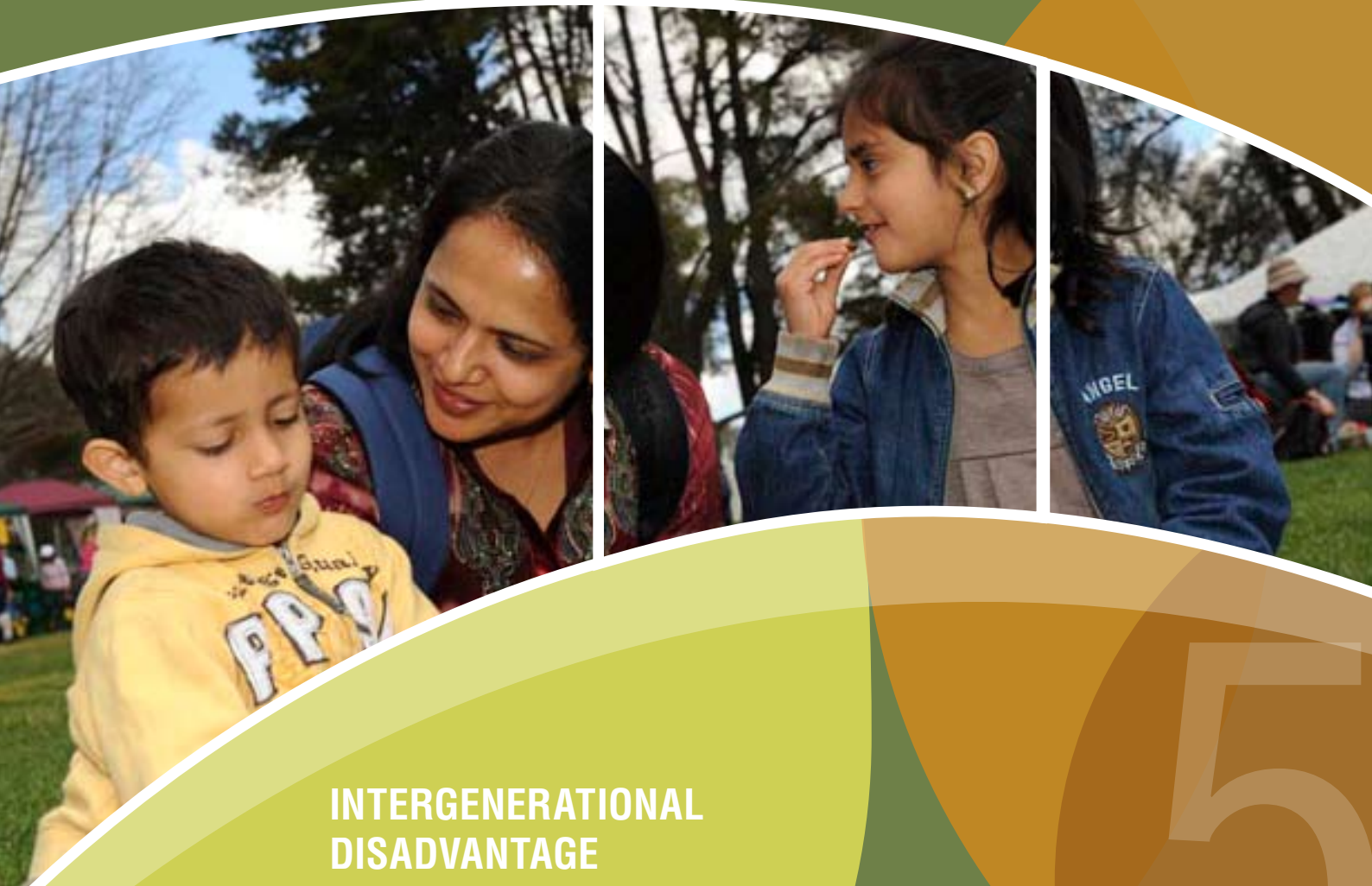




Australian Government

Department of Education, Employment
and Workplace Relations

Social Inclusion



INTERGENERATIONAL
DISADVANTAGE

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January 2009

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INTER-GENERATIONAL DISADVANTAGE

Introduction

For some time now work participation statistics in Australia have confronted us with the apparent prolongation of the disadvantages experienced by some parents in the lives of their offspring. Australian Bureau of Statistics (ABS, 1994) data has indicated that young people whose parents are not in work have lower labour force participation rates and higher unemployment rates than young people with at least one parent at work.¹ More recently, information gathered from a group of jobseekers showed that young people with one or both parents in work were significantly more likely to have found stable employment over a one-year period than young people whose parents were not in work (ABS, 1998).² It is the meaning of this type of pattern that is explored in this paper and an attempt is made to estimate the extent, the medium and cost of the passage of disadvantage from one generation to the next.

'Inter-generational disadvantage' refers to the disadvantage induced by the attitudes, social circumstances or economic limitations of a person's parents. Evidence will be adduced in this paper that not all of the aforementioned factors are of equal importance but, in general terms, preventing inter-generational disadvantage involves the provision of support and opportunities essential to a person's favourable personal and economic development. "Irrespective of their details, intervention measures share one common objective—to prevent the deprivation of assets (material, intellectual, and of other kinds) of the older generation from becoming deprivation of the younger generation's access to opportunities"³. The consequences of that deprivation can include the stunting of a child's social development and the failure of a young person to reach her or his full potential. From an economic point of view, the legacy of childhood disadvantage can last long into adulthood imposing economic and social costs on society that will be examined in more detail later in this paper.

Studies cited by Ludwig and Mayer (2006)⁴ show that more is involved in the intergenerational transmission of disadvantage than parental 'culture.' The authors contend that getting parents to work, marry and attend religious services would not cause poverty to plunge in the next generation because most poor adults do not grow up in families headed by parents who are unmarried, do not work, and are not church-going. Moreover, little good evidence supports the parental behaviours in question having strong causal effects on children's long-term economic success.

Both research and practice experience indicates that the effects of social origins work through two different mechanisms.⁵ The first involves family conditions and parental stimulation in early childhood in particular; the second reflects the decisions people make at crucial transition points in the education system and labour market. Among the influential family conditions parental education is of well recognised importance: in one Irish study an individual whose parents had not progressed beyond primary level education was found to have 23 times the risk of having no formal qualifications compared with those whose parents reached a stage between post-primary and higher education.

1 ABS, (1994) Focus on Families: Education and Employment, Cat. No 4421.0, Canberra, ABS

2 ABS, (1998) Australian Social Trends, Cat No 4102.0, Canberra, ABS

3 Commission on Poverty, (2005) "Tackling Intergenerational Poverty—Concept Paper," Hong Kong, October http://www.cop.gov.hk/eng/pdf/TFCY%20Paper%_2005E.pdf

4 Ludwig, J., Mayer, S., (2006) "'Culture' and the intergenerational transmission of poverty: the prevention paradox," *The Future of Children*, 16.2. 175-197

5 Combat Poverty Agency, (2006) "Tackling child poverty: A dynamic perspective," http://www.cpa.ie/publications/policystatements/2006_Policy_Tacklingchildpoverty.pdf

Other influential family conditions include parenting styles and role modelling⁶ and the social capital that they share with their children is also important. As Coleman (1990) states, “a child’s friends and associates in school are sons and daughters of friends and associates of the child’s parents.”⁷

Intergenerational disadvantage—‘cultural’ and structural factors

We have to look abroad for more refined analyses of intergenerational transmission of disadvantage. A recent American study by Bartholomae, Fox and McKenry (2004)⁸ examined the relationship between parental welfare history and being a current recipient of welfare. The majority of previous researches in this field had shown a positive association between these two sets of circumstances (Gottschalk, 1992⁹; Antel, 1992¹⁰). Two main themes have been emphasised in research intended to help explain the relationship between current welfare use and a matching parental history. The first broad hypothesis, touched upon in the introductory section of this paper, is based on a ‘welfare cultural model’. It stresses the idea that children are socialised into welfare use with a distinctive set of values, behaviours and attitudes transmitted from parent to child. Part of what is transmitted is the lowering of stigma associated with welfare thereby facilitating dependence on it. Also this first model incorporates the influence of not having a parent modelling the concept of success in labour market activity or educational attainment.

A second broad hypothesis, based on a structural model, emphasises the view that limited parental resources during childhood can restrict the economic status, stability and mobility of adult children. In this approach there is an implicit stress on human capital development (Corcoran, 1995)¹¹ with poorer families lacking sufficient resources for investment in children. Also, Wilson’s celebrated study (*The Truly Disadvantaged*, 1987)¹² indicates additional community-level structural factors within areas of concentrated poverty in the forms of a loss of socialising institutions, shortage of available models of people engaging in work and consequential loss of introductions to available work opportunities. So, beyond issues of attitude and emulation of parents researchers have identified a range of structural factors that inhibit participation in work, including limited work experience, low levels of education, child care costs, and transport difficulties.

The American research evidence lends more support to this structural, economic model than the welfare/cultural model in explaining the relationship between current welfare use and parental history of welfare use. As happens in almost all fields of social research there has been a comparatively small number of studies with findings in the other direction but those supporting the structural hypothesis have been dominant. Bartholomae et al’s own (2004) study, which made extensive use of variables characteristic of each model’s rationale, has confirmed the pattern generally revealed by previous intergenerational studies. The investigators found economic background factors more predictive of current welfare use compared with cultural factors. They concluded: “Empirical results imply that a history of welfare use associates more with family endowments and resources than family culture” (p.805). Respondents’ human capital (education, employment, and work-limiting disability) were significant predictors of current welfare use.

6 Frazer, H., (2007) “Combating Child Poverty in the EU,” European Parliament Public Hearing

7 Coleman, J., (1990) *Foundations of social Theory*, Cambridge, Harvard University Press

8 Bartholomae, S., Fox, J., McKenry, P., (2004) “The Legacy of Welfare. Economic Endowments or Cultural Characteristics?” *Journal of Family Issues*, Vol.25, No.6, September, 783-810

9 Gottschalk, P., (1992) “The intergenerational transmission of welfare participation: facts and possible causes,” *Journal of Policy Analysis and Management*,” Vol. 11, 254-272

10 Antel, J., (1992) “The intergenerational transfer of welfare dependency: Some statistical evidence,” *Review of Economics and Statistics*, Vol. 74, 467-473

11 Corcoran, M., (1995) “Rags to rags: Poverty and mobility in the United States,” *Annual Review of Sociology*, Vol. 21, 237-267

12 Wilson, W., *The truly disadvantaged: The inner-city, the under-class, and public policy*, Chicago, University of Chicago Press

Subjects with a parental history of welfare use had lower parental socio-economic status scores (interpreted as a proxy for their capacity to invest in their children), less education, a smaller proportion employed, and a greater extent of family disruption. Bartholomae et al's study builds upon substantial previous work and its findings call into question a cyclical pattern of welfare that evolves into a self-perpetuating family culture. Instead its findings favour the view that other factors predict welfare use, that is, family endowments and resources, and that the reduction of welfare dependency would most profitably focus on changing endowments of human capital, economic and community factors.* This is where proactive early education programs can play a part in combating the intergenerational cycle of disadvantage. Early mastery of a range of cognitive and social competencies enhances the ability of children to learn at later ages. Early interventions have the potential to improve life chances.¹³

Some acknowledgement must be made of those individuals without access to assets who do better than others in similar situations, in both the short and longer terms. As the Chronic Poverty Research Centre states, they appear able to draw on other resources, including social networks, community traditions and 'inner strength' and 'self esteem' to improve their wellbeing.¹⁴ They appear resilient, possessing the capacity to bounce back from adverse experiences and circumstances, without having to deplete other assets. However, closer examination of this dynamic with its individualistic overtones is leading some researchers to regard the metaphor of resilience as a red herring. This is because, rather than being an asset in itself, resilience appears to result from access to a broad range of assets such as supportive relationships (parenting quality, relationships with competent adults, connections to pro-social peers), and community resources (quality education, social and health services, neighbourhood quality).

* There was one minor piece of evidence of the influence of attitudes. For subjects with a history of parental welfare use, greater belief in traditional male roles increased the probability of the use of public assistance.

13 Duncan, G., (2007) "The high quality preschool as antipoverty: a child's early years are a fertile time to eliminate the intergenerational cycle of disadvantage," *The American Prospect*, 18.5, 20-21

14 Chronic Poverty research Centre, (2007) "Intergenerational Transmission of Poverty. Research Brief," Vol. 2, June, www.chronicpoverty.org

THE COSTS OF INTERGENERATIONAL DISADVANTAGE

It is convenient to consider the costs of intergenerational disadvantage in two parts, namely, (i) those borne by the children who are the conduit of that transmission, and (ii) costs borne by society.

Social costs of child poverty

The transmission of disadvantage is most frequently manifested in children growing up in low income households, an experience that has attracted surprisingly limited attention from researchers. Attree (2006) has attempted to remedy that dearth of information by systematically reviewing the qualitative evidence on the social costs of child poverty.¹⁵ The evidence of the studies reviewed indicates that the costs are not only material but also “profoundly social.” Children begin to understand the reality of being ‘different’ at an early age. Inability to dress similarly to others in their social circle means loss of social acceptance for many children. Failure to keep up with fashionable trends can be met with verbal abuse, teasing or bullying. Lack of funds can result in practical difficulties, like not being able to afford transport and diminished opportunities for social participation, especially for children whose families had been reliant on welfare benefits for an extended period. The studies show how some children become resigned to living in poverty and avoid the costs associated with school excursions, using youth clubs, sports and play facilities, thereby excluding themselves from social and educational activities. Attree concludes: “This systematic review indicates that living in poverty is not only damaging to children’s present expectations of life; it can also influence their hope and aspirations for the future.”

Costs borne by society

In England, the Joseph Rowntree Foundation, acknowledges the kinds of stresses caused to young people in poor circumstances. But the Foundation is also conscious that human sympathy alone may not be enough to persuade us to make the necessary resources available to alleviate child poverty. It says we also need to reflect on how child poverty harms us all and the costs to society of allowing it to continue. A recent report by the Foundation (Hirsch, 2006)¹⁶ itemises a range of evidence about the scale of some of the more quantifiable costs of not ending child poverty (60% of median household income). The overall pattern of annual expenditure in 2006 was estimated to be as follows:

■ Expenditure on children with special educational needs	£3.6 billion
■ Social services directed at children	£3.0 billion
■ Extra spending on primary health care for deprived children	£0.5 billion
■ Expenditure on homeless families with children	£0.5 billion
■ Free school dinners	£0.33 billion
■ Total (rounded)	£8 billion

15 Attree, P., (2006) “The Social Costs of Child Poverty: A Systematic Review of the Qualitative Evidence,” *Children and Society*, Vol. 20, 54-66

16 Hirsch, D., (2006) “The cost of not ending child poverty. How we can think about it, how it might be measured, and some evidence,” York, Joseph Rowntree Foundation

- In addition, knock-on costs in lost taxes and extra benefits for adults with poor job prospects linked to educational failure in childhood: eg., cost of labour market outcomes for those not in education, employment or training aged 16-18, over the lifetime of a two-year cohort £10 billion

Holzer, Schanzenbach, Duncan and Ludwig (2007)¹⁷ have developed a similar set of (conservative) estimates for America and put the costs associated with childhood poverty at \$500 billion per year, or the equivalent of nearly 4% of GDP. Precise comparisons between the two sets of estimates are not possible but they are both of a scale to justify the view that expenditures on poverty reduction can be justified as public or social *investments*. The yields include higher real gross domestic product, reduced expenditures on crime or health care problems, and reduced costs borne by crime victims or those in poor health.

Hirsch uses recent research findings on the probability of someone poor as a teenager being poor as an adult and rearing children in poor circumstances, to calculate compound effects over several generations. He estimates that the cost of a million children growing up in poverty will, on average, be to produce a further 120,000 poor children in the next generation. Over six generations, other things being equal, the costs of remediating the effects of poverty (as distinct from eradicating it) will double. While this is a theoretical calculation it illustrates how poverty could become unsustainable in the long-term. Moreover, so far as England is concerned, the evidence shows that intergenerational disadvantage, if anything (and despite the policy attention it has received) appears to have strengthened.¹⁸ While it is not yet possible to quantify the costs of this transmission of disadvantage there is evidence that improvements in child outcomes benefit both the whole economy and the structure of inequalities. The investment in human capital that Bartholomae et al's (2004) study identified as protective against intergenerational effects within families is also beneficial to the economy of states. Countries that do more to upgrade education and skills have faster economic growth and in countries where fewer workers have relatively low basic skills, fewer households have relatively low incomes (Hirsch and Darton, 2003).¹⁹

17 Holzer, H., Schanzenbach, D., Duncan, G., Ludwig, J., (2007) *The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing Up Poor*, Washington, Centre for American Progress

18 Blanden, J., Gibbons, S., (2006) *The persistence of poverty across generations: A view from two British cohorts*, Bristol, The Policy Press

19 Hirsch, D., Darton, D., (2003) "Tackling disadvantage: incomes," in D. Darton and J. Strelitz (eds) *Tackling UK poverty and disadvantage in the twenty-first century: An exploration of the issues*, York, York Publishing Services for Joseph Rowntree Foundation, 113

