

# Poverty and Economic Insecurity in the Life Course

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## *Abstract*

This chapter adopts a life course perspective to study poverty and economic insecurity. First, it explains the advantages of a life course perspective for the study of poverty and gives a historical overview of the field. Next, we discuss two specific life course perspectives that may illuminate the longitudinal patterns and experiences of poverty: the mechanism of cumulative advantage and disadvantage and the resources and stress framework. Third, we discuss the multidimensional aspects of poverty in the life course, conceptualizing social exclusion as a multidimensional longitudinal phenomenon. We introduce the idea of spill-over (across the life course, the experience of poverty can spill over to other life domains) and show how the relationship between objective poverty and subjective perceptions of scarcity influences people's life conditions.

# 1. Poverty and the Life Course

## *1.1. Why studying poverty from a life-course perspective?*

It is often argued that the occurrence of economic hardship should be studied from a life-course perspective. Just like many other social problems, poverty typically presents itself as a risk in the life-course of individuals. As a result, most welfare states develop social policies to protect their citizens from social risks or the poverty consequences of those (Baldwin, 1990; Cusack, Iversen, & Rehm, 2006; Leisering & Leibfried, 1999). Similarly, policy interventions and social assistance schemes aim at helping families and individuals escape from poverty. Thus, insight into the individual transitions into and out of poverty can help improve social policy.

In this chapter, we consider poverty as a relative concept, which means that it links to the standard of living and other aspects of social inequality in a given society. We use the poverty definition employed by the European Union that was first agreed by the European Council in 1985 and expanded over time to include the aspects of social exclusion and also life course aspects. According to this definition, people are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live (European Commission, 2004). Importantly, poverty is considered as a multi-dimensional aspect, which in a life course perspective means that disadvantage may be accumulated over time leading to social exclusion. Poverty is typically measured at the household level, assuming that household members pool resources. This shows the importance of linked lives and dependencies especially in the increased poverty risk after separation of households. Again, according to the definition we use it is expected that the poor may experience multiple disadvantage through unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalised from participating in activities - economic, social and cultural - that are the norm for other people and their access to fundamental rights may be restricted (European Commission, 2004). Apart from defining poverty in relation to social inequality and the life course, the European Union's statistical office Eurostat also measures poverty in a multidimensional and longitudinal fashion. The at risk of poverty or social exclusion indicator takes into account several dimensions: income poverty, material deprivation and low work intensity. The persistent at-risk-of poverty rate examines poverty duration by showing the proportion of people who were below the poverty threshold and had also been below the threshold for at least two of the three preceding years (Eurostat, 2018).

The duration of poverty is an important element when we are interested in assessing how severely the population is affected by economic risk. Firstly, duration and recurrence of poverty can tell us something about the impact poverty is likely to have on a person's life. If the period of economic hardship is a one-time event and relatively short in duration, then this period can often be bridged by relying on the family's resources such as savings, debt or family support – or by delaying purchases. However, people's resources tend to become depleted after a while and the longer or more frequently a family needs to live from an income under the poverty line, the more severe is its impact on their living standard. Furthermore, poverty durations and mobility patterns also shed a clearer light on the distribution of economic risk in society. It could be argued that following Rawls' principle of distributional justice, short poverty durations for a larger share of the population are to be preferred over longer poverty durations for a smaller share of the population (Rawls, 1971). If mobility into and out of poverty is high and poverty spells are nonrecurrent, then the

experience of poverty is widespread in society. This implies that a relatively large share of the population has experienced a – short – poverty episode at some point in their lives. Yet, poverty mobility may be high but if people typically experience repeated poverty episodes then poverty is more concentrated in a small vulnerable group. The same is true if poverty mobility is limited and poverty spells are on average longer. The latter scenario is often seen as the most problematic from the point of view of policy makers, as the level of vulnerability, disadvantage and inequality is larger, but also because long-term poverty and recurring poverty have more detrimental outcomes than short-term poverty, for instance in terms of child development and educational achievement. On the other hand, a high cross-sectional poverty rate is often seen as less problematic if poverty durations are short.

### *1.2. Historical overview of the life course approach in poverty research*

In poverty research, the focus on dynamic and life-course aspects was first acknowledged by Seebohm Rowntree (1902). In his poverty research around the turn of the 19<sup>th</sup> century in the English town York, he found that the life of working class individuals was characterized by a life cycle of needs and resources. A typical working-class life was characterized by five periods, with differing degrees of hardship. The periods of particular hardship were childhood, early middle life with childrearing and old age. Rowntree was also clearly aware that these dynamics into and out of poverty had an effect on the interpretation of poverty rates at a single point in time. He stated that *‘The proportion of the community who at one period or other of their lives suffer from poverty to the point of physical privation is therefore much greater, and the injurious effects of such a condition are much more widespread than would appear from a consideration of the number who can be shown to be below the poverty line at any given moment’* (Rowntree, 1902, pp. 169-172).

Despite these early observations of the relevance of the life-course, it is surprising that for much of the 20<sup>th</sup> century, many poverty researchers paid little attention to the temporal aspects of poverty experiences. Poverty was generally seen as a permanent condition and most researchers believed it to be caused by static factors such as the social background or neighbourhood of residence (Wilson, 1987) or a “culture of poverty” acquired by growing up in a poor milieu (Lewis, 1966). At the same time, poverty was often assumed to lead to downward careers into long-term poverty or the intergenerational transmission of poverty (Leisering & Walker, 1998). Only with the availability of mature socio-economic household panel data and the advancement of longitudinal research techniques in the 1980’s has a major upsurge in the attention for poverty mobility over the life-course seen daylight.

When examining economic hardship from a life-course perspective, several questions are usually addressed, such as: How much mobility is there into and out of economic hardship? What are the specific life phases and life events associated with economic hardship? Which distinct kinds of poverty trajectories exist? Dewilde (2003) provides an overview of life course theories and how they link to social exclusion and poverty. For an overview of previous studies and approaches to study poverty and employment from a life course perspective, see Vandecasteele & Giesselmann (2018).

In one of the first panel data studies on poverty, Bane and Ellwood were for the first time taking periods or spells of poverty as the unit of analysis (Bane & Ellwood, 1986). They showed that most of the people who fall poor in the USA have a short poverty spell. However, it’s also the case that the majority of people found poor at any given time experiences a long poverty spell before they

escape poverty. Hence, they argued that cross-sectional surveys tend to overestimate the importance of long-term poverty. Also in Europe, most poverty spells are short, but a substantial share of the people experiencing poverty go through repeated spells (Fouarge & Layte, 2003; OECD, 2001).

### *1.3. Poverty duration, life events and poverty risk: empirical evidence*

When assessing the severity of economic risk in the population, we may look at several indicators, such as the cross-sectional poverty head count (what share of the population is poor), the poverty gap (a measure of poverty intensity or poverty severity) and the typical poverty duration. In the European Union, the persistent at-risk-of poverty rate is used by Eurostat and shows the proportion of people below the poverty threshold who also had been below the threshold for at least two of the three preceding years (Eurostat, 2018).

Besides the recurrence and persistence of poverty spells, another important element is formed by the typical life-course events associated with poverty entry or exit. Life-course events such as divorce, the birth of a child, or the loss of a job, can influence the chances of poverty entry (Fouarge & Layte, 2005; Giesselmann & Goebel, 2013; Kohler et al., 2012; Vandecasteele, 2011, 2012, 2015; Whelan, Layte, & Maitre, 2003). They thereby can form turning points or critical points in the life course. Especially employment situation changes for example, becoming unemployed, retirement, and household composition changes, for example, divorce, birth of a child, are important factors preceding poverty, also called poverty triggers (DiPrete & McManus, 2000). Other important life events occur when a child starts his/her own household and when new persons enter the household, for example, a new partner (Fouarge & Layte, 2005; Jenkins, 1999). Risk periods for poverty are, among others, young adulthood, retirement, unemployment, lone parenthood, periods of sickness (Alcock, 1997; Barnes, Heady, & Middleton, 2002; Biewen, 2003; Finnie, 2000; Fouarge & Layte, 2003; Leisering & Leibfried, 1999; OECD, 2001; Whelan et al., 2003).

The interplay between the experience of life events and a family's underlying socio-economic characteristics may lead to cumulative disadvantage. Firstly, the experience of certain risky life events or risk factors may be more common to already disadvantaged groups (Brady, Finnigan, & Huebgen, 2017). Furthermore, some life events more strongly affect the associated poverty risk of people with a disadvantaged socio-demographic profile, such as a low education level, a lower social class or being female (Vandecasteele, 2010, 2011). For instance, while childbirth isn't a particular poverty trigger for most socio-demographic groups, people from lower social classes and lower educational levels see their poverty risk increase when a child is born in the family (Vandecasteele, 2011). Also the poverty penalty associated with divorce is particularly gendered, with women seeing substantial rises in their poverty risk and persistent poverty risk, when the sharing of resources of the male partner is reduced (Andress, Borgloh, Bröckel, Giesselmann, & Hummelsheim, 2006; Vandecasteele, 2010, 2011).

## **2. Mechanisms influencing poverty duration and recurrence**

### *2.1. Cumulative advantage/disadvantage*

Cumulative (dis)advantage processes (CAD) have been proposed in life-course theory as a way to take into account a temporal perspective in stratification and inequality research. Poverty is not

only related to the status origins, but rather develops over time, which creates both heterogeneity and divergence in life trajectories. Hence, it is thought that life trajectories have a structure that can be understood through the idea of accumulation which is defined by Dannefer (2003) as “the systematic tendency for interindividual divergence in a given characteristic (e.g. money health, or status) with the passage of time” (p.327). The author insists on the fact that the source of accumulation resides in the interaction of a complex of forces (mainly structural) and that it is primarily a property of collectives, (notably cohorts) rather than individuals. This does not mean that all mechanisms are social. Psychosocial factors (like stereotype threats, personality traits, self and identity regulations) may also play a moderating role in these processes (Elder, 1969; Schmader, Johns, & Forbes, 2008) and micro-, meso- and macro-level effects have to be considered (Dannefer, 2018). A very interesting development of the CAD model is the cumulative inequality theory (CIT) by Ferraro and Shippee (2009), who maintain that “social systems generate inequality which is manifested over the life course via demographic and developmental processes, and that personal trajectories are shaped by the accumulation of risks, available resources, perceived trajectories, and human agency.”(p.1056).

There is no systematic theory yet which explains the main mechanisms influencing accumulation processes across the life-course, in order to make sense of the complexity of the mechanisms that can influence the divergence in resources within a collective across time. Different hypotheses exist so far which include critical period (notably childhood) effects (for epidemiological models, see Ben-Shlomo & Kuh, 2002), path-dependency models, reserve accumulation (Cullati, Kliegel, & Widmer, 2018) and non-cumulative inequality models like “the winner takes it all” (see DiPrete & Eirich, 2006). The CAD hypothesis has not been consistently verified in empirical assessments of increasing divergence across individuals through time on all types of indicators (see for example Cullati et al., 2018). Some studies confirm that heterogeneity in poverty increases for instance in adult life (Shuey & Willson, 2014) and older ages (Dannefer, 2018), but the evidence in early adulthood is less systematic. There is also evidence that the heterogeneity of professional trajectories is higher for women than for men (Levy & Widmer, 2013) with an increase of risks of vulnerability for mothers, who are more vulnerable to life events like divorce (Widmer & Spini, 2017). This being said, the CAD framework has not received enough attention yet despite opening new avenues from stratification or functionalist paradigms and urging researchers to evaluate the systemic and multileveled nature of vulnerability across the life-course (Dannefer, 2018; Spini, Bernardi, & Oris, 2017). Furthermore, it is unclear to what degree the U.S. case (in which most tests of CAD have been conducted) is a special case, notably concerning the restriction of access to universal benefits of the welfare state (Mansour & Curran, 2016).

## *2.2. Stress and resources, vulnerability*

Research has consistently shown that poverty is a major source of stress. For instance, Kahneman and Deaton (2010) analyzed more than 450,000 responses to the Gallup-Healthways Well-Being Index and found that America’s poorest families (earning less than \$US1000 per month) reported higher levels of sadness, worry, and stress than richer families. More recently, Haushofer and Shapiro (2016) conducted a randomized field experiment showing the causal influence of poverty on stress. In this study, 1,000 poor households in rural Kenya were randomly assigned to receive a series of unconditional cash transfers amounting to either US\$0, US\$404, or US\$1,520 (in 2013,

the average monthly wage in Kenya was US\$76 in 2013<sup>1</sup>). A couple of months after the last transfer, the members of the households having received a positive transfer were found to have fewer depressive symptoms, worries, and stress, and the members of the households having received the largest transfer were found to have lower levels of the stress hormone cortisol. Other natural experiments involving the use of guaranteed income (Baird, De Hoop, & Özler, 2013), lottery payout (Cesarini, Lindqvist, Östling, & Wallace, 2013), or income supplement resulting from a casino opening (Costello, Erkanli, Copeland, & Angold, 2010) also showed that the alleviation of poverty leads to a decrease in psychological distress, consumption of anxiolytics, or prevalence of mental health disorder (for a review, Haushofer & Fehr, 2014).

The anxiety caused by poverty may make a person particularly vulnerable to individual stressors. Mani, Mullainathan, Shafir, and Zhao (2013) conducted an experiment in which they asked poor and rich participants to think about everyday financial problems. These financial problems involved either a low amount of money (e.g, facing an unexpected \$150 expense) or a high amount of money (e.g, facing an unexpected \$1500 expense). After thinking about each problem, participants performed tasks assessing fluid intelligence (the capacity to reason under novel conditions) and cognitive control (the capacity to maintain one's focus of attention). The analysis suggests that for the poor, the high-cost financial problems imposed a cognitive load, sapped attention, and eventually depleted performance, whereas the low-cost financial problems did not affect performance. However, the rich performed well in both conditions. Other research confirmed that poverty generates a chronic financial burden, reduces the ability to use effective coping strategies in response to stressors, and exacerbates the emotional pain associated with negative life events such as divorce, ill health, or loneliness (Kahneman & Deaton, 2010; Lever et al., 2005; Shah et al., 2012; Shah et al., in press) .

The anxiety caused by poverty may also make one particularly vulnerable to environmental stressors, such as living in an area with high income inequality. When individuals perceive that their available financial resources are insufficient, they are likely to appraise local income inequality as a threat (e.g., signaling the possibility of downward mobility or the impossibility of upward mobility; see Sommet et al., 2019). We recently published a study investigating the idea that poor people (i.e., having unsustainable household indebtedness) are disproportionately susceptible to the damaging psychological effects of income inequality Sommet, Morselli, and Spini (2018). Using a large national longitudinal data set, namely the Swiss Household Panel ( $\approx 15$ K participants from about 15,000 municipality-year), we found that the poor suffer more from the detrimental effects of increasing municipal income inequality on psychological health than wealthier others (who are mostly unaffected). Using the largest existing repeated cross-sectional data set, namely the World Values Survey ( $\approx 150$ K participants, from more than 100 country-waves), we were able to replicate this pattern of findings.

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<sup>1</sup> <https://www.reuters.com/article/us-kenya-reform/kenyan-mps-defy-president-hike-pay-to-130-times-minimum-wage-idUSBRE94R0MW20130528>

### **3. A Multidimensional Approach towards Poverty experiences in the life-course**

#### *3.1. The process of social integration/ social exclusion*

Poverty is mostly operationalised with respect to a certain income threshold (indirect measure of material poverty) or referring to certain forms of deprivation, i.e. not being able to afford certain activities, services or goods for financial reasons. However, the more recent literature emphasises that poverty is a multidimensional phenomenon that has to be addressed in conjunction with other related phenomena – social integration, psychological well-being, health or social recognition.

Concepts such as “exclusion” (Castel, 1995), “disaffiliation” (Castel, 1994), “precariousness” (Paugam, 2002) “frailty” (Lalive d'Épinay & Spini, 2007) or “vulnerability” (Ranci, 2010; Spini et al., 2017) try to grasp poverty as a more complex phenomenon, going beyond the mere lack of resources. These concepts were often developed as intrinsically dynamic and biographic and have therefore enriched and extended the strategies of life-course related poverty research. The concept of social exclusion (Castel, 1995), for instance, called to our attention, that beyond the lack of resources, poverty often results in (or is the result of) a lack of social participation (Levy & Bühlmann, 2016), i.e. the exclusion from the labour market, from cultural, political or sportive associations and clubs, from social networks, neighbourhood sociability or even from the family. From the very beginning, Castel (1994) conceived of social exclusion as the result of a process of “disaffiliation”. On the one hand, this dynamic erosion of social participation concerns the social integration by work and proceeds from a permanent employment, via precarious forms of employment to long-term unemployment and complete exclusion from the labour market. On the other hand, it concerns the integration in networks of family, of friendship and of sociability, proceeding from a solid and deep social integration to total social isolation. By crossing these two axes, we can identify four ideal-typical zones of integration/ exclusion through which individuals pass during their life-course and according to specific trigger events.

As a second illustration of the importance of the biographically different participation in different fields for poverty dynamics, we can cite the concept of vulnerability as developed by Ranci (2009) who defines vulnerability as the degree of damage that might result from the exposure to risk and negative events (such as lack of resources or material deprivation). He argues that whereas “old” social risks could be defined by relatively precise outcomes (job loss for instance), the new risks depend on the “difficult connections between the labour market, household organization and public welfare” (Ranci, 2009, p. 14). These new risks of vulnerability are therefore also more temporally instable and fluctuating and have to be studied in a dynamic and processual perspective.

These perspectives not only focus on a broader and socially more encompassing definition of poverty, they also bring to the fore trajectories of (horizontal) participation in social fields, such as the labour market or the family (Levy & Bühlmann, 2016). They make it possible to investigate specific moments of transitions and conversions between different forms of participation and to study their duration, timing and sequential order.

#### *3.2. Spillover effects*

One central axis of analysis of vulnerability processes is the multi-domain or multidimensional nature of the life-course (Spini et al., 2017). Critical experiences in one life sphere or domain often

have an impact on other life domains. This systemic and temporal nature of vulnerability was coined by the idea of spill overs across life domains (Bernardi, Bollmann, Potarca, & Rossier, 2017). Experiencing poverty has multiple consequences on other life domains: family life, professional careers and health amongst others and this is true from birth onwards.

Family poverty is an important component of vulnerability and has many consequences on the life of children who grow up in these conditions. Children who live in poverty, in addition to being at risk of poverty in adult life and to require state benefits, are more likely to experience poorer mental and physical health problems along their life-course, to have lower levels of education. They are more likely to be delinquent, to have less psychosocial regulation or adaptation competences, and are less likely to marry (Seccombe, 2000). Moreover, children's mental health is related to time spent in a poor household (Lichter, 1997; McLeod & Shanahan, 1993). Research by Bolger, Patterson, Thompson, and Kupersmidt (1995) showed that children who "experienced persistent family economic hardship were more likely than those who did not, to have difficulties in peer relations, show conduct problems at school, and report low self-esteem. Children who experienced intermittent family economic hardship fell between the other two groups." (p. 1107). Many studies have thus documented the multidimensional and temporal consequences of living in a poor family in the early stages of the life-course. Less is known about long-term health, even if some evidence of long term relationships have been found (Pakpahan, Hoffmann, & Kröger, 2017). Indeed, there is evidence that cumulative effects of traumas and different classes of health trajectories may have long term effects on later life trajectories (Lloyd & Turner, 2003; McDonough & Berglund, 2003; McDonough, Sacker, & Wiggins, 2005; Shafer, 2011; Turner & Lloyd, 1995), but more systematic and analytic models for these mechanisms need to be established. We also know less about the influence of other life spheres on poverty. The systemic nature of life trajectories needs analyses which integrate for example the effects of economic hardship on health and of health on economic hardship, even if the relative impact of health trajectories on status or economic attainment still needs to be documented (Lynch, Kaplan, & Shema, 1997).

### *3.3. Multiple indicators: objective/ subjective assessments of poverty*

As described above, objective poverty is often assessed with reference to a particular threshold (for a review, see Hagenaars, De Vos, & Zaidi, 1998). This threshold can be relative: For instance, individuals falling into the lowest quintile of the income distribution (the bottom 20%) may be considered poor (e.g., see Rank & Hirschl, 2015). The threshold can also be absolute: For example, individuals falling below a minimum threshold in terms of living conditions (not having the resources necessary to meet their basic needs) may be considered poor (e.g., Fritzell, Rehnberg, Hertzman, & Blomgren, 2015).

The predictive utility of estimates of objective poverty may somehow be limited (Singh-Manoux, Adler, Marmot, & medicine, 2003). For instance, one could imagine an individual in the bottom 20% or below the absolute poverty line living such a modest lifestyle that his/her limited income would *not* have psychological consequences. Conversely, one could imagine a middle or even upper class individual facing a sudden unexpected expense and—despite his/her comfortable income—becoming economically vulnerable. Arguably, estimates of subjective poverty may have a better diagnostic value of economic vulnerability than estimates of objective poverty (for congruent meta-analytic evidence, see Tan, Kraus, Carpenter, & Adler, in press). Financial scarcity-based indicators may be particularly appealing in the sense that they describe poverty as having *insufficient* economic



resources according to the participants' perspective for example, not having enough resources to cover household expenses, whereas objective indicators describe poverty as having *low* economic resources according to the researcher's perspective (Mullainathan & Shafir, 2014). In a recent paper, we reported preliminary evidence showing that a scarcity-based indicator seems to perform better than income when it comes to predicting happiness and psychological health (Sommet et al., 2018). Further research comparing the predictive strength of scarcity-based indicators with the predictive strength of estimates of objective poverty are needed to better identify the group at risk for economic vulnerability.

#### **4. Conclusion**

This chapter discussed theoretical aspects as well as previous research on poverty and economic insecurity in the life course. According to the life-course perspective, the experience of a poverty spell is understood as a period in a person's life trajectory. The life course perspective broadens our understanding of poverty, as it shows that economic risk not only differs between people on the basis of characteristics like gender, class or ethnicity, but the economic risk people experience also varies across their own lives. In order to best study these dynamics throughout individuals' life trajectories a longitudinal study design is best suited. It can demonstrate how transitory or persistent poverty spells are, which life events trigger poverty entry and how episodes of poverty are embedded in the life-course. The life course approach allows for a focus on poverty duration, cumulative aspects of disadvantage and the links with social exclusion.

After discussing this general background and the main arguments for studying poverty and economic insecurity from a life course perspective, we focused on the mechanisms of cumulative advantage/disadvantage and the stress and resources model and showed that local inequality could impact on the psychological health of the most disadvantaged, but more research is needed to get a clearer picture of the life course mechanisms which may underpin different poverty patterns and processes of economic insecurity.

In order to face these challenges, we introduced a number of multidimensional aspects of poverty in the life course. Social exclusion is an important element here so we provided an overview of the concept next to a potential operationalisation of social exclusion as a multidimensional and longitudinal phenomenon. Next, we discussed two further aspects that are particularly relevant in a life-course understanding of multidimensional poverty. The first is spill-over effects of poverty experiences to other life domains and the reverse over the life-course. The second is how the relationship between objective poverty definitions and subjective perceptions of scarcity influence people's vulnerability.

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