simultaneously: the partner loses his or her income from employment or a change occurs in household composition. Moreover, obtaining income from work may coincide with the loss of other sources of income, such as benefit, or with a reduction in the employment income of other household members who decide to reduce their working hours.

Table 7.6 Recidivism by events in the first (maximum) two years of a period without poverty following a period of poverty lasting a maximum of two years (in percent)

<table>
<thead>
<tr>
<th>Event</th>
<th>Falling back into poverty</th>
<th>Share of the population for whom this event occurs*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in household composition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>child leaves parental home; consequences for child</td>
<td>18</td>
<td>2</td>
</tr>
<tr>
<td>child leaves parental home; consequences for parental household</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>child returns to parental home; consequences for child</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>child returns to parental home; consequences for parental home</td>
<td>18</td>
<td>2</td>
</tr>
<tr>
<td>separation/divorce/widow(er)hood</td>
<td>49</td>
<td>5</td>
</tr>
<tr>
<td>marriage/cohabitation</td>
<td>21</td>
<td>4</td>
</tr>
<tr>
<td>birth</td>
<td>21</td>
<td>6</td>
</tr>
<tr>
<td>Head of household reaches age 65</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>partner reaches age 65</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>household becomes an 'other' household</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>household is no longer an 'other' household</td>
<td>25</td>
<td>4</td>
</tr>
<tr>
<td>Change in labour market position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>head of household receives income from employment</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>head of household loses income from employment</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>none of these events</td>
<td>26</td>
<td>55</td>
</tr>
</tbody>
</table>

a All persons were analysed for whether they had experienced these events. It can of course occur that someone has experienced several events in the period considered.

b An 'other' household is one with a composition other than single person, couple without children, couple with children or single-parent family.

Source: CBS (IPO'89-'97) SCP treatment

7.5 Income mobility of successive generations

As already mentioned in the foregoing sections, the longer a person is in poverty, the smaller their chance of escaping it. If this is extrapolated to someone's entire life, it appears not unlikely that people who are confronted with poverty in their youth continue to be at higher risk of having a low income in later life. This section looks at the degree to which household income in the present generation correlates with that of the previous generation. A strong correlation would mean that the opportunities for people to move up the income ladder under their own steam are limited. This would paint a less than favourable picture for children of parents in the low-income group.
The parental setting is an important factor in explaining a correlation in income between generations. Parents with a low income have limited financial means to contribute to the costs of good education. Moreover, the education or occupation of the parents may act as an example for their children and help determine the choice of study and occupation of the children; if the parents have a lower education or occupation, this may make their children less motivated to follow a more advanced education. Finally, norms and values theoretically also play a role — both those of the parents (to what extent do they encourage their child to do better at school) and those of peers and neighbours.

The following paragraphs test the hypothesis that the chance that a person will be in a low-income household in 1998 is greater if the household income of their parents was low in 1981. If this additional chance is positive, it can be assumed that effects such as parental setting play a role.

The method
The 1998 Income Panel Survey covered approximately 230,000 persons. For almost 22,000 of these persons it was possible to trace the parental income data from 1981 and link them to their own data. To rule out potentially distorting side-effects, only parents and children were then selected who received income from employment, profit, pension or benefit for the whole year and who did not receive student finance. In addition, the children had to be aged at least 18 in 1998 and no longer be living with their parents. Following these selections, slightly fewer than 7,700 parent/child couples remained.

The low-income threshold was initially used as an indication of poverty. However, as the number of observations below this threshold was too limited for the analyses, the poverty definition was widened to include the group with a standardised disposable household income in the lowest income quintile. In total, the sample contained more than 1,500 households in each generation who could be designated as ‘poor’ using this criterion. For the sake of convenience, the incomes in the lowest quintile are described here as ‘low incomes’.

In estimating the additional chances, allowance was made for the household composition, the main source of household income, the number of household members in receipt of income, the sex of the highest-earning household member, and the country of origin of the child. All these household characteristics in 1998 were included in the model as separate independent variables and as interaction variables with the low income in 1981. In addition, the age group of both the child and one of the parents were included as independent variables.
The results
Table 7.7 shows the correlation between the chance of having an income in the lowest quintile for parents in 1981 and for their children in 1998. This shows that in 25% of cases, the children of parents with an income in the lowest quintile also had an income in the lowest quintile. The figure for children of parents with a higher income was 19%, so that the additional chance of having a low income where the parents also had a low income was 6 percentage points. This correlation between the incomes of parents and children is statistically significant.

Table 7.7 Share of households with an income below and above the 20% income threshold for two generations, 1981/1998 (in percent)

<table>
<thead>
<tr>
<th>Household income in 1981:</th>
<th>Household income in 1998:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 20% income group</td>
<td>25</td>
</tr>
<tr>
<td>Highest 80% income group</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: CBS (Statistic on income)

Table 7.8 shows the additional chance of having an income below the 20% threshold in 1998 for various types of household, given that the parents also had an income in this category in 1981. The reference household is a male single person of Dutch origin, in waged employment, who is a single earner in the age category 30-34, and whose father or mother was in the 45-49 age group in 1981. One or two divergent characteristics are consistently imposed on this reference household in order to observe the change in the percentage of households with a low income.

Table 7.8 shows that the additional chance that the reference households will have an income in the lowest quintile if their parents also had such a low income is 7 percentage points. This additional chance is considerably higher for couples with children, at 23 percentage points. However, this only applies for single earners: if there are several income recipients, the additional chance is only 6 percentage points. The same result is found for couples without children: while single earners within this group have a relatively high additional chance of having a lower income (13 percentage points), it makes no difference for multiple earners whether or not there was poverty in the parental household.

No definitive statement can be made about the influence of sex on the additional chance of having a low income. For both singles and single-parent families, this chance is slightly greater where the household has a female head. However, it is mostly male heads of single-parent families who have a much greater additional chance of a low income compared with the reference household (single males).
Table 7.8  Additional chance of having an income below the 20% threshold if parents were in the lowest 20% income group in 1981 (in percentage points), 1998

<table>
<thead>
<tr>
<th>Household composition:</th>
<th>additional chance</th>
</tr>
</thead>
<tbody>
<tr>
<td>single person,a</td>
<td>7</td>
</tr>
<tr>
<td>of whom female</td>
<td>8</td>
</tr>
<tr>
<td>single-parent family</td>
<td>12</td>
</tr>
<tr>
<td>of whom female</td>
<td>9</td>
</tr>
<tr>
<td>couple with children</td>
<td>23</td>
</tr>
<tr>
<td>of whom multiple-earner</td>
<td>5</td>
</tr>
<tr>
<td>couple without children</td>
<td>18</td>
</tr>
<tr>
<td>of whom multiple-earner</td>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main source of income:</th>
<th>additional chance</th>
</tr>
</thead>
<tbody>
<tr>
<td>wages,a</td>
<td>7</td>
</tr>
<tr>
<td>profit</td>
<td>16</td>
</tr>
<tr>
<td>pension (present generation 65+)</td>
<td>23</td>
</tr>
<tr>
<td>benefit</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country of origin:</th>
<th>additional chance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands,a</td>
<td>7</td>
</tr>
<tr>
<td>other Western</td>
<td>3</td>
</tr>
<tr>
<td>of whom couples with children</td>
<td>16</td>
</tr>
<tr>
<td>non-Western</td>
<td>7</td>
</tr>
<tr>
<td>of whom couples with children</td>
<td>18</td>
</tr>
</tbody>
</table>

---


Source: CBS (Statistic on Income)

Table 7.8 also shows that the additional chance of having a low income is considerably greater where income is derived from profit or pension (16% and 23%, respectively) than for the reference household where wages are the main source of income (7%). It may be that being successful in business depends more on the income of the parents than does a successful career in waged employment.\(^5\) The high additional chance where pension is the main source of income could indicate that the low income of the parents has had an unfavourable effect on the wage that the current pensioner earned during their working life, which in turn has had negative consequences for the level of their pension.

The additional chance for households of having a low income where benefit is the main source of income is smaller than that of the reference household. This may be explained by the fact that benefit claimants already have a low income; the fact that their parents also had a low income in 1981 causes this group to grow only slightly (5 percentage points).
The final characteristic considered is ethnic origin. Remarkably enough, the additional chance of having a low income is no higher for single members of ethnic minorities than for an indigenous person. In the case of members of western ethnic minorities, the chance is actually significantly lower (3 percentage points), suggesting that the influence of parental income is relatively small for this group. The same conclusion can be drawn if only couples with children are considered: where the additional chance for indigenous couples with children is 23 percentage points, for members of western and non-western ethnic minorities the figures are only 16 and 18 percentage points, respectively. This suggests a stronger correlation between the incomes of two successive generations among the indigenous population than among members of ethnic minorities. It may be that children in the latter group are better able to escape from their parents’ situation of deprivation than indigenous children.

7.6 Conclusions

The duration of poverty is of great importance for the general wealth of households. The low-income category is marked by a high turnover, with around 600,000 people moving into and out of poverty each year. For roughly two-thirds of people with a low income, however, the situation is persistent: they retain their low-income position for at least two successive years.

The chance of escaping from poverty grows considerably when one of the household members finds paid work. This applies particularly where it is the head of the household who accepts work: the chance of escaping poverty then increases by 22 percentage points. Changes in composition of the household, for example a marriage, can also lead to an improvement in income and therefore increase the chance of escaping poverty.

Although the majority of those escaping poverty manage to maintain their improved financial situation long-term, a quarter of them fall back into poverty within two years. Loss of a partner appears to increase the chance of recidivism particularly: almost half those escaping poverty who lose a partner through divorce or death fall back into poverty.

People whose parents had a low income around 20 years earlier have a heightened chance of having a low income themselves. The additional chance of being in the lowest income quintile is 6 percentage points. The household income of the parents is particularly important for households where the main source of income is profits from business or pension and for single-parent families and couples with children living from one income. There is thus relatively little intergenerational income mobility in these household types. By contrast, there is relatively high income mobility in households with multiple earners, households living on benefit and ethnic minority households.
Notes

1 In this chapter the analysis units are persons, not households. In contrast to households (whose composition can change), persons are a fixed entity. However, a person’s own income is not the only factor determining their wealth position, but also the income of other members of the household. This wealth position is therefore derived from the household to which people belong. It is assumed that each member of the household shares equally in the household wealth.

2 Since the group with a long-term low income contains a relatively high proportion of older people, however, this outflow to some extent represents admission to nursing or care homes (so that the person concerned moves out of the research population) or death.

3 As indicated in section 2.5, people receiving student finance are left out of consideration in determining the poverty rate.

4 This may be the case when, for example, a lodger is taken in or where a person moves to a communal living group.

5 It may be that the chance of recidivism on divorce has been overestimated somewhat: the IFO contains no data on child support.

6 Taking over a family business from parents can also play a role in this context.

7 A person is regarded as a member of an ethnic minority (western or non-western) if at least one of his/her parents was born abroad.