

HOW POVERTY AFFECTS PEOPLE'S DECISION-MAKING PROCESSES

Decisions and behaviours play a vital role in helping people to avoid and escape poverty. This research summarises recent evidence on the influence of poverty and low socio-economic status on the processes underpinning decision-making.

Key points

- Experiencing or growing up in poverty affects people's lifelong decision-making style. People living in poverty make decisions focused on coping with present stressful circumstances, often at the expense of future goals.
- Low socio-economic status is associated with worse performance in tasks measuring academic ability, and also in measures of the underlying cognitive resources needed to perform well in school.
- People low in socio-economic status often see themselves as less able to learn new skills and succeed at tasks. They are also less likely to perceive that their actions will affect how their lives turn out. This has important consequences for academic performance and health behaviours; the less people feel that their actions matter, the less likely they are to make choices aligned to achieving future goals.
- People in poverty are less likely to take risks and more likely to conform to and value tradition. This is reflected in stricter parenting styles and career choices oriented towards job and financial security.
- Living in poverty is associated with feeling excluded from society, which may explain its link to increased levels of aggression at school and in neighbourhoods.
- By shifting the focus from the specific kinds of decisions (e.g. education, family and financial) to the psychological, social and cultural processes informing decision-making in general (e.g. risk-taking or personal value orientations), policy-makers can address areas that affect people in poverty in a broad set of contexts.
- For many individuals living in poverty, the choices made are not always bad ones, but are adapted to the constraints of life with very few resources. Public engagement and education can challenge stereotypes about those living in poverty, and reflect the functional nature of decision-making for those on low incomes.

The research

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BACKGROUND

As poverty persists in the UK's social and economic landscape, attention is turning towards the potentially damaging role of individual decisions made in the context of low income. Widely-held assumptions about the behaviours and motivations of those living in poverty need replacing by empirical evidence on poverty, decision-making and its underlying processes.

This evidence-based review of over 200 original studies examines the effect of poverty on the key psychological, social and cultural processes underpinning decision-making. By focusing on these underlying processes, it revealed general patterns that underlie a range of life decisions. The review considered poverty both as a financial situation and in terms of its associated characteristics, such as people being unable to meet their needs, low socio-economic status, and marginalisation and social exclusion. The following key findings represent four categories of decision-making processes: thinking processes, behavioural patterns, navigating life's challenges and appraising the social world.

Thinking processes

Underpinning all decisions are the psychological processes by which people process information from the world, and use it to orient their attitudes, judgments and behaviours.

- Exposure to poverty or low socio-economic status while young is associated with poorer performance on tasks measuring basic thinking processes. In particular, the lower a person's socio-economic background, the worse they are likely to perform on measures of thinking processes which are important for focusing on goals and resisting distracting alternatives.
- Lower socio-economic status is also associated with worse performance in tests of complex thinking processes such as reasoning and learning. This is reflected in income-based performance gaps in intelligence tests and academic achievement. These relationships have been observed across age groups and in studies looking at the impact of childhood family's social class background on thinking skills and ability later in life.
- Some experimental studies have shown that temporarily experiencing low subjective socio-economic status lowers people's thinking performance and subsequent decision-making. This suggests that at least some of the link between poverty and thinking results from the situation of low socio-economic status, rather than reflecting genetic characteristics.

Behavioural patterns

Though some decisions are the result of considered thought, others derive from a set of intuitive patterns for how a person normally behaves.

- Growing up in a family low in socio-economic status is linked to lower parental academic expectations. Children in poverty also have lower academic aspirations and motivation to learn in school. This link may also be due to the often poorer quality of the school environment in low-income neighbourhoods.
- People growing up in poverty are more likely to choose careers that fulfil the goals of job and financial security rather than enjoyment of the work.
- People low in socio-economic status may be more likely to choose smaller rewards now over bigger rewards later. This leads to decisions that are damaging in the long term. The anxiety caused when people compare themselves to others, and the stigma associated with lower social class, appear to heighten this preference.

Though the common assumption is that people on low incomes engage in greater risk-taking, the evidence did not support this. Growing up close to poverty seems to make people less likely to take risks. This may change, however, when a need is urgent and the only way to fulfil it is to take a risk.

Navigating life's challenges

In response to challenges and social situations encountered in daily life, people harness resources involving self-belief and coping ability.

- People with lower socio-economic status have a significantly lower sense of self-worth, which can dampen their motivation to improve their condition. This finding was consistent across a range of life stages and age groups. It is likely driven by the fact that those low in income and education perceive themselves as being low in their surrounding social hierarchy.
- People low in socio-economic status see themselves as less able to learn new skills and succeed at tasks. They are also less likely to perceive that their actions will make a difference for how their lives turn out. This has important consequences for academic performance and health behaviours, as the less people feel their actions matter, the less likely they are to make choices aligned to achieving future goals.
- People lower in socio-economic status have less effective coping styles in response to stressful situations. This has negative consequences for physical health and quality of life.

Appraising the social world

Deciding how to interact with others requires people to consider their social group membership, interpret and predict other people's behaviours, and make judgments of what values are shared.

- Children from lower socio-economic backgrounds have reported a poorer sense of belonging at school and greater exposure to negative incidents such as bullying or sexual harassment. This might explain the strong association between children living in poverty and their demonstrating more aggressive, less co-operative behaviour at school.
- Mothers living with poor economic conditions often have harsher parenting styles, a pattern connected to greater levels of child aggression, which endures later in life. Strict parenting might be linked with the greater importance of conformity in low-income contexts, or the ways in which the stresses of life in poverty prevent mothers from behaving as warmly as they would like to with their children.
- Growing up in poverty is also linked to lower general trust of others, perhaps because of a lower sense of belonging in society at large. This may increase the likelihood of hostility toward strangers and diminish the likelihood of making friends in new environments.
- People lower in socio-economic status put lesser weight on personal aspirations and achievement in favour of helping others and conforming to community traditions. They also may have more compassion and generosity than those higher in socio-economic status.

In all, it appears that depending on others makes those living in poverty behave more positively to those who are socially close, but more negatively towards strangers and institutions.

Conclusion

The studies reviewed present evidence that people living in or near poverty experience a shift in psychological, social and cultural processes that may hinder their ability to make decisions that are beneficial in the long term. Many of the suboptimal decisions and behaviours associated with low-income groups focus on the present (rather than the future), the actual (rather than the hypothetical), those socially close (rather than those socially distant), and the 'here' (rather than places far away). Such shifts lead to choices that are not always bad ones, but rather are adaptive to the constrained circumstances of low socio-economic status. By understanding the decision-making of people in poverty as an adaptive shift in underlying processes, policy-makers and others combating poverty can target their efforts in more sensitive, sustainable and ultimately empowering ways.

Policy implications

Attempts to reduce poverty need to recognise the powerful impact of the experience of low socio-economic status on people's decision-making processes. They also need to consider the immediate functions that observed decisions serve in contexts of poverty, before attempting to replace them with decisions focused on better long-term outcomes.

Policy interventions to improve the functioning of psychological, social and cultural processes might yield benefits in a range of areas of life. For example, training in skills and in the fact that intelligence is not 'fixed' can improve people's sense of control, leading to better decisions in terms of both health and finances. The evidence also implies that school assessments focusing less on competition and more on mastering the task and collaboration would enable better performance for people from all socio-economic backgrounds.

At neighbourhood level, ensuring that low, middle and high-income communities have opportunities to interact on a daily basis through neighbourhood spaces and public transport may help to address the sense of social exclusion that people living in poverty report. Sensitivity to the ongoing reality of socio-economic disadvantage and class-based prejudice needs to be at the centre of institutional diversity and anti-discrimination efforts.

In wider society, strengthening safety nets in the form of government assistance could reduce people's exposure to the extremes of poverty, thus mitigating against the impact of low income on decision-making more broadly. The negative impact of perceptions of societal exclusion could be reduced through government efforts to stem economic inequality, and public engagement and education that challenges stereotypes about those living in poverty.

About the project

This research systematically reviewed the impact of low socio-economic status on 15 psychological, social and cultural processes that impact on decision-making in high-income nations. The review only included studies which presented quantitative evidence for the relationship between socio-economic status and these underlying processes. The key findings are based on 226 original studies conducted in Organisation for Economic Co-operation and Development countries and published between 2010 and 2016.

FOR FURTHER INFORMATION

The full report, **How poverty affects people's decision-making processes** by Jennifer Sheehy-Skeffington and Jessica Rea, is published by the Joseph Rowntree Foundation. It is available as a free PDF at www.jrf.org.uk

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