



Inquiry into Intergenerational Welfare Dependence

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Australian Government
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LIFE COURSE CENTRE

The Australian Research Council Centre of Excellence for Children and Families over the Life Course (the Life Course Centre) is a national research centre investigating the critical factors underlying disadvantage to provide life-changing solutions for policy and service delivery.

The Life Course Centre is administered by The University of Queensland and is a collaboration with The University of Sydney, The University of Melbourne and The University of Western Australia. The Centre also has a wide range of collaborative links to national and international partners.

We are committed to tackling the intergenerational transmission of deep and persistent disadvantage, which is characterised by the spread of social and economic poverty within families and across generations, despite overall improvements in the broader society.

We are uniquely positioned to identify the drivers of deep and persistent disadvantage, and to leverage our evidence-based research to develop new knowledge, technology and practices to benefit Australian children and families living in disadvantage.

Utilising this expertise, the Life Course Centre welcomes the opportunity to respond to the Terms of Reference for the **Inquiry into Intergenerational Welfare Dependence** established by the Parliament of the Commonwealth of Australia House of Representatives Select Committee on Intergenerational Welfare Dependence.

For more information on Life Course Centre research visit: www.lifecoursecentre.org.au

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TERMS OF REFERENCE

To inquire into and report on matters relating to welfare dependence of families and outcomes for children, and in conducting the inquiry, the committee:

- a. **examine the reasons for welfare dependence, with particular focus on why some families require welfare assistance for short periods only and why others become ‘trapped’ in the system;**

Understanding the complex mechanisms linking welfare dependence to intergenerational disadvantage requires consideration of the key drivers of entrenched disadvantage, as well as the identification of critical life course junctures and the opportunities for social interventions and investment to help break the cycle of disadvantage.

It is important to differentiate welfare *dependence* from welfare *use*. The former implies lengthier periods of time on welfare or a tendency to repeatedly move in and out of welfare support over long periods. The latter implies fewer and shorter periods of time on welfare, or welfare support associated with specific life course stages such as youth allowance for students, with no expectation that support will be ongoing. A life course approach and longitudinal data that enables consideration of the timing, duration and sequence of welfare support, as well as consequences for others as implied by the concept of linked lives, is critical. Consideration should also be placed on access to opportunity. Reducing welfare dependence implies that opportunities for education and employment are available. These will vary across time and location. Reducing welfare dependence requires attention to both human capabilities and opportunity structures such as education, labour markets, housing, transport and community services.

While there is a wealth of published research in the broad field of intergenerational disadvantage, empirical research in Australia that specifically investigates intergenerational welfare dependence comprised only 29 outputs in the period 1980 to 2013, of which only 18 reported empirical evidence, partly due to lack of relevant data.¹

¹ Perales, P., Higginson, A., Baxter, J., Western, M., Zubrick, S.R. and Mitrou. F. (2014) Intergenerational Welfare Dependency in Australia: A Review of the Literature, Life Course Centre Working Paper: 2014: 09.

The Life Course Centre has undertaken several key studies to start to fill this gap in knowledge. The following responses to the terms of reference highlight what Life Course Centre research is telling us in key areas such as labour force participation, child care and parental support, education, the impact of welfare on disadvantage, and financial wellbeing. Our research suggests that the playing field is not level for all families and children. Disparities in young people's outcomes are not simply the result of their or their parents' differential efforts. Unequal opportunities also play a critical role. Therefore, greater policy effort must be devoted to leveling the playing field for children growing up in particularly vulnerable families.

b. consider:

i. the factors preventing parents from gaining employment;

There is a large literature on female labour force participation which provides a substantial amount of evidence addressing this question. In most families the primary carer is the mother, and it is this caring role that restricts many mothers' labour force participation. The cost and availability of suitable childcare for young children remains a major hurdle for many families, which can have long-term impacts on women's labour market outcomes. Teenage mothers are particularly vulnerable and their parenting role may have an especially detrimental impact on their later life outcomes.²

Life Course Centre research shows certain groups, such as young mothers who are not in employment, education or training, are more likely to experience disadvantage with flow-on effects for their children. Social interventions that improve opportunities for young mothers have the potential to be doubly advantageous by also improving the opportunities for their children. Early interventions in life course pathways are key to preventing and reducing life-long and intergenerational disadvantage.

Assisting mothers to obtain and retain employment reduces the risk of household joblessness. It also reduces the risk of welfare dependence in case of divorce, separation or widowhood by supporting mothers to retain attachment to the labour market. Analysis

² Hoffmann, H. and Vidal, S. (2017) Supporting Teen Families: An Assessment of Youth Childbearing in Australia and Early Interventions to Improve Education Outcomes of Young Parents, Life Course Centre Working Paper: 2017-12.

of the Paid Parental Leave Scheme introduced in 2011 showed that the success of paid parental leave in keeping mothers in the labour force and in their previous employment is dependent on the availability of good and affordable childcare.

Despite the relative lack of interest in fathers' employment and the role of fathers as carers, fathers are critical for understanding mothers' access to employment. Together with Government (in terms of policy) and employers (in terms of workplace flexibility and culture), fathers are important in helping more women to gain employment by sharing the caring role more equally with their partners. It is vitally important that government policies and employers support men to share care.

Supporting parents to maintain labour force attachment when their children are very young through provision of paid parental leave, supporting men to share care, and ensuring high-quality childcare is available for children when parents return to work, is instrumental in keeping as many parents as possible in the labour force.

ii. the impact of intergenerational unemployment on children;

Policy makers in many OECD countries have used parental joblessness, where children live with parents who are not employed, as a key indicator of severe childhood disadvantage. In Australia, parental joblessness is a leading cause of childhood poverty, according to many academic and government reports. Parental joblessness can reduce economic resources, inhibit parents from investing in their children's development, divert parental attention, cause stress within the family, reduce social connections, and model jobless behavior for children, all of which may contribute to worse outcomes in adulthood.

While it is well established that growing up in a low-income household is negatively associated with later life outcomes, relatively little is known about the mechanisms that could potentially mitigate the link between parental joblessness and the future employment prospects of children. One such mitigating mechanism could be education, particularly at the university level. Life Course Centre research³ finds that

³ Curry, M., Mooi-Reci, I. and Wooden, M. (2018) Parental Joblessness and the Moderating Role of a University Degree on the School-to-Work Transition in Australia and the United States, Life Course Centre Working Paper: 2018-09.

parental joblessness for a substantial proportion of childhood and adolescence is associated with slower transitions into employment among young adults. However, achieving a university degree reduces the negative effect of parental joblessness, suggesting that parental joblessness is most harmful for Australians who leave education before earning a university degree. Therefore, less-educated Australians with jobless parents are doubly disadvantaged as they transition from education into the labor market.

iii. the important role of parents as ‘first teachers’;

Helping disadvantaged parents to gain education and employment can be an important first step in breaking the cycle of intergenerational disadvantage if parents’ employment creates a better environment for children in the family. But not all employment is good employment. Our research on parents in insecure employment or employment that requires very long hours of work shows that children aged 4-9 years fare worse on social, emotional and behavioural development outcomes than similarly aged children with parents in secure employment with shorter work weeks.⁴

We also have evidence that more educated parents spend more time with children than less educated parents and moreover, that educated parents tailor their time with children to favour activities that are particularly important at different developmental stages - a finding that has been termed the ‘developmental gradient.’⁵ This provides strong evidence that parenting practices shape socio-economic outcomes and the transmission of (dis)advantage, with important implications for understanding social stratification processes, as well as ways of intervening to improve outcomes for children.

⁴ Lam, J., O’Flaherty, M. and Baxter, J. (2016) Dynamics of Parental Work Hours, Job Insecurity, and Child Wellbeing during Middle Childhood in Australian Dual-Income Families, Life Course Centre Working Paper: 2016-11.

⁵ O’Flaherty, M. and Baxter, J. (2018) The ‘Developmental Gradient’ Revisited: Australian Children’s Time with Adult Caregivers from Infancy to Middle Childhood, Life Course Centre Working Paper: 2018-16.

Support at the entry to parenthood for young parents is most critical and can include investment in child care, housing and employment that make it easier for parents to arrange work and family responsibilities in a more equal way.

Evidence-based positive parenting programs also have a crucial role to play in promoting positive child development. According to Professor Matt Sanders, Chief Investigator in the Life Course Centre, Director of the Parenting and Family Support Centre at The University of Queensland and the founder of the Triple P - Positive Parenting Program, children who are raised in a positive parenting environment do better at school, make friends more easily and are less likely to have emotional and behavioural problems as they age.

The principles of positive parenting are based on providing a safe, engaging and positive learning environment for children, and recognise that raising children is a shared parental responsibility. Making such programs easily accessible to all families can improve the knowledge, skills and confidence of parents, empowering them to participate in the planning, decision-making and example-setting that impacts on their children.

iv. a multi-generational approach which assists parents and their children together;

The transfer of advantage and disadvantage across multiple generations is receiving increasing attention in international literature. However, transfers of resources across multiple generations in Australian families are less well understood due to the limited availability of multi-generational data.

Using a longitudinal dataset of Australian children, Life Course Centre researchers have investigated the transfer of educational resources across three generations in Australia, and the gendered nature of these transfers, which has been a limitation of other studies. They found no evidence of individual grandparent education effects on numeracy and reading scores for grandchildren in Year 3, independent of parent educational attainment and other covariates. However, significant effects on numeracy and reading scores were observed for children in families where both the grandmother and grandfather in maternal and paternal grandparent sets had high educational attainment (a diploma or university qualification), and where either or both the mother and father had a university qualification.

These results⁶ suggest that the contribution of grandparents to the academic achievement of grandchildren cannot be fully explained by the parent generation and that the concentration of human capital in families contributes to educational inequalities across multiple generations that can be observed by eight years of age.

v. the impact, if any, of welfare in creating disadvantage;

Life Course Centre research shows young people aged 18-26 years are almost twice as likely to need social assistance if their parents have a history of receiving social assistance. The extent to which social assistance is linked across generations however, depends on the nature of those benefits. The relationship is particularly strong in the case of single-parent payments (PPS), disability payments (DSP), and carer payments (CP). The likelihood of young people receiving social assistance is 1.6 times larger if their parents received any of these three payments than if they did not. In contrast, partnered-parent payments (PPP) and unemployment payments (NA) are associated with rates of social assistance receipt among young people that are 1.3-1.4 times higher.

The relative correlations across social programs can inform us of the potential pathways linking welfare receipt across generations. For example, the intergenerational correlations in DSP and PPS may be the strongest because disability and single parenthood significantly hamper parents' ability to invest time and attention in children. These mechanisms can harm young adults' human capital development and diminish their labour market opportunities, leading to greater reliance on welfare.

Parental disability and single parenthood can also directly increase young adults' caring responsibilities towards parents or younger siblings. For example, we find a six-fold increase in caring responsibilities for those young adults whose parents received disability (mental health) payments. In contrast, young people are only somewhat more likely to experience social and economic disadvantage if they grow up in families receiving NA or PPP payments than if their families received no social assistance at all. Disadvantage

⁶ Hancock, K. J., Mitrou, F., Povey, J., Campbell, A. and Zubrick, S. R. (2018) Educational inequality across three generations in Australia. *Australian Journal of Social Issues*, 53(1), 34-55.

stemming from parents' poor labour market outcomes may be less likely to constrain time and attention investments, and thus may be easier for young people to overcome.

Long-term exposure to social assistance as a child does not seem to have the compounding effects on young adults' own welfare receipt patterns. Young people with parents who received welfare payments over an extensive period of time are only somewhat more likely to receive social assistance, or require more intensive assistance, compared to young people whose parents received welfare for a trivially short period of time. The fact that what matters is not how much social assistance families receive, but rather that they receive any at all, argues against the existence of a widespread welfare culture in which values are shaped and disadvantage becomes increasingly entrenched.

In addition, as all the payment programs provide financial assistance to low-income families, and have broadly similar incentive structures, the differences in young adult outcomes may have less to do with growing up on one type of payment versus another type of payment, but more likely reflects the impact of parental disadvantage regardless of assistance type. Our results⁷ make an important contribution to furthering our understanding of whether government policy reduces or perpetuates social inequalities in future generations.

c. recommended options for:

i. breaking cycles of disadvantage;

Breaking cycles of disadvantage requires a multi-pronged approach that includes targeted and tailored solutions that respond to the ways in which disadvantage is experienced differently across social contexts, new knowledge about why an intervention may work better for some people than others, and broad population-based and preventative approaches.

Public policy is often focused on individual 'risks' thought to produce poorer outcomes for both families and their children. However these risks do not occur one at a time, but

⁷ Cobb-Clark, D., S. Dahmann, N. Salamanca, and A. Zhu. (2017) Intergenerational Disadvantage: Learning about Equal Opportunity from Social Assistance Receipt, Life Course Centre Working Paper: 2017-17.

rather occur in batches. The co-occurrence of these risks are better thought of as ‘developmental circumstances’. These circumstances vary in length, intensity and duration and they can differ by place. A population-based approach moves away from a concern with individual prediction and instead conceptualizes human circumstances that might be considered in the development of policies affecting whole populations. In this regard, it has parallels with population analyses that support social investment strategies.

An example of this is the Every Family project, which is a current Life Course Centre study examining the effectiveness of the Triple P - Positive Parenting Program in 38 disadvantaged communities in Queensland. Triple P has been extensively evaluated around the world and found to produce more consistent and better parenting and child outcomes. However, our study is innovative because we are interested in how well Triple P works in highly disadvantaged communities, and we also want to see whether there are community-level effects of a widespread program rollout. In particular, if you get a certain level of community ‘saturation’ of the program, do benefits spill-over to families who don’t directly receive the parenting program, and can we see these benefits reflected in better outcomes at the community level? This is much more like a major public health intervention, such as vaccination, where you focus on directly addressing the causes of an adverse outcome through prevention, rather than responding to symptoms when they arise. By comparing our 38 communities of interest in Queensland to socioeconomically similar communities outside of Queensland, where Triple P is not being implemented, we can begin to assess whether this ‘public-health’ approach to improving parenting, getting the dose into the whole community, can work.

We believe there is scope for more considered population approaches, and broader vigour in implementing public policies and strategies, to address deepening inequalities in the financial and material circumstances of families and their children. Such approaches would need to operate over extended time frames with coordinated and navigable pathways that intersect with family and child development opportunities. They would also require collaboration across jurisdictions and states to collate and analyse suitable data for rigorous evaluation of child and family outcomes.

ii. measuring the effectiveness of evidence-based interventions;

Defining the effectiveness of evidence-based social interventions is complex and requires consideration of both short and long-term effects, and also the occurrence of people moving out of, and falling back into, disadvantage.

Researchers from the Life Course Centre are currently involved in evaluating the Australian Government's Try, Test and Learn (TTL) Fund, which trials innovative approaches to assist people at risk of long-term reliance on welfare to move into stable and sustainable employment.

The TTL is a new way of approaching program and policy design, and represents an ongoing commitment to co-designing, developing, improving and learning from innovative ideas about how to address issues of disadvantage and welfare dependency.

This is an example of providing the evidence-based evaluations essential for effective policy design and implementation. It is critically important that rigorous evaluation, preferably over long periods to assess potential 'fade out' effects, is used to assess effectiveness of social interventions. It is also important that we do not borrow uncritically from other contexts. Effective social interventions from other countries, such as the United States where the political and institutional framework is very different to Australia, may not have the same outcomes in Australia. At a national level, there may also be variations across states, regions and communities in effectiveness of evidence-based interventions.

iii. the improvement of the financial capacity and security of families ;

Financial wellbeing is a complex, multifaceted condition and a universal concern. It involves paying bills, meeting expenses, and carrying out transactions, but it also involves moving money over time through borrowing and saving from periods when resources are high to when resources are low. It further involves people protecting themselves against negative, adverse events and meeting needs for security, control, and economic fulfillment. People's incomes, resources, and needs play important roles in their financial wellbeing, but their financial capacity, including their numeracy, financial literacy, financial attitudes, and access to financial products are also critical.

Families who receive government assistance are especially likely to have low financial wellbeing. The characteristics associated with assistance receipt, including unemployment, caring responsibilities, disability, and low incomes can lead to lower financial wellbeing. However, financial wellbeing varies greatly within these groups and rises with people's financial capabilities. Families who heavily rely on government assistance are more likely to struggle investing time and money in their children. Children from these families have worse educational, socio-emotional, and behavioural outcomes, and the lack of parental investments can explain part of this gap. Our results indicate that there is considerable scope for policies and interventions to raise people's financial wellbeing by improving their financial capabilities.

If anything, the financial landscape for Australian families appears to be getting tougher rather than easier. Financial exclusion, defined as a lack of access to key financial products, and the use of costly, non-standard financial services such as payday lending are particularly prevalent among disadvantaged families. In this worsening environment, government policies to increase disadvantaged families' financial capacity and wellbeing are retreating rather than advancing. Beginning in 2019, the Commonwealth Government will restrict access to:

- Commonwealth Financial Counselling, the Commonwealth Financial Counselling Helpline, and Financial Counselling for Problem Gambling to people who cannot pay bills or are at risk of not paying bills;
- Financial Capability services to people in receipt of Commonwealth social security benefits, allowances or payments and to some other groups;
- Community Development Financial Institution services to people receiving unemployment benefits and women experiencing violence;
- Saver Plus assistance to people in receipt of Commonwealth social security benefits, allowances or payments; and
- The No Interest Loan scheme (Department of Social Services 2018).

These changes will undoubtedly reduce financial capacity and wellbeing among disadvantaged families who lose eligibility for the services. Worse, several of the changes may increase the welfare use of families now and possibly in the next generation. Conditioning eligibility for services creates a cliff-edge disincentive to leaving the welfare system as families who are receiving benefits but are at the margin of earning enough to exit the system face the total loss of these services. The changes also eliminate access to services among disadvantaged people who are at risk of entering the welfare system but not currently receiving benefits.

vi. better coordinating services between tiers of government to support families;

In attempting to reduce a proportion of the welfare dependence of some families while improving the outcomes of children, a more considered population approach may offer avenues for better deployment of public policy and monies between and within State and Commonwealth responsibilities. Policies and practices that address intergenerational dependency on welfare need to be better deployed on the basis of the developmental circumstances of families and children, using a mix of policy prerogatives that influence place-based governance for local priorities and actions. To do this, leaders and agencies need descriptions of the developmental circumstances of their local child population. We believe this is within the reach of current administrative data systems and that there is an opportunity for leadership to achieve this.

d. consider any other related matter:

To better understand intergenerational welfare dependence requires linked longitudinal administrative data that combines State and Commonwealth data. Analyses of these data is critical if we are to move beyond anecdotal evidence to understand the causes and consequences of disadvantage, and develop effective interventions to address it. We welcome government reforms toward greater access to public sector data whilst ensuring strong security and privacy protections. The establishment of the National Data Commission is an important step in this direction. We strongly encourage governments to continue cooperating and collaborating to provide integrated data infrastructure across states and jurisdictions that enable high quality analyses of intergenerational welfare dependence and policy solutions. Proof-of-concept projects that showcase the potential insights to be gained from analyses of linked longitudinal administrative data may be an important avenue for highlighting the value of these data. The Life Course Centre has undertaken some proof-of-concept projects⁸. But as data become more accessible, the strengths and weaknesses of available data are established, and government aims for addressing entrenched welfare dependence are prioritised, more work will be required.

⁸ Spallek, M., Haynes, M., Baxter, J. and Kapelle, N. (2018) Relationship Separation and Length of Time in Receipt of Income Support Payments; A Longitudinal Analysis of Australian Government Administrative Data, Life Course Centre Working Paper: 2018-11.