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The Intergenerational Transmission of Dependence on Income Support: Patterns, Causation, and Implications for Australian Social Policy

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ROAD MAP

- Project Overview
- Background
- The Data in Depth
- Income Support History Stratification
- Survey Pilot Results
- Administrative Data Analysis
- What Now?

PROJECT OVERVIEW

The Youth in Focus project is an exciting new research initiative focused on young Australians; their experiences while growing up, their current employment and educational activities, and their aspirations for the future.

An overarching goal of the project is to understand the ways in which economic and social disadvantage might be transferred from one generation to the next. To achieve this, the project explores some of the consequences for young Australians of growing up in income-support families using an innovative combination of survey and administrative data that is being constructed specifically for this project.

What is the project about?

> The project will study the consequences of growing up in an income-support-dependent family. Specifically, the project will describe the overall correlation between parents' and children's receipt of income support, and investigate its causes.

Methodology

This is a longitudinal study, with two key data sources:

- a transgenerational dataset based on administrative records of a cohort of 18 year olds and their parents. This source will be continuously updated during the life of the project;

- a longitudinal survey of a random sample of 18 year olds who appear in the administrative data. Selected individuals (an 18 year old and one parent) will be asked about a range of topics including employment, education, health, income, family relationships, housing arrangements, attitudes and values, and the experiences of children (and their parents) as they grew up;

With respondents' consent, information from these two sources will be linked to provide the basis for studying the intergenerational patterns of income support, thereby informing the development of effective social and family policy in Australia.

Time Frame

Analysis of the administrative data started in late 2005. The first wave of the survey for youths and their parents is being currently conducted (August – November 2006), with the expectation of achieving interviews with 4,000 young adults plus their parents. Subsequent interviews of youths will be taking place in 2007 and 2008.

Project Organization

This research is supported by a Linkage grant from the Australian Research Council, with the Department of Family and Community Services as the industry partner. The research team comprises Professor Deborah Cobb-Clark and Drs Robert Breunig, and Tue Gorgens of the Australian National University, Professor Jeff Borland of the University of Melbourne, and Professors Robert Haveman and Barbara Wolfe from the University of Wisconsin.

BACKGROUND

Over the past two decades employment has become increasingly concentrated (polarized) within certain households so that the degree of employment polarization is now high by international standards. Consequently, Australian children are increasingly living in families in which no adult is in paid work.

- Number of children under 15 living in HH with no employed parent more than doubled between 1986 – 1999;
- Proportion of kids living in HH on support also doubled from 11.5 to 23.0 percent.

International Evidence

Kids growing up in families that are dependent upon welfare are themselves more likely to receive government assistance as adults. This has been documented in a number of countries including: the US, Canada, Australia, Sweden, and New Zealand.

Is this correlation due to correlation in the factors that lead to needing support or a causal process whereby children more likely to seek assistance as a direct consequence of their parents having received assistance?

THE DATA IN DEPTH

This project is innovative in its use of administrative data combined with survey data to assess the consequences for youth of growing up in income-support families. Previous researchers have generally relied exclusively on survey data, or in more limited cases, on administrative data alone.

However, surveys are notoriously unreliable in gathering information about the receipt of transfer payments. This problem is compounded further in studies in which parents are asked to inform about their children or young people are asked to inform about their parents.

As a result, many studies based exclusively on survey data analyse the **incidence** of benefit use within a period (rather than the **level** or **timing** of benefits).

Our administrative data provide accurate information about the complete history of benefit use (for both young people and their parents) allowing us to explore questions related to the **level** and **timing** of benefits as well as the **incidence** of benefit receipt.

This allows us to consider a wider range of effects and policy options.

Reference Population

All 18 year olds born in the six month period between October 1, 1987 and March 31, 1988 who appear in the Centrelink administrative records at any point between 1991 and the present.

An 18 year old might appear in the administrative data for two reasons:

- They receive payments from the government in their own right;
- At some point since 1991, the 18 year old was listed as a dependent of an adult who received a government benefit. (In the vast majority of cases, the adult received a Family Tax Benefit or Family Allowance.)

The Centrelink Administrative Data

This administrative data source provides the sampling frame for the survey. Centrelink represents a "one-stop" shopfront for receipt of almost all government benefits including parenting and family payments, unemployment benefits, old-age and disability pensions, etc.

Given the generosity of the family payment system in Australia, we expect that approximately 85 percent of the entire birth cohort to be represented in the Centrelink system because one or more parents would have received a family payment on their behalf. Only kids from the top 15 percent of wealthiest families would not be represented.

The administrative data set provides an excellent sampling frame because most transfer payments are administered through one agency at the national level.

Transgenerational Data Set 2 (Administrative) Variables

- Personal details: date of birth, sex, marital status history, country of birth

- Housing details: home postcode history, accommodation history, rent type

- Youth homeless or independent history

- Full time student history

- Family income support history

- Detailed disability payment data

- Relationship history

- Income history: family and personal taxable income by financial year

- Individual income support history

Parent Survey

- Household and personal information

- Family background

- Education

- Own and partner's employment

- Income and savings

- Partnering relationships

- Background information about child's birth father

- General values

- Health

- Information about the child at different stages of life:
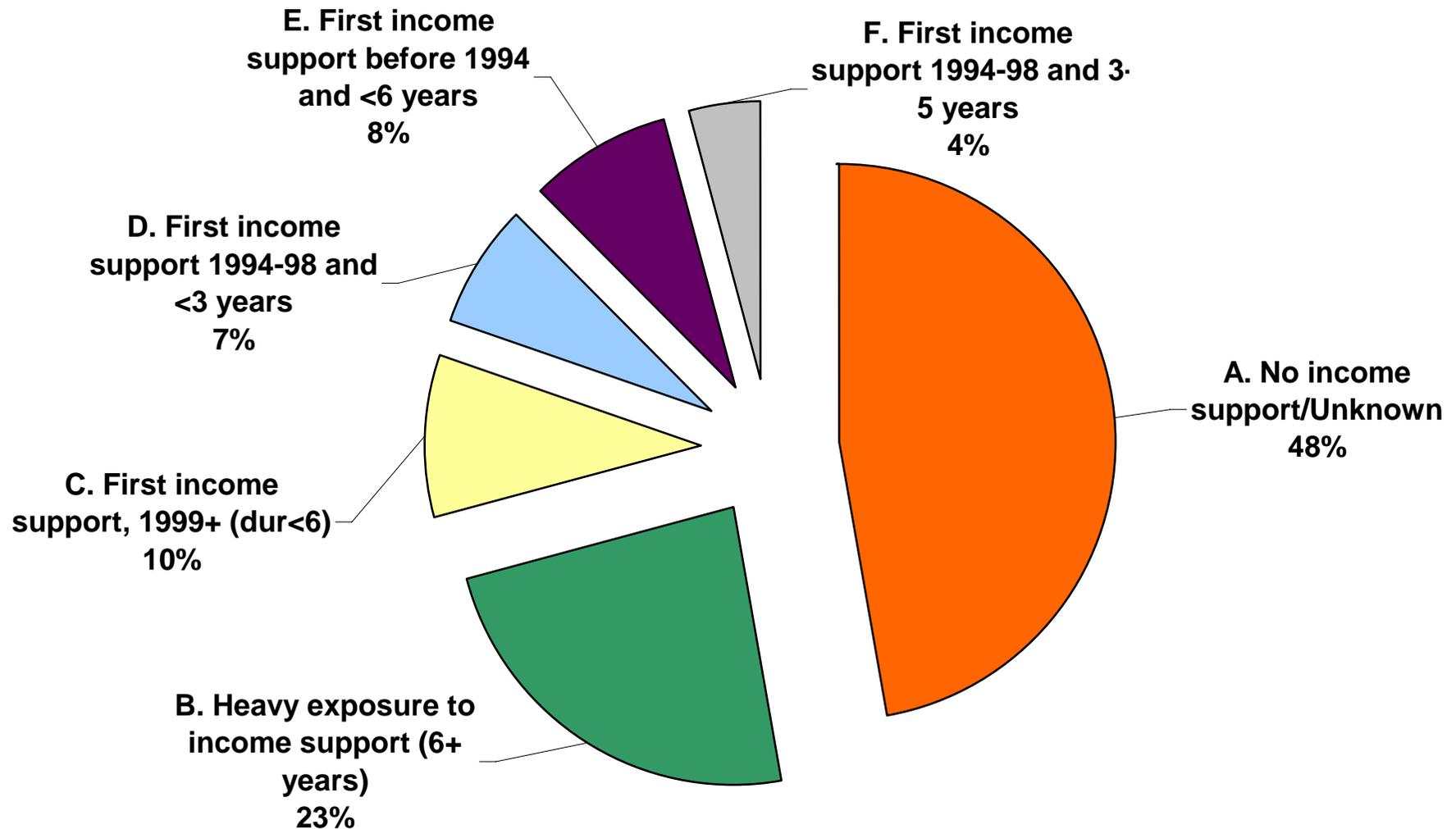
Child Survey

- Personal details and family background

- Education

- Labour force status and current employment characteristics

- Job search

- Partnering and family formation

- Housing arrangement

- Annual earnings and income

- Health

- General values

- Personality traits

- Attitudes and expectations

INCOME SUPPORT HISTORY STRATIFICATION

All parent-child pairs are stratified on the basis of the primary parent's history of income support use where "primary parent" is defined to be the parent with the longest duration of care for the youth.

Economic category	Description
A	No parental income support history
B	Heavy exposure to income support programs
C	First exposure to income support system after 1998
D	First exposure to income support system between 1994 and 1998 and less than three total years on income support
E	First exposure prior to 1994 and less than six total years on income support
F	First exposure between 1994 and 1998 and more than three but less than six total years on income support

Distribution of youth by economic category of the parent as of 01 Oct 2003 (n=122,622)

E. First income support before 1994 and <6 years 8%

F. First income support 1994-98 and 3-5 years 4%

D. First income support 1994-98 and <3 years 7%

A. No income support/Unknown 48%

C. First income support, 1999+ (dur<6) 10%

B. Heavy exposure to income support (6+ years) 23%

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SURVEY PILOT RESULTS

Wave I Pilot: March-April 2006

- Raw sample: 1402 parents and 1440 young adults

- Opt-out rate 5%, plus 2.64% RTS

- Response rates: 38.6% for parents and 39.8% for young adults (for clean MRF sample, excluding opts-outs, RTS, and non-contactables)

- 242 young adults and 255 parents were interviewed. In addition, 158 parents and 190 youths agreed to do the interview during the subsequent sample testing procedure.

- 110 operational units (matched parent-child pairs)

- 158 self-completion questionnaires from young respondents (mail or online)

Incentive payment

- The sample was randomly divided into two categories: those who were offered the payment of $15 for interview, and those who were not

- The pilot response rates differed by economic category and by the incentive status

Response rates by economic category and payment status

	A	B	C	D	E	F	Total
Parent Incentive Survey							
Sample size after cleaning	93	91	103	97	99	98	581
Response Rate	38.7%	34.1%	36.9%	41.2%	45.5%	34.7%	38.6%
Parent Non-Incentive Survey							
Sample size after cleaning	89	100	102	100	97	102	590
Response Rate	38.2%	21.0%	39.2%	26.0%	32.0%	36.3%	32.0%
% difference in response rate with offer of incentive	+0.5%	+13.1%	-2.3%	+15.2%	+13.5%	-1.6%	+6.5%
Overall Parent Response Rate	38.5%	27.2%	38.0%	33.5%	38.8%	35.5%	35.3%
Youth Incentive Survey							
Sample size after cleaning	97	97	99	102	97	101	593
Response rate	40.2%	33.0%	36.4%	44.1%	46.4%	38.6%	39.8%
Youth Non-Incentive Survey							
Sample size after cleaning	97	104	104	95	94	103	597
Response Rate	40.2%	30.8%	39.4%	35.8%	28.7%	22.3%	32.8%
% difference in response rate with offer of incentive	0%	+2.2%	-3.0%	+8.3%	+17.7%	+16.3%	+7.0%
Overall Youth Response Rate	40.2%	31.8%	37.9%	40.1%	37.7%	30.4%	36.3%

NB: shaded cells represent differences in response rates that are significantly different at 5% level

ADMINISTRATIVE DATA ANALYSIS:

The intergenerational correlation in income support between young people and their parents can be observed for two cohorts:

- Young people born between January 1, 1980 and March 31, 1980 (TDS1);
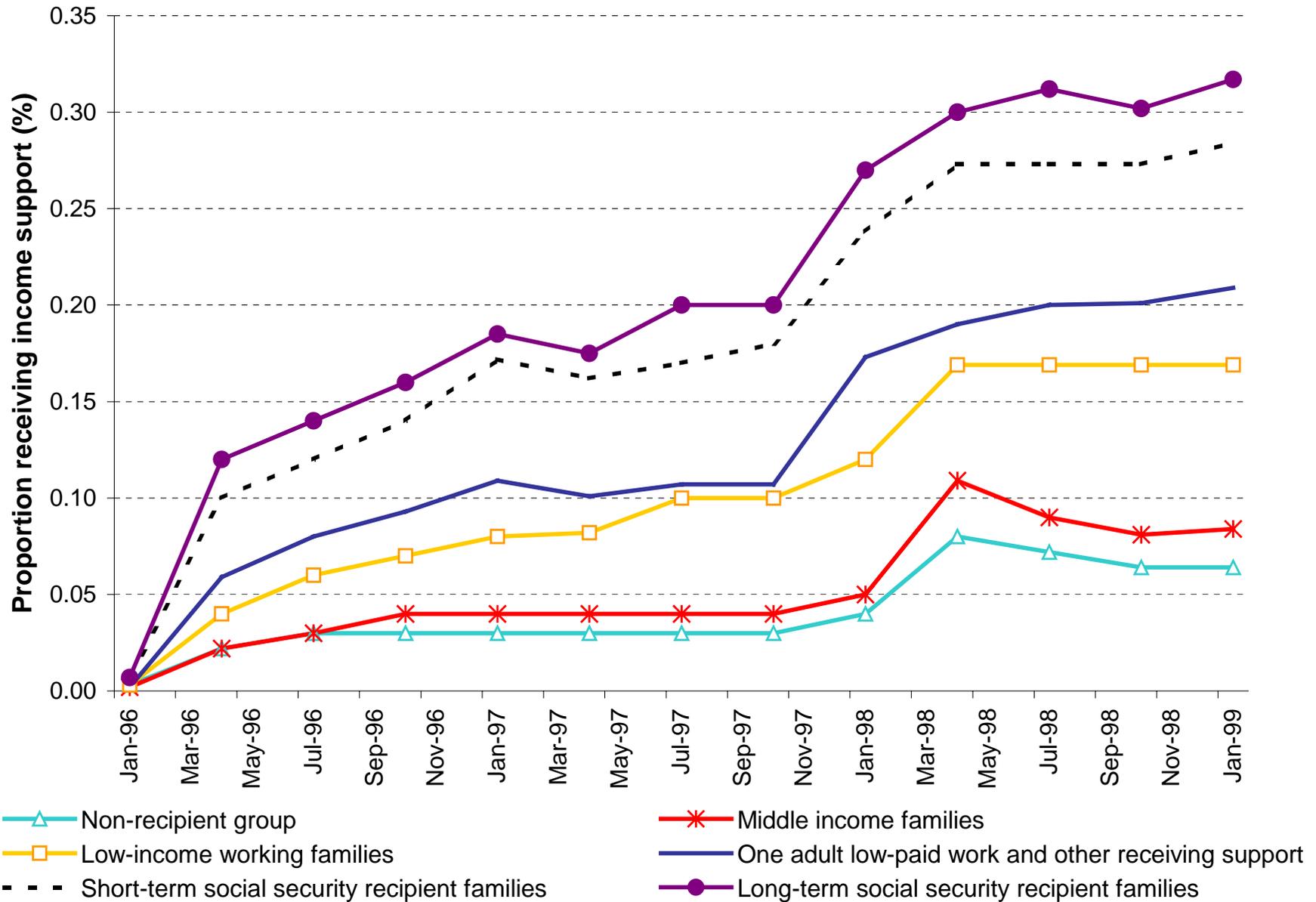- Young people born between October 1, 1987 and March 31, 1988 (TDS2);

Note: TDS1 and TDS2 capture approximately 85 percent of the birth cohort.

Pech and McCoull (1998; 2000a; 2000b) use TDS1 to classify HH income support receipt of the family as of January 1, 1996—when youth is 16. They conclude that young people from the most disadvantaged families were more likely to:

- Leave school early;
- Experience unemployment (both long- and short-term);
- Receive income support themselves;
- Be classified as homeless for income support purposes.
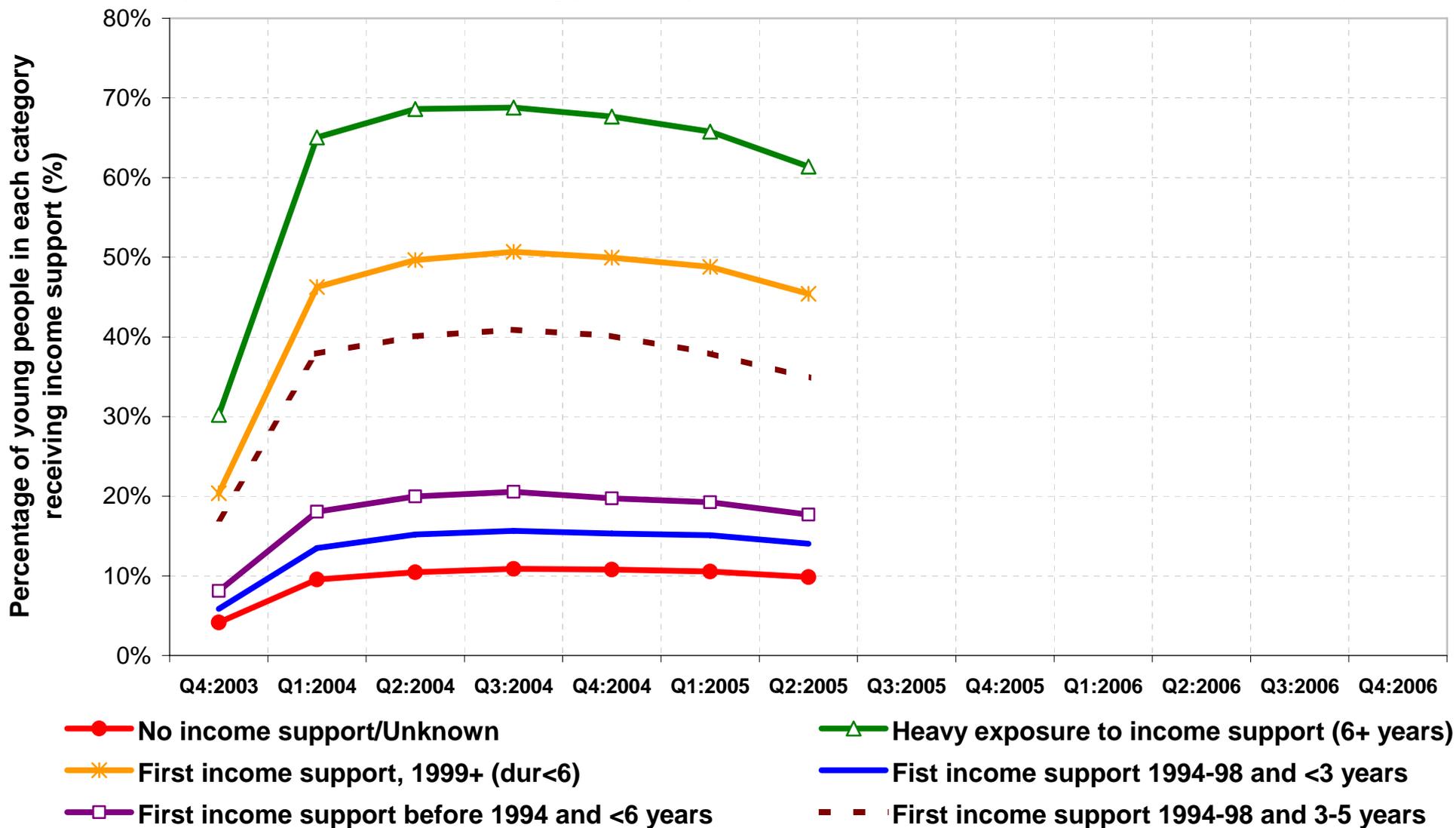
Income support receipt by family origin group
Source: Pech and McCoull (2000)

Legend:
- Non-recipient group
- Low-income working families
- Short-term social security recipient families
- Middle income families
- One adult low-paid work and other receiving support
- Long-term social security recipient families

We can conduct a similar analysis using TDS2 over a shorter time period. Rather than classifying families based on their income support use at a point in time, we classify families based on their history of income support use.

Note: The family type is determined by the status of the parent who claimed support on the behalf of the young adult on 1 October 2003 (when the first of the birth cohort youths have turned 16)

Youth's income support receipt by economic category (based on the income support of parent as of 01 Oct 2003, *Total n* =122,622)

Y-axis: Percentage of young people in each category receiving income support (%)

X-axis: Q4:2003, Q1:2004, Q2:2004, Q3:2004, Q4:2004, Q1:2005, Q2:2005, Q3:2005, Q4:2005, Q1:2006, Q2:2006, Q3:2006, Q4:2006

Legend:
- No income support/Unknown
- First income support, 1999+ (dur<6)
- First income support before 1994 and <6 years
- Heavy exposure to income support (6+ years)
- Fist income support 1994-98 and <3 years
- First income support 1994-98 and 3-5 years

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Time to first income support since 16th birthday for young people receiving income support (*n*=42,760)
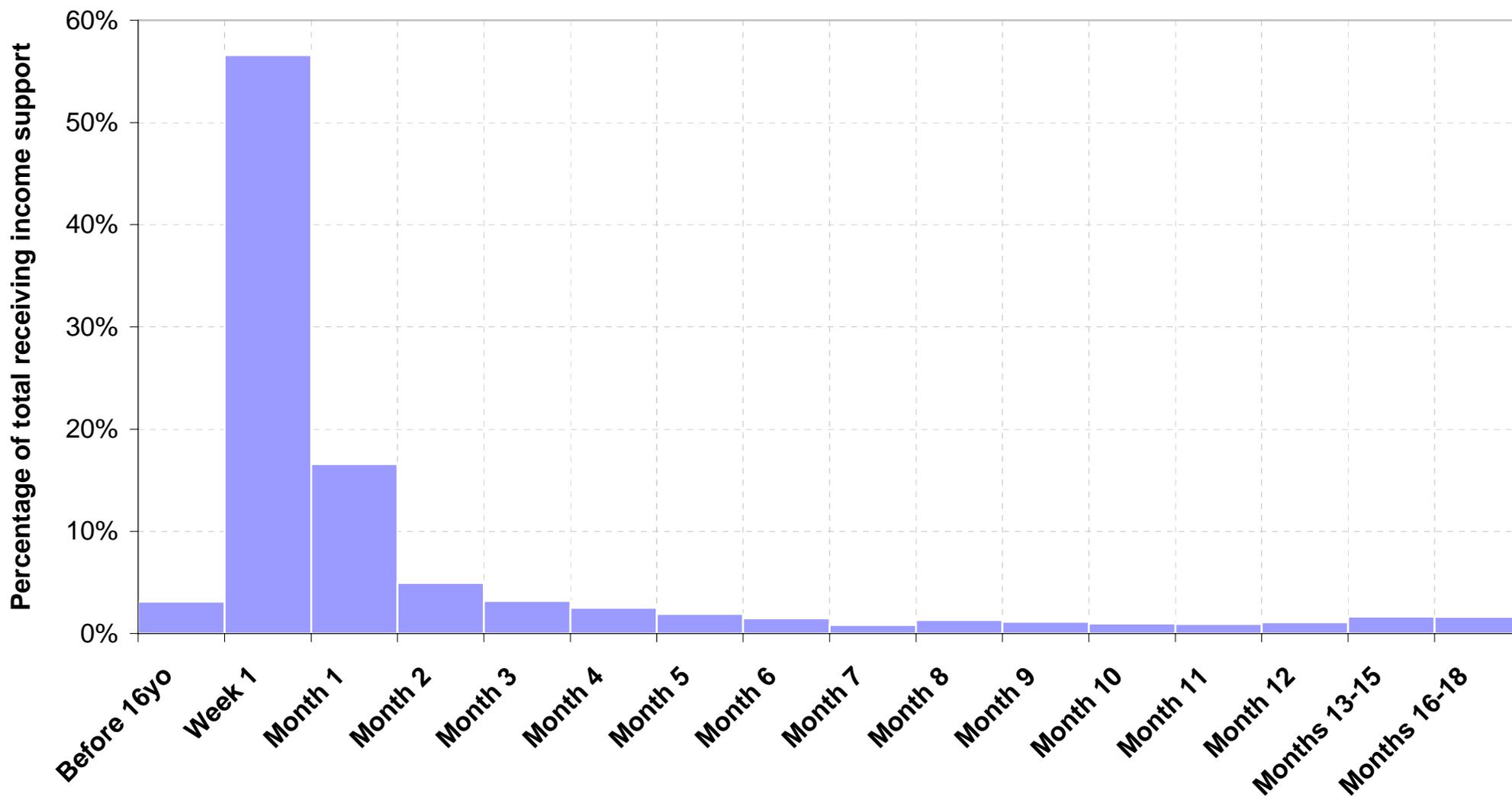
Type of payments for those who receive income support
(*n*=42,760)
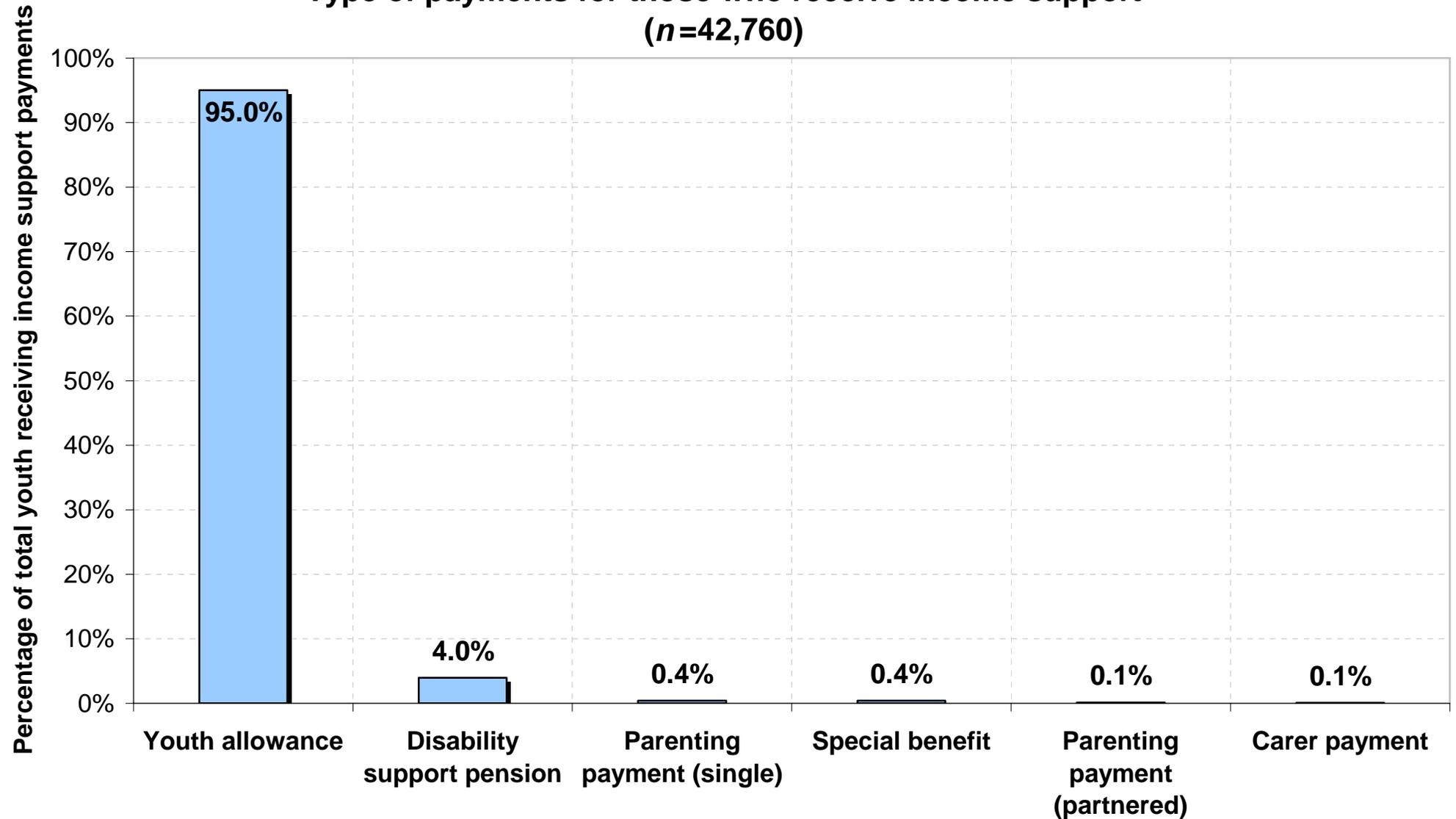
WHAT NOW????

- Completing the filed work for wave 1;
- Planning for wave 2;
- Beginning to develop an analysis plan …