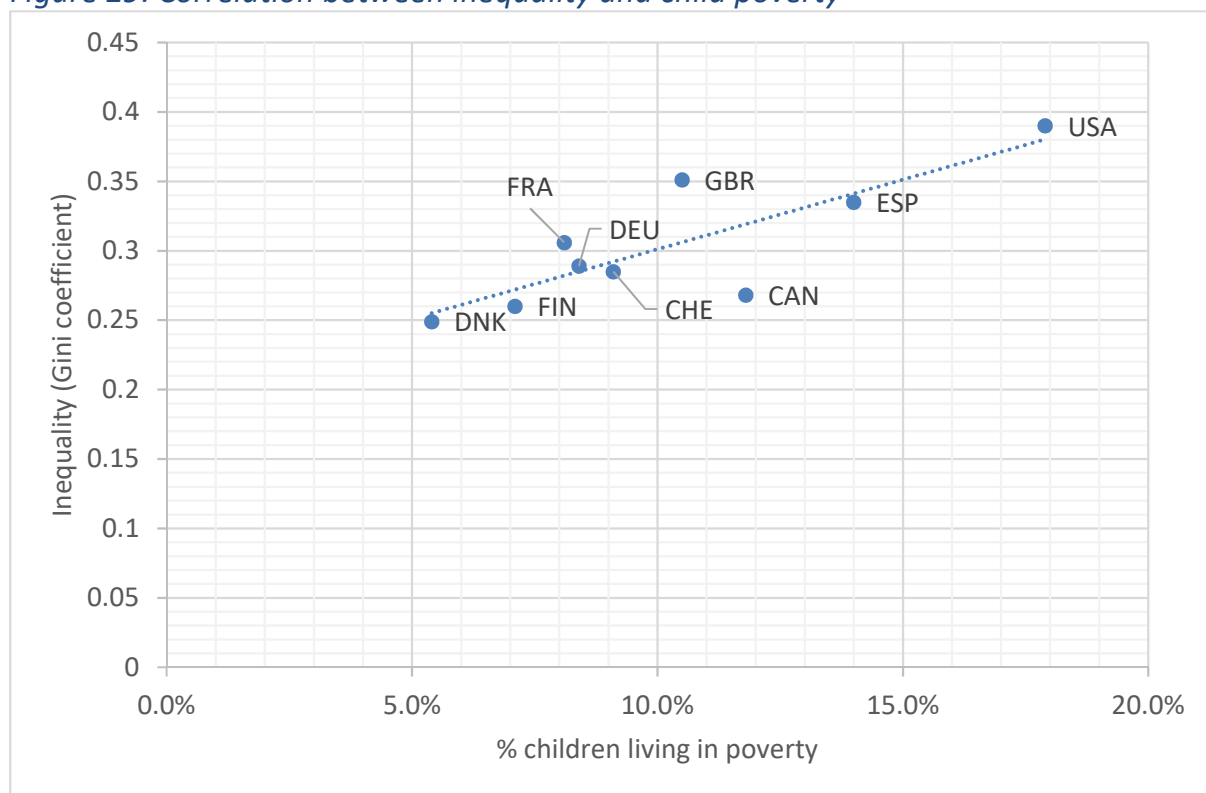
50 (OECD, 2016)

the pie, then of course the rate of relative poverty would be zero; at the other extreme of the spectrum, if one person took the entire pie so that the median income was zero, then again relative poverty would be zero although absolute poverty would be almost 100%. With more realistic levels of inequality, we might expect higher inequality to lead to higher rates of relative poverty.

### Higher inequality tends to lead to higher poverty rates

The chart in Figure 109 below shows that, indeed, higher inequality does lead to higher rates of poverty.

Figure 29: Correlation between inequality and child poverty



Source: OECD<sup>51</sup>

In fact, the data confirm that there *is* quite a strong correlation between rates of relative poverty and inequality as measured by the Gini coefficient. Policies which aim to reduce child poverty without tackling inequality are unlikely to be effective. Of course, such policies would only be necessary if relative poverty really matters.

### Even in the developed world poverty has serious effects

The data suggest strongly that the impact of poverty – even in rich countries – is severe. In a large meta-study, carried out in 1997, Jeanne Brooks-Gunn and Greg J

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51 (OECD, 2015)

Duncan of Columbia University and North-western University, respectively, examined the effects of poverty on children in the United States. A meta-study is an analysis of other studies already carried out, and is able to pool and analyse all the information these studies contain. Brooks-Gunn and Duncan were very selective in the studies that they included in order to be sure that they could isolate the impacts of family income from those of other factors such as the age of the mother at the time of the child's birth, marital status, ethnicity, educational achievements of the parents, *et cetera*. They concluded that child poverty had material adverse impacts in terms of:

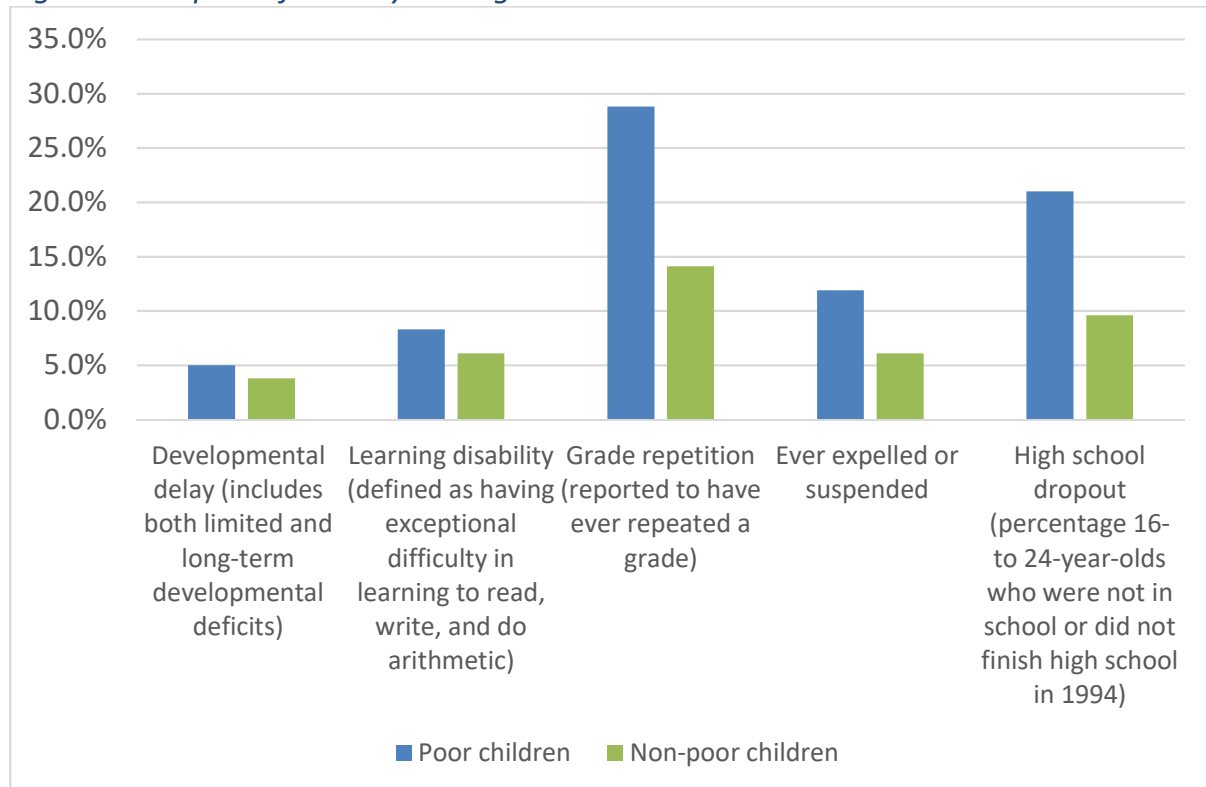
- cognitive outcomes and educational achievement;
- risk of child abuse or violence;
- life and economic factors; and
- health.

In combination, these factors mean that poor children not only suffer themselves but are more likely to have children who also suffer from poverty.

### ***Cognitive outcomes and educational achievement***

In looking at issues such as educational attainment, it is particularly important to take into account the possibility that there are other factors than poverty at work – for example, it is very likely that if both parents are highly educated, they will pass on both attitudes and aptitudes to their children which will lead to a higher level of educational achievement by the children. This is why it was so important for Brooks-Gunn and Duncan to base their analysis on studies which controlled for other factors including parental educational achievement. Even having done this, it is impossible to be absolutely certain that there are no other factors at work, but the simplest and most plausible explanation of their results, shown below, is that poverty does indeed have a profound impact on both cognitive outcomes and educational achievement.

Figure 30: Impact of Poverty on Cognitive and Educational outcomes



Source: Brooks-Gunn & Duncan<sup>52</sup>

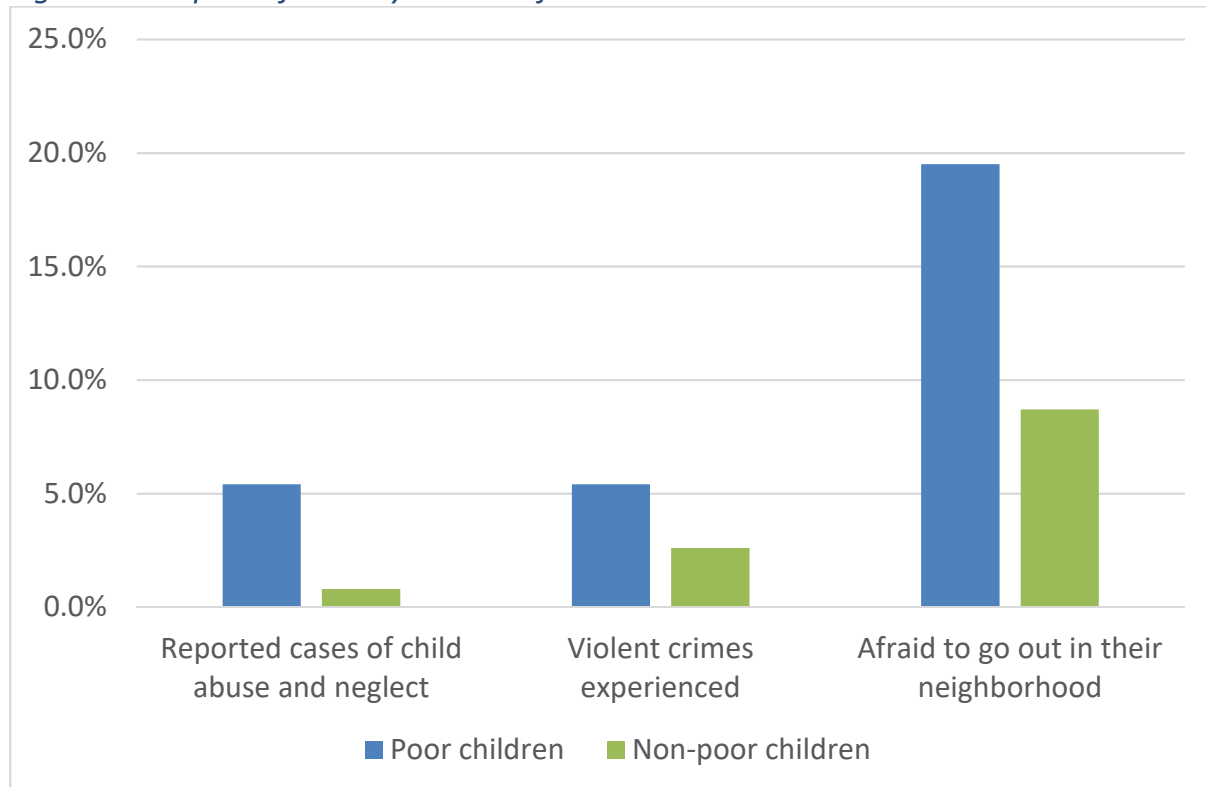
Children in poor families are 1.3 times more likely to have a developmental delay, and 1.4 times more likely to suffer from a learning difficulty. They are twice as likely to have repeated a grade in school or to have been suspended or expelled. They are 2.2 times more likely to drop out of high school. Their chances of subnormal educational achievement are dramatically higher than those of non-poor children.

**Risk of child abuse or violence**

Poverty, of course, has an impact on the neighbourhood in which one is likely to live – and it is therefore not surprising that there may be some connection between poverty and risk of exposure to violence. The extent of the difference, however, may be surprising.

52 (Brooks-Gunn & Duncan, 1997)

Figure 31: Impact of Poverty on Risk of Violence



Source: Brooks-Gunn & Duncan<sup>53</sup>

Cases of child abuse and neglect are 6.8 times higher for poor children than for non-poor children. Poor children are 2.1 times more likely to experience violent crimes, and 2.2 times more likely to live in an area in which the head of the household is afraid to go out.

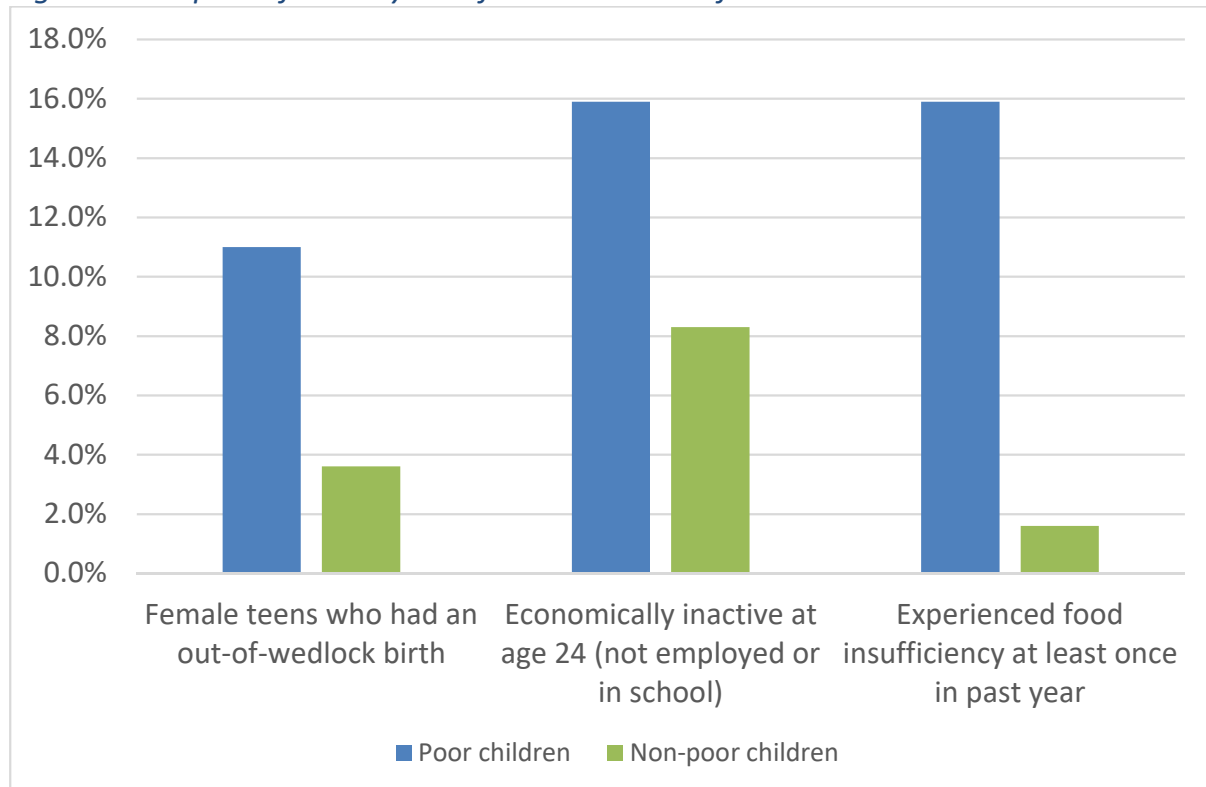
### *Life and economic factors*

It is perhaps to be expected, given the findings above, that poor children find it harder to have a satisfactory life with a stable family environment and a reasonable and dependable level of income.

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53 (Brooks-Gunn & Duncan, 1997)

Figure 32: Impact of Poverty on Life and Economic factors



Source: Brooks-Gunn & Duncan<sup>54</sup>

Poor children are 3.1 times more likely to have an out-of-wedlock teenage pregnancy, and 1.9 times more likely to be economically inactive at the age of 24. They are almost 10 times more likely to have experienced a shortage of food than are non-poor children. Among other things, this indicates that their own children are more likely to experience poverty than those of non-poor children.

### Health

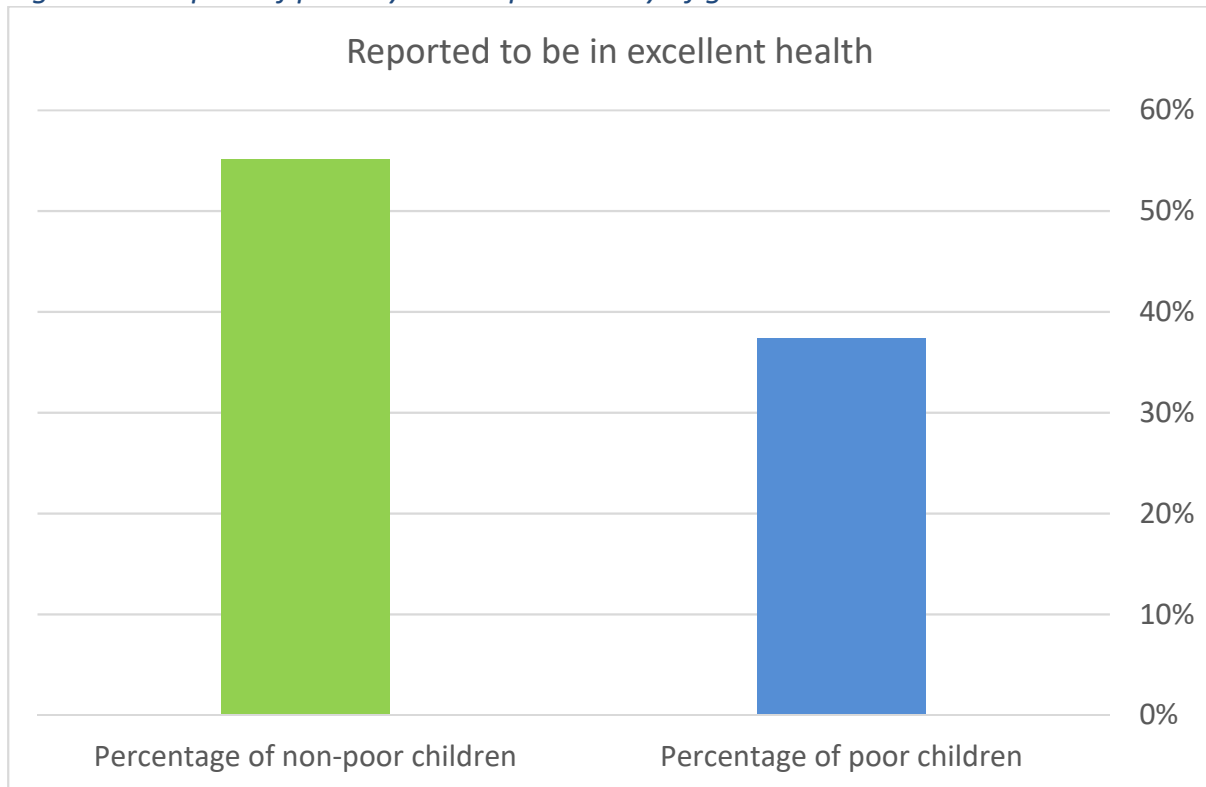
Poverty has serious effects on children's health: at the positive end of the spectrum, fewer poor children are reported as being in excellent health than non-poor children; perhaps even more seriously, at the negative end of the spectrum, more poor children die during childbirth and before the age of 14 than non-poor children – and the gap is not small.

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54 (Brooks-Gunn & Duncan, 1997)



Figure 33: Impact of poverty on the probability of good health



Source: Brooks-Gunn & Duncan<sup>55</sup>

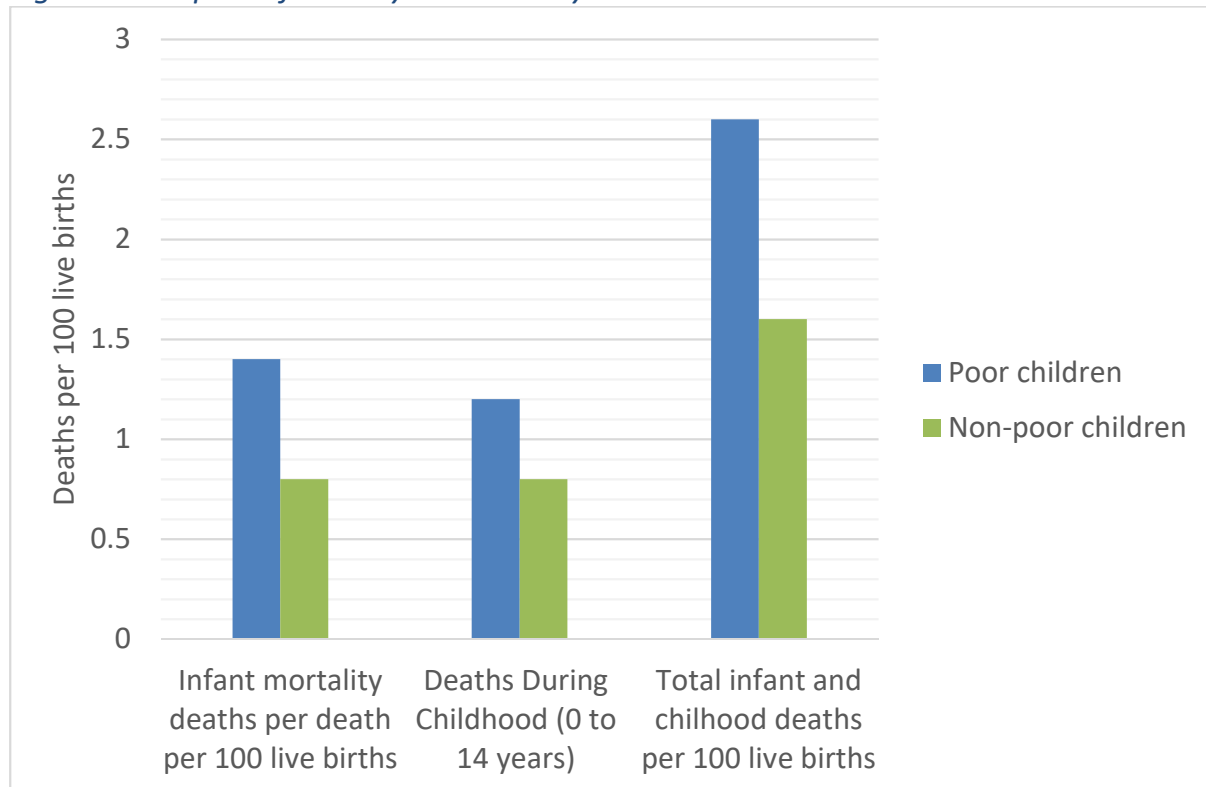
Over half of non-poor children are reported as being in excellent health, whereas under 40% of poor children have excellent health: in other words, non-poor children are almost 1.5 times more likely to be in excellent health than their poor counterparts.

Even more stark are the findings on infant and childhood mortality, shown in the graph below.

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55 (Brooks-Gunn & Duncan, 1997)

Figure 34: Impact of Poverty on mortality in childhood



Source: Brooks-Gunn & Duncan<sup>56</sup>

Poor children suffer from infant mortality at a rate of almost 1.5 deaths per hundred live births; for other children, the rate is only around 0.8 deaths per hundred live births. Poor children, in other words, are 1.7 times more likely to die as infants. During childhood, poor children die at a rate of about 1.2 per hundred live births against the rate of 0.8 per hundred live births for other children – they are 1.5 times more likely to die as children.

There are around 16 million children living in poverty in the United States. Almost 1 million are born into poverty each year. As the chart above shows, an additional one death per 100 live births results from being born into poverty – this is equivalent to almost 10,000 children dying each year as a result of poverty.

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56 (Brooks-Gunn & Duncan, 1997)

## Summary

Poverty exists, not merely in the developing world but also in the developed. In fact, it is surprisingly widespread even in the richest countries. There is however a wide variation in the rates of poverty across the developed countries suggesting that different economic models have very different outcomes in terms of poverty rates.

Poverty has serious impacts on cognitive and educational achievement, on exposure to violence, on economic circumstances in later life and, most importantly, on health and life expectancy.

Even at current rates, and even in advanced economies, poverty is already a matter of life and death.