

Research Insights

How to break the intergenerational cycle of income support reliance?

Disadvantage is being passed down generations, primarily to children of single parents and parents with disabilities. More targeted support for these vulnerable families is essential to breaking a cycle of long-term disadvantage.

Intergenerational transmission of receiving income support

Despite decades of strong economic growth and a highly targeted tax and transfer system, inequality in Australia has crept up over the past three decades (Productivity Commission, 2018).

With the top and bottom rungs of the socioeconomic ladder drifting further apart, much responsibility falls on the income support system to give families at the bottom a 'leg-up'. As is true in most countries, the leg-up from the income support system in Australia does not completely close the rungs, and children in families that receive income support can still suffer from long-term disadvantage.

Our work measures how children fare later in life when they grow up with parents who receive income support.

Understanding this intergenerational cycle of disadvantage and how different types of disadvantage persevere across generations is essential for designing better policies to improve equality of opportunity in Australia.

As a result of Australia's highly targeted income support system, we can use the specific payments parents receive as markers of distinct types of disadvantage suffered by families. Disability Support Pension or Carer Payments, for example, target people with disabilities or their carers, so receiving this payment reveals families who likely suffered health-related misfortunes. Low-income families with young dependent children can receive a Parenting Payment (Single or Partnered) depending on their situation, so comparing these can be informative of the particular difficulties faced by single-headed families. Jobseekers can receive Unemployment Payments, so their outcomes can tell us something about the difficulties associated with losing one's job. Thus, linking these payments received by parents to the income support received by their children once they become young adults can tell us how these specific types of disadvantage carry over across generations.

i

GLOSSARY OF TERMS: INCOME SUPPORT PAYMENTS

Income support is a payment made by the Australian government in particular circumstances to people who are on a low income. Our definition of income support in this work includes the following Centrelink payments: Disability Support Pension, Carer Payment, Parenting Payment Single, Parenting Payment Partnered, Newstart Allowance, and/or Youth Allowance Jobseeker. This income support definition differs slightly from the Australian Government's; we focus on this selection given our interest in capturing social and economic disadvantage.

Key Insights

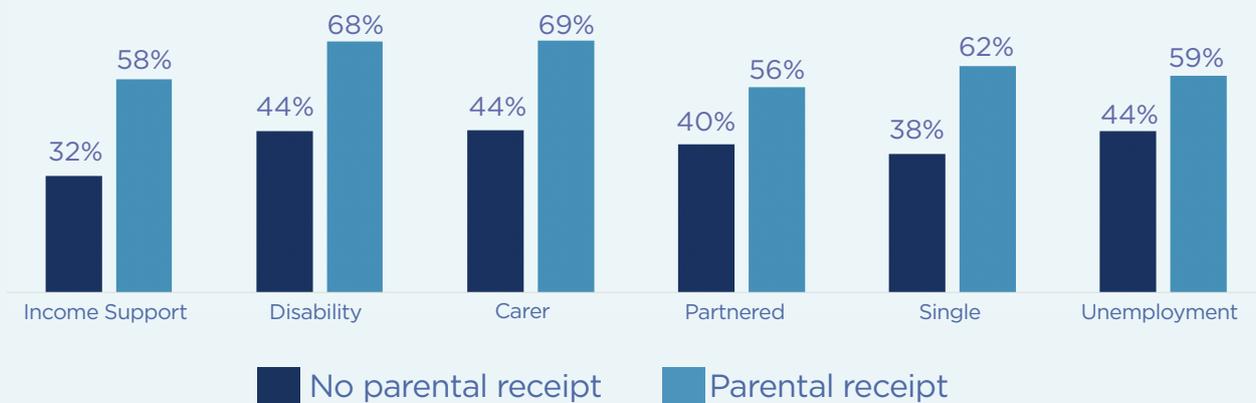
1 When parents receive income support, their children are almost twice as likely to receive it too as young adults

Income support receipt persists across generations. Young adults have a 58 per cent chance of receiving income support if their parents received any income support while they were growing up (Figure 1). This is 1.8 times as likely compared to young adults with no family history of income support (32 per cent). They also receive more intensive support; over \$12,000 in addition over the eight-year period (\$21,774 vs. \$9,190).

While these numbers might seem high, they compare favourably to the intergenerational persistence of welfare support in other countries. Women in the United States, for example, are 2.8 times as likely to receive welfare if their

mothers also received welfare (Page, 2004), whereas in Sweden the chances of adults receiving social assistance are about 2.5 times higher for children whose families received social assistance while they were growing up (Stenberg, 2000). These comparisons should be taken with a grain of salt since the meaning of ‘social assistance’ differs a lot between countries and populations. Yet one reason for Australia’s relatively good ranking could be the very targeted nature of our income support system—aimed at providing help when needed and as long as it is needed, while also setting the incentives for people to not rely on this help unnecessarily.

Figure 1: Probability of young adults receiving income support, by family income support payment type and receipt while growing up (in %)



Source: This figure is based on the Transgenerational Data Set, constructed by the Department of Social Services using Centrelink records. For definition of Income Support see glossary, Disability stands for Disability Support Pension, Carer stands for Carer Payment, Partnered and Single stand for Parenting Payment Partnered and Parenting Payment Single, and Unemployment stands for Newstart Allowance, recently renamed as JobSeeker Allowance.

2 The intergenerational relationship is particularly strong for families that receive disability and single-parent support

Young adults' chances of receiving any income support are particularly high when their parents received a Disability Support Pension (68 per cent). This makes their chances 1.6 times higher compared to youths whose parents had not received the same payments, and 2.1 higher when compared to youths whose parents had not received any income support at all. Note, however, that these families did not benefit from the National Disability Insurance Scheme, which was established in 2013.

There are two possible reasons for the strong relationship between parents' Disability Support Pension receipt and their children's later reliance on income support. First, without adequate support, living with a disability may impact parents' ability to provide a stimulating and nurturing environment for their children. Second, as young adults, children may also need to split their efforts between caring for their parents and working, which harms their job prospects and career progression.

The intergenerational transmission is similarly strong when parents received a Carer Payment, though this might partly reflect the same underlying disadvantage twice—parents receiving Carer Payments for their children with disabilities who then go on to receive a Disability Support Pension in their own right.

The chances of youth receiving income support are also higher when their parents received Parenting Payment Single: 62 per cent vs. 38 per cent for youth whose parents did not receive this payment (1.6 times). This gap is much smaller for children whose parents received Parenting Payment Partnered: 56 per cent vs. 40 per cent (1.4 times). Both parenting payments provide financial assistance to low-income families raising young children, so this comparison points to disparities solely from growing up with one rather than two parents in the household. Without adequate support, single parents may find it harder to: make time for their children, pay attention to their progress in school or respond to their needs.

3 Parental disadvantage has a broad range of impact

Our work also shows that it is not simply that unemployment begets unemployment or that disability begets disability. Instead, parental disadvantage, particularly when related to disability, has impacts across a broad range of domains.

For example, young adults whose parents received a Disability Support Pension are almost six times more likely to receive Carer Payments, suggesting they may

now be caring for their parents. These young adults are also more likely to receive Unemployment Payments, which suggests their earlier disadvantage has affected their employment opportunities. In fact, the chance that a young adult receives Unemployment Payments is much the same regardless of whether their parent received Disability Support or Unemployment Payments.

4 There is little evidence for a welfare culture in Australia

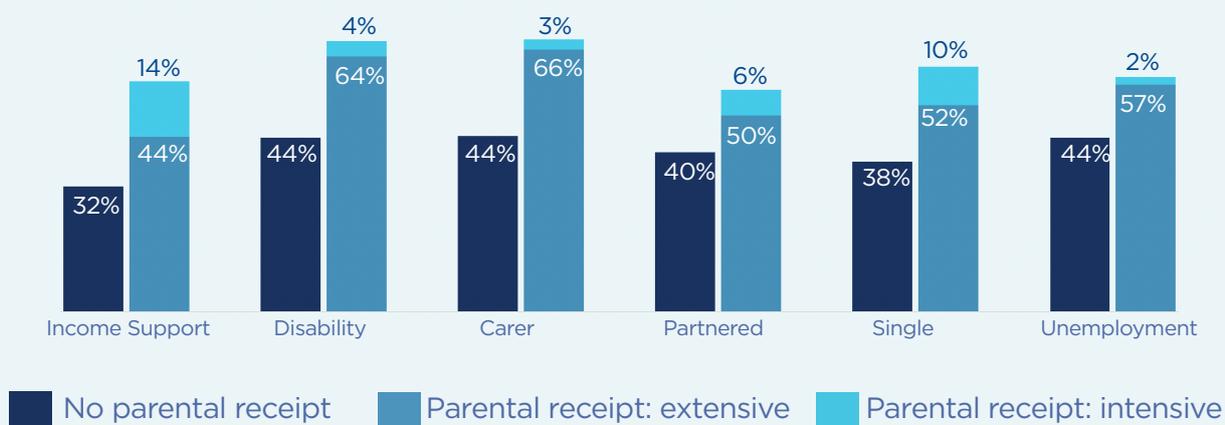
The differences in the persistence of payments across generations could point to a welfare culture; a situation when disadvantage becomes increasingly entrenched across generations with longer exposure to the income support system. For example, it could be that, unlike families receiving Unemployment Payments, those receiving a Disability Support Pension receive it for longer, and it is this persistence that affects their children's later income support receipt.

To investigate this issue, we decompose the probability of young people receiving any income support when their families have received it, into two parts (Figure 2). The first part relates to the contribution from any parental receipt of these payments at all, regardless of duration. This is called the extensive margin, and we show it in the light blue bars. The second part relates to the

contribution from the amount of income support parents received, noting that more support received usually means receiving support for longer. This is called the intensive margin, which we show in the turquoise bars. When summed together, these two parts add up to the complete relationship between income support receipt across generations (as shown in Figure 1).

Figure 2 suggests that the duration of parental income support (the intensive margin) explains little of their adult children's chances of income support receipt. This is an important finding, as it argues against the existence of a widespread welfare culture in Australia. A welfare culture would imply that the intensity of income support should explain a large part of the link between parent and child income support receipt. Our data tell us that this is not likely to be the case.

Figure 2: Probability of young adults receiving income support (in %), separating the relationship by parents receiving any support at all (light blue) and the total amount of support received (turquoise) in each payment type



Source: This figure is based on the Transgenerational Data Set, constructed by the Department of Social Services using Centrelink records. The extensive parental receipt reflects what happens when parents receive the first payment dollar; the intensive parental receipt reflects what happens with the average additional dollars after the first one. For definition of Income Support see glossary, Disability stands for Disability Support Pension, Carer stands for Carer Payment, Partnered and Single stand for Parenting Payment Partnered and Parenting Payment Single, and Unemployment stands for Newstart Allowance, recently renamed as JobSeeker Allowance.

More support is required for vulnerable families

It is important to note that in this work, perhaps more so than in many others, associations do not imply causation. That is, the link between income support received by parents and their children does not imply that poor children would have been better off had their parents not received the support. Instead, we view the payments parents receive as broader markers of (specific types of) disadvantage associated with receiving income support. In particular, our findings point to two key factors that limit young adults' life chances: parental disability—despite Australia's universal health care system—and growing up in a poor single-parent household. In contrast, disadvantage from parents' poor employment opportunities seems easier for young people to overcome.

Our findings are not grounds for a large-scale redesign of the social security system, but suggest a need for targeted support for disabled and single parents to ensure equal opportunities for their children. Whether additional support should come through higher payment or through additional services (e.g., parenting information or coaching) is an open question. Addressing this question requires further research to better understand the reasons that cause intergenerational disadvantage, and this research requires better data that tracks parents' welfare payments, family services data and child development outcomes over time.

Regardless of where this evidence lands, expanding the focus of income support for single parents and people with a disability so that it also supports their families will be a step towards breaking the cycle of intergenerational disadvantage.

Further Information

Datasets:

Our study is based on data from around 125,000 young people and their parents from the 2014 version of the Transgenerational Data Set (TDS), constructed by the Department of Social Services using Centrelink records between 1996 and 2014. The data centres around the child cohort born between October 1987 and March 1988 and includes all Centrelink payments received by their families (e.g., parents) and those children themselves when they become young adults. Over 98 per cent of children born between October 1987 and March 1988 are included in the TDS data (Breunig et al., 2009). For the analyses, children are paired with their main carer (referred to as their 'parent'), who received most Centrelink payments on their behalf; in the vast majority of cases this is the mother. Our analyses compare families who did and did not receive some type of income support when their children were aged 8 to 14 and look at the income support received by those children as they later become young adults, aged 18 to 26.

Authors

Sarah C. Dahmann and Nicolás Salamanca

Melbourne Institute: Applied Economic & Social Research, University of Melbourne

Further reading

Cobb-Clark, D. A., Dahmann, S. C., Salamanca, N., Zhu, A. (2017). Intergenerational Disadvantage: Learning about Equal Opportunity from Social Assistance Receipt. *Melbourne Institute Working Paper*, No. 28/17

References:

- i. Breunig R., Cobb-Clark D. A., Gørgens T., Ryan C., Sartbayeva A. (2009). User's guide to the Youth in Focus data Version 2.0. *Youth in Focus Discussion Paper Series*, No. 8.
- ii. Page M. E. (2004). New evidence on the intergenerational correlation in welfare participation. In: M Corak (Ed.), *Generational income mobility in North America and Europe*. Cambridge University Press, Cambridge, UK, pp 226-44.
- iii. Productivity Commission (2018). Rising inequality? A stocktake of the evidence. *Commission Research Paper*, Canberra.
- iv. Stenberg S (2000). Inheritance of welfare reciprocity: An intergenerational study of social assistance. *J. of Marriage and the Family* 62(1):228-39.

This Research Insight represents the opinions of the author(s) and is not intended to represent the views of Melbourne Institute. Whilst reasonable efforts have been made to ensure accuracy, the author is responsible for any remaining errors and omissions.