UK Data Service

Family Finance User Conference 2023

10 July 2023, 09.45 – 15.30

Abstracts

Keynote presentation

Key data infrastructure: how JRF uses survey data to understand and work out ways to reduce poverty

Peter Matejic, Joseph Rowntree Foundation

JRF an independent social change organisation, working to support and speed up the transition to a more equitable and just future, free from poverty, where people and planet can flourish. We are a major consumer (as well as a producer) of financial surveys, using these to look at living standards, economic insecurity and poverty. Peter will outline how JRF uses a range of datasets, outlining the latest state of play in terms of the health of the nation, as indicated by how people who are worst affected by the cost of living are faring. He will outline future work by JRF, drawing from and extending these surveys. Finally, he will talk about his experience of a user outside Government, and what he sees as some of opportunities to develop family finance surveys further.

Research paper abstracts

Intergenerational transmission of wealth in Great Britain: What components of wealth matter?

Ricky Kanabar and Professor Paul Gregg, University of Bath

The rapid widening of intergenerational wealth inequalities has led to sharp differences in living standards in Great Britain. Understanding which components of wealth are driving such inequalities is important for improving wealth and social mobility. We show the change in the intergenerational persistence in wealth in Great Britain is due to inequality in offspring housing wealth and that offspring homeownership has become increasingly stratified by parental wealth even after controlling for individual's own characteristics. Our findings imply the intergenerational rank correlation in housing wealth is set to double in just six decades and highlight the increasingly important role parental wealth has for determining whether offspring hold and the rate at which they accumulate types of wealth.

The gender gap in pension saving in the UK

Laurence O'Brien, Institute for Fiscal Studies & University College London

In this report, we document differences in pension incomes and pension saving between men and women in the UK, and analyse the drivers behind these differences. In particular, we examine two different 'gender pension gaps'. First is the gap in average private and state pension incomes between men and women who are already over state pension age. Second is the gap in average pension saving between working-age men and women, with a focus on how this is affected by differences in labour market experiences, and how the gaps differ for private sector employees, public sector employees and the self-employed. We use multivariate regression analysis to decompose the underlying drivers of the within-sector gaps.

Who is over indebted in Britain: evidence from the Wealth and Assets Survey

Jonathan Crook, University of Edinburgh

We investigate the causes of overindebtedness in Britain using a panel sample over three two- year periods containing over 77,000 observations. We consider three different measures of overindebtedness. Unlike most previous papers we correct for the sample selection bias that may come from analysing only those who have debt to make inferences about the population. Controlling for many socio-demographics characteristics we find that those with poor general health are more likely to be overindebted whilst those with longstanding illness and those who are risk averse are less likely to be overindebted. We do not find that being less financially literate results in overindebtedness in the population but it does for those in our sample that hold non-mortgage debt. The socio-demographics that we use as controls also reveal other possible causes of overindebtedness such as factors associated with an individual's lifecycle, whether a single parent, educational qualifications, whether unemployed, wealth and income. We identify the characteristics of those who transition into being overindebted and of those who recover. Having bad health increases the chance of transitioning into being overindebted but does not affect the chance of moving out of being overindebted, whilst having long standing illness does the opposite.

The policy and the reality of effective marginal tax rates – is there a difference?

Mary-Alice Doyle, Policy in Practice and London School of Economics

The benefits system is designed to preserve the incentive for individuals to work. However, the combined impacts of taxes, benefit taper rates, and passported benefits and services, means that some households face very high effective marginal tax rates. These can serve as a disincentive to work. It is now well known that the interaction of certain policies – such as the High Income Child Benefit Charge, and support for housing and childcare under Universal Credit – can mean that some households face effective marginal tax rates (EMTRs) of 90% or more (Brewer, Hanscombe and Kelly 2022, Ghelani, Clegg, Bahia and Charlesworth 2023). But how many households actually face these rates? Analysis of EMTRs is generally based on case studies, assuming full benefit take-up and compliance, and focusing on the impacts of a handful of policies. In this presentation, we ask: 1) how do current rates of benefit take-up affect the EMTRs that households actually face?, and 2) In addition to income taxes and DWP benefits, how do local and national passported benefits affect these EMTRs? To answer this question, we use the Family Resources Survey, combined with Policy in Practice's detailed benefits calculator. We run the FRS data through the benefits calculator, to estimate which benefits households may be eligible for but not claiming. This means our EMTRs take into account all local and national taxes, as well as passported benefits and social tariffs, under both the current and legacy benefits system. We estimate EMTRs based on actual take-up rates of benefits as reported in the FRS, and compare these with the EMTRs that would apply if the household claimed all of the benefits they are eligible for.

Untold parts of the story: filling gaps in income and living standards data to better reflect the livelihoods of people using food aid services
Wolf Ellis, Loughborough University

High recent levels of food aid usage in the UK draw attention to informal components of many people's livelihoods which are under-researched and lacking in quantification, largely absent from survey datasets including the FRS and HBAI. This study demonstrates the considerable impacts of often-overlooked income and cost types on the resource access and living standards of people using food banks or community meals in London, while also exploring the effects of several other survey framework modifications.

The study piloted a hybrid new Enhanced Family Budget approach, bringing together ground-breaking 'household economy' methods developed in the Global South with questions on income, costs, and experiences of subjective food insecurity from established large-scale surveys. The household economy methods allow for analysis of more informal incomes (including 'food income') and longer-term patterns, among other livelihood aspects. Minimum Income Standard budgets were used to consider the adequacy of the net incomes recorded, and open-ended questions gave additional context and meaning.

Incorporating a wider range of informal incomes and essential costs into this study's analysis revealed how important these are for understanding people's circumstances. Many of the highest net incomes – as measured by conventional means – for the families turning to food aid were found to be considerably overestimated, once the additional costs were accounted for. Conversely, the additional incomes help to explain cases of what could otherwise be assumed to be under-reporting of income at the bottom of the income distribution. However, some of these incomes are too socially unpalatable to count towards official poverty measures. Notable further changes to the measured living standards stemmed from a focus on resource-sharing units of analysis, the factoring in of fluctuations in household composition, and the use of longer and more specific reference periods. The results also point to limitations of established measures of subjective food insecurity.