

‘Young families’

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Social Policy*

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Key question

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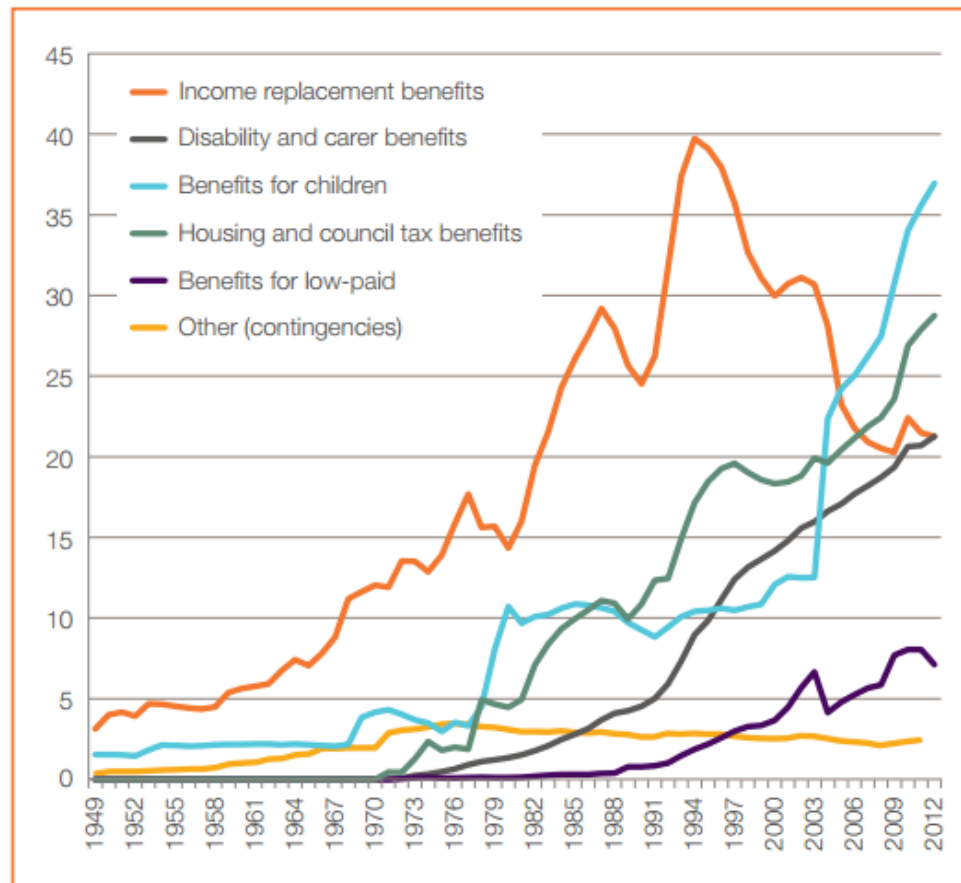
How to raise living standards among families with young children?

Summary

- 1) How living standards of families with children have increased in the past
- 2) Prospects going forward
- 3) Recent policy decisions

1 – increase in spending on benefits for children

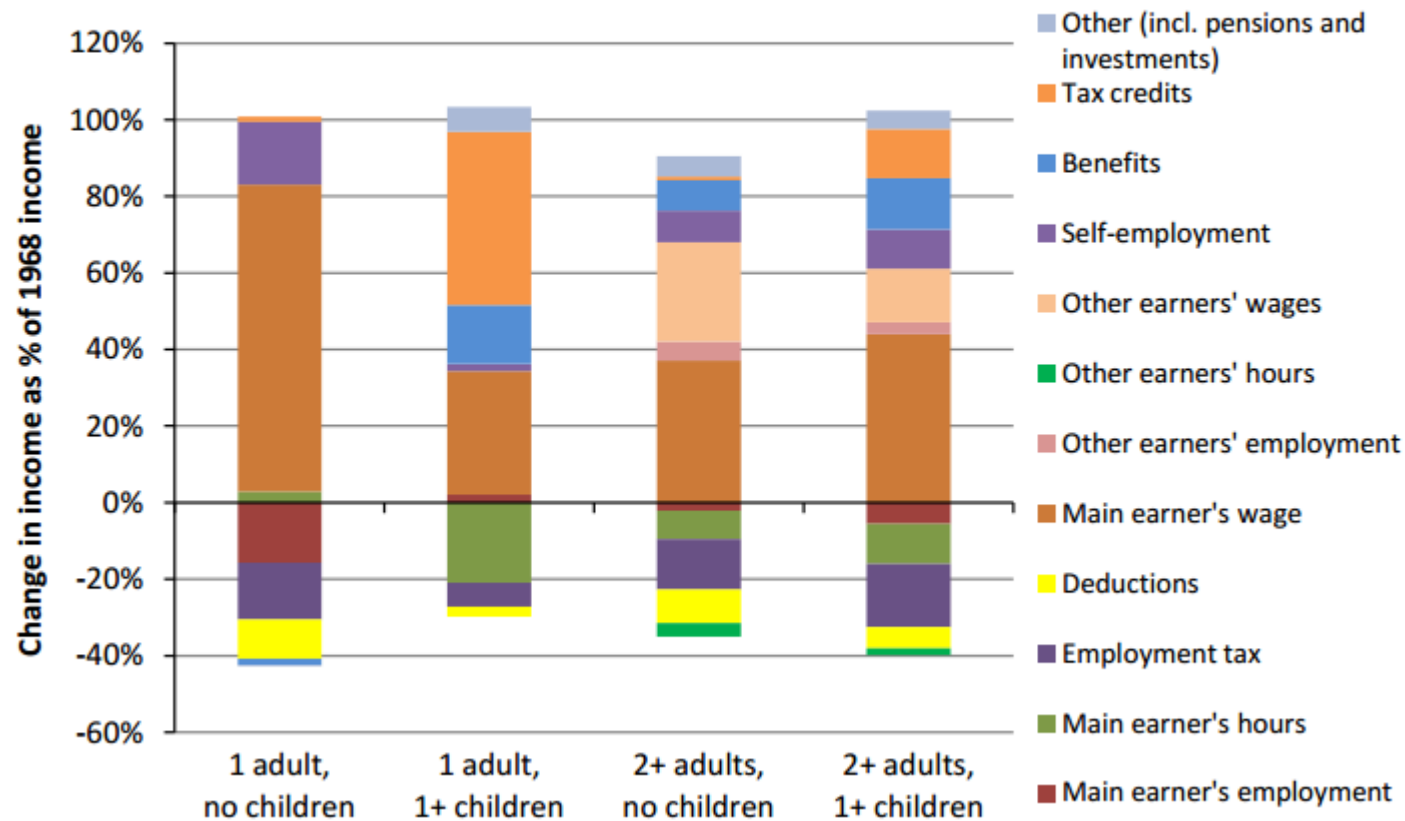
Figure 2.5
Trends in real terms
working-age social
security expenditure by
benefit type, 1949–
2012 (£bn)



Sources: DWP 2013a, HMRC 2009, 2010, 2011 and 2012, and HMRC tax credit and equivalent expenditure figures.¹⁸

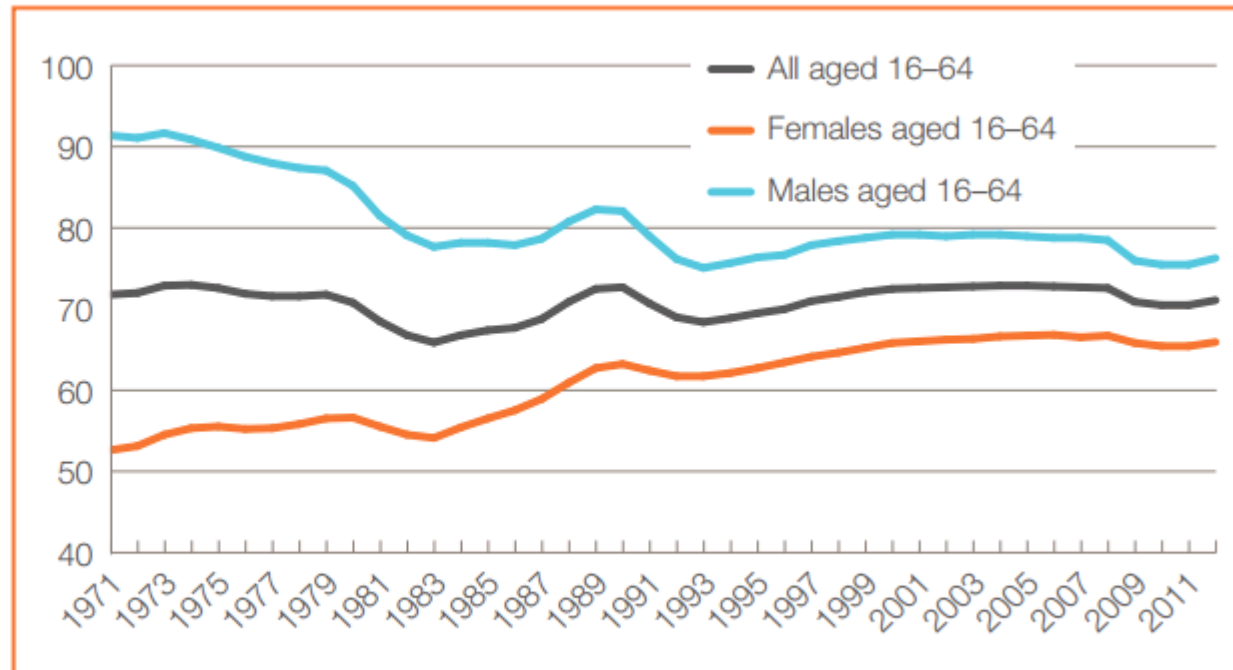
1 – increase in spending on benefits for children

Figure 16. Breakdown of net equivalent household income growth, 1968 to 2008–09, by household type, low- to middle-income households



1 – employment convergence

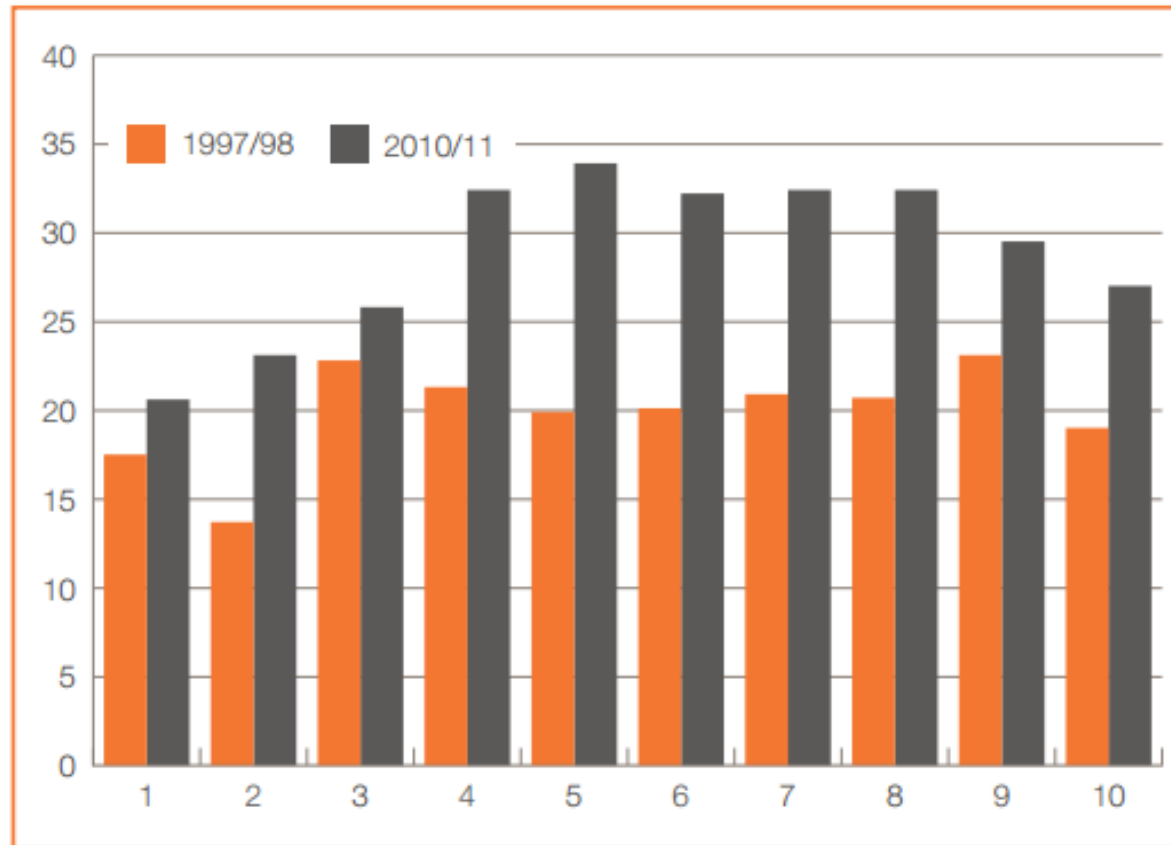
Figure 1.4
Employment rates (%)
by gender, 1971–2012



Source: ONS 2013b

1 – employment convergence

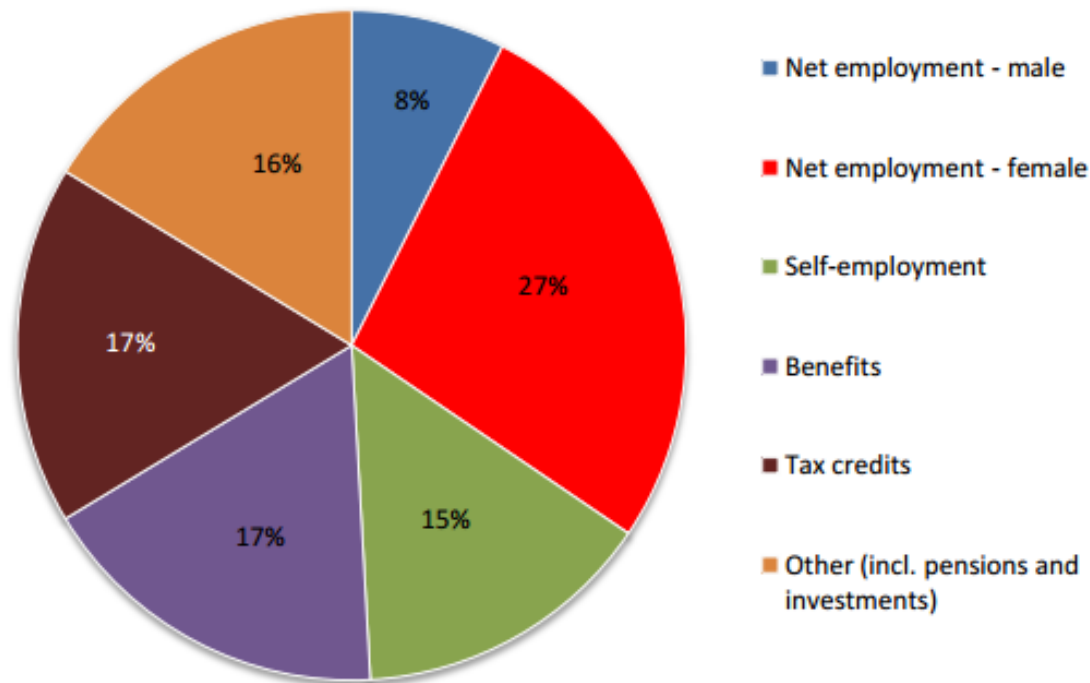
Figure 2.10
Proportion of mothers (%) earning 50 per cent or more of family employment income, by family income deciles



Source: IPPR analysis using the Family Resources Survey

1 – Contributions to growth

Figure 15. Breakdown of net equivalent household income growth, 1968 to 2008–09 (excluding changes in household size and deductions), low- to middle-income households, by gender

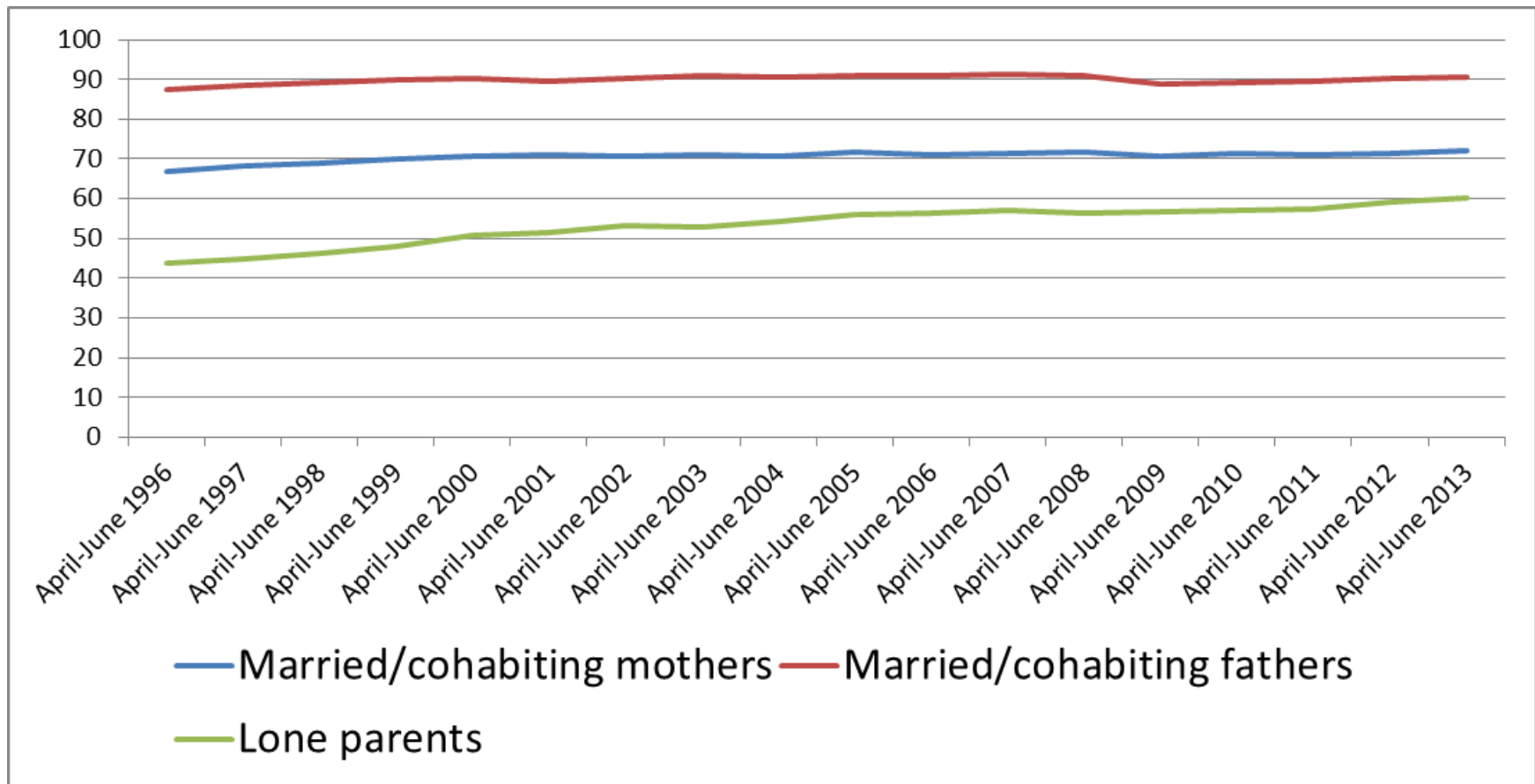


2 – Prospects going forward – key question

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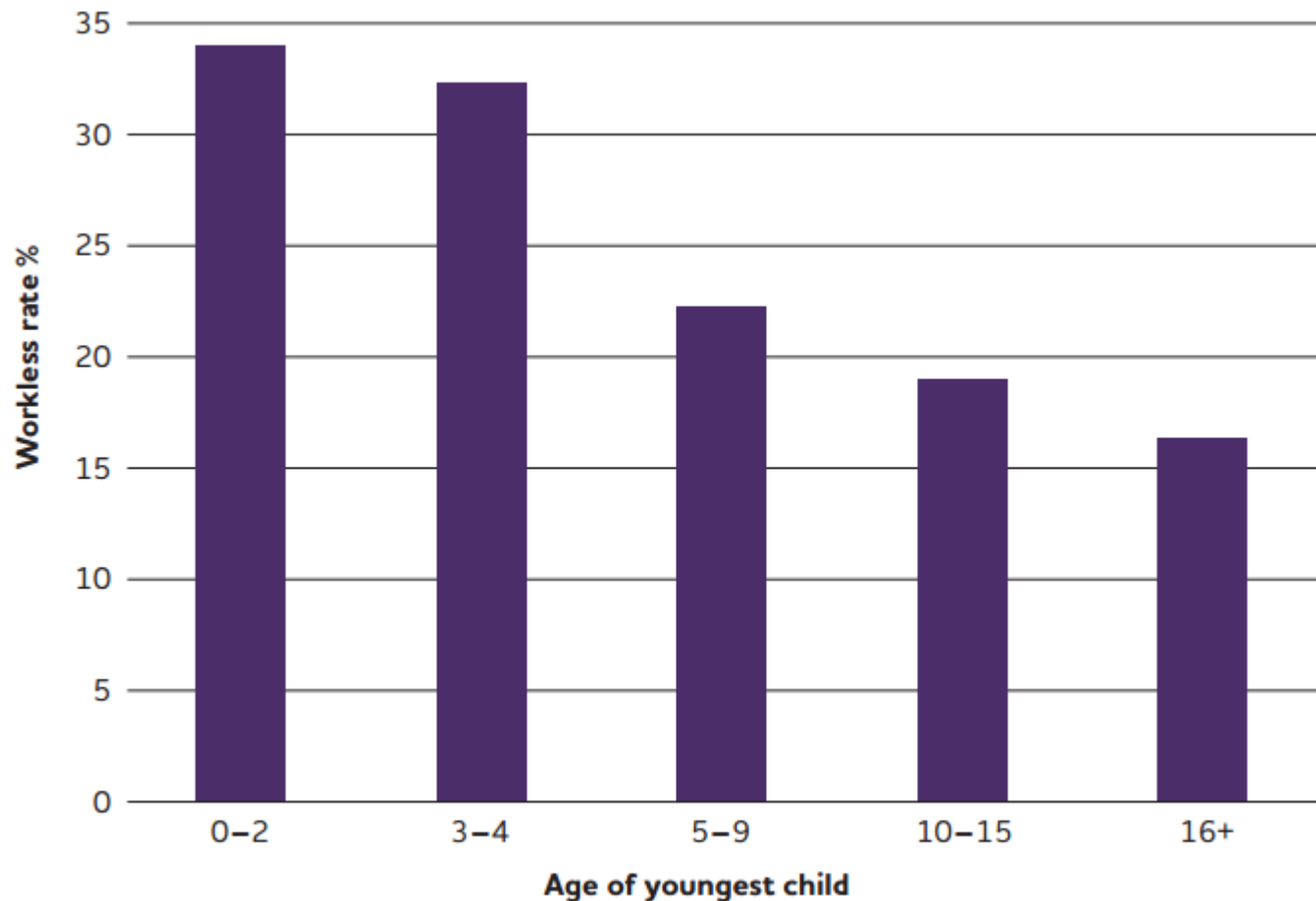
How to raise living standards among families with young children, in the context of deficit reduction and weak real wage growth?

2 – Further employment convergence



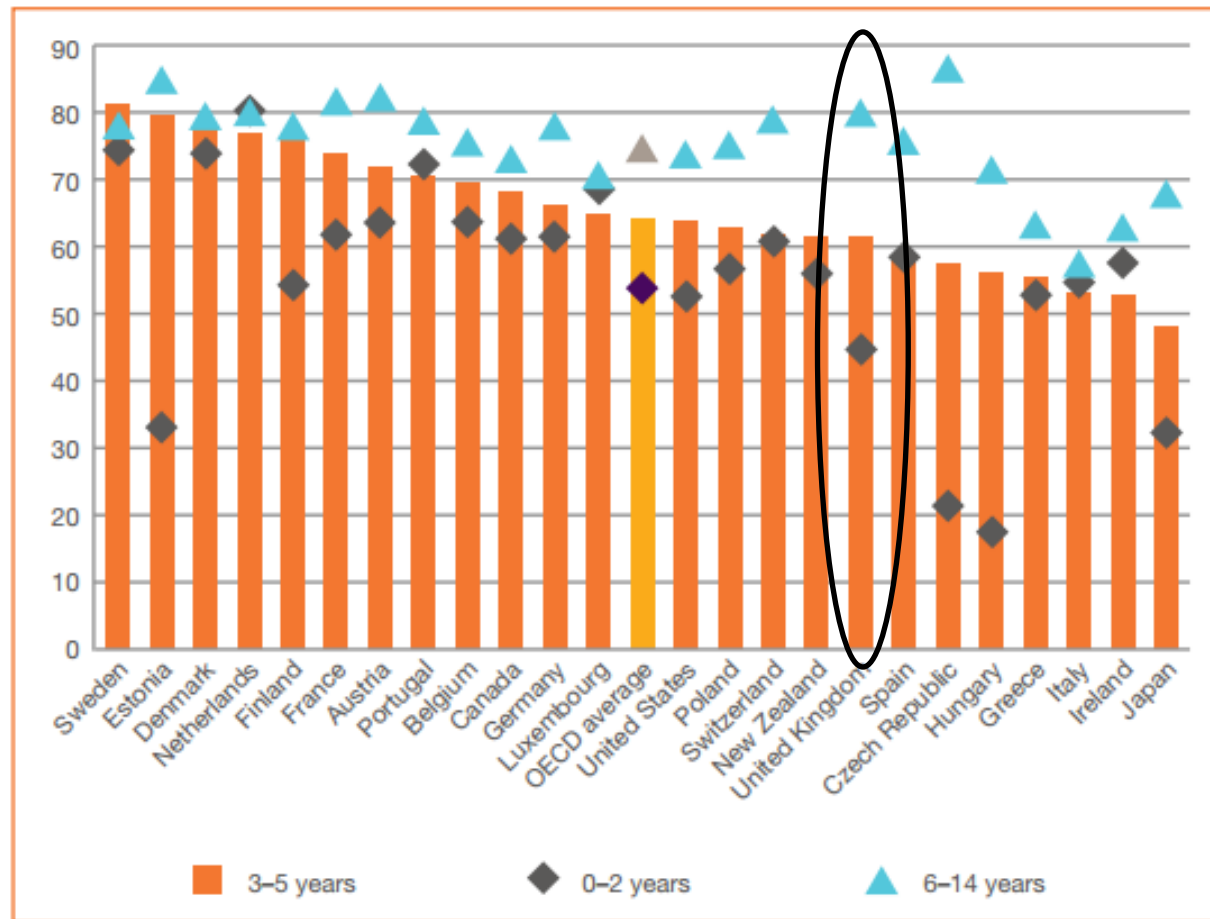
Source: ONS (2013) 'Working and workless households'

2 – gaps largest for parents of youngest children



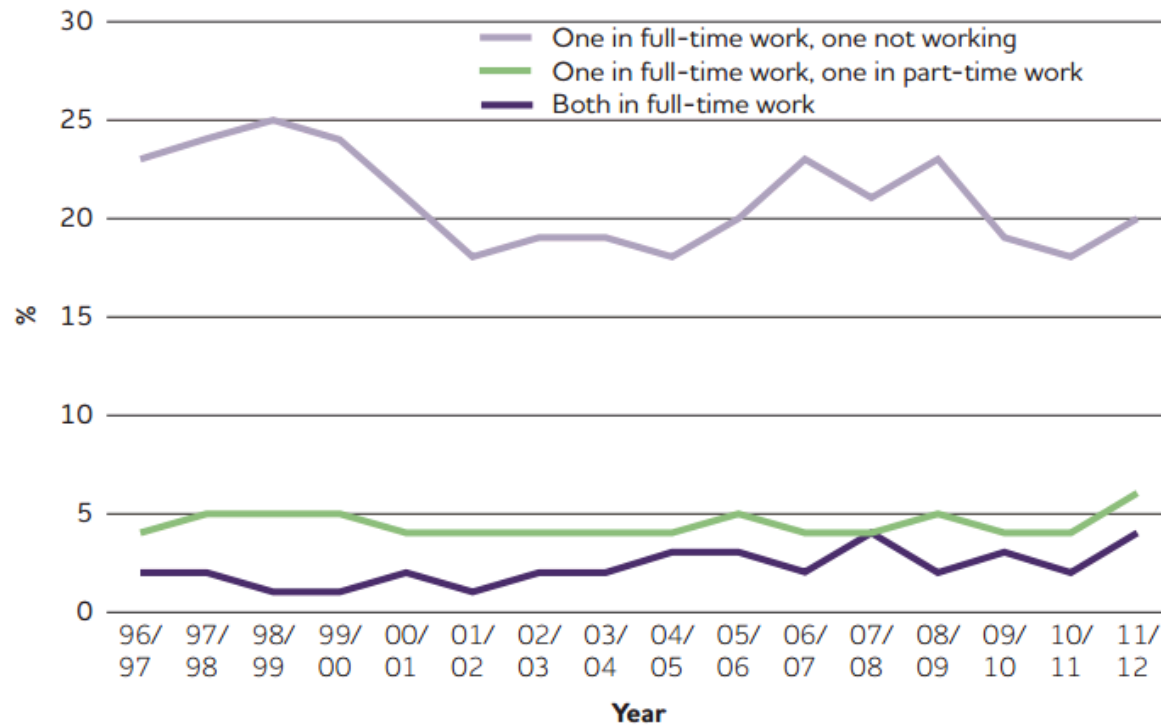
2 – international comparisons

Figure 3.4
Maternal employment rates for a selection of OECD countries by age of youngest child, 2009



2 – rates of child poverty

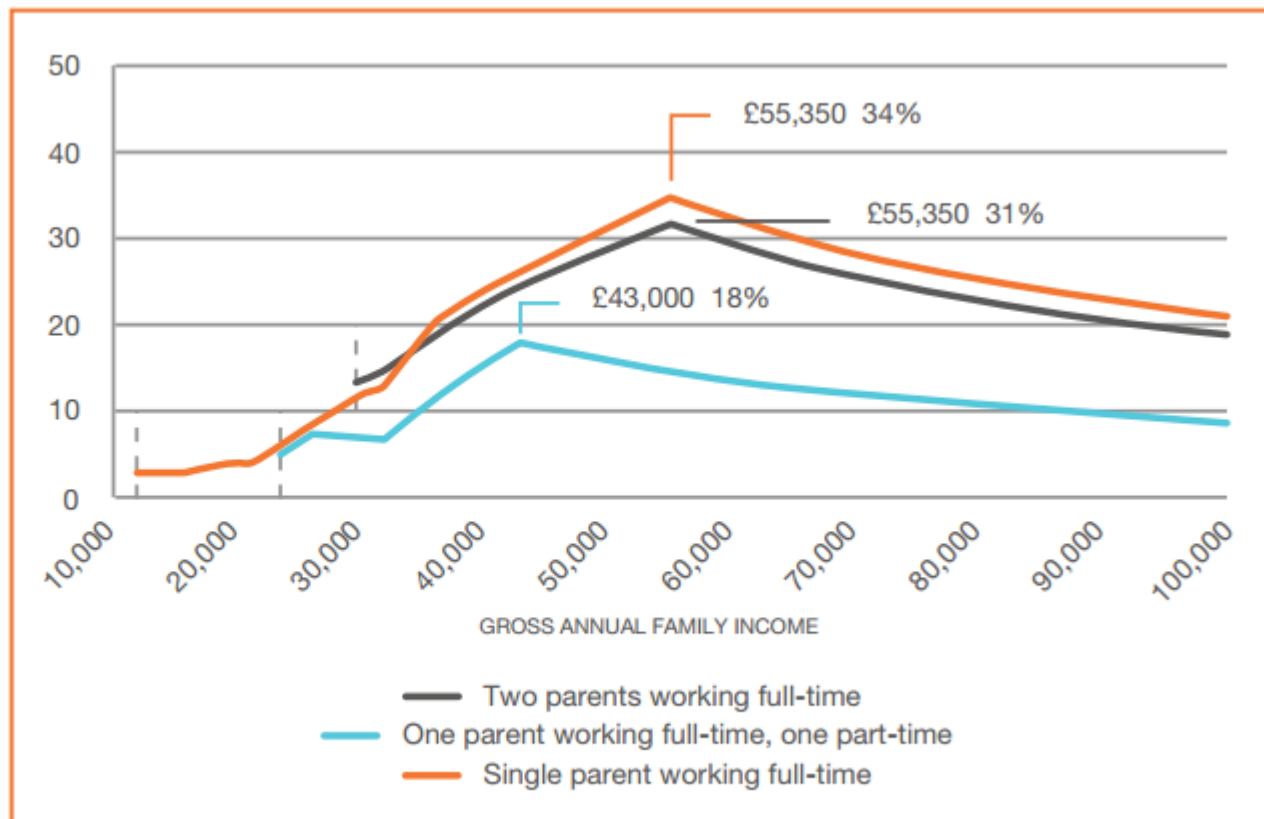
Figure 1: Risk of poverty in couple families with children, 1996/97–2011/12



Source: DWP (2013)

2 – childcare costs

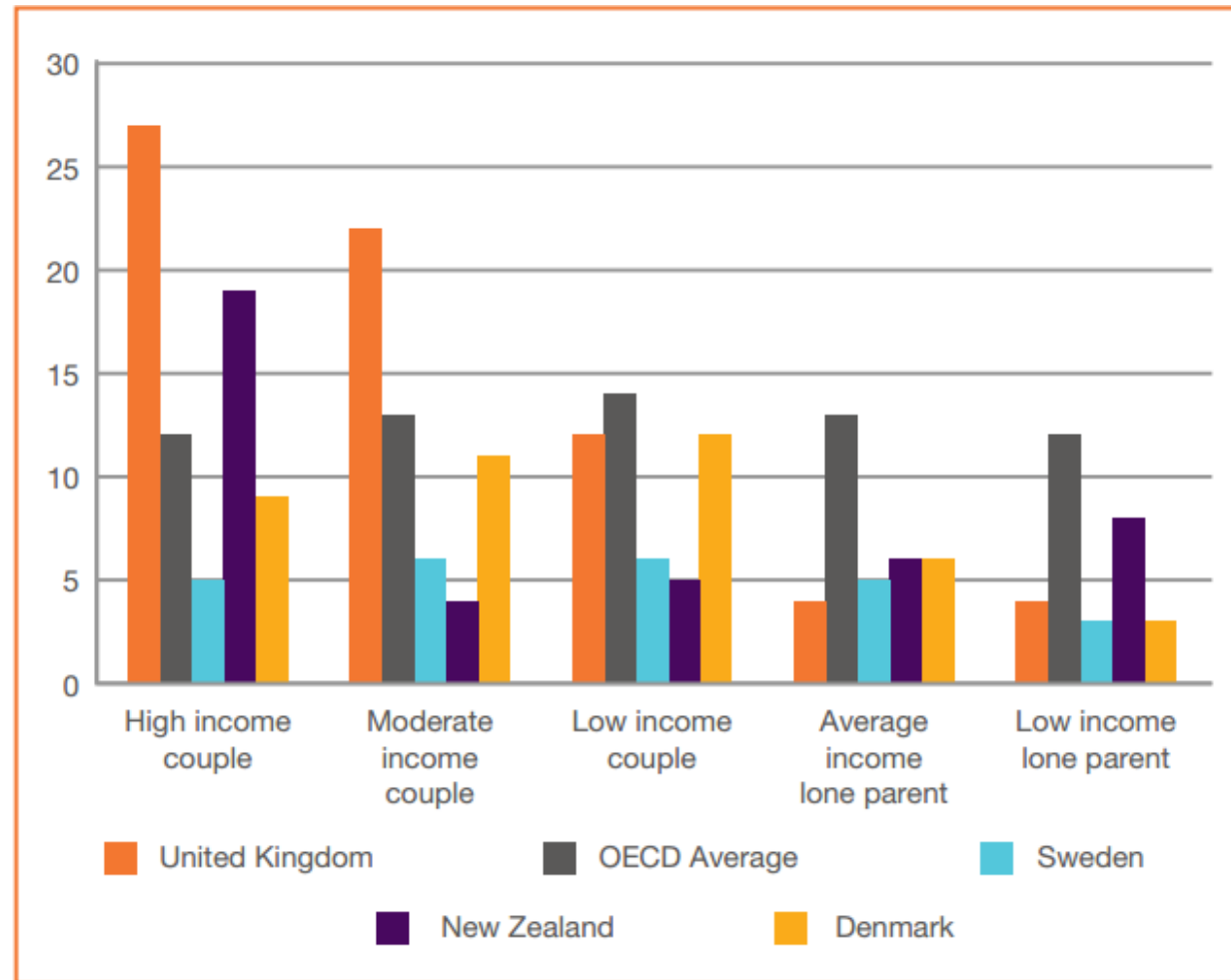
Figure 4.2
Net childcare expenditure by gross annual family income, as a percentage of net family income (excluding childcare benefits)



Source: Alakeson and Hurrell 2012

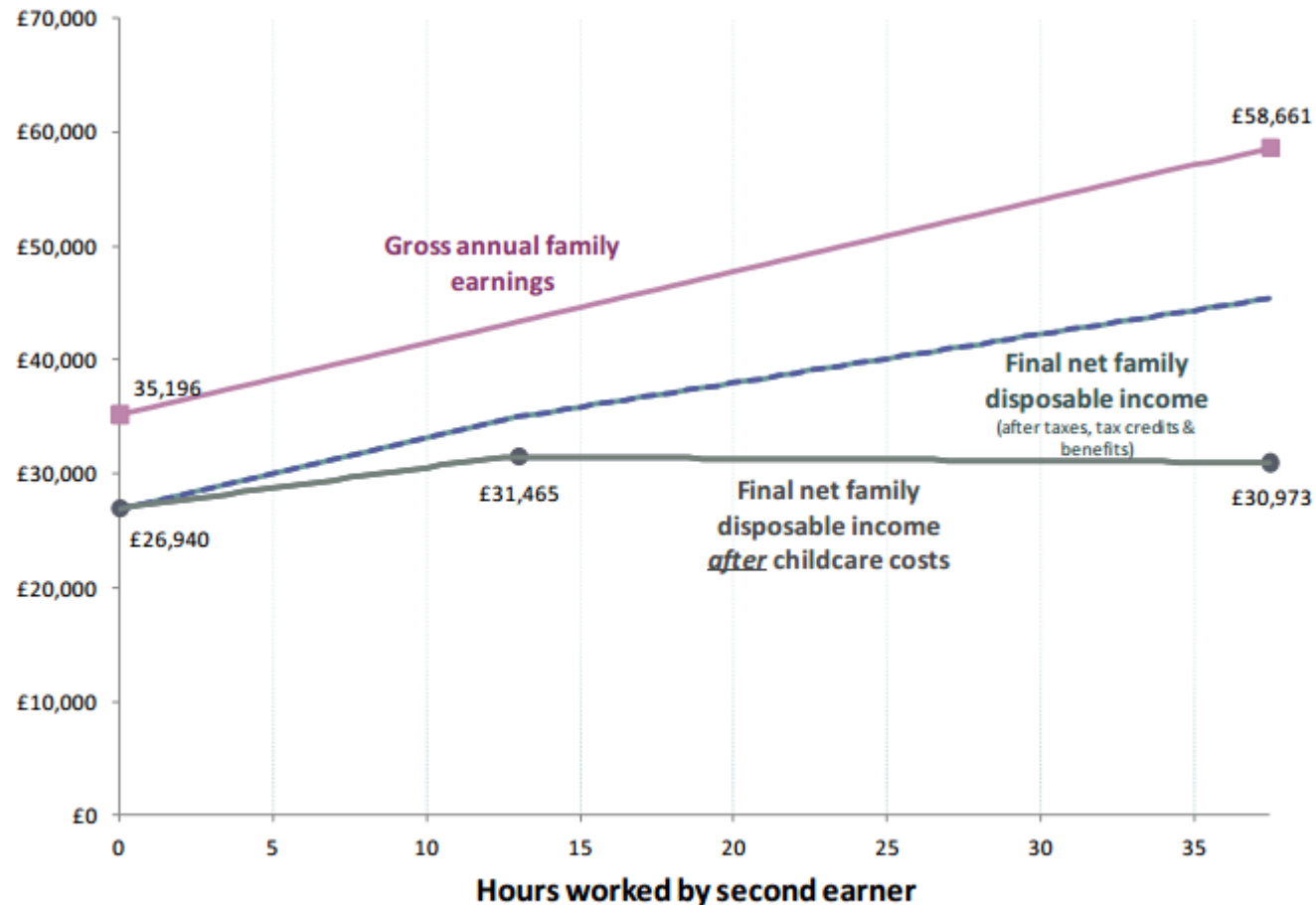
2 – childcare costs

Figure 4.1
Net childcare costs as a
proportion of family net
income



Source: Richardson 2012

2 – second earner work incentives after childcare costs



2 – increasing maternal earnings

- Controlling for other factors, pay differential between women who have children and those who do not of around 11 per cent (Lanning et al 2013)
- Rises to 26 per cent when comparing mothers with fathers (IBID)
- Linked to;
 - Break in labour market activity – can account for 60 per cent of the penalty (Staff and Mortimer 2012 using US data)
 - Occupational down-grading following return to work
 - Shift to part-time work – 22 per cent less per hour compared to full-time (Manning and Petrongolo 2005)

2 – Summary

- Employment gaps remain between men and women, particularly mothers and fathers
- Childcare costs in particular represents a sizable disincentive to move into work, particularly for middle income families
- Should also focus on strengthening support around childbirth employment transitions to reduce the motherhood wage penalty

3 - Policy responses

3 - Policy responses –UK vs. Europe

- Little distinction between ‘social insurance’ and ‘social assistance’
- More reliance on means-testing
- More unequal labour market – greater need for means-tested support?
- More reliance on cash transfers to meet social needs

3 - The coalition: short-term cuts

- Cuts to cash entitlements (*'bedroom tax', benefit cap, child benefit*)
- Reduction in real-terms value of entitlements (*freezes, below-inflation uprating*)
- Welfare spending cap (*a cap on total spend*)
- Rationale – deficit reduction + political positioning
- Largely unstrategic and / or contradictory

3 - The coalition: longer-term reform

- **Universal credit:** *merging six means-tested benefits into one*
- **Tax-free childcare:** *20% contribution to childcare costs from the state*
- **Work Programme:** *employment programme with major private sector involvement*
- **Single tier pension:** *non-means-tested, flat-rate pension*

3 - The coalition: public attitudes

Short-term cuts;

- 77% support removal of child benefit from high earners
- 74% support the benefit cap
- 45% support 1% uprating
- 45% think 'bedroom tax' should be abandoned

3 - The coalition: public attitudes - the bigger picture

- Enduring support for collective measures like the state pension and the NHS
- Declining support for out of work benefits / unemployed people
- Slightly more sympathy in latest data – but too soon to know if this is a big shift
- Too little for those who have contributed (78%) / too soft on those who haven't (76%)

3 - Conclusion

- Coalition reforms un-strategic and/or contradictory
- Concern that employment route to higher living standards may run out of road
- And needs significant up-front investment in tackling childcare costs