

Family Finances: What Difference Does Cash Support For Children Make?

Tuesday 4th February, 11:00am-12:30pm
Committee Room G, House of Lords, W1A 0AA



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The impact of cash transfers on children's outcomes

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DOES MONEY AFFECT CHILDREN'S OUTCOMES? A SYSTEMATIC REVIEW

Kerris Cooper and Kitty Stewart

This report examines whether money has a causal impact on children's outcomes. There is abundant evidence that children growing up in lower income households do less well than their peers on a range of wider outcomes, including measures of health and education. But is money important in itself, or do these associations simply reflect other differences between richer and poorer households, such as levels of parental education or attitudes towards parenting?

This report:

- reviews the evidence, focusing on research that investigates whether the relationship between money and children's wider outcomes is causal;
- uses systematic review techniques to reduce bias and maximise the number of relevant studies identified;
- considers intermediate outcomes such as parenting and maternal depression, as well as children's health, cognitive, social and behavioural outcomes; and
- given the current tight fiscal climate, provides important insight into the role government transfers to households with children can play in promoting children's life chances, and how these might compare to investments in public services such as education.



Does Household Income Affect children's Outcomes? A Systematic Review of the Evidence

Kerris Cooper¹ · Kitty Stewart²

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Abstract

There is abundant evidence that children in low income households do less well than their peers on a range of developmental outcomes. However, there is continuing uncertainty about how far money itself matters, and how far associations simply reflect other, unobserved, differences between richer and poorer families. The authors conducted a systematic review of studies using methods that lend themselves to causal interpretation. To be included, studies had to use Randomised Controlled Trials, quasi-experiments or fixed effect-style techniques on longitudinal data. The results lend strong support to the hypothesis that household income has a positive causal effect on children's outcomes, including their cognitive and social-behavioural development and their health, particularly in households with low income to begin with. There is also clear evidence of a positive causal effect of income on 'intermediate outcomes' that are important for children's development, including maternal mental health, parenting and the home environment. The review also makes a methodological contribution, identifying that effects tend to be larger in experimental and quasi-experimental studies than in fixed effect approaches. This finding has implications for our ability to generalise from observational studies.

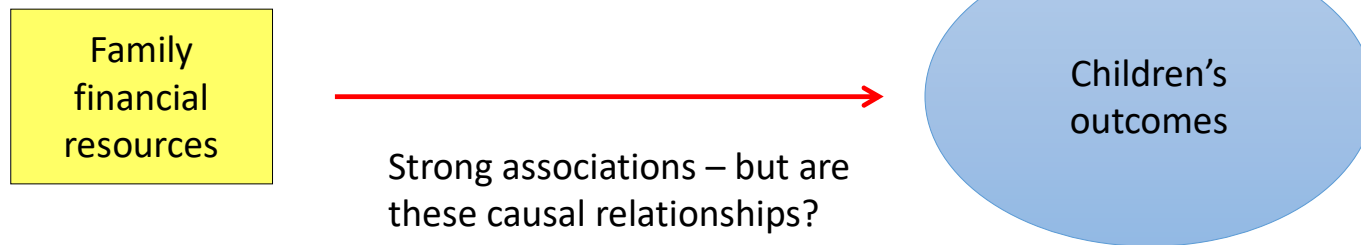
Keywords Poverty · Family income · Child development · Child outcomes · Maternal depression · Causal estimates

Electronic supplementary material The online version of this article (<https://doi.org/10.1007/s12187-020-09782-0>) contains supplementary material, which is available to authorized users.

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Does income make a difference to children's outcomes?



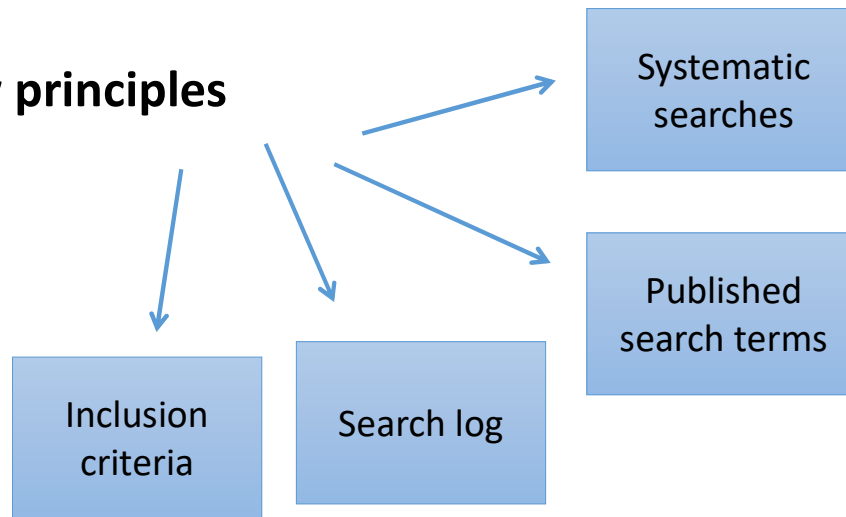
➤ **Confounding factors:** Parental education? Aspirations? Parenting style?

We conducted a systematic review of the evidence base from OECD countries on the relationship between income and children's outcomes, only including studies that use credible methods to establish causal links

(Cooper and Stewart, 2013; updated Cooper and Stewart, 2021)

Methodology

1) Systematic review principles



2) Key inclusion criterion: studies had to use 'credible causal' methods:

- Randomised Controlled Trials
- Quasi-experimental approaches (e.g. natural experiments; instrumental variables)
- Fixed effects (or other techniques that measure changes in resources and outcomes *within households*)

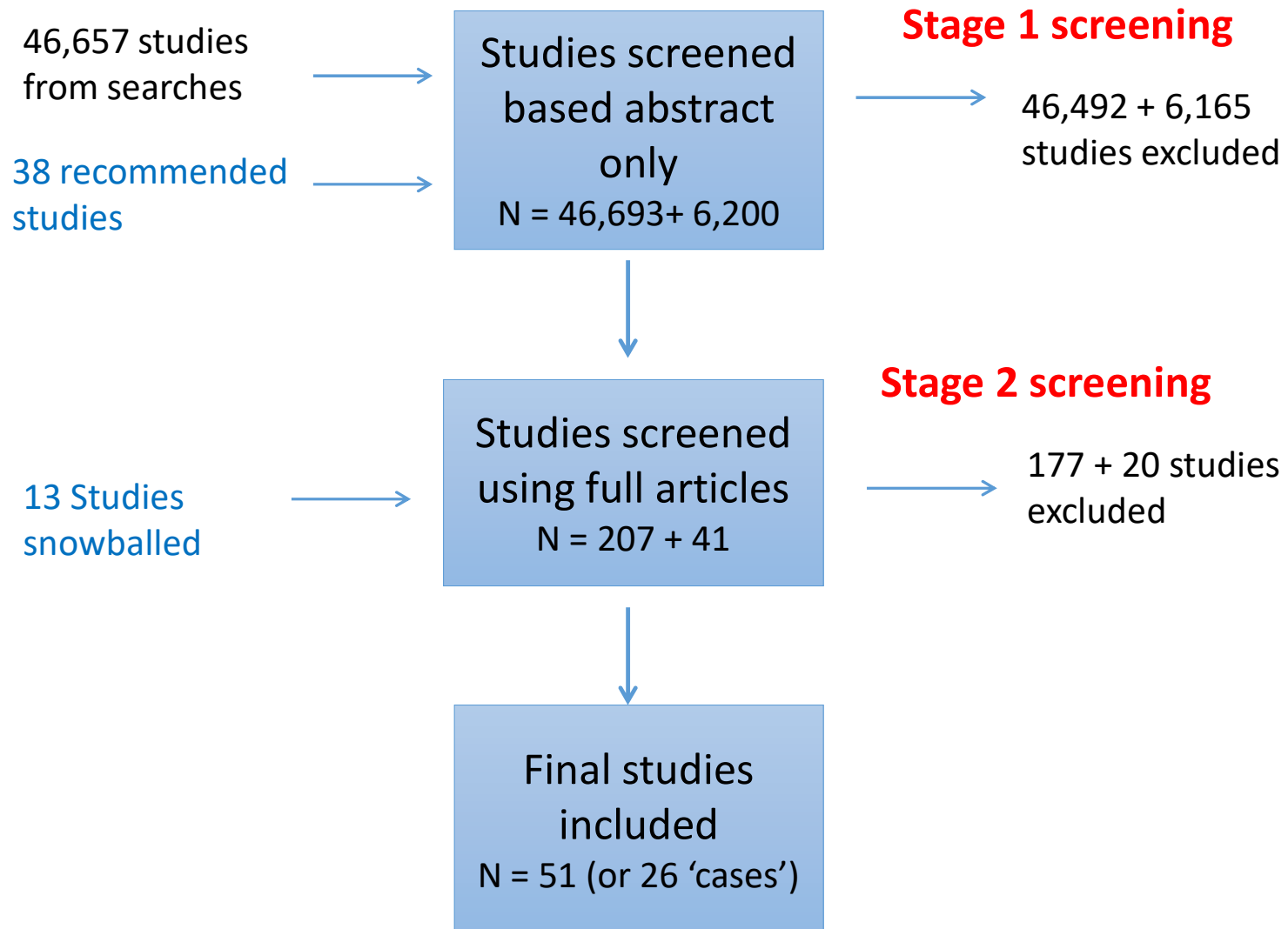
Outcomes we looked at

Children's Outcomes:

- **Cognitive and school achievement**
- **Social, behavioural and emotional development**
- **Physical health**

Intermediate Outcomes:

- **Home learning environment**
- **Parenting behaviours**
- **Parental mental health**
- **Parental health behaviours (smoking, drinking)**



Results for 'cases' by outcomes measured

Nature of outcomes	No effect	Mixed	Positive	Total
Cognitive development and school achievement	1	0	16	17
Social, behavioural and emotional development	2	0	10	12
Physical health	2	1	8	11
Potential mechanisms				
- Parenting/home environment	1	0	4	5
- Maternal mental health	1	0	5	6
- Parental health behaviours	3	0	3	6

Note: In this table multiple studies are treated as one. Results are coded as 'positive' if positive effects were found for outcomes by at least one measure/in at least one of the studies, and 'no effect' if none of the studies/measures found a significant effect. 'Mixed' means a mixture of positive and negative effects were found.

Non-linearities: income changes matter more in households on low incomes to start with

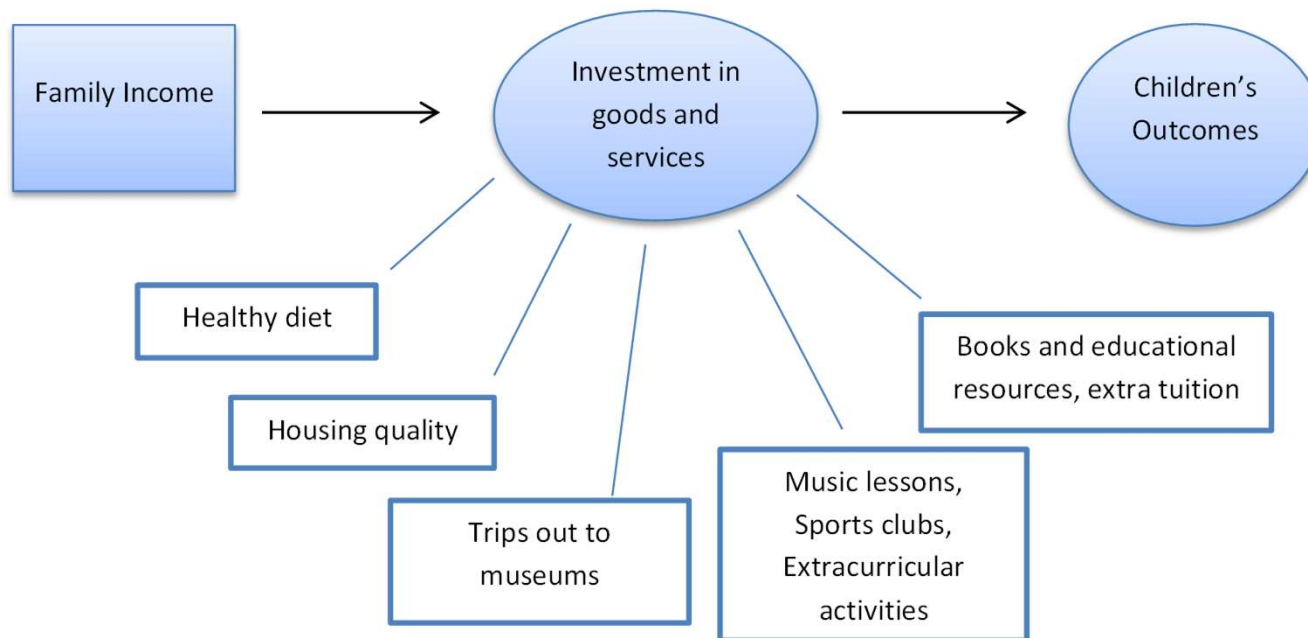
		Effect larger in lower income?	How much larger?	Significant effect at higher income levels?	Outcomes
Separate regressions for higher and lower income groups					
Akee et al (2010)	Quasi-experiment (Casino)	Yes	2-3 times	No	Educational, crime
Costello et al (2003)	Quasi-experiment (Casino)	Yes		No	Socio-emotional
Dahl and Lochner (2012)	Quasi-experiment (EITC)	Yes	2-3 times	Yes (but all are EITC)	Cognitive
Shea (2000)	Quasi-experiment (unions)	Yes		No	Schooling, wages
Dearing and Taylor (2007)	Observational (SECCYD)	Yes	5 times	Yes	Home environment
Dearing et al (2006)	Observational (SECCYD)	Yes	15 times	Yes	Social-behavioural
Dearing et al (2004)	Observational (SECCYD)	Yes	1.5 times	Yes	Maternal depression
Blau (1999)	Observational (CNLSY)	Yes/No	Effects largest at middle incomes.		Cognitive, behavioural, HE
Cesarini et al (2016)	Quasi-experiment (lottery)	Yes	Only significant for lowest quartile		Child obesity
Elstad and Bakken (2015)	Observational (admin. data)	Yes	3 times	No	Educational
Spline function (allowing relationship to vary at different income points)					
Johnson and Schoeni (2011)	Observational (PSID)	Yes/No		Not at highest income	Health
Duncan et al (1998)	Observational (PSID)	Yes	10 times	Yes	Schooling
Non-linear functional forms					
Loken et al (2012)	NE (Norwegian oil shock)	Yes		No	Educational
Votruba-Drzal (2003)	Observational (CNLSY)	Yes	4 times	Yes	Home environment
Zachrisson and Dearing (2015)	Observational (MoBa)	Yes		Yes but v small	Behavioural

HOW MUCH does Money Matter?

- **An annual income boost of £6,000 might be expected to *halve* the KS2 gap between FSM and non-FSM children** (using conservative end of experimental effect sizes).
- Effect sizes for school education expenditure in England similar to lower end of these experimental estimates
- Evidence income affects multiple outcomes (and multiple children): ‘the ultimate “multi-purpose” instrument’? (Mayer 1997).

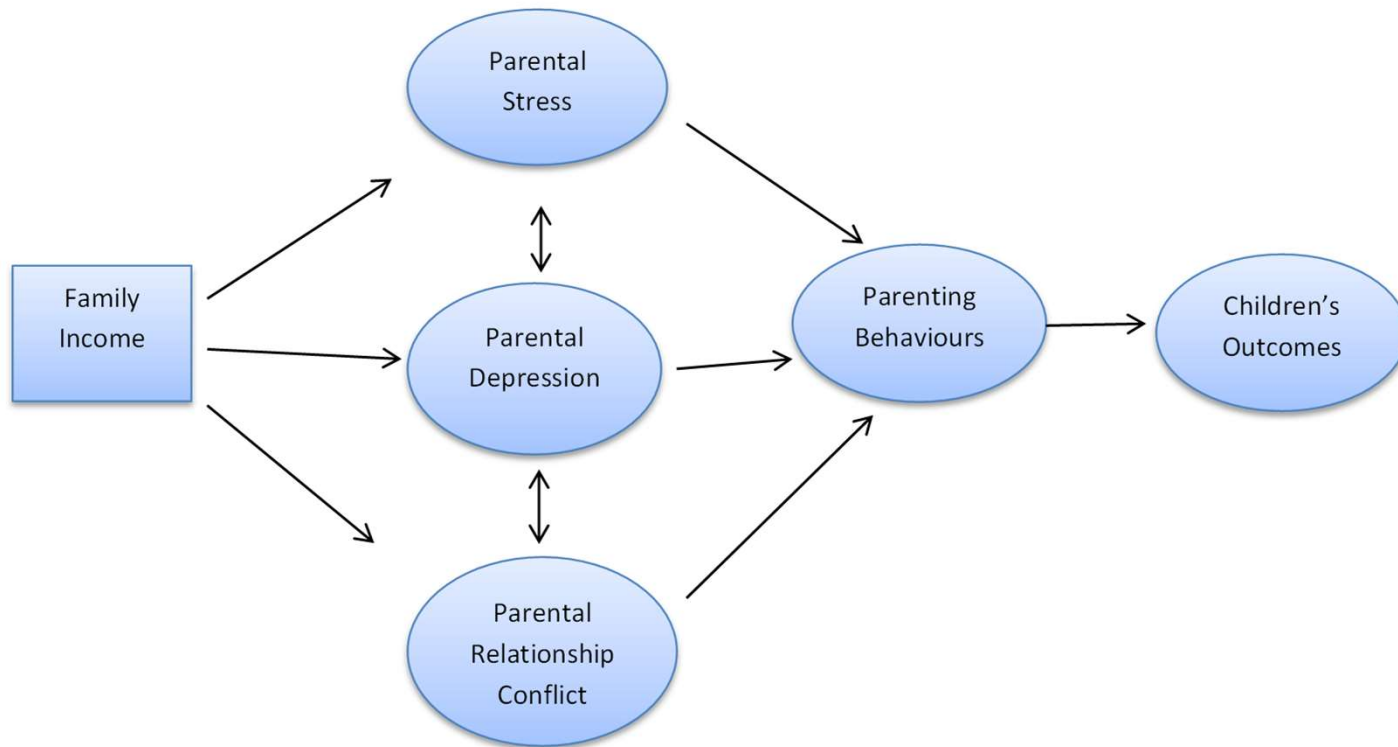
Why does income matter?

The Investment Model



Why does income matter?

The Family Stress Model



Summary and conclusions

- Poverty really matters to children's lives and development: we have a growing base of robust evidence that *low income is itself a key reason* that children living in poverty do less well.
- Low household income has effects on a range of outcomes – health, educational, social and behavioural. These effects are likely to operate via intermediate mechanisms including maternal mental health, parenting and the home environment, as well as ability of families to meet children's essential and wider material needs.
- Much of the evidence in our review comes from the US, but:
 - Positive income effects are found across countries
 - Mechanisms (investment and family stress models) are likely to operate across contexts
- Clear that adequate family income is not all children need, but also clear that child poverty is an important part of the story of what prevents children from reaching their potential - and leaves schools and other services with a much more difficult job.

Professor Aaron Reeves
London School of Economics





Benefit changes & larger families

Investigating the impacts of the benefit cap and the two-child limit: main project findings



Aaron Reeves, Kate Andersen, Ruth Patrick and Kitty Stewart

1

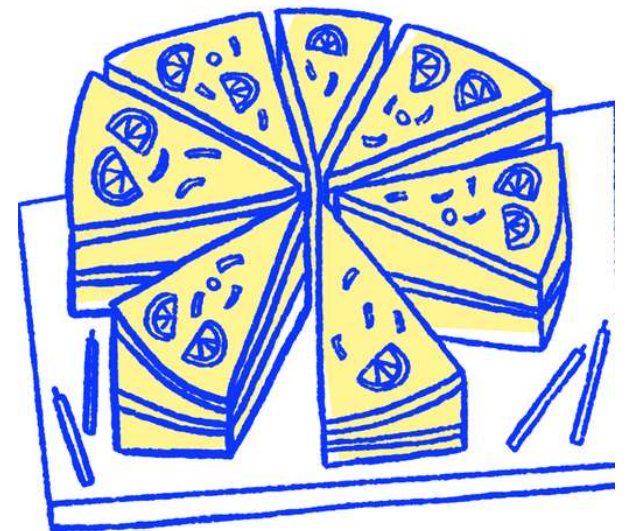
How has the UK's poverty profile been affected by the benefit cap and the two-child limit?

2

How are larger families experiencing and responding to the changing policy context?

3

How and in what ways have the stated reforms affected wider well-being in larger families?



How did we answer these questions?

Statistical analysis of large surveys

Followed 45 larger families

Interviewed parents at up to four points in time over 33 months

Conducted research in Yorkshire and London



Fieldwork:

Round one:
April-November 2021
45 interviews

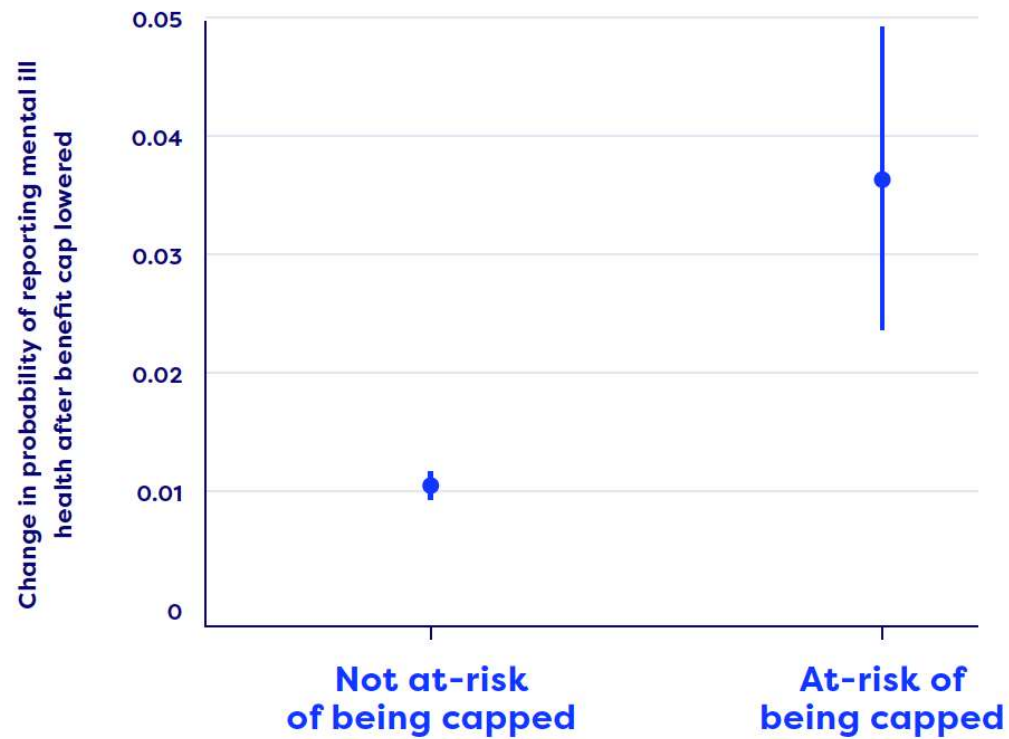
Round two:
January-July 2022
35 interviews

Round three:
September 2022-January 2023
32 interviews

Round four:
November 2023-January 2024
16 interviews

Socio-demographic characteristics		No. people
Area	Bradford	20
	Leeds	1
	York	4
	Tower Hamlets	10
	Hackney	2
	Greenwich	8
Policy affected by	Two-child limit	21
	Benefit cap	12
	Both	12
Length of time affected by policy	Since March 2020	6
	Before March 2020	39
Gender	Female	39
	Male	6
Ethnicity	Black African	9
	Black Caribbean	1
	Pakistani	7
	Bangladeshi	7
	Arabic	1
	Black Caribbean and White	1
	White	19
Relationship status	Single	29
	Partnered	16
Number of children	3	20
	4	12
	5	8
	6	2
	7+	3
Ages of children	All below 12 years	21
	Some 12 years and above	24
Employment status	Employed/employed partner	13
	Unemployed	32

The benefit cap harms mental health

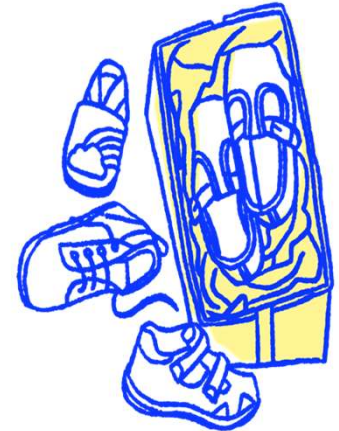


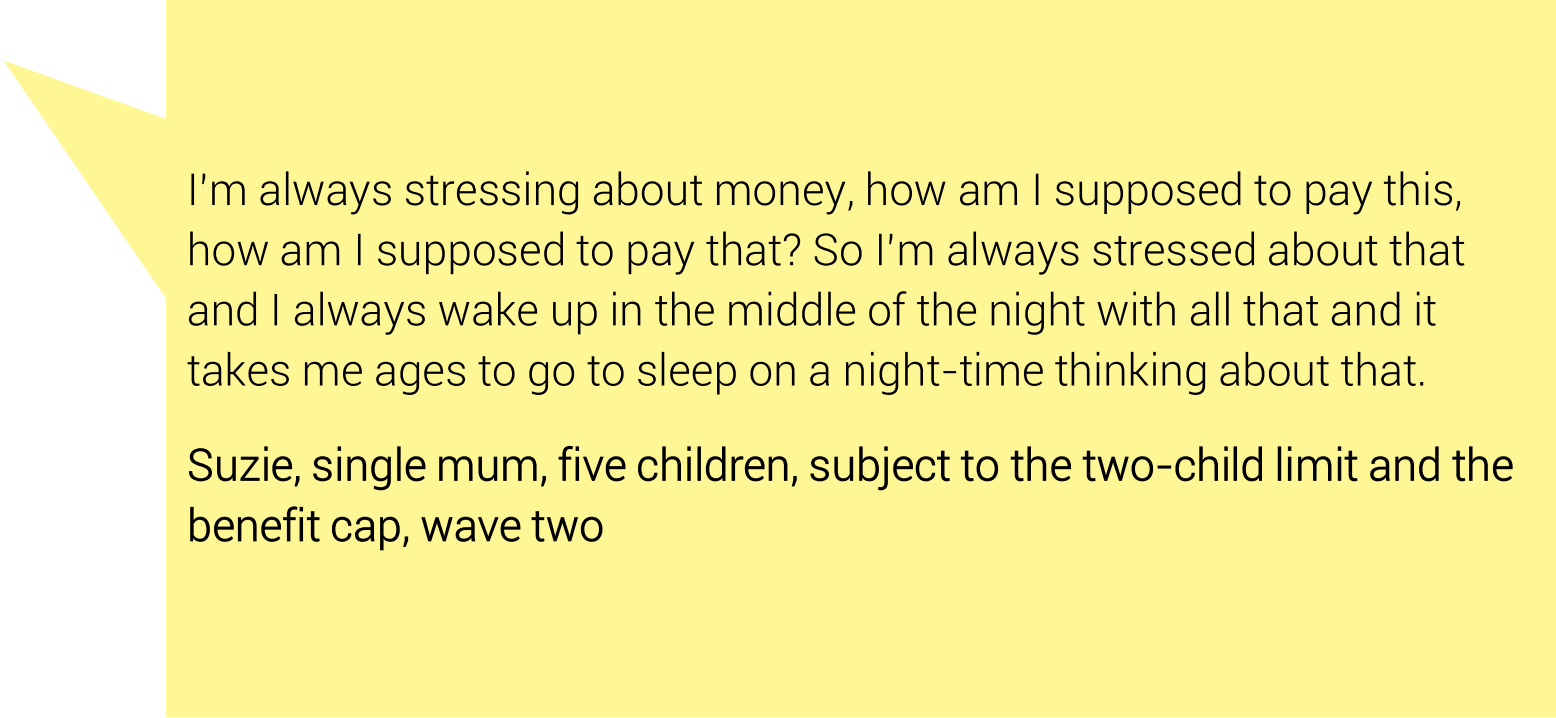
Source: Labour Force Survey. Vertical lines represent 95% confidence intervals.

Financial impacts

Difficulty paying for:

- Food
- Clothes and shoes
- Furniture and white goods
- Nappies, baby food and baby milk
- Rent
- Gas and electric
- Phone and internet
- Technological devices
- Leisure activities
- Children's extra-curricular activities
- School trips
- Cultural and family celebrations (eg Christmas, Eid, birthdays)
- Emergencies

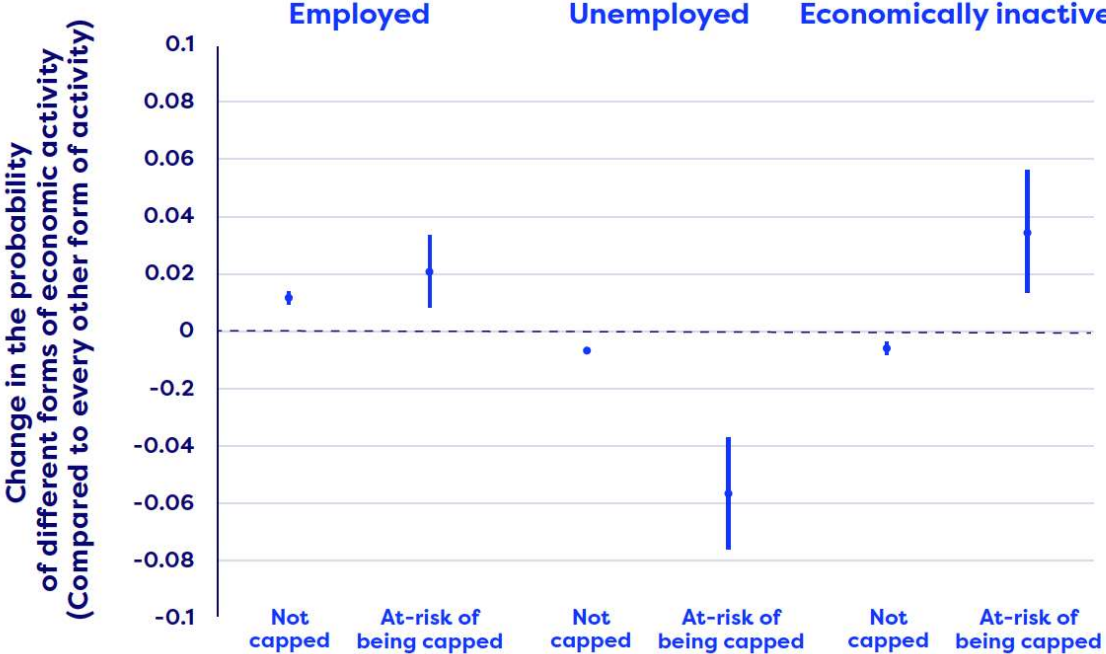


A yellow speech bubble with a tail pointing towards the top-left corner. The text is centered within the bubble.


I'm always stressing about money, how am I supposed to pay this, how am I supposed to pay that? So I'm always stressed about that and I always wake up in the middle of the night with all that and it takes me ages to go to sleep on a night-time thinking about that.

Suzie, single mum, five children, subject to the two-child limit and the benefit cap, wave two

And this moves many of them away from the labour market



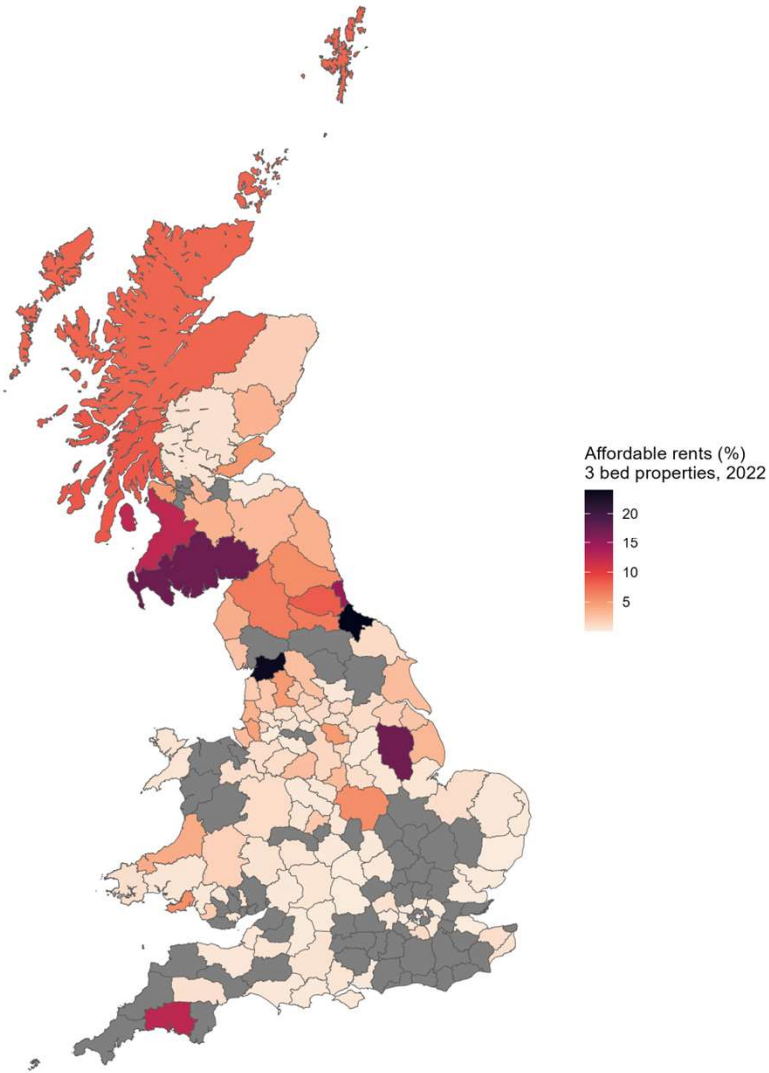
Source: Labour Force Survey Note: 'Not capped' refers to those not at risk of being capped.



You need that extra money to be able to go and look for work or, like I said, get clothes for your interview or things like that; and obviously paying childcare in advance as well. So no, it's not fair because as much as it motivates you to go to work, it's not supporting that first process of going back to work.

Megan, single mum, four children, subject to the benefit cap, wave one

**And they cannot
escape it by
moving**



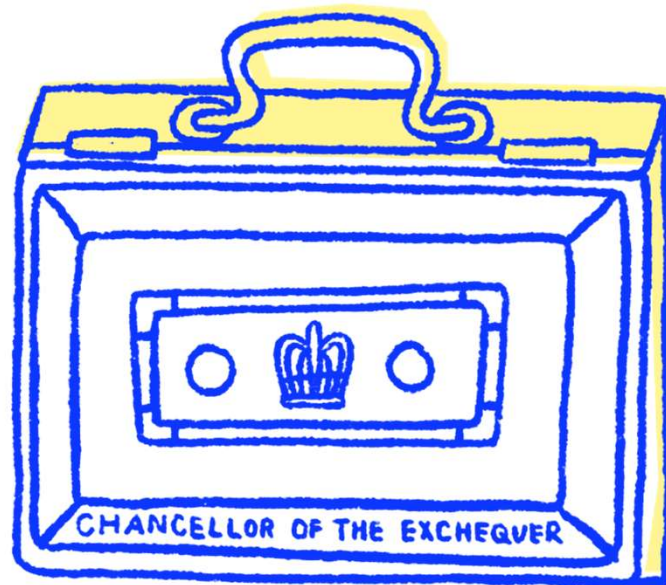
The experience of Lucy (3 children)

I'm still bidding, I've been bidding for over a year now, I would say, yeah, over a year I've been bidding now... I'm eight hundred and twenty now on the bidding so I could get a place, I could not get a place, so I've still got like a three year wait.

To be truthful, this house is not safe, anyway - especially for my son - because all my windows are broken...we have mould, really bad, in our room. The mould has caused me to have a chest infection...The kids can't even come in my room, because the mould is really bad.

My mental health has gone down because my mood has changed and I just feel like every time I go to the children's centre to get an actual food bank voucher I literally, I just keep crying because I feel like I can't do a lot.

After covering rent, some capped families in London will be living on £4 per person per day



What about the 2-child limit?

1. No clear effect on either the number of working hours for those already in employment or the probability of being in employment
 - I. Strong commitment to unpaid care
 - II. Challenges of caregiving responsibilities
 - III. Gaps in suitable childcare.

2. It has a negligible impact of fertility

Implications for policy and practice

The two-child limit and benefit cap are resulting in multiple immediate and long-lasting harms

These policies are not meeting their aims



Lisa Blair

Changing Realities



Professor Ruth Patrick & Professor Emma Tominey

University of York



Investing in children: A comparative study of the impact of the Scottish child Payment

Kate Andersen, Suzanna Neesom, Ruth Patrick, Ilona Pinter, Kitty Stewart and Emma Tominey

Website: <https://familyfinances.github.io/>

A short history of the Scottish Child Payment

- February 2021; £10 per child per week for children under six
- April 2022, £20 per child per week and extended to eligible children under 16
- November 2022, increased to £25 per child per week
- Scottish Child Payment rates now stand at £26.70 per week; and provided to every child under 16
- It is provided to those in receipt of Universal Credit, tax-credits or income-based JSA

A two child family would receive £2776 a year in Scottish Child Payment, a three child family £4165.

Comparison of Scottish social security system for families with UK and EU

SCP represents a large divergence compared to other UK nations

- In clear contrast to Westminster policies such as the two child limit and benefit cap which have reduced support for some families on low income
- **SCP**: provision per child constant across number of children
- But it brings Scotland in line with 16/27 EU countries' financial support for children
- Joseph Rowntree Foundation predicts **child poverty to rise** in England, Wales, NI; but to fall in Scotland (based on OBR growth and benefit rise predictions)

Vital to generate more robust evidence about the effect of the SCP on families in Scotland compared to England

‘Family Finances: what difference does cash support for children make?’

- Exploit the difference in policy approach between Scottish Government and Westminster in a **quasi-natural experiment**
- **Qualitative stream:**
 - Interviews with 40 parents living in Scotland and a comparison 20 parents living in England
- **Quantitative stream:**
 - A difference-in-difference method will compare the change in outcomes for Scottish households pre- and post- policy to the change for matched English households
- **Outcomes:** financial and emotional wellbeing; work incentives
- **Impact stream**
 - Work with CPAG and project participants
 - Ensure findings and recommendations fed directly into policymaking discussions and decisions about how best to tackle child poverty in the UK



Early learnings from qualitative interviews

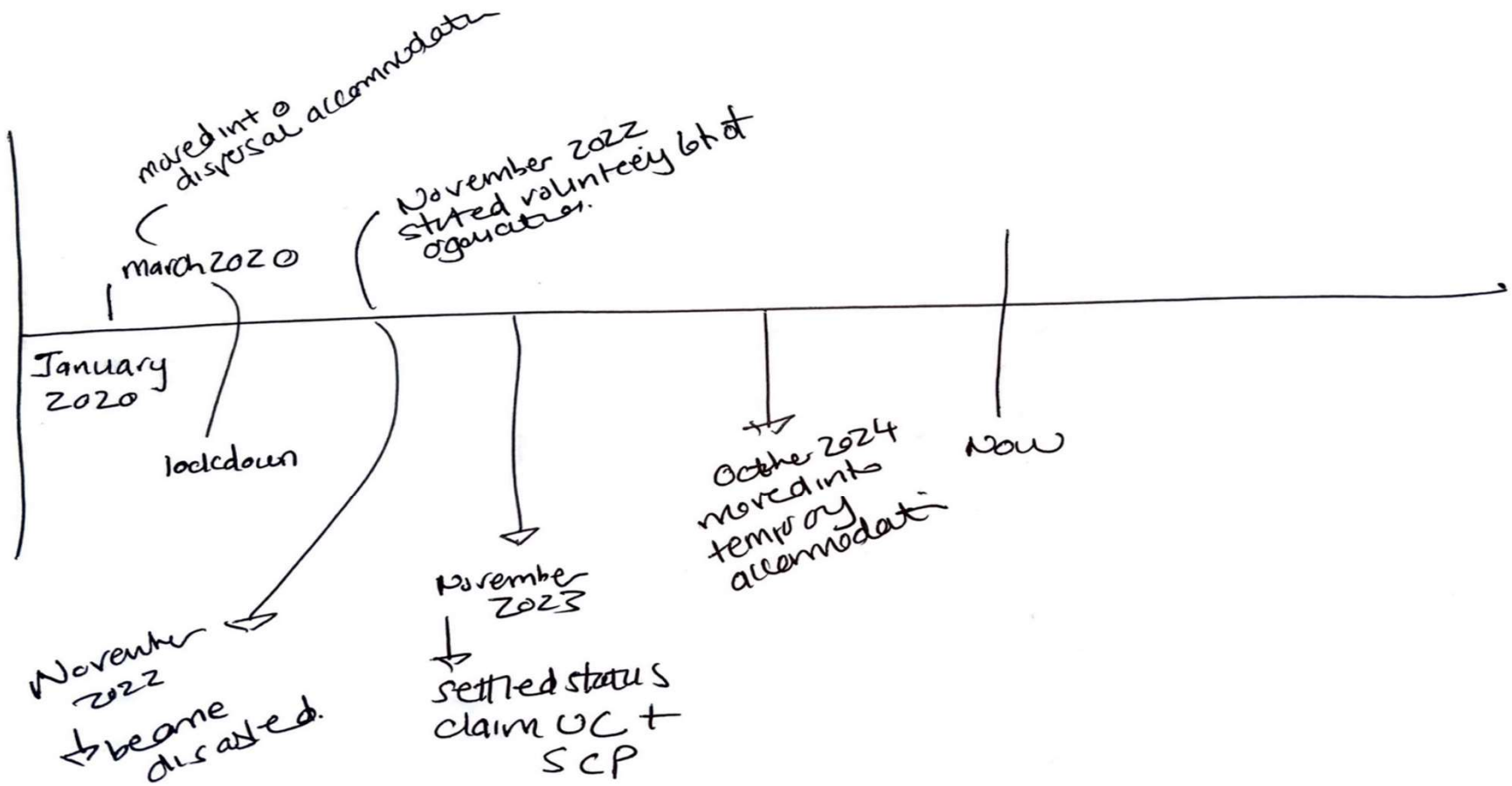
Rhys, lives in Scotland: one child aged 5, physical and mental health issues, £1082 UC (excluding housing costs) plus £116 SCP

"With Universal Credit I can kind of cover a few things and then once it gets kind of to the middle of the month we have zero money by then, so if the Scottish child payment does come in then it's actually kind of tiding us over kind of, you know, until the next payment."

"There's no doubt that it does, you know, go some way into alleviating some of the pressures that people have on their budgets and stuff. For me...it would just go into buying food and essential household items."

Other participants reported the SCP enabled them to afford: winter clothing, extra-curricular activities, savings for children, educational materials, nursery costs

Rhys Timeline



Chloe, lives in England: 3 children aged 6, 10 and 11, physical and mental health issues, £925 UC (excluding housing costs)

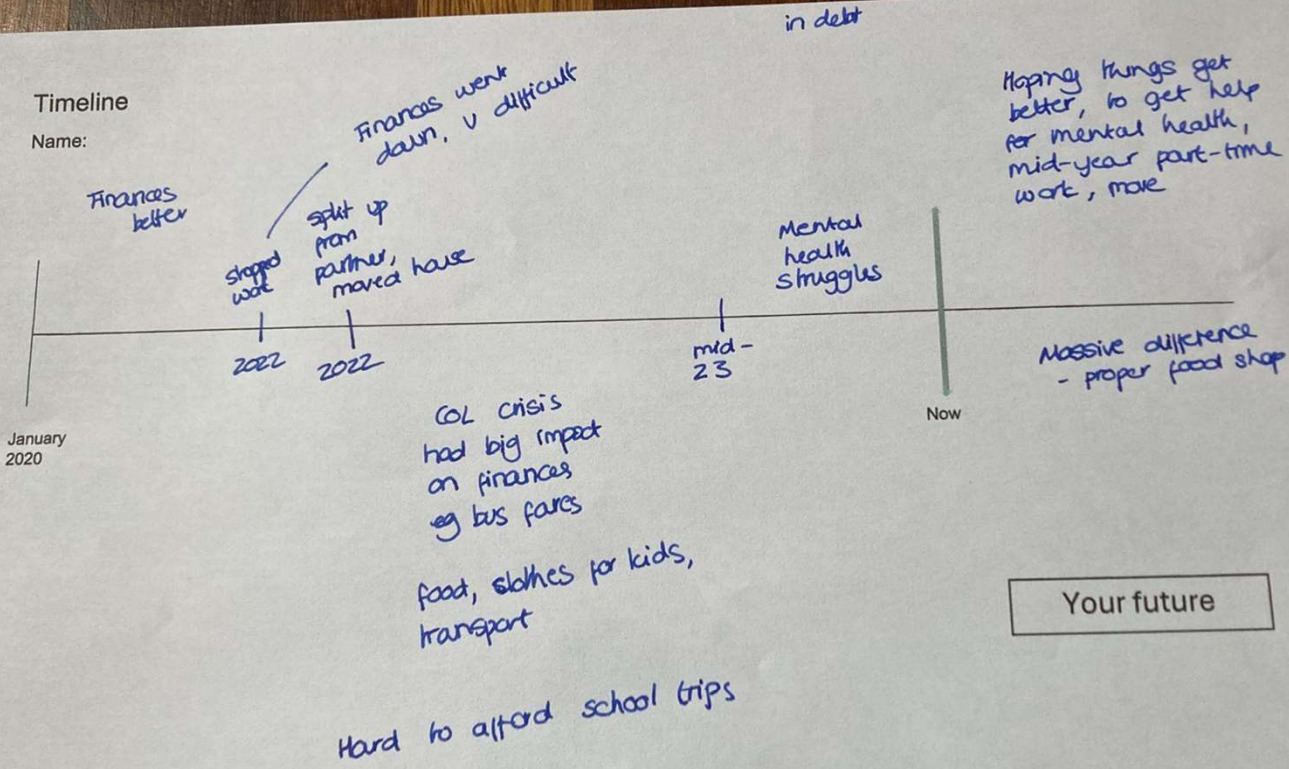
"I am thankful that I'm obviously in a position where I can receive benefits but I don't think it's enough money to have any kind of real standard of living. You survive and that's it really."

"Well it's amazing for them, it's absolutely wonderful for them. But it is frustrating because it's like, well why can't we do more for people that need support also? And for children that need support?...it's heartbreaking really."

"I'd be able to do a food shop, a proper food shop. I think that was kind of my big thing. It'd help with those little expenses and kind of alleviate some of the pressure from them."

Timeline

Name:



Participants share their messages to policy makers

Scottish participants:

"It's great that the Scottish government is doing this but...for me, it's not going far enough. Yeah, and I would appreciate any uplifts with that."

"I probably would say how a positive impact for me it's having on my household...certainly if they increased it that would make it; I think it would pull up a lot of parents including myself more out of the water...They've got a long ways to go to eradicating child poverty and this is just beginning."

English participants:

"[Claiming benefits] has not been an enjoyable experience. It has given me anxiety, it has made me quite ill at points and it is, it's very stressful and it's hard because you've got to be very savvy with your money and you've got to kind of be very, very careful. But yes, that's again, I've got to be thankful for what I do have though so it's a bit of a love-hate relationship."

"We need more help."

Key reflections

- The UK wide Child Poverty strategy needs to learn from and recognise the extent, nature and consequences of devolved differences in the design, delivery and implementation of social security.
- We hope our analysis will contribute to building a greater understanding of the difference made by targeted cash transfers to children

Thank you!