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Research paper abstracts

Trends in Intergenerational Home Ownership and Wealth Transmission
Jo Blanden, University of Surrey, Andrew Eyles and Stephen Machin, LSE
Prior research on trends in intergenerational mobility in economic status has focused chiefly on income and earnings. There is hardly any research on trends in intergenerational wealth transmission, at least in part because of the rarity of cross-generational data with wealth measures good enough for a cross-time analysis to be undertaken. In the intergenerational setting, housing tenure data is more widely available than good data on total wealth. This paper uses cross-time changes in intergenerational associations in home ownership to generate evidence on trends in intergenerational wealth mobility. Both home ownership and the value of main residence are shown to be strongly associated with wealth accumulation. The strength of the intergenerational link in home ownership in the UK has grown over time and, as parental home ownership displays a strong relationship with an individual's future wealth, this can be informative about trends in intergenerational wealth transmission. Taken together, the results indicate that intergenerational wealth transmission has strengthened over time in Britain.

Intergenerational wealth transmission in Great Britain
Ricky Kanabar and Paul Gregg, University of Bath
The aim of this paper is to document the intergenerational persistence of wealth between adult offspring and their parent's using the Wealth and Assets Survey for Great Britain. As parental wealth it is not directly observed it is assessed as mean values based on age, home ownership and education from retrospective questions. Estimates are then derived employing a commonly used two stage estimator. For offspring aged around 44 and parents aged around 74, the oldest where wealth can reliably be observed in the sample, the intergenerational wealth elasticity (IWE) is 0.4 and the rank-rank elasticity 0.3. However, wealth is a stock accumulated over a person's working life and then dissaving takes place in retirement. Thus, peak wealth holding occurs around the age of 64 and this represents a proxy measure of life-time wealth accumulation. Under certain assumptions about parental wealth holding we explore wealth persistence for older offspring up to age 64. Importantly, we find at these older ages wealth persistence is generally lower than for those currently aged in their 30s and early 40s, though rank based estimates are broadly stable. The average IWE is 0.35 (ages 28-64) and rank equivalent 0.3 in 2012. For those in their 30s however, the IWE is 0.4, even though the short panel suggests a strong life cycle bias where wealth persistence is lower at ages below 64. Exploration of this contradiction shows that those who have a relatively high wealth among older cohorts came from more typical backgrounds than in younger ones. The six year panel data also shows that intergenerational wealth elasticity is 3.8 percentage points higher when comparing people with those the same age six years previously. There is, thus, very strong evidence of higher wealth intergenerational persistence in younger age cohorts. As it was already higher than for older cohorts and has risen rapidly, standing at 0.44 (ages 32-44) by 2018.

Improved modelling of tax receipts with FRS
Becky Milne, Manchester Metropolitan University
Individuals with very high incomes are known to be under-represented in the Family Resources Survey (and in other household income surveys) and are also likely to under-report their incomes. HBAI makes an adjustment for this using data from the Survey of Personal Incomes

(SPI) and a combination of re-weighting and imputed income increases. However, tax-benefit microsimulation modelling relies on the more detailed income breakdowns in FRS, which are not subject to the SPI adjustment. This means nowcasting using such a model can under-estimate income tax receipts by around 20%. This paper discusses how by applying the SPI adjustment to the FRS data used in the IPPR tax-benefit model, we have reduced the gap between admin and modelled income tax data to around 1%. We also suggest that this can give us greater confidence when modelling future or proposed tax and benefit policies, in particular those that specifically target higher earners.

Spending patterns at older ages and implications for 'pension freedoms'
Heidi Karjalainen, Institute for Fiscal Studies
The UK government removed the requirement to annuitise accumulated pension wealth in 2015. This new policy, called 'pension freedoms', means that people can now draw on their funds in retirement as and when they like. While this has raised concerns that individuals may spend their wealth too rapidly and run out of money, the policy may be beneficial if people would like to spend a greater proportion of their pension wealth earlier in retirement than previously allowed. This could arise, for example, if individuals reduce spending through retirement as health declines.

We shed light on this issue by examining expenditure patterns through retirement of recent generations of retirees, using the Living Costs and Food Survey and the English Longitudinal Study of Ageing. Our analysis incorporates a careful treatment of two particularly important issues. Firstly we need to account for the significant differences between generations in levels of retirement income and spending. A second issue we address is differential mortality, specifically the fact that survival probabilities are correlated with financial resources and levels of spending. Failing to account for these issues would bias estimates of how spending evolves through retirement.

Social origin and wealth accumulation patterns among the younger generation in Britain
Ellie Suh, University of Oxford and Visiting Scholar, CASE, LSE
This study examines the role of social origin in wealth accumulation of Britain's younger adults (aged 25–45). It first develops a typology of accumulation (called 'savers'), using a longitudinal subsample in the Wealth and Assets Survey between 2008/10 and 2014/16. The saver types are established using Factor Mixture Modelling. Latent Transition Analysis is used to examine the likelihood of belonging to a higher-wealth saver type at the initial time point by social origin, as well as the transition probabilities of upward movements. Four distinctive saver types are established: undersavers, property saver-dissavers, traditional savers and investor savers. The chances of being allocated to wealthier saver types at the initial point are linked to individuals' socio-economic characteristics but also to parental homeownership. Given the short observation window, many remain in the same saver type over time. However, upwards movement is more frequently observed among those who grew up with home-owner parents, controlling for other variables. This study's findings show how the younger generation's abilities to build wealth may differ at the earlier stage of life by their social origin, which has important policy implications for inequality.

Young adults living in the parental home: a statistical profile
Juliet Stone and Donald Hirsch, Centre for Research in Social Policy, Loughborough University
This paper presents quantitative findings from a larger, mixed methods study of young adults living in the parental home in the UK. The research adds to existing evidence on co-residence by drawing data from two household surveys, looking at the findings from different perspectives. Family Resources Survey data takes the perspective of the young adult, considering individuals aged 20-34 in terms of whether they are living with their parents or independently, alongside their

individual characteristics. Understanding Society data, on the other hand, considers households where parents have sons or daughters in this age-range, in terms of whether they are living at home or away, alongside the characteristics of the parental household. We identify key differences in the profiles of young adults and their parents in relation to co-residence, by region, employment status, education, housing tenure and ethnicity. While the period being investigated precedes the COVID-19 pandemic, the findings may help shed light on changing patterns of co-residence over the past year, informing our understanding of the phenomenon of co-residence at this stage of life. Qualitative research through in-depth interviews carried out alongside this work will help deepen this understanding.

Combining survey and administrative data to create representative real-time poverty estimates

Mary-Alice Doyle, LSE and Policy in Practice

The UK has introduced unprecedented policies to support households' finances through the pandemic. Are they sufficient to keep households out of poverty? This question is difficult to answer today because data for this period from the Family Resources Survey (FRS), which we rely on for official measures of poverty, will not be available until 2022.

A real-time answer is important for policy.

In the UK, local authorities have a statutory duty to support struggling households. They administer housing benefit and council tax support, and have new discretionary funding to support households in need. Hence local authorities' administrative data present one way to track conditions for low-income households in near real-time.

However, poverty metrics derived from these data alone are not representative of the national situation, and therefore less informative for policy.

To overcome these challenges, we combine both datasets. We use the FRS to construct weights on local authorities' administrative data, which we use to derive high-frequency, representative measures of poverty. We will present our methods using administrative data for London, which we have access to through work with Trust for London. We will discuss the poverty metrics we derive, the strengths and limitations of each source, and the potential to do the same to create nationally representative measures.

Exploring the changing poverty risk facing children in larger families in the UK

Kitty Stewart, LSE, Ruth Patrick, University of York, and Aaron Reeves, University of Oxford

Child poverty in the UK has seen rapid change over the last two decades, falling from the late 1990s to 2012/13 and rising since then. Using 25 years of data from the Family Resources Survey, this paper examines these trends through the lens of family size, asking how horizontal inequalities have changed between larger families – those with three or more children – and smaller families with one or two. We look at trends in poverty rates for the two groups and explore alternative explanatory factors – changes in the composition of who larger families are, differential employment rates, and the impact of social security support.

We find that the UK child poverty story – both the fall and the rise – is almost entirely a story about poverty in larger families. Social security changes are the key driver: these have affected larger families much more sharply than smaller families, independently of the impact of the two-child limit, which is the first policy reform in this period explicitly targeted on family size. Larger families have a greater need for social security support both because of lower work intensity and higher household needs. This has remained true despite steady increases in employment in larger families.