CLOSER Conference

Economic 2: Income and wealth

Chair: **Alissa Goodman**

- What does a qualitative longitudinal study of childhood poverty tell us about poor children's access to money and material possessions
  Larissa Pople
- Parental wealth and children's outcomes
  Vanessa Moulton
- Low income dynamics among ethnic minorities in GB
  Ricky Kanabar

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Understanding Childhoods: Children's perspectives on money and possessions

Larissa Pople

CLOSER conference

Background

Background

- Quantitative research tells us that poverty impacts upon children's education, health and life chances
- Qualitative research tells us how poverty affects children's everyday lives

But…

- Most qualitative research with children is cross-sectional
- Little is known about how poverty affects children's lives over time

Understanding Childhoods

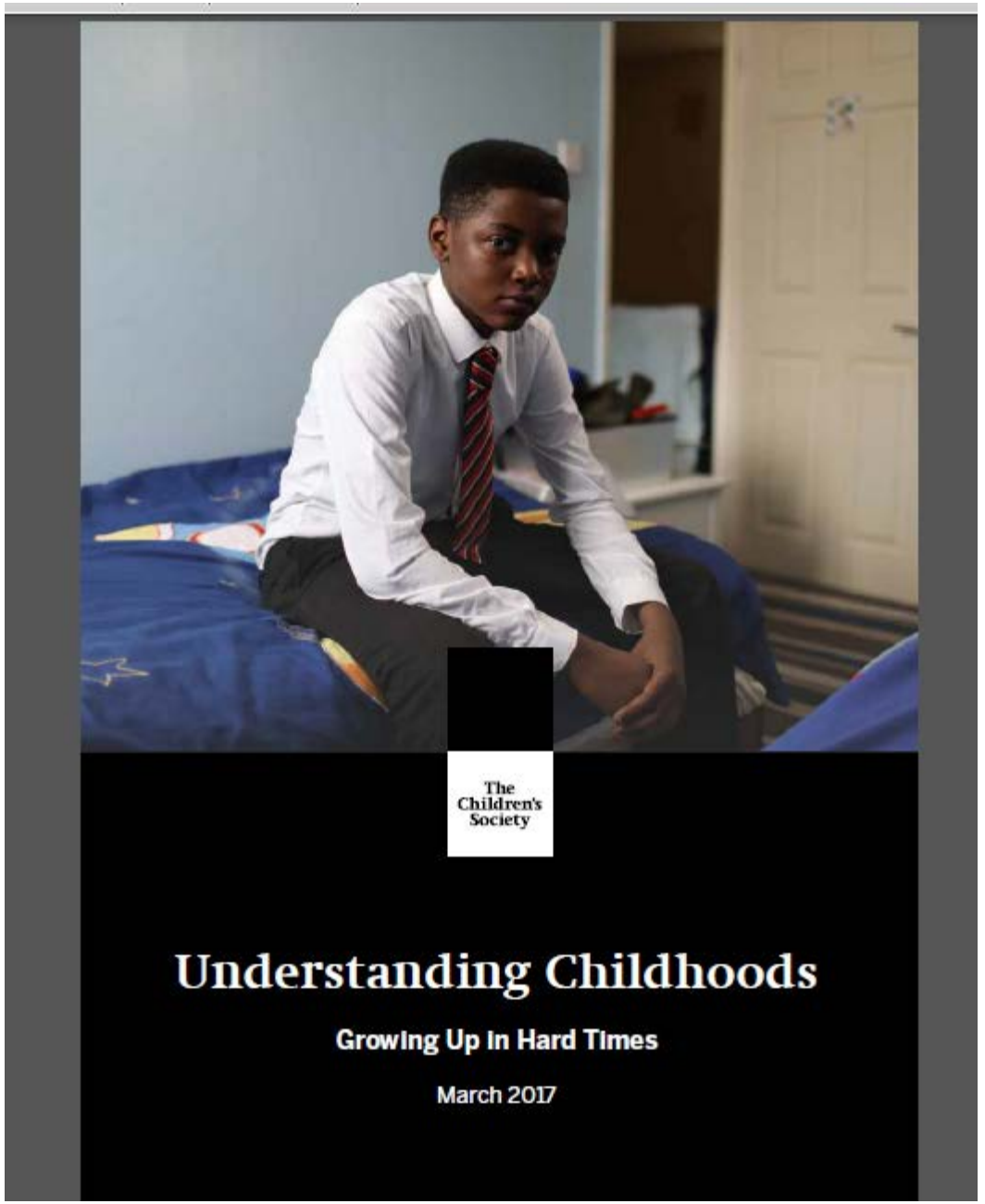
A qualitative longitudinal study of children living in low-income families:

- The Children's Society in partnership with Professor Tess Ridge, University of Bath
- Three waves of data: 2015, 2016, 2017
- Annual, semi-structured interviews
- 60 participants – in 3 locations in England (a rural town, a small city and a large city).
- 2 cohorts of children: aged 9/10 and 11/12 at first interview, with an equal gender split
- All participants living in low-income households, measured using eligibility for Free School Meals (FSM).

Understanding Childhoods: a qualitative, longitudinal study

Four themes:

1. Residential transience
2. School
3. Neighbourhood
4. **Money and possessions**



Money and possessions

Money and possessions

Key themes:

- Children's awareness of financial hardship
- Desire to 'fit in' with peers
- Protecting their families
- The resourcefulness of families
- Wider networks of family

Awareness of financial hardship

"Because mum's buying all of this stuff for us, she never knows when she might run out of money."" Boy, 11

"We go to Aldi or Pound Stretchers, because Pound Stretchers is only, like, for food, it's £1 per decent meal." Girl, 9

"We still get, like, a couple of holidays off, but we just have a staycation, like, have a couple of tents into the house and then we just try to have an outside campfire that my dad builds that's really big…" Girl, 9

Fitting in

“I don’t want to have too much money where we just think that we’re snobs and really rich…and we don’t care about anyone else and I start falling out with my friends because I've got loads of money. I just want like money, just normal money.’” Girl, 11

“If [I’m looking for] the new Adidas shoes and if I'm like ‘they're a bit expensive’ and they could, say, have a little offer on them and when they have an offer on them, I'm like ‘oh yes.’” Boy, 11

Technology

"I do have a phone but it's not like one of those modern ones; it's just simple." Boy, 11

"The screen [on the tablet] is cracked like that and you can't press anything in the cracked part." Girl, 9

"We don't have a computer at my mum's and our TV is broken... The computer homework is quite hard because I don't have a computer." Boy, 11

Protecting their families

"Well, I kind of know [not to ask mum for money] because my brother was like, 'oh, I wanted to go football'…and he asked my mum to go yesterday and he said, 'Mum, can I have £2?'…and then my mum said, 'No, I haven't got any money.'" Girl, 11

"Sometimes I save [my pocket money] up but sometimes I spend it on shopping like, I don't know, food, toilet roll, butter, bread, stuff like that, yes." Boy, 11

Protecting their families

"If my friends say 'Can I stop at yours tonight?' and my mum says yes but then they say 'Will you ask your mum if you can buy loads of munchies for us so we can have like a proper munch out' and then I say 'Yes, of course, I'll ask her, I'll go ask her' and then I'll just walk downstairs, sit downstairs, watch TV for five minutes then come back and tell them that I've asked her and she said no…because I don't really want to ask her for loads of things because if she says no, I'm going to feel bad.'" Girl, 11

The resourcefulness of children and families

"My mum don't mind how much it is…she would say 'okay' but she don't have enough money for it, she'd be like 'I'll get it for you tomorrow' and make sure." Girl, 11

"My mum got a new phone, because this one is like not working properly [so she gave hers to me]." Girl, 11

Extended networks of family and friends

"I get pocket money from my nan and she gives me £5 every week but now she's putting it in my bank account, so now I've got lots of money at my house now and I'm just saving it and saving it and saving it and saving it." Boy, 11

"I'd ask my dad [for money] and my dad says 'I'm going to send it to you on Saturday' and then I wait until Saturday, he doesn't send it. That's what he's done to me lots of times…My sister's dad always sends her money and I sometimes feel a little bit embarrassed…There are so many trips that I've missed because…I haven't got money and stuff." Girl, 11

Longitudinal insights

Methodological insights

The longitudinal design enabled:

- Growing familiarity between researcher and participant
- More detailed understanding
- Retrospective insights (into past experiences)
- Changes over time
- Key transitions
- Age differences

Case study: Penny

Wave 1: Mum long-term illness; Dad doing informal, low-paid work; sister has a violent boyfriend; unfriendly neighbours; begging:

> *"We try to beg people for money because we only have £10. And mostly my dad picks whose turn it is to try to see if they can get someone to give us, like, £10 a month."*

Waves 2 & 3: Better feelings about neighbourhood, sister has new boyfriend:

> *"I go round [to our neighbours] and they come round mine. They have like little kids as well that I can play with and like whenever I come round there I get treated."*

> *"[The shopkeeper] would say alright I'll save you however much money [if they don't have enough] and then like they mostly care and watch out for us and like if my mum was like really bad and like I was still at school they would offer to put it in the car, drive it there."*

Case study: Penny

Waves 2 & 3: Dad and sister have better jobs, more money around, even went on holiday

> *“[Things] are quite a bit better because my dad gets paid more […] he works extra hours and he also has three jobs if you count the work he has currently over night.”*
>
> *“It feels better, like, now I can afford like the things that I need, like, new shoes if I needed them”*
>
> *“Sometimes [my sister is] the one that gets me the phones. She’s the one that earns the money, like, she would save up for like ridiculous amounts of weeks and then if it was like my birthday or Christmas she would get me like, a massive present [like a phone].”*

Case study: Andrew

Wave 1: Mum long-term illness and single parent; very little money around, and few possessions:

> *“Everybody else has a phone. Loads of people have phones. Everybody in my class has a phone.”*
>
> *“We don’t have a computer at my mum’s and our TV is broken...”*
>
> *“I know that [Mum] has no money at all most of the time so I do sort of, if I see something, I will sort of ask and if she says no I sort of [don’t] go on because I know that she’s got no money.”*

Grandmother plays an important role:

> *“[Nan's house] is kind of different because my nan’s got quite a lot more money than my mum and it’s sort of like I go from one house to another and it’s like completely different environments.”*
>
> *“Each week I get a fiver from my nan.”*

Case study: Andrew

Waves 2 & 3: Financial situation is the same, role of extended family continues to be critical

“My brother bought me a Wii U... Wait... He bought me the game for Christmas, and he also took me to see the new Star Wars film for Christmas.”

“If we’re out of money and we don’t have much food, [my brother] will pop to the shops and buy some bread and milk and stuff like that, some essentials.”

“[Mum] really couldn’t afford [pocket money] because basically when it gets to Friday she has no money to do anything. Usually we will run out of electricity, gas and just have to sit in darkness for about an hour before [my brother] gets home and gets the money.”

Some concluding thoughts

Summary

- There were large differences in our sample in terms of children ‘having’ or ‘not having’ money and material possessions
- Some were clearly missing out. Others, on the face of it, were not, although many of these were ‘making do’ e.g. sharing, hand-me-downs, or using items that are broken / not working
- Children and families displayed a range of coping strategies
- Importance of family networks – especially grandmothers – in protecting children from deprivation
- Insights from longitudinal design

The Children's Society

Thank you…
Any further questions?

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http://www.childrenssociety.org.uk/well-being

About us

The Children's Society has helped change children's lives for over a century.

We expose injustice and address hard truths, tackling child poverty and neglect head on. We fight for change based on the experiences of every child we work with and the solid evidence we gather.

Through our campaigning, commitment and care, we are determined to give every child in this country the greatest possible chance in life.

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Parental wealth and children's outcomes

Vanessa Moulton, Bilal Nasim, Ludovica Gambaro,
George Ploubidis & Alissa Goodman

CLOSER conference 2 November 2017

CENTRE FOR
LONGITUDINAL
STUDIES

Outline

CENTRE FOR LONGITUDINAL STUDIES

- Motivation
- Wealth measures at MCS5
  - Information collected
  - Construction of variables
- Research objectives
- Methods
- Results
- Conclusions

What is wealth and why should we be interested in it?

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- Wealth is a **stock** of resources:
  - measured at one point in time
  - but accumulated over time
- 4 components: property, financial, physical, pension

- Wealth could be a more accurate indicator of **longer term economic resources** of the family and a family's access to opportunities and advantages (Oliver and Shapiro, 1995)

What does wealth capture? (that income might not so well)

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- Additional assets = additional resources for children
  - Housing wealth allow families to access higher performing schools or to fund education and resources
- Sense of security and empowerment of holding an asset:
  - Protection from day to day stress and anxiety
  - Income shocks e.g. job loss, health
  - ‘Conspicuous consumption’ – alleviate class anxiety, increase prestige, aspirations and expectations, acceptance peers
- Family characteristics and behaviours:
  - Postponement of consumption, financial discipline, long term planning…
  - Attributed to past generations

How do we measure economic resources?

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- Family economic resources are usually measured by:
  - Income: current and ‘permanent’ (=measured at more occasions)
  - Material resources: having or being able to afford certain goods or experiences

- Information on wealth is seldom collected, but questions about wealth are sometimes included in household surveys:
  - BCS, NCDS, MCS, Understanding Society collect information on wealth: some info, not at all waves
  - Wealth and Assets survey (ONS): dedicated to wealth

MCS5 (age 11) collects information on wealth (2012/13)

- Information on housing and financial wealth:
- Housing: to home owners only
  - The value of their home
  - The amount of their mortgage

- Financial:
  - Whether they had savings and investments, if so: what amount?

  Savings= Bank or savings account, Premium bonds/National savings, ISA , stocks & shares, Unit trusts, other property, other savings, investments and assets
  - Whether they had any debt, if so: what amount?

  Debt = credit or store card, hire purchase, personal loans, catalogue or mail order purchase, DWP social fund loan, other loan, student loan, other debt

Net household wealth in the MCS at age 11 (2012/13)

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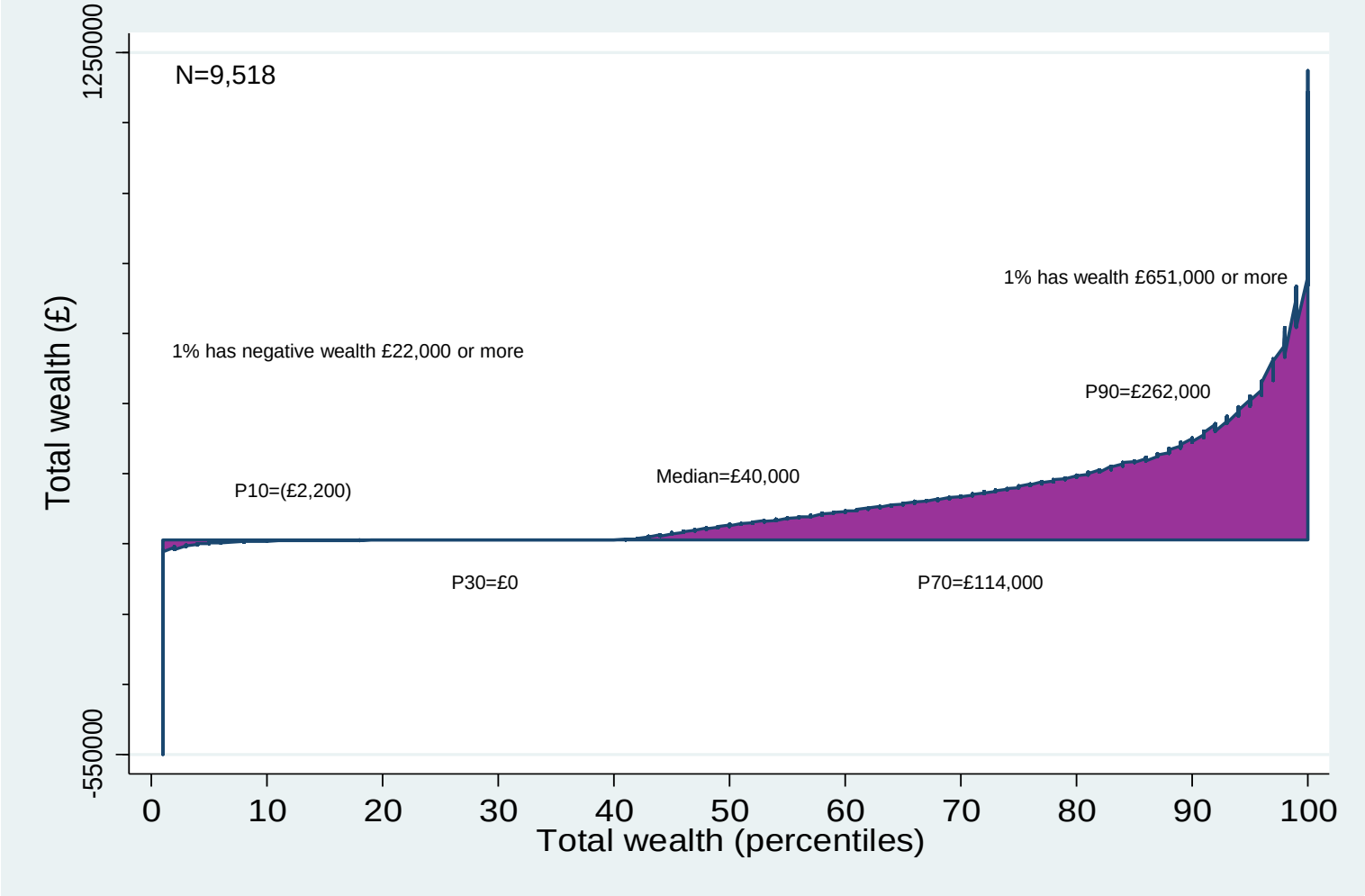

Net total wealth =

Net housing wealth + net financial wealth

Net housing wealth =

Value of home - outstanding mortgage

Net financial wealth =

Savings - debt

Net financial and housing wealth (MCS age 11)

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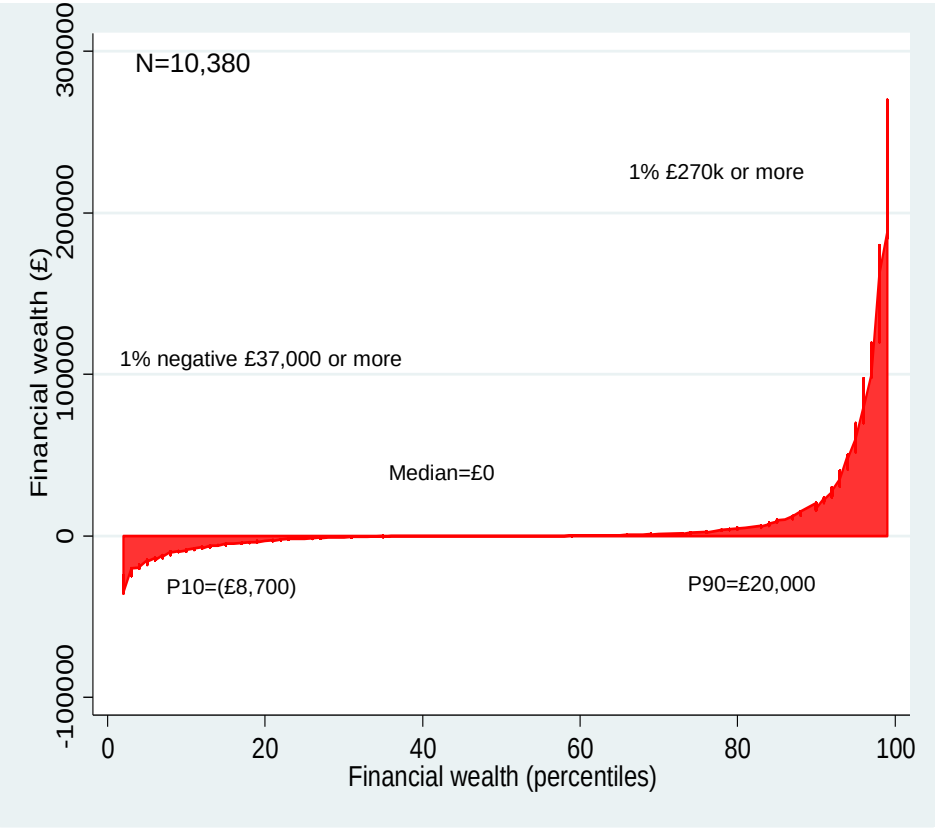
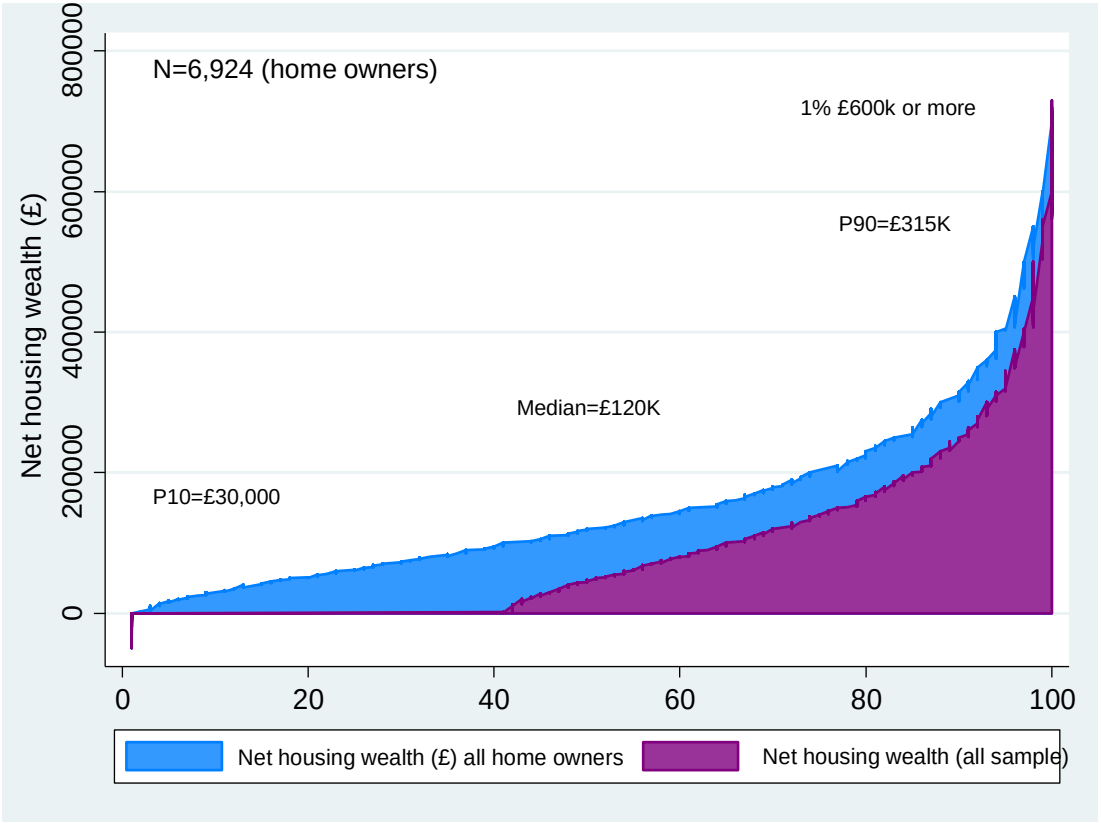
FINANCIAL WEALTH



HOUSING WEALTH: home owners, all sample



MCS5 Financial wealth (actuals)

	Savings and investments (Including zero)	**Debt** (Including zero)	**Net financial wealth** (including zero)	**WAS3 (2010-12)**
			All responding savings and debt	Families with dependent children
	MCS5	**MCS5**	**MCS5**	
Base:	10,805	12,377	10,437	5,811
Median	300	200	0	1,493
Mean	31,301	4,397	27,420	33,074
Minimum	0	0	-560,622	-
Maximum	70,000,000	5,000,000	65,000,000	-
Percentiles				
10	0	0	-8,500	-11,229
25	0	0	-1700	-1,985
50	300	200	0	1,493
75	4,000	3,000	2,087	21,351
90	21,000	10,000	20,000	80,450

MCS5 Property wealth (actuals)

	House value		Mortgage to pay		Net property wealth
	MCS5	WAS3 (2010-12)	MCS5	WAS3 (2010-12)	MCS5
No. households:	8,015	3,196	6,511	3,347	7,334
Median	200,000	200,000	80,000	98,000	120,000
Mean	269,776	253,840	102,296	114,431	176,939
Minimum	0	-	0	-	-1,980,000
Maximum	10,000,000	-	2,200,000	-	10,000,000
Percentiles					
10	95,000	100,000	20,000	29,000	26,000
25	130,000	140,000	48,000	57,500	60,000
50	200,000	200,000	80,000	98,000	120,000
75	300,000	300,000	130,000	147,000	200,000
90	475,000	450,000	200,000	214,000	347,050

Research objectives

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- Is wealth related to children's outcomes?
  Cognitive ability, mental and physical health

- How does this compare to family income?
  (In particular 'permanent income')

- Do these results vary depending on children's outcomes?

Variables

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- Dependent variables: (standardised):
  - Child mental health (Total difficulties: SDQ)
  - Verbal cognition
  - General physical health
- Main independent variables:
  - Wealth (natural log standardised and percentiles):
    - Total wealth (housing wealth + financial wealth)
    - Individual wealth components: net housing wealth, house value, financial wealth
  - Income (natural log standardised)
    - Contemporaneous
    - Permanent

Analytical approach

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- OLS regression models: for each outcome and types of wealth
  - Model 1: Type of wealth
  - Model 2: + Child factors (age, sex, ethnicity, SDQ / cognition / physical health*)
  - Model 3: + Household factors (region, age of parents, education, NS-SEC, single family, parity, mother's mental health, IMD)
  - Model 4: + contemporaneous income
  - Model 5: switch contemporaneous to permanent income

Wealth, income and child outcomes: correlations

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	Total wealth	Housing wealth	Financial wealth	House value	Current income	Permanent income	Cognitive ability	SDQ
Housing wealth	.934							
Financial wealth	.609	.285						
House value	.781	.846	.260					
Current income	.537	.556	.207	.394				
Permanent income	.601	.606	.266	.542	.845			
Cognitive ability	.180	.180	.082	.135	.240	.260		
Total difficulties (SDQ)	-.211	-.216	-.089	-.145	-.275	-.277	-.238	
General health	.166	.122	.040	.088	.200	.211	.123	-.295

Source: MCS5 (age 11)

Wealth (housing) increases sharply with education and class

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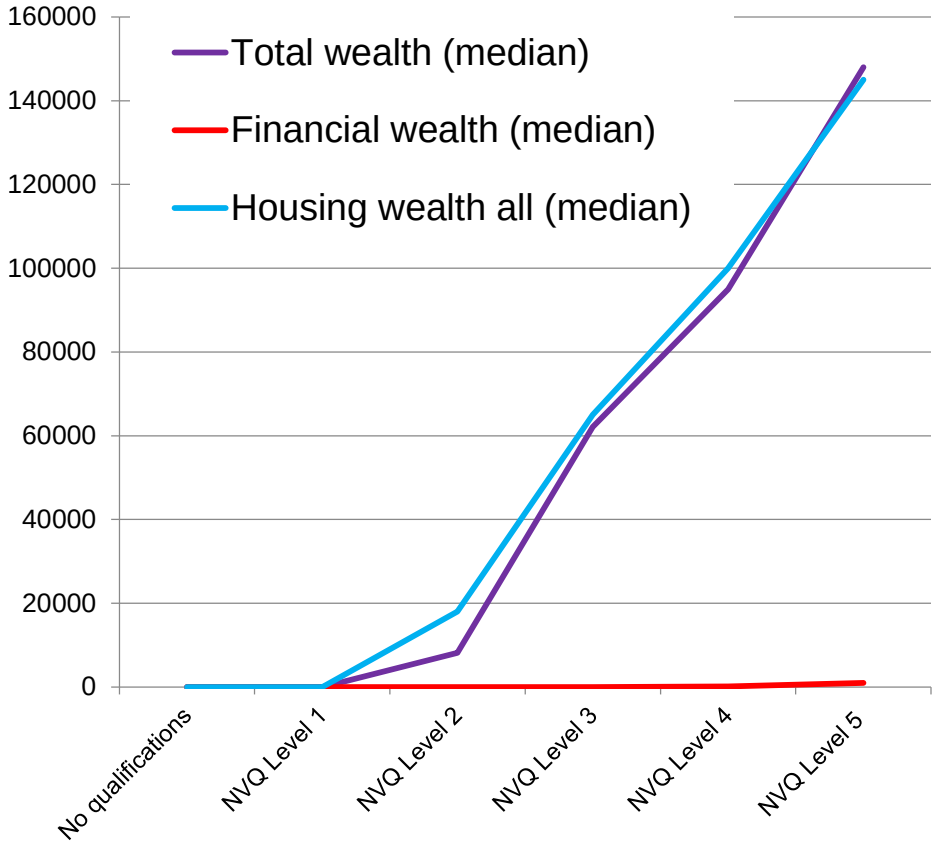
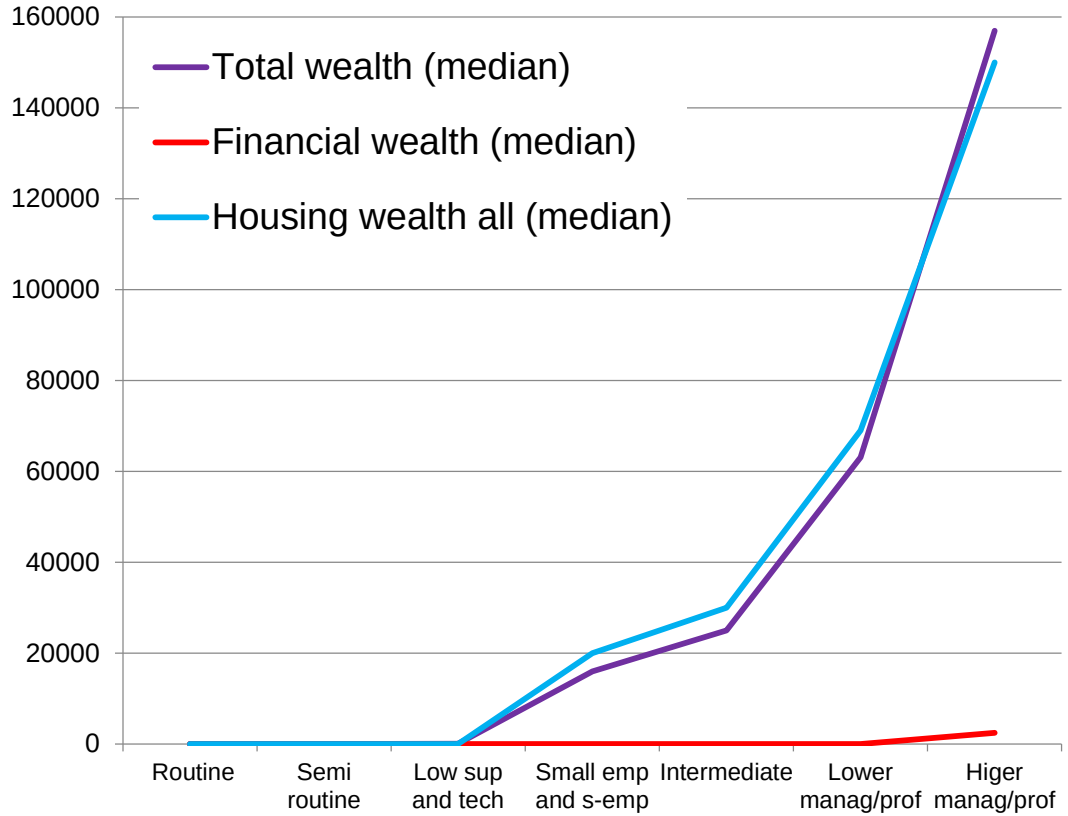


EDUCATION



CLASS

Source: MCS5 (age 11)

Total difficulties (SDQ) – All sample

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	Total wealth		Housing and financial (all)	
	Current Income (n=8,704)	Permanent Income (n=8,704)	Current Income (n=8,704)	Permanent Income (n=8,074)
Total wealth (log)	-0.15**	-0.13*		
Housing wealth (log)			-0.07***	-0.06**
Financial wealth (log)			-0.02	-0.02
Permanent income (log)		-0.19***		-0.16***
Current income (log)	-0.22***		-0.19***	

Model controls:
1: Child factors (sex, age, ethnicity, cognition/general physical health)
2: Household characteristics (region, age of parents, education, NS-SEC, single family, parity, mother's mental health, IMD)
3: Household SES (education, NS-SEC)

Total difficulties (SDQ) – Home owners only

CENTRE FOR LONGITUDINAL STUDIES

	Housing and financial		House value	
	Current Income (n=4,949)	Permanent Income (n=4,949)	Current Income (n=4,949)	Permanent Income (n=4,949)
Housing wealth (log)	-0.10**	-0.09**		
Financial wealth (log)	-0.02	-0.01		
House value (log)			-0.13***	-0.11**
Permanent income (log)		-0.18**		-0.15*
Current income (log)	-0.30***		-0.30***	

Model controls:
1: Child factors (sex, age, ethnicity, cognition/general physical health)
2: Household characteristics (region, age of parents, education, NS-SEC, single family, parity, mother's mental health, IMD)
3: Household SES (education, NS-SEC)

Verbal cognitive ability – All sample

CENTRE FOR LONGITUDINAL STUDIES

	Total wealth		Housing and financial (all)	
	Current Income (n=8,704)	Permanent Income (n=8,704)	Current Income (n=8,704)	Permanent Income (n=8,074)
Total wealth (log)	0.13*	0.09+		
Housing wealth (log)			0.04+	0.02
Financial wealth (log)			0.02	0.01
Permanent income (log)		0.15***		0.15***
Current income (log)	0.09+		0.08	

Model controls:
1: Child factors (sex, age, ethnicity, cognition/general physical health)
2: Household characteristics (region, age of parents, education, NS-SEC, single family, parity, mother's mental health, IMD)
3: Household SES (education, NS-SEC)

Verbal cognitive ability – Home owners only

CENTRE FOR LONGITUDINAL STUDIES

	Housing and financial		House value	
	Current Income (n=4,949)	Permanent Income (n=4,949)	Current Income (n=4,949)	Permanent Income (n=4,949)
Housing wealth (log)	0.05+	0.04		
Financial wealth (log)	0.01	0.01		
House value (log)			0.08*	0.05
Permanent income (log)		0.12+		0.10
Current income (log)	-0.12		-0.12	

Model controls:
1: Child factors (sex, age, ethnicity, cognition/general physical health)
2: Household characteristics (region, age of parents, education, NS-SEC, single family, parity, mother's mental health, IMD)
3: Household SES (education, NS-SEC)

General physical health

CENTRE FOR LONGITUDINAL STUDIES

	Total wealth		Housing and financial (all)		Housing and financial (home owner)		House value (home owner)	
	Current Income (n=8,704)	Permanent Income (n=8,704)	Current Income (n=8,704)	Permanent Income (n=8,074)	Current Income (n=4,949)	Permanent Income (n=4,949)	Current Income (n=4,949)	Permanent Income (n=4,949)
Total wealth (log)	0.07	0.02						
Housing wealth (log)			0.05*	0.03	0.02	0.00		
Financial wealth (log)			0.03	0.04+	-0.03	0.03		
House value (log)							0.06	0.04
Permanent income (log)		0.19***		0.17***		0.28***		0.27***
Current income (log)	0.08		0.05		0.07		0.07	

Model controls:
1: child factors (sex, age, ethnicity, cognition/SDQ
2: Household characteristics (region, age of parents, single family, parity, mother's mental health, IMD) 3: Household SES (education, NS-SEC)

Recap and conclusions

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- Wealth seems to be related to child outcomes at age 11
  - Driven by housing wealth: because low financial wealth? Measurement error?

- **Mental health** associated with housing wealth, even after controlling for family SES, including ‘permanent income’
  - Fewer peer problems related to greater total and housing wealth
  - Less hyperactivity related to greater total, housing and financial wealth

Family stress model? Conspicuous consumption?

Time invested in children reduces accumulation wealth and vice versa?

Recap and conclusions

CENTRE FOR LONGITUDINAL STUDIES

- **Verbal cognitive ability** explained by ‘permanent income’ (and other household SES in particular education) rather than wealth
  - Would the result be different in the case of other cognitive measures e.g. maths?
  - Future work: other abilities and/or educational outcomes

- **General physical health** was better explained by ‘permanent income’ than by wealth:
  - At age 11 few children were children in poor health
  - Future work: investigate specific health issues (e.g. asthma)

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Thank you

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Understanding Society
THE UK HOUSEHOLD LONGITUDINAL STUDY

Low income dynamics among ethnic minorities in GB

Victor Hernandez Perez, Ricky Kanabar and Alita Nandi

Institute for Social and Economic Research, University of Essex

UCL CLOSER conference

Inequalities: a longitudinal perspective

2nd November 2017

An initiative by the Economic and Social Research Council, with scientific leadership by the Institute for Social and Economic Research, University of Essex, and survey delivery by NatCen Social Research and Kantar Public

Motivation & literature I

- Ethnic minorities in the UK face higher risks of being unemployed, having part-time jobs or working in less well-paid occupations than individuals from the white majority (Modood, 1997; Berthoud, 2002; Hills, 2010; Longhi, 2012).

- A higher proportion of ethnic minority individuals live in low income households than the white majority, although with substantial differences between and within ethnic groups (Platt, 2007; Nandi et al. 2010; DWP, 2017).

Motivation & literature II

- High rates of persistent low income (poverty) are indicative of systematic causes (such as discrimination) and is thus of serious concern to policy makers.
- Very little evidence on low income (poverty) persistence and entry among ethnic minorities in the UK, **due to lack of suitable data.**
- Few studies that have estimated poverty persistence among ethnic minorities have either not estimated models separately for the different ethnic groups or have not taken into account the initial conditions and non-random attrition
- **Our contribution**: separately analyse low income dynamics among 5 largest ethnic minority groups in GB (in addition to the white majority) *accounting for initial conditions and non-random attrition*.

Attrition rates by poverty status by EM group

- Differences in attrition rates conditional on initial poverty status across ethnic minorities.

EM group	% attrited by t conditional on being poor at t-1	% attrited by t conditional on being non-poor at t-1
Indian	14.41	16.43
Bangladeshi	17.47	22.44
Pakistani	17.89	19.01
Black African	24.35	23.69
Black Caribbean	16.18	18.17
White majority	13.36	11.50

Poverty transitions based on raw data

- Significant differences between poverty entry and poverty persistence rates across ethnic minorities.

EM group	Poverty entry	Poverty persistence
Indian	9.2%	60.7%
black African	11.6%	64.4%
black Caribbean	10.9%	56.1%
Pakistani	23.6%	66.7%
Bangladeshi	26.1%	53.5%
white majority	6.2%	52.3%

Data and methods

- Pool waves 1-5 of Understanding Society (individuals ages 25-59, N=63,116).
- Account for individual and household characteristics
- Individuals are defined as being in low income (poor) if net equivalised household real income (BHC) is less than 60% of the population median.
- Account for biases arising due to initial conditions and non-random attrition using a framework developed by Capellari and Jenkins (2004).
- Estimate three equations simultaneously (initial poverty, income retention and conditional poverty status). Distribution of unobserved heterogeneity summarised via cross equation correlations.
- Estimate separate models for each ethnic group

Modelling framework

- Endogenous switching framework (first order Markov model, Cappalleri and Jenkins (2004)):

1. Initial poverty: $p^*_{i,t-1} = \beta' x_{i,t-1} + \underbrace{\zeta_i + \iota_{i,t-1}}_{\varepsilon_{i,t-1}}$

2. Survey retention: $r^*_{i,t} = \gamma w_{i,t-1} + \underbrace{\omega_i + \epsilon_{i,t}}_{\kappa_{i,t}}$

3. Conditional poverty status:

$$p^*_{i,t} = \left[(P_{i,t-1})\theta'_1 + (1 - P_{i,t-1})\theta'_2\right] s_{i,t-1} + \underbrace{\tau_i + \varsigma_{i,t}}_{\vartheta_{i,t}}$$

Unobserved heterogeneity is summarised by the cross equation correlation coefficients.

Models for each EM group

- Estimation results show:

  evidence of initial conditions for white majority, Bangladeshi, black Caribbean groups → jointly model 1. and 3.

  non-random attrition for Indian and black African groups → jointly model 1. and 2.

  no evidence of either for the Pakistani group → estimate all 3 models separately

Factors which affected initial poverty, poverty entry and poverty persistence

Common factors which affected most groups:

- Education level of HoH
- Family type (lone parents in particular)
- Disability benefit income
- Number of workers in household

However, results highlight significant between group heterogeneity. For example

- High levels of education did not affect initial poverty nor poverty entry/ persistence for black Caribbean's and Pakistanis to the same extent it did for Indians & Whites
- The number of workers in the household at t-1 did not affect poverty entry for black Caribbean's and Bangladeshi's whereas it did for Whites, Indians, Pakistani's & Black Africans

Stylised example: Black African

Case	Poverty persistence rate	Poverty entry rate	Pr(poor)	Poverty spell (years)		Non-poverty spell (years)	
				Mean	Median	Mean	Median
(1) Male of median age (45), head of household is male with median hhage, no qualifications, nuclear family with spouse and one child, at least one member of the hh in paid work, receives no benefits and report no illness	.32	.13	.16	1.47	.62	7.8	6.7
As (1) except female	.35	.11	. 14	1.54	.66	9.27	6.07
As (1) except HoH has degree	.53	.05	.09	2.14	1.10	19.3	13.03
As (1) except claiming disability benefit	.11	.02	.03	1.1	.32	35.24	24.08
(1) except nobody in work	.60	.33	.46	2.55	1.39	2.99	1.70

If ignore sources of bias: how much difference does it make?

- Poverty entry

  A lot for Indian (9.2% versus 18.9%) and Bangladeshi (26.1% vs 33.9%) groups, to a lesser extent for black Africans (11.6% vs 9.2%). Negligible of other groups

- Poverty persistence

  A lot for Indian (60.7% versus 66.3%) and Bangladeshi (53.5% vs 60.4%) groups, to a lesser extent for black Africans (64% vs 55.4%). Negligible of other groups

Note: percentages based on raw poverty entry and persistence estimates based on observed data not accounting for missing category

Scarring effects of being in poverty

- Does being in poverty last year affect likelihood of being poor in current year, even after controlling for observable and unobservable characteristics.

- Yes, results show that GSD account for large proportion of ASD for all groups.

Conclusions

- First estimates of low income dynamics for ethnic minority groups accounting for two important potential sources of bias
- For researchers and policy analysts: group specific framework for modelling low income dynamics
- Substantial variation between and within group heterogeneity
- GSD accounts for a large proportion of ASD across all ethnic groups; but less than white majority.
- Current work: Exploring variation in poverty entry and persistence rates by group- implications for policy.