FAMILY FORTUNES

The bank of mum and dad in low income families

Ryan Shorthouse

FAMILY FORTUNES

The bank of mum and dad in low income families

Ryan Shorthouse

Kindly supported by

PFG Provident Financial Group

FIRST PUBLISHED BY
The Social Market Foundation, October 2013
ISBN: 1-904899-83-8

11 Tufton Street, London SW1P 3QB

THE SOCIAL MARKET FOUNDATION

The Foundation's main activity is to commission and publish original papers by independent academic and other experts on key topics in the economic and social fields, with a view to stimulating public discussion on the performance of markets and the social framework within which they operate.

The Foundation is a registered charity and a company limited by guarantee. It is independent of any political party or group and is funded predominantly through sponsorship of research and public policy debates. The Foundation takes complete responsibility for the views expressed in this publication, and these do not necessarily reflect the views of the sponsor.

DESIGN AND PRODUCTION
Soapbox
www.soapbox.co.uk

PRINTED BY
Repropoint – Digital Print Solutions
www.repropoint.com

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SGS-COC-005493
© 1996 Forest Stewardship Council

CONTENTS

ACKNOWLEDGEMENTS

The publication of this report has been made possible by the generous support of Provident Financial. Thanks are due in particular to Carole King for her support throughout.

I would like to take the opportunity to thank the Steering Group for their helpful guidance. Members of the Steering Group include Alex Barton, Lindsay Judge, Dr Alita Nandi, Sir Brian Pomeroy, Professor Karen Rowlingson, Jill Rutter, Peter Tutton, Sally West and Claire Whyley. I would also like to thank Sarah Wellard and Dylan Kneale for their insights.

The team at Collaborate Research – Monique Rotik and Katie Pekacar – were superb in helping design the recruitment and interview guides, and they provided us with excellent evidence from the fieldwork as well as analytical insights.

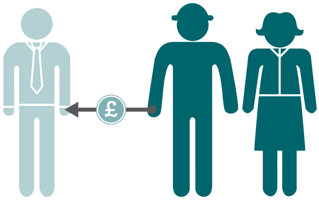
ComRes conducted polling for this report, and thanks are due to Sophie Leedham and Rachel Phillips for helping to design the questions. The polling that was conducted by ComRes included, first, an online survey of 2,055 British adults. A booster sample was added which included 510 individuals who were surveyed through the CATI (Computer-Assisted Telephone Interview) method; this particular sample was of individuals from low income households only. The online poll was in field from 14th to 16th June 2013. The CATI element of the polling was in field from 17th June to 8th July 2013.

I would like to thank colleagues at SMF who have assisted me along the way. Thanks are due to Andrew Georgiou, Gareth Jones and Handan Wieshmann for their research assistance. Particular thanks are due to Nida Broughton and Claudia Hupkau for their analysis of different national databases. Thanks are also due to Emran Mian for his intellectual input and editing. Finally, I am very grateful to Nigel Keohane for his ideas, support and editing throughout.

ABOUT THE AUTHOR

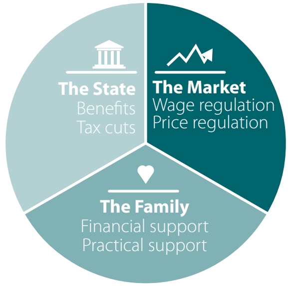
RYAN SHORTHOUSE

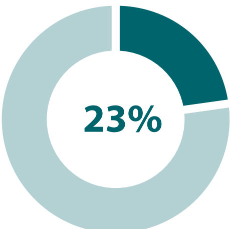
Ryan Shorthouse leads SMF's work on education and social policy. He is an expert on early family, welfare and education policy, and regularly provides commentary in broadcast and print media. He is the Director of the pressure group Bright Blue, which champions liberal conservatism. He also is a Trustee of the national charity, the Family and Childcare Trust. Ryan was previously a researcher for Rt Hon David Willetts MP, where he authored the Conservative Party's Childhood Review, and an adviser to Rt Hon Maria Miller MP when she was Shadow Minister for the Family, creating Conservative party policy and managing media relations. He was the Political Secretary of the Bow Group. He is a writer on social affairs for various national newspapers and magazines. He was educated at the University of Warwick



52%
of people on low incomes have received financial support as an adult from a parent

The three sources of welfare



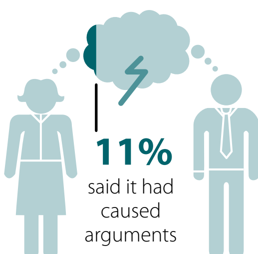


of low income households reported that:
"I wouldn't be able to survive without their [the donor's] support"

of low income donors reported that giving was a positive experience

19%

of low income donors reported that giving financial or practical support has caused them stress



11%
said it had caused arguments

12%
said it had put them into debt

EXECUTIVE SUMMARY

The pace and composition of the deficit reduction strategy has dominated public discourse for half a decade. Now, however, policymakers are increasingly turning to another major economic challenge: the declining living standards of households. Thanks to a combination of stagnating wages, rising prices of essential goods and real-terms reductions in benefits and tax credits, families on modest incomes have on average seen their disposable income eroded during the past few years. Poverty, as measured by the proportion of people living in households with income which is 60% below the median, is projected to rise significantly by 2020.[1]

When policymakers seek ways to boost family incomes and support households with the cost of living, they traditionally reach for two levers: the state (through benefits or tax cuts) or the market (through wage or price regulation). Nonetheless, there are limits to what the state and market can achieve. This is especially true now, as Britain is experiencing a sluggish recovery and the public finances still need to be constrained. It's time for policymakers to be more creative when thinking about ways to help boost living standards.

The third source of welfare

There is a third source of welfare, overlooked and underexplored by policymakers: a person's wider family. The conception of the "Bank of mum and dad" in public discourse is around supporting adult children during university and to afford a wedding or buy a house. This is certainly widespread. However, this report examines the prevalence and impact of familial welfare in low income families, specifically the financial and practical assistance parents give to adult children.

1 Mike Brewer et al, *Child and working-age poverty from 2010 to 2020* (York: Joseph Rowntree Foundation, 2011).

In recent years, the public debate about the relationship between different generations has centred on the decline in income and wealth of younger generations relative to older generations, especially the baby-boomers, both working-aged adults and pensioners. But as Chapter One argues, though this is a significant problem, older generations are in fact increasing the amount of money and support they give to adult children. Such support can provide significant resources, opportunities and advantages for households. Policymakers should now focus on the inequalities that emerge between recipients and non-recipients of parental support among low income families in particular. Yes, income inequality between and within generations needs attention; but, for too long, the inequality between the socially networked and socially isolated has been ignored.

The focus of the research and methodology

The wider family is a popular and essential welfare unit for households. The report seeks to deepen understanding of familial welfare among low income families by answering four fundamental questions:

- What proportion of households on low incomes receives or makes intergenerational transfers?
- What factors affect whether or not transfers occur?
- What is the impact on the recipients and donors of financial support, as well as non-recipients?
- How should policy makers seek to facilitate intergenerational exchange among low income families and mitigate the inequalities of transfers?

To answer these questions, the research employs a variety of methodologies, described in detail in Chapter Two. These include analysis of national household level surveys to assess the prevalence, distribution, scale and nature of financial transfers and in-kind support. The SMF also draws on depth interviews with 30 low income households, defined in this case as households whose net income is below 60% of equivalised median household income. Ten recipients, ten donors and ten non-recipients were interviewed. This was undertaken to better understand the nature and impact of parental support. A poll was also designed and undertaken by SMF and ComRes to quantify the prevalence of intergenerational transfers and uncover attitudes towards such support, especially among low income households who were defined in this case as having a household income of £20,000 or below. A comprehensive analysis of secondary evidence from the UK, Europe and the US was also undertaken to support and enhance the findings from the quantitative and qualitative research. During the policy formulation stage, a roundtable of experts from the policy-making community was convened to explore ideas.

The bank of mum and dad

Chapter Three found that the giving and receiving of financial and practical support was common among households across the population. Our polling found that among those who gave an answer:

- 55% of people said that they had received financial support as an adult from a parent.
- 66% of all financial transfers received in the past five years were below £2,000; 18% received financial transfers totalling £5,000 or more in the past five years.
- 35% of people said they had received practical support as an adult from a parent. The most prevailing forms of practical support are lifts in a car, cooked meals, and decorating, gardening and house repairs.

Those with higher levels of income are much more likely to support their adult children financially; our analysis of the 2006–07 wave of the British Household Panel Survey (BHPS) finds those who have an equivalised household income of £10,000 or less are roughly three times less likely to donate regular or frequent financial support to their adult children then those with equivalised household incomes of £30,000 or more. Those with lower levels of incomes are much more likely to receive financial support from their parents, especially those who are young; analysis of the BHPS finds that those who have equivalised household incomes of £10,000 or less are at least three times more likely to receive financial support regularly and frequently from parents compared to those who have equivalised household incomes of £30,000 or more.

Income does not determine whether someone is more likely to give or receive practical support; but gender and distance are important. Women are much more likely to receive practical support from parents, especially for childcare; so are those who live closer to their parents.

Low income households

Since this report is focussed on the nature and impact of intergenerational support in low income families, our polling focussed on these families and showed that the exchange of financial and practical help between households is common:

- 52% of people on a low income who gave an answer said they had received financial support as an adult from a parent.
- The most common form of financial transfer from a parent to an adult child was small, one-off payments.
- 73% of low income households had received financial support from their parents of £2,000 or less in the past five years; 6% of low income households had received £10,000 or more from their parents.
- 35% of people on low income said they had received practical support as an adult from a parent.
- Low income recipients are most likely to say that they receive from a parent lifts in a car (16%), cooked meals (18%) and support with decorating, gardening and housing repairs (16%).

Despite the fact that transfers remain relatively common in low income households, there are important distinctions. First, as might be expected, financial transfers are more likely to be smaller in amount. Second, they are often much more reactive to everyday living costs rather than strategically given during key life events.

Factors affecting intergenerational transfers

The depth interviews and literature review revealed that there are many factors affecting whether transfers take place in low income families, as explored in detail in Chapter Four. SMF identified three core factors:

1. **Internal factors.** Parents and their adult children are affected by intrinsic personal attitudes, such as altruism or the prizing of independence.
2. **Cultural factors.** Intergenerational exchange can be boosted or undermined by particular cultural norms, such as the importance of families or gendered assumptions about which types of support donors should engage in.
3. **Circumstantial factors.** Specific circumstances, such as availability of time or a household's financial situation may determine the prevalence and level of transfers.

The impact of receiving and giving

Chapter Five finds that the impact of both financial and practical transfers are generally positive, bringing substantial emotional, social and economic benefits for both donors and recipients.

Such transfers typically help low income families with everyday living costs – such as the cost of children's goods and activities – as well as the avoidance of debt. So the support given by parents is ordinarily to ensure households remain financially stable. In a small minority of cases, such financial transfers can be substantial, totalling thousands of pounds and opening up the possibility of holidays and repairs to the house, for example. Parental support can also aid social mobility: free and flexible childcare provided by grandparents, for instance, helps families secure and retain work.

Our polling underlined the importance of such support for everyday living expenses among low income households, and in some cases dramatically improving life chances:

- 23% of low income households who gave an answer reported that "I wouldn't be able to survive without their support". A further 33% reported that it allowed them to do things they wouldn't otherwise be able to do and another 21% said it was essential for their quality of life.
- A significant proportion said it gave their family a head start in life (22%).
- 23% reported that such support helped them a little whereas only 7% said it had no real impact.

Low income donors gained much happiness and joy from helping their children, especially if it meant getting to spend time with their grandchildren. Nonetheless, a significant minority reported that they felt taken for granted and stressed. For some, the support was putting them into more debt.

- 45% of low income donors who gave an answer reported it has brought them a lot of happiness and 33% reported it has brought their family closer together.
- 19% reported it has caused them stress, 11% said it had caused arguments and 12% said it had put them into debt.

For those that did not receive support from their family, the implications were not always negative: some prized their independence and championed their self-sufficiency. But there were many negative outcomes of not receiving support from the wider family. This ranged from being unable to afford certain household goods or trips and experiences for children to social and labour market exclusion. Our polling showed that 69% of low income households who gave an answer agreed that people struggle when they don't receive financial or practical support from their parents.

Policy response

The report raises several policy issues:

a. How to mitigate the inequalities that emerge between low income families who receive and do not receive parental support
b. How to support a greater number of low income families to provide more financial and practical support to different households
c. How to adapt the Government's welfare policies to ensure intergenerational exchange is not undermined

Policymakers should focus more on the inequalities that arise between those who with strong social networks and those who are socially isolated. It is evident from this report that those living in poverty, either entrenched or circumstantial, with strong and supportive families can afford a wider range of goods and opportunities, significantly boosting their living standards and life chances.

This requires a range of policy interventions. As a first step, this report suggests several recommendations to better understand and measure poverty:

- **Official measures of income poverty should try to capture all the different forms of financial support that households could receive.** Currently, the Family Resources Survey (FRS) on which the Households Below Average Income (HBAI) analysis is based is an annual survey which asks respondents whether they receive any regular financial allowance from a friend or relative outside the household. However, this definition is too narrow, excluding those who receive more sporadic and less formalised financial and practical support.

- **Any new indicators of poverty should take into account the familial support that households receive.** The Government is keen that there is a wider understanding and definition of poverty, beyond just income. The level of a household's support from their parents – financial and practical – should be taken into account.
- **Those who are non-recipients of financial and practical support from parents should be deemed an at-risk group requiring additional support by public services**. Measures should be taken to ensure that public service professionals treat a non-recipient of parental support as a risk factor requiring special consideration, so public service organisations and professionals can provide additional support if necessary. For example, when local authorities decide on the allocation of the Social Fund.

Generally, there is an appetite among low income families to support one another. Our polling found that 61% of low income families believe adults should look to their families before government for financial and practical support. The key is to enable families to maximise as much as possible the support they can receive from their wider family, mitigating any barriers to intergenerational exchange. The report finds that low income households principally face time, financial and geographical barriers. Therefore, Chapter Six proposes a range of policies to reduce these barriers:

- **Establish tax-efficient multi-generational Family Trust Funds,** which different households in a family could save into (or divert their Child Benefit or Universal Credit into). A member of each household would act as a trustee. The savings of low income families could be matched to a certain level by government funding.

- **Allow grandparents who leave the labour market to look after grandchildren to transfer their personal tax allowance to their adult children**. In 2015, the Government will introduce a Transferable Tax Allowance for basic rate taxpayers who are married and where one person is not working worth £1,000 a year. This is intended in part to recognise the value of care provided by parents for young children. The same logic could be extended to grandparents who leave the labour market.
- **Unpaid leave should be available to working grandparents with children under the age of five**. Older people are increasingly expected to work as the default retirement age is phased out and the state pension rises. Many of these workers will be grandparents. To enable them to balance their work and family commitments, they should be entitled to unpaid grandparental leave, just as parents are entitled to unpaid leave of 18 weeks when their child is below the age of five.

Finally, the report assessed the impact of the Government's ongoing welfare reforms on the giving and receiving of support among low income families.

Reflecting on the potential and actual impact of these reforms, SMF suggests the following policies:

- **Grandparents who are Housing Benefit claimants in the social rented sector should get automatic exemption for reduction in the subsidy for spare rooms if a grandchild is staying for a prolonged period of time or on a regular basis.** Certain groups of people – such as foster carers and those with dependent children – are exempt from the removal of the spare room subsidy for those in the social rented sector. This should be extended to grandparents providing overnight care for their grandchildren. Central Government should provide the necessary funding for local authorities to guarantee a subsidy for grandparents who need their spare bedroom for childcare responsibilities.

- **The DWP should introduce SMF's previous proposal for a budgeting portal before Universal Credit hits the bank account of claimants.** SMF wants to introduce an online budgeting portal that claimants could access before the new Universal Credit hits their bank accounts to give them greater flexibility over the frequency and distribution of payment. Claimants would be able to opt in to this Budgeting Portal and access it online as an offshoot of the main Universal Credit website and claims channel. It would not be a bank account, but would allow claimants to tailor their payments to help them manage their money more effectively. Different generations of the same family could apply to combine their Universal Credit claim and jointly control the Budgeting Portal. Also, households could direct a proportion of their income to the multi-generational Family Trust Fund.
- **Grandparents who provide childcare over a prolonged period of time or on a regular basis should be treated as special cases under the Universal Credit in regards to the rules around in-work conditionality.** Currently, the caring responsibilities of lone parents with children under the age of five are taken into account when government decides on the conditionality that should be applied to them to receive benefits support, including when they are in work. Grandparents with grandparental responsibilities should be treated in the same way.

Reducing poverty

Reducing poverty is an admirable and urgent policy goal. But poverty has multiple causes and multiple attributes. Likewise, it requires multiple policy solutions. Alone, the state, the market or a person's wider family are limited in what they can achieve in curtailing poverty. But if all can play a role, then we stand a better chance of improving the lives of more people living in poverty.

CHAPTER 1: THE INTERGENERATIONAL DEBATE

When aiming to boost family incomes, policymakers reach for two conventional levers: the state (through benefits or tax cuts) or the market (through wage regulation). But the continuing austerity and sluggish economic conditions means there is a limit to the influence of these two sources. This report seeks to explore a third avenue of support: a person's wider family. It will uncover the extent to which a wider family (especially the support provided by parents) enhances the welfare of individuals in low income families in particular, and what more can be done to support intergenerational exchange.

Low income households – defined by the Government as households with 60% of the median income on an equivalised basis – face significant pressures, including greater vulnerability to problem debt and difficulty affording everyday bills and goods.[2] Since the collapse of the global financial system in 2008, real household incomes have on average fallen as a result of stagnant wages, reductions in benefits and tax credits, and inflation.[3] Now is a critical time to explore the extent and impact of intergenerational transfers in poorer households. For these families, parental support can be a vital source of support; and this has implications on how we understand and tackle poverty.

Public debate focuses on a conception of the "Bank of mum and dad" that is prevalent among more affluent families: that is, relatively wealthy parents providing financial support for their adult children when they are attending university, trying to buy a house or getting married. This paper, in contrast, investigates an under-explored topic: the nature and importance of intergenerational

2 For this report, the status of households (whether they are "affluent" or "deprived") is defined by the amount of income they have rather than their assets. The amount of assets a household has is strongly correlated with income. But there are instances where they are not correlated. So it may be the case that some households have very low income, but significant amount of assets.

3 Resolution Foundation, *Gaining from growth: the final report from the Commission on Living Standards* (London: Resolution Foundation, 2012).

transfers in low income households. In doing so, it shifts the focus away from large, more visible one-off events or investments, towards on-going help to support day-to-day consumption.

Welfare from the wider family causes two inequalities to emerge which may concern policymakers: first, between those recipients with more affluent parents and those who have parents in more modest financial circumstances. Second, between low income families who receive financial and practical (in-kind) support from their parents, and those who do not. This report explores how to resolve these intra-generational inequalities that emerge as a result of inter-vivos (in-life) transfers. In particular, it argues that the inequality between recipients and non-recipients is a significant and under-appreciated inequality that requires greater attention from policymakers.

To start, however, we examine an inequality which has great public prominence at the moment: the income and wealth gap between the babyboomer generation (1946–1964) or older, and the younger generation (which this report identifies as those aged 40 or below). We explore this to illustrate that the generational debate is currently narrowly focussed. Although this inequality is manifest and important, it is less significant and acute than the intra-generational inequality caused from parental transfers, and the inequality between recipients and non-recipients.

INEQUALITY BETWEEN THE GENERATIONS

Growing income and wealth inequality

In recent years, public debate has focussed on intergenerational inequity: the income and wealth gap between young and old.

Young people have – on average – been losing out financially relative to older generations in recent decades.[4] There of course are marked differences within generations; indeed, as cumulative theory illustrates, inequality within older generations tends to be more pronounced.[5] But the wealth and income gap between young and old generally has provoked growing concern in public debate. This inequality is a result not only of lifecycle effects (older people have had more time to accumulate income and wealth), but generational effects (the experiences of different cohorts).

Over time, younger workers have seen their wages fall compared to older workers. For instance, in 1974, a fifty-something typically earned 4% more than a late twenty-something, whereas in 2008 such a person typically earned 35% more.[6]

The distribution of assets across generations has also become less equal, with wealth increasingly concentrated among the older generations. Between 1995 and 2005, the net financial wealth (including housing but excluding pensions) of those in the age bracket 55–64 rose from on average £50,000 to £149,500, in nominal terms. For a person in the age bracket 25–34, meanwhile, their net financial wealth (including housing but excluding pensions) on average dipped from £3,000 to £950, in nominal terms.[7] Today, 63% of all net housing wealth is owned by those aged 55 or above.[8]

4 David Willetts, *The Pinch: how the baby boomers took their children's future – and why they should give it back* (London: Atlantic Books, 2010), 62–77; Ed Howker and Shiv Malik, *Jilted generation: how Britain has bankrupted its youth* (London: Icon Books Ltd, 2010), 1–15; The Joseph Rowntree Reform Trust Ltd and Ipsos MORI, *Intergenerational justice research report* (London: Ipsos Mori, 2013), 4–6.

5 Dale Dannefer, "Cumulative advantage/disadvantage and the life course: cross-fertilizing age and social science theory". *Journal of Gerontology* 58B: 6 (2003), 327–337.

6 Willetts, *The Pinch*, 69.

7 Andrew Benito, Matt Waldron, Garry Young and Fabrizio Zampolli, "The role of household debt and balance sheets in the monetary transmission mechanism", *Bank of England Quarterly Bulletin*, Q1 (2007), 3.

8 Ibid.

More generally, the opportunity to accumulate wealth is more limited for today's younger people than for previous generations of young people. Fewer young people are saving into pensions. The proportion of 25–34 year olds contributing to a pension fell from 26% in 1995 to 13% in 2005. Likewise, the average amount saved per month by this age group fell from £139 to £103 between 1995 and 2005.[9] Of those that do not save, 62% cite a lack of affordability as the main reason.[10] This under-investment in assets is somewhat counterweighed by a larger number of individuals being educated to a higher level; an asset which tends to yield a significant salary premium over the long-term.[11]

Research shows that young people's expectations about the optimum age at which they would like to achieve major life goals – such as leaving home, getting married or starting a family – are in fact pretty similar to the expectations of their parents.[12] Also, 74% of 24–34 year olds want to own a house in the next two years; yet home ownership is in a minority for this age group.[13] This suggests that structural factors rather than attitudinal shifts are more compelling explanations for rising inequity between the generations. Major causes of intergenerational inequity include: rising house prices; the decline in generous final salary pensions scheme; and the rise in tuition fees. As will be illustrated below, the intergenerational divide has been exacerbated by the profile of the benefit cuts made since 2010, where those of pension-age have received fewer cuts to state support than those receiving working-age benefits.

9 Richard Boreham and James Lloyd, *Asset accumulation across the life course* (London: NIESR and International Longevity Centre, 2007), Table 2.2, Table 2.4.

10 Tony Dolphin, *Young people and savings: a route to improved financial resilience* (London: IPPR, 2012), 19.

11 Ian Walker and Yu Zhu, *The impact of university degrees on the lifecycle of earnings: some further analysis* (London: Department for Business, Innovation and Skills, 2013), 6–7.

12 Legal and General, *353: from stable security to fragile wealth* (London: Legal and General, 2012), 3; The Joseph Rowntree Reform Trust Ltd and Ipsos MORI, *Intergenerational justice research report*, 5.

13 Council of Mortgage lenders, *Maturing attitudes to home ownership*, (London: Council of Mortgage Lenders, 2012).

Impact of the cuts: exacerbating the intergenerational differences

Recent changes in private income and wealth have stemmed in part from changes to government policy since 2010, which has squeezed public spending to reduce the deficit. Arguably this has worsened the burden young generations face. The Government's overall fiscal strategy aims to reduce the government's debt and thus lessen the tax burden on future generations. However, fiscal activists argue that by constraining spending in the short-term, the future economy will be shrunk as earning power is diminished by incidence of youth unemployment and other factors. Notwithstanding these debates, spending cuts have fallen more heavily on younger rather than older generations.[14] Of course, this does not mean that older people are not facing detrimental consequences as a result of reductions in support from central and local government.

The spending cuts to benefits and tax credits, estimated to be about £18 billion by 2014–15,[15] fall disproportionately on younger generations, especially families with children, and particularly families on low incomes. The value of out-of-work benefits (which young people are more likely to receive), tax credits (which are mostly for the working age population and tend to be linked with having children) and child benefit (for families with dependent children) that claimants will receive will rise only by a maximum 1% from 2013–2014 until the end of this Parliament, which means these benefits will decline in real terms. Likewise, the childcare element of the Working Tax Credit (for young families) has been cut and a benefits cap of £500 per week is being imposed on working-age couples and lone parents, and £350 per week for single adults. Therefore, as a result of the tightening of the welfare budget, as well as other changes, families with young children in the lowest

14 HM Government Social Mobility and Child Poverty Commission, *State of the nation 2013: social mobility and child poverty in Great Britain* (London: HMSO, 2013), 3.

15 Mike Brewer, *The fiscal crisis and welfare benefit in the UK: big cuts and radical reforms* (London: Institute for Fiscal Studies, 2011).

four income deciles will see their income reduced by up to about 9% by 2014–15.[16]

Those of pension-age have been comparatively insulated from budget reductions. This is largely thanks to the Chancellor's announcement in April 2011 that there will be a triple-lock on state pensions, which ensures it rises by the Consumer Price Index, earnings' increase or a minimum of 2.5%, whichever is higher. In addition, a number of key pensioner benefits – such as the Winter Fuel Payment and Free Bus Passes – have been retained. These factors, combined with others, mean that pensioners in the lowest four income brackets will have seen their income reduced by about 3% between 2011 and 2014, much lower than younger generations.[17]

This is a trend that is set to continue. In the long-term, the implications of an ageing population are that more state resources are directed towards care and support for elderly people – including funding for the state pension, social care and the health service.

Alongside this squeeze to working-age benefits, younger generations are also facing additional costs for education. The rise in student tuition fees and the introduction of fees for further education courses have placed additional financial burdens on the shoulders of young generations.

FAMILY WELFARE AND INTERGENERATIONAL TRANSFERS

However, the differences in wealth and incomes between generations misses out the informal financial, as well as practical, transfers being made by older family members to younger family members. Older people are providing much support – both financial and practical (in-kind) – to their adult offspring. Some

16 Robert Joyce and Luke Sibieta, "Country case study – UK" in *The Great Recession and the distribution of household income,* ed. Stephen Jenkins et al (London: LSE, 2011), 7–29.

17 Ibid.

evidence suggests such inter-vivos transfers from older members of a family to younger members are increasing.[18]

These transfers serve a number of purposes: including helping younger people purchase a house, assisting with education fees, supporting families through periods of high expenditure and childcare commitments, and helping them at times of unemployment or reduced hours. Evidence suggests that in the UK these informal transfers are worth a considerable amount.[19] Studies from other countries have shown that intergenerational transfers – gifts received from a living person to a friend or relative – constitute a significant proportion of the total net wealth of households.[20] Some data suggests that financial transfers from parents to adult children have increased in recent decades as young people's economic prospects have declined. As leading demographer Professor Emily Grundy has argued, "In Britain, as in the USA, the balance of intergeneration exchanges is downward rather than upward, in contravention of depictions of older adults as 'burdens' on younger generations".[21]

The family has long been a source of welfare. David Lloyd George's National Insurance Act of 1911 initiated a gradual shift from reliance on a mixture of private insurance, localised community support and familial welfare to a fundamental role for state welfare to help households. However, academic evidence is divided on how far state welfare has supplanted or superseded family welfare. Sociologists such as Dr Patricia Morgan and

18 Legal and General, *353:* polling for this was conducted by ComRes. Full data tables are available here: http// www.comres.co.uk/polls/Financial_Fairness_Survey.pdf.

19 Office for National Statistics, "Household satellite accounts, valuing informal childcare in the UK", (London: ONS, 2013), www.ons.gov.uk/ons/dcp171766_300224.pdf.

20 Ernesto Villanueva, "Inter vivos Transfers and Bequests in three OECD Countries", *Economic Policy,* 20:43 (2005), 505–565.

21 Emily Grundy, "Reciprocity in relationships: socio-economic and health influences on intergenerational exchanges between Third Age parents and their adult children in Great Britain", *British Journal of Sociology,* 56:2 (2005), 233.

Professor Alan Wolfe have argued that public welfare has crowded out familial welfare.[22]

In contrast, several studies analysing the relationship between familial and state welfare across different European countries find that families are involved significantly in care provision in countries with generous welfare provision, with the state often crowding-in rather than crowding-out families.[23] Certainly, Professor Martin Kohli suggests that as public support for pensioners has increased, this has created resources to enable more frequent downward distribution of resources in families.[24]

Theoretically, in the absence of public support, there is an equilibrium achieved at the wider family level as members move from being net consumers in childhood, to net contributors during their working age, through to net consumers in old age. Evidence suggests that an inversion of this traditional relationship across the wider family is taking place, with older people now more likely to distribute transfers downwards. However, wider family support can help individuals cope not only with predictable risks (childhood, costs of education and old age), but also unpredictable risks (such as unemployment or ill health). In doing so, it can act as a further insurance mechanism for individuals that complements existing state support. Evidence on intergenerational transfers suggests that it can also be a popular form of support. Previous research by

22 Patricia Morgan, *The war between the state and the family* (London: Institute of Economic Affairs, 2007), 41; Alan Wolfe, "Welfare States and Moral Obligation: The Case of Scandinavia" *Politica* 21.2 (1989), 149–64.

23 Katharian Herlofson, Gunhild Hagestad, Britt Slagsvold and Anne-Mette Sorensen, "Intergenerational family responsibility and solidarity in Europe", (Norway: Norwegian Social Research, 2011), 8, www.multilinks-project.eu/uploads/papers/0000/0038/herlofson_deliverable.pdf; S.O. Daatland and K. Herlofson, "Families and welfare states in elder care: Are services substituting or complementing the family?" In *OASIS final report* eds. A. Lowenstein & J. Ogg (Haifa: University of Haifa, 2003), 285–308; J. Ogg and S. Renault, "The support of parents in old age by those born during 1945–1954: a European perspective", *Ageing & Society*, 26: 000 (2006); G. Sundström, B. Malmberg and L. Johansson, "Balancing family and state care: neither, either or both? The case of Sweden" *Ageing & Society* (2006), 767–782.

24 Martin Kohli, "Private and public transfers between generations: linking the family and the state", *European Societies* 1 (1999), 81–104.

the SMF showed that individuals would rather borrow from parents than government sources (the Social Fund) and private sources (credit cards; loans).[25] In addition to financial transfers, in-kind support can also play an important role as an intergenerational transfer, such as grandparents providing childcare for young grandchildren.[26]

Intra-generational inequality

Parents' support for their adult children is a natural, understandable and, in many ways, positive phenomenon. However, the ability of parents to support their children financially depends on their income and wealth. As the level of income and wealth varies markedly across the older generation, thus the transfers younger adults can expect to receive from their parents also vary significantly. This unequal distribution of transfers down to the younger generation potentially exacerbates intra-generational inequality: those who are already poor receive less assistance than their wealthier peers. This variation often leads to a difference in outcomes: those from wealthier backgrounds are much more likely to be home-owners, for instance.[27]

Higher levels of income and wealth in early adulthood yield long-term gains, and lead to wider inequality within a particular cohort as that cohort grows older.[28] Assets mature and investments in skills yield premiums through higher earnings. This is one reason why older cohorts are much more financially unequal compared to younger cohorts. So, if wealth is transmitted from generation to generation, this exacerbates inequalities in financial and health outcomes that will widen still further as the cohort matures.

---

25 Nigel Keohane and Ryan Shorthouse, *Sink or swim? The impact of the Universal Credit* (London: Social Market Foundation, 2012), 46–49.

26 Catherine Hakim, Karen Bradley, Emily Price and Louisa Mitchell, *Little Britons: financing childcare choice* (London: Policy Exchange, 2008), 25.

27 Eleni Karagiannaki, "The effect of parental wealth on children's outcomes in early adulthood", Centre for Analysis of Social Exclusion number 164 (London: LSE, 2012).

28 Dannefer, "Cumulative advantage/disadvantage and the life course".

Those with wealthier parents benefit not only from larger financial transfers, but also from cultural and social advantages bestowed by their parents – exposure to richer experiences, access to professional networks, for instance.[29]

In recent years, policy has focussed on inter-generational inequality; but this intra-generational inequality, aggravated by informal transfers within families, is of more significance. The inequality that manifests as a result of these transfers of money, support and information should be of interest to policymakers from the left of the political spectrum, who are concerned about ensuring there is greater equality in outcomes across the population, and the right of the political spectrum, who want a more meritocratic society where there is a stronger relationship between an individual's effort and the rewards they receive. The inequality of intergenerational exchange offends both, and policies should be developed to mitigate such inequities.

INTERGENERATIONAL TRANSFERS IN LOW INCOME HOUSEHOLDS

Typically, when understanding the purpose, nature and implications of intergenerational exchange, the focus has been on the "Bank of Mum and Dad" for key life events such as attending university, buying a house or getting married. This focus on middle and higher earners stems in part from the centrality of homeownership to British culture.[30]

But, understanding the role of intergenerational transfers in low income households is a correspondingly important, and

29 Ryan Shorthouse (ed.) *Disconnected: Social mobility in the creative industries* (London: Social Market Foundation, 2010); Alan Milburn, *Unleashing aspiration: the final report of the panel on fair access to the professions* (London: HMSO, 2009).

30 Department for Communities and Local Government, *Public attitudes to housing in England* (London: HMSO, 2011), 33.

often overlooked, topic for policymakers. The evidence that does exist suggests that these exchanges are very important at the household level, and, although smaller in size than among wealthier households, prevalent.

This is particularly important and relevant now as low income households are facing a serious squeeze on their living standards due to stagnating wages and a reduction of benefits and tax credits.[31] The Resolution Foundation has calculated that the combined effect of this double squeeze has been to reduce net incomes in low to middle income households by an average of 7.5% between 2007–08 and 2012–13.[32] In addition, major welfare reforms are just starting to come into effect. Understanding how these families are coping and how they benefit from different sources of welfare is essential.

The SMF's recent report *Sink or Swim: the impact of the Universal Credit* found that parents were the most common source of credit for low income households, above formal credit sources such as bank overdraft facilities or credit cards. Households received a range of financial transfers, including one-off grants to help with the cost of repairs, regular contributions for bills for mobile phones or rent, and support for bills associated with children. Some received loans to help with housing costs, for example to help families afford the rental deposit. Interestingly, this support was often provided by parents who were on benefits themselves.[33] An in-depth qualitative study of families in Teeside, found that poor families regularly rely on relatives on for in-kind support, for example with childcare, manual tasks and shopping.[34] Equally,

31 Donald Hirsch, *A minimum income standard for the UK in 2013* (York: Joseph Rowntree Foundation, 2013).

32 Resolution Foundation, *Gaining from growth: the final report from the Commission on Living Standards.*

33 Keohane and Shorthouse, *Sink or swim?*

34 Dan Vale, *Exploring household resilience in Teeside* (London: The Young Foundation, 2009).

a recent poll found that 27% of those in receipt of Housing Benefit also rely on family and friends to meet their rental costs.[35]

This research explores how the nature of intergenerational financial transfers differs for low income families, and the role that these transfers play in their lives. It will demonstrate that the existence of such transfers among low income families causes another profound inequality: between recipients and non-recipients of such support.

POLICY RELEVANCE

Intergenerational transfers should be of interest to policy makers for several reasons. These are set out below.

How do you measure poverty?

The Coalition Government is currently questioning the current definition of poverty with the aim of finding wider measures which help government understand who most needs support and of what kind.[36]

Alongside income from the state (benefits and tax breaks) and market (wages), the wider family is another potential source of income, and indeed support, that affects the standards of living of a household. The scale and impact of intergenerational exchanges between households invites deliberation over how poverty in the UK is measured.

35 Shelter and British Gas commissioned YouGov survey of 4327 adults in England living in the private rented sector. Fieldwork was undertaken between 16th November and 10th December 2012. The survey was carried out online. The figures have been weighted and are representative of the English private rented sector (aged 18+).

36 Iain Duncan Smith MP, Speech to the LSE, 1 December 2011, "Families and young people in troubled neighbourhoods", www.gov.uk/government/speeches/families-and-young-people-in-troubled-neighbourhoods; HM Government, *Measuring child poverty: a consultation on better measures of child poverty* (London: HMSO, 2012).

How can you support intergenerational exchange?

This research will examine the experiences of low income households to understand what hinders and could facilitate intergenerational support that yields both private (for both donors and recipients, in regards to helping maintain living standards but also significantly boosting life chances) and public benefits (for instance, the reduction in poverty or improvement in work incentives).

In recent years, government has taken limited steps to facilitate intergenerational support, including making Class 3 National Insurance Credits available to, among others, grandparents who provide childcare for children under the age of 12.[37] These are positive initial steps that recognise the value of in-kind support to the family and to the wider economy. This report will explore further measures to support intergenerational exchange.

What is the impact of welfare reform?

The Government's on-going reforms to the welfare system could affect the way families support each other. First, the Government introduced in April 2013 its policy to reduce the benefits received by Housing Benefit tenants who are under-occupying their home. This may, among other consequences, undermine grandparental support by removing space used to facilitate childcare. Second, the imposition of a cap on benefits of £500 per week from April 2013 is likely to lead to the separation of many low income households from established support networks, potentially disrupting particularly in-kind support. Third, new benefits conditionality whereby those in work will be expected to be seek additional hours may put pressure on grandparents providing childcare. Fourth, the introduction of the Universal Credit – where claimants will be paid monthly rather than weekly or fortnightly, and Housing

37 Department for Work and Pensions, "Specified adult childcare credits factsheet", www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/@over50/documents/digitalasset/dg_202420.pdf.

Benefit will be paid to claimants rather than direct to landlords – is likely to increase indebtedness and rent arrears, with potential consequences for demand of parental resources.[38]

Understanding how these policy factors may affect the incidence and nature of intergenerational transfers is fundamentally important.

FOCUS OF THIS RESEARCH

This paper seeks to answer the following questions:

- What proportion of households on low incomes receives or makes intergenerational transfers?
- What factors affect whether or not transfers occur?
- What is the impact on the recipients and donors of financial support, as well as non-recipients?
- How should policy makers seek to facilitate intergenerational exchange among low income families and mitigate the inequalities of transfers?

Upward transfers – either financial or in-kind – are important, particularly in regards to care for the elderly, but this is a broad subject that requires much more attention than can be offered here. It may be the case that downward transfers necessitate some degree of exchange – emotionally, practically or in the long-term; but these reciprocal upward transfers are not the primary focus of our report.

Similarly, we are concerned principally with inter vivos transfers: that is transfers between living relatives. Inheritance which is passed on to the next generation when a parent dies can be very sizeable, cause inequalities and provoke strong emotional and

38 Keohane and Shorthouse, *Sink or swim?*

political responses. Indeed, political parties in recent years have taken strong positions on the level of Inheritance Tax (IHT).

To achieve these ends and answer the questions set out above, the report is structured in the following ways:

- Chapter Two describes the methodology.
- Chapter Three uses data analysis and polling evidence to demonstrate the prevalence, scale and nature of intergenerational transfers across the UK population. Specific analysis is conducted on low income households.
- Chapter Four explores the factors that determine whether or not intergenerational transfers take place in low income households.
- Chapter Five assesses the impact of transfers on recipients, non-recipients and donors.
- Chapter Six explores potential policy responses.

CHAPTER 2: THE METHODOLOGY

Chapter One explained that the report seeks to measure the nature and scale of intergenerational transfers taking place in low income families. This Chapter details the research methodologies employed: namely, existing academic evidence and national surveys, as well as our own polling and depth interviews. Much of the existing evidence is patchy and inconsistent so we deliberately designed the primary research to fill in the gaps so a much fuller picture can be drawn of the financial and practical support parents are giving to adult children on low incomes.

RESEARCH TECHNIQUES

The research employs the following techniques:

- **A literature review.** A thorough review exploring existing UK and international academic and public policy literature on the reasons for, and amount of, inter-vivos transfers taking place.
- **Survey data analysis.** The research uses a range of household level surveys to assess the prevalence, distribution, scale and nature of financial transfers and in-kind support. Data sets include the British Household Panel Survey (BHPS); the Attitudes to Inheritance Survey (AIS); and Understanding Society.
- **Depth interviews.** The SMF carried out depth interviews with 30 households who, on an equivalised basis, had a household income below 60% of the median household income. The SMF commissioned Monique Rotik and the Collaborate Research team to carry out the recruitment and fieldwork for the depth interviews.
- **Public polling.** Two public opinion polls were carried out, which we combined and analysed as one, to provide an examination of the nature and implications of, and attitude towards, intergenerational transfers. The polling was undertaken by ComRes.

- **Expert roundtable.** The SMF convened a policy discussion bringing together experts from government, academia and service provision.

This Chapter will explain in greater detail the design of our primary research: the depth interviews and public polling.

DEPTH INTERVIEWS

Sample structure

Rather than attempting to recruit a representative sample, qualitative sampling aims to reflect the diversity within the group.

The literature review revealed that the impact of intergenerational transfers may affect donors and recipients. Non-recipients may also feel the absence of the support. So the 30 interviews conducted included 10 donors, 10 recipients and 10 non-recipients. The purpose of the interviews was to provide an insight into the scale and impact of intergenerational transfers (or lack of) in low income families.

The interviews focussed on recipients and non-recipients with dependent children. Donors who were interviewed had to have recipients with dependent children. Though support from parents is important at other times – including before having children, especially during education – we believed recipients with dependent children should be prioritised. First, it would dilute the significance of the findings if too many different types of social groups were covered, leaving us unable to make concrete observations from the interviews. Second, many of the interviewees talked about the history of support from parents, including before they had dependent children. Third, those with dependent children are more affected by changes to the welfare system, the impact of which we want to explore as part of this project.

Our interviews use the DWP's definition of 'low income' as developed in its *Households Below Average Income* (HBAI) report – namely those whose net income Before Housing Costs is lower than 60% of the median household income.[39] This definition applied to donors, recipients and non-recipients.

Within the above parameters, the sample was designed carefully to represent a broad cross-section of socio-demographic characteristics (e.g. different ages; men as well as women; those with and without partners; households that were fully in work, partly in work and fully out of work; some from ethnic minority groups).

A good geographic spread was also delivered including London and a number of towns and villages in Leicestershire and Sheffield.

In addition, the sample included some who came from a background of entrenched deprivation as well as some who had experienced a more recent change in circumstances, reflecting the diversity of situations faced by those living in poverty.

All recipients lived separately from donors. Although co-residency is a form of financial and practical support, we wanted to focus more closely on the common phenomenon in which parents and their adult children live apart. In addition, non-recipients had to have at least one living parent or in-law; this avoided non-recipients who are so because their parents are no longer living.

39 Department for Work and Pensions, Households Below Average Incomes, www.gov.uk/government/organisations/department-for-work-pensions/series/households-below-average-income-hbai--2.

Table 2.1. Additional recruitment criteria

Sampling criteria		Research rationale
Type of regular help	For donors and recipients: • 5 x financial • 2/3 x childcare • 2/3 x other forms of practical support	It was important to interview people who had received and donated different forms of support, including both financial and/or practical. There are many forms of practical support, not just childcare, so we wanted to ensure some interviewees provided those different forms.
Age	For donors: • 3 x 35–44 year olds • 4 x 45–59 year olds • 3 x 60+ year olds For recipients and non-recipients: • 3 x 18–24 year olds • 4 x 25–34 year olds • 3 x 35+ year olds	The giving and receiving of support is dependent on predictable and unpredictable factors that emerge at different points in life. SMF wanted to understand how age impacts on the type and amount of support that is transferred.
Relationship status	For donors, recipients and non-recipients, a minimum of 3 without a partner.	Lone and dual parent households face different challenges. Lone parent households are more likely to experience poverty and face difficulties finding suitable work. They are also more likely to be in arrears with their bills, have lower net wealth than couples with children and have difficulty meeting housing costs.[40] It is important to understand how their dependence on parental support differs than for those in couples.
Work status	For donors, recipients and non-recipients, there was at least one: • Two-earner couple • One-earner couple • Workless households	SMF wanted to explore how parental support impacts on work incentives, particularly in relation to the childcare some grandparents provide.

40 Office for National Statistics, Wealth in Great Britain: main results from the Wealth *and Assets Survey 2006/08 (London: ONS, 2009), 37; Joseph Rowntree Foundation, Monitoring poverty and social exclusion (York: JRF, 2010), 50, 56.*

Relationship between donor and recipient	Some donors and recipients in the sample were required to be part of the same family.	This enabled SMF to unearth diverging attitudes to the financial transfers from parents to their adult children.
Ethnicity	Across the whole sample, minimum of six BME interviewees, which was divided equally between Asian and Afro-Carribean people .	Research suggests that attitudes towards familial welfare and government welfare vary according to ethnicity.[41]
Gender	Across the sample, minimum of seven men.	SMF wishes to explore how gender impacts on the type of support received or given.

All interviews were carried out with one individual in a household. Donors were asked about the support they donated to their children's partners as well their own children. Recipients were asked about the involvement of their partners in donating or receiving intra-generational support, and the impact of such transfers on their partner.

Recruitment

Recruitment was conducted face-to-face by professional recruiters using a screening questionnaire designed jointly by Collaborate Research and the SMF. Collaborate Research and the SMF developed a table of equivalised incomes to identify the households under the DWP's criteria for low income households on a monthly and annualised basis.[42] This served as an initial recruitment device. Once the household had been recruited a further screening took place during the interview as data was collected on net household income and housing costs. A number of households were removed at this stage as their net income was too high and replacement households were recruited.

41 Stipica Mudrazija, "Race and Intergenerational Intra-familial Financial Transfers: The Case of Early Baby Boomers", Paper presented at the 104th Annual Meeting of the American Sociological Association, San Francisco, California (2009).

42 Equivalised income refers to incomes adjusted for the size and composition of the household, so that the living standards of households of different sizes can be compared. This is done on the basis that households with more members require a higher income in order to maintain the same standard of living.

All families were offered a financial incentive to take part in the depth interviews. The interviews were carried out between April and May 2013.

Research analysis

The data gathered in the interviews were analysed in the following ways. First, SMF participated in a feedback session with primary researchers from Collaborate Research and, second, SMF read the interview transcripts. From this, SMF sought to identify any emerging patterns, relationships and categories. This allowed SMF to develop codes that referred to specific characteristics and responses from the interviews. Throughout the report, SMF has supported its analysis with verbatim evidence from participants as these represent the views and perspectives of those who participated in the research, as well as case studies of specific households.

POLLING

The two phases of primary research were designed sequentially so that outcomes from the depth interviews could inform the questions asked in the polling.

The polling that was conducted by ComRes included, first, an online survey of 2,055 British adults. Data were weighted to be nationally representative by age, gender and region. SMF was particularly interested in comparing the attitudes and experiences of those from different socio-economic backgrounds. A national poll enabled this.

A booster sample was added which included 510 individuals who were surveyed through the CATI (Computer-Assisted Telephone Interview) method; this particular sample was of individuals from low income households only. This booster was added for two reasons. First, SMF wanted to analyse findings from the poll among sub-groups of low income households. To validate and report such findings, the sample size needed to be large enough, hence the booster. Second, an online poll excludes those without digital access who are disproportionately more likely to come from low income backgrounds. We felt it was important to include these people in the research, hence the CATI method. Annex 1 outlines in detail the questions asked and the different social groups questioned. The online poll was in field from 14th to 16th June 2013. The CATI element of the polling was in field from 17th June to 8th July 2013.

In presenting the findings for this report, the 'don't know' responses will be removed from all answers. This will be done to provide clearer and more accurate information. However, the removal of 'don't know' responses from our analysis means that the findings are not completely respresentative of views across Britain.

The results from the polling will be presented alongside results from existing national surveys, which are described in detail at the start of Chapter Three. It is important to note that the sample sizes between these different data sources vary. But the evidence used from these data sources involves sample sizes which are large enough to indicate likely national trends regarding intergenerational exchange.

Box 2.1. Definition of low income for the purposes of our research

In our depth interviews, we have defined low income as living in a household whose net income Before Housing Costs is 60% below the equivalised median income. This strict definition was not applied to the polling we commissioned: instead, for the polling, a combined annual income of £20,000 or less was defined as low income. This is considerably higher than the definition employed by the DWP's HBAI survey. Nevertheless, it would have been extremely resource intensive to recruit people on the basis of equivalised income for the polling. Though the incomes of the households assessed in each of these two elements is not identical, these overlapping samples still provide useful snapshots of those on low incomes.

CHAPTER 3: THE TRANSFERS TAKING PLACE

This chapter sets out the prevalence and scale of transfers being given by adults to their adult children. It demonstrates that transfers are a common phenomenon across the UK population. However, we give additional consideration to what is going on in low income households.

Our analysis draws on three existing surveys as well as our own nationally representative poll, which was commissioned to fill gaps in the existing evidence. The existing surveys include Understanding Society (USoc), the British Household Panel Survey (BHPS) and the Attitudes to Inheritance Survey (AIS). It also draws on analysis of the BHPS and AIS by Eleni Karagiannaki of the LSE. As shown in Box 3.1 below, there are differences between these data sources: notably, the sample sizes are different and the time period for which respondents are asked if transfers occurred varies.

The chapter shows:

- The proportion of the population receiving financial support from their parents and donating financial support to their adult children
- The amount of financial support that is received by adult children and the amount which is donated by parents
- The characteristics of those who are more likely to receive and donate financial support, and receive or donate higher amounts
- The proportion of the population receiving practical support from their parents and donating practical support to their adult children
- The prevailing forms of practical support received and donated

Box 3.1. The survey and polling data

SMF's poll of intergenerational transfers

The SMF commissioned ComRes to undertake a nationally representative online poll of 2,055 British adults, asking 10 questions on whether they had received or given support, the amount received or donated, and several questions on the impact of such transfers and their attitudes to intergenerational transfers generally. A further 510 low income households, defined for the purposes of this poll as those with household incomes of £20,000 or below, were surveyed by ComRes using the CATI method.

The AIS

The AIS polled a nationally representative sample of 2,000 individuals in 2004, and included questions which asked whether respondents or their spouses had ever received or given a lifetime gift of £500 or more from or to non-resident family members. It then asked respondents to specify the amount of all the transfers they received or given, and the purpose of the last gift given.

The British Household Panel Survey

The BHPS asked 5,000 households each year between 1991 and 2008 a number of questions, including whether they had received a financial transfer from a non-resident family member in the preceding 12 months, and whether they had given a financial transfer to a non-resident child in the preceding 12 months. It then asks respondents to specify the amount. Although the family member received from is not specified, we can assume – as above – that these transfers are overwhelmingly parent-child. So this captures both donors and recipients, and it provides a snapshot in a very recent period of time. It also specifies no minimum amount, thereby capturing all financial transfers.

Understanding Society Survey

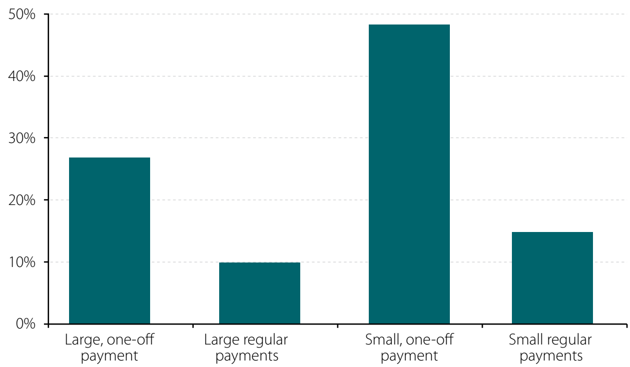
This survey has a much larger sample size: 30,000 households when it started in 2009, compared with 6,000 continuing from the BHPS. It asks respondents whether they have received payment from a non-resident family member in the past 12 months, and the amount received.

NUMBERS RECEIVING FINANCIAL SUPPORT

Our polling reveals that a majority (55%) of respondents report having received financial transfers from their parents in their lifetime.

Focussing more specifically on the nature of those transfers, the poll revealed that small, one-off payments (e.g. cash in hand to buy something) were most common, with 48% reporting that they had received such transfers.[43] The next most common transfer was large, one-off payments (e.g. deposit for a flat, a wedding, a car, a holiday), with 27% of people in Britain reporting they had received this from their parents. This is shown Chart 3.1. below.

Chart 3.1. Proportion of respondents who had received financial support from a parent as an adult, by nature of support, according to SMF Polling



Bases range from 2418 to 2445 respondents from the CATI and online survey, excluding those who responded 'Don't know'

The proportion of recipients is much smaller when individuals are asked about on-going support or support in the last year:

43 The definition of "large" and "small" is not defined in the polling; it is a judgement made by respondents.

Our analysis of the USoc survey suggests that **0.9% of respondents had received a financial transfer in the past 12 months** from a non-resident family member (this is equivalent to the average over the course of the BHPS survey (1991–2008)).[44]

When individuals are asked whether **they received financial help from a living non-resident parent on a regular or frequent basis** – the approach taken in the BHPS waves 11 (2001) and 16 (2006) – **14.5% of respondents reported that they received financial assistance from a living non-resident parent on a regular or frequent basis**. A possible explanation for this higher amount, according to Eleni Karagiannaki who analysed both datasets, is that the term "financial help" as opposed to "financial transfer" captures more irregular or smaller transfers, and probably loans.[45]

PROPORTION DONATING FINANCIAL SUPPORT

The proportion of British adults interviewed who say they have provided financial support to their adult children (43%) was lower than the proportion of British adults interviewed who said that they had received financial support (55%).

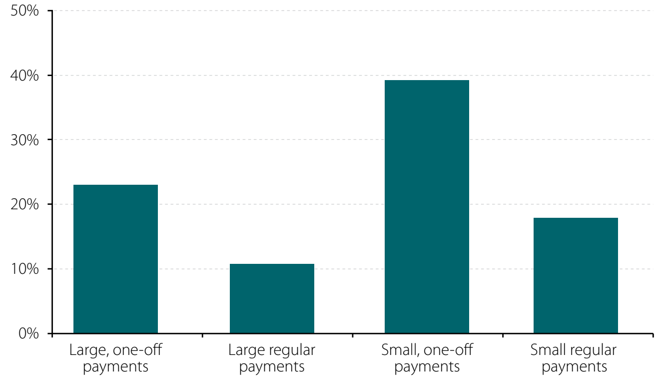
As Chart 3.2 shows, small one-off payments were more common, with 39% of those polled reporting this.

---

44 Eleni Karagiannaki, "The magnitude and correlates of inter-vivos transfers in the UK", Centre for analysis of social exclusion number 151 (London: LSE, 2011), 21.

45 Karagiannaki, "The magnitude and correlates of inter-vivos transfers in the UK", 9. Language may also be an important factor in explaining the higher figure here: the higher proportion answering yes occurred within the context of asking respondents whether they receive other types of support such as shopping and childcare. The depth interviews revealed that many people remembered the financial assistance they had received only once thinking through the different types of practical support they receive, particularly for children;

Chart 3.2. Proportion of respondents who had donated to an adult child, by nature of support, according to SMF Polling



Bases range from 2418 to 2445 respondents from the CATI and online survey, excluding those who responded 'Don't know'

Karagiannaki also found data from the BHPS on the prevalence of donations from parents to their non-resident adult children in the past 12 months. The findings from the BHPS show:

- 6% of respondents in the BHPS, on average across the 16 years, reported that they had given a financial transfer in the past 12 months to a non-resident child.

- 28.5% of respondents in waves 11 and 16 of the BHPS reported that they donated financial assistance regularly to a non-resident child over the age of 18.[46]

When compared with the earlier evidence, there is a clear discrepancy between the proportion of recipients and donors in these representative samples. In our polling (and indeed in the AIS), the proportion of recipients is significantly higher than the proportion of donors. Conversely, in the BHPS, the proportion of recipients is much lower than the proportion of donors. Box 3.2.

46 Ibid, 22.

Box 3.2. Apparent discrepancies between the numbers of donors and recipients

Why might the proportion of recipients be higher than the proportion of donors, as reported in the AIS and our polling?

These data sources enable respondents to think about whether they have received or given in their lifetime, rather than recently or regularly in the present time. This means that the donors of recipients who have received at any point in their lifetime, notably older adults, are more likely to no longer be living, meaning there are simply fewer donors compared to recipients.

Why might the proportion of recipients be lower than the proportion of donors, as reported in the BHPS?

- Recipients do not remember transfers as well as donors.
- Recipients do not treat some transfers as reportable whereas donors do.
- Recipients are embarrassed about saying in a face-to-face survey that they receive from their parents whereas donors may see giving to their children as a positive attribute which they would promote.

These possible explanations apply to both financial and practical transfers.

AMOUNTS RECEIVED AND DONATED

As set out in Chapter One, as well as understanding the prevalence of transfers, the amounts transferred are important both because they give an indication of the assistance that transfers provide to the recipient, but also because they can help us understand the purpose of the transfer.

Our poll asked all recipients to estimate the total amount received in financial transfers from their parents in the last five years.[47] Chart 3.3 shows that the total amounts received over a 5-year period tends to be relatively small: 66% of all financial transfers received in the past five years were below £2,000, although a significant minority have received much higher amounts (8% above £10,000).

Chart 3.3. Distribution of transfers in the past five years by amounts (all recipients), according to SMF Public Polling

Base: All 989 respondents who had ever received a financial transfer from a parent as an adult in the CATI and online survey, excluding those who responded 'Don't know', '£0' and 'Not applicable'

The story was similar when donors were asked to estimate the total sums transferred in the last five years to an adult child, with 51% reporting that they had transferred £2,000 or less in the past five years.

When this is put against other survey evidence, it suggests that the variation in scale of transfers is indeed marked.

The AIS shows that, among those who have ever received a gift of £500 or more, the mean amount received by a household in a lifetime is £10,400. The mean amount received by all households in the past 12 months is £2,600, according to the BHPS. Meanwhile, the conditional median amount is £1,400. The significant difference

47 Five years was selected as the time period. We felt that respondents would struggle to recall the receipt of money (including small sums) over their whole lifetime. However, we also felt it important to stretch the time period beyond the 12-month period used in the BHPS because individuals can yield an on-going boost to their quality of life by the receipt of gifts.

between the mean and median amount transferred in the past 12 months in the BHPS implies a wide distribution in the amount of transfers taking place, with the mean being pushed up by considerable sums being received by some individuals.[48]

THE CHARACTERISTICS OF THOSE WHO DONATE AND RECEIVE

The likelihood of giving and receiving, and the amount transferred, varies significantly according to two main variables: income and age.

Income as a characteristic

Recipients

Our analysis of survey evidence and the existing literature shows that the lower the recipient's income the more likely the person is to have received a financial transfer recently (see Chart 3.4). Those who have equivalised household incomes of £10,000 or less are at least three times more likely to receive financial support regularly and frequent from parents compared to those who have equivalised household incomes of £30,000 or more. Contrastingly, those with higher incomes are more likely to have received a transfer in their lifetime.

Regression analysis carried out by Karagiannaki of the BHPS data from 1991 to 2006 suggests that, even controlling for other characteristics of the recipient such as educational attainment, labour market participation and marital status, **the lower the recipient's income, the more likely they are to have received a financial transfer in the past 12 months**. Accordingly, increasing a person's income by £10,000 decreases on average the probability

48 Karagiannaki, "The magnitude and correlates of inter-vivos transfers in the UK", 21.

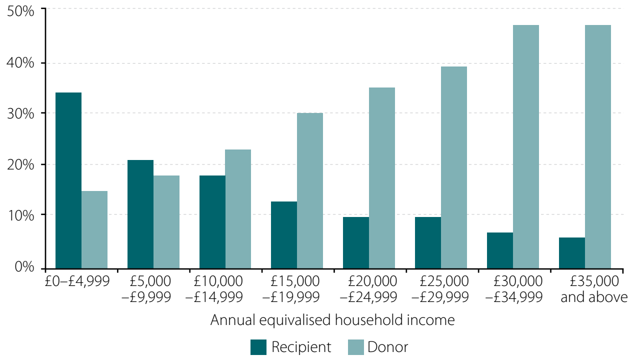
of receiving a transfer by about one percentage point.[49] This mirrors findings from much of the US literature.[50]

Box 3.3. Why do richer recipients receive more over their lifetime?

If individuals are asked whether they have received financial support from their parents in their lifetime, as opposed to recently, those on higher incomes are more likely to be recipients. Karagiannaki's regression analysis of the AIS suggests that people in the highest income category have about a 44 percentage point higher probability than those in the lowest income category of having received a cash transfer in their lives, controlling for other factors.[51]

The most likely explanation for the discrepancy between the BHPS and the AIS is that many wealthier recipients in the AIS received financial support when they were much younger, for example, during periods in education. As will be demonstrated below, age is another key variable determining the likelihood of being a recipient and a donor.

Chart 3.4. Proportion of donors and recipients of regular or frequent financial support in each income bracket, according to BHPS (2006–07)



49 Ibid., 12.

50 Analysis of the Asset and Health Dynamic Survey (7,911 individuals) and the National Survey of Families and Households (13,107 households) shows that those with lower incomes are more likely to receive financial assistance from their parents; Kathleen McCarry and Robert F.Scheoni, "Transfer behaviour within the family: results from the Asset and Health dynamics survey", *Journals of Gerontology*, 52B (1997), 82–92; Donald Cox and Mark R.Rank, "Inter-vivos transfers and intergenerational exchange", *The Review of Economics and Statistics* 74:2 (1992), 305–314.

51 Karagiannaki, "The magnitude and correlates of inter-vivos transfers in the UK", 11.

Donors

Conversely, while a lower income is associated with greater likelihood of receiving financial assistance from parents, **a higher income is linked to greater propensity to give money to an adult child**.

By analysing the BHPS Social Support module in 2006–07 by income group we can observe a clear relationship between donors' income and the likelihood of receiving financial help, as shown in Chart 3.4 above. Those who have an equivalised household income of £10,000 or less are roughly three times less likely to donate regular or frequent financial to their adult children then those who have an equivalised household incomes of £30,000 or more.

Again controlling for other characteristics of the donor such as education, labour market status and home-ownership, Karaginannaki's analysis of the BHPS illustrates that increasing parental income by £10,000 increases the probability of making a transfer by about three percentage points.[52] Again, the extensive US evidence conclusively supports this.[53]

Ultimately, Chart 3.4 suggests that it is most common for high-income parents to give to adult children on lower incomes in a recent period, probably because that recipient is younger so on lower wages or in education.

52 Ibid., 13.

53 The Panel Study of Income Dynamics (37,500 individuals) finds parents' income bears a positive relationship to the transfer probability; Joseph G. Altonji, Fumio Hayashi and Laurence Kotlikoff, "The effects of income and wealth on time and money transfers between parents and children", NBER working paper 5378 (1995).

Box 3.4. Does income affect the amount you receive?

Karaginannaki's evidence from the AIS indicates that those in the highest income category are likely to have received £8,000 more than those in the lowest income category in their lifetime from their parents. Our own polling showed that low income households were slightly more likely to have received less than households across the population in the past five years (See Chart 3.3 and Chart 3.11). Yet, in her analysis of the BHPS, increasing a child's income by £10,000 decreases the expected amount of transfer in the past 12 months by about £76.[54] Essentially, **lower-income recipients are more likely to have received higher amounts in the past 12 months, but less support over a longer period and certainly over their lifetime**. Two factors could explain this. First, young people – many of who are in education – constitute a significant proportion of those on low incomes. Second, for those who are older or not in education, they may be receiving a larger number of smaller amounts in one year, but this will pale in comparison to those people on higher incomes who receive one-off gifts – or support as students – from their parents in their lifetime.

However, qualitative research suggests that there can be significant variation in the amounts received by low income households. One study found that while the typical amount of support transferred ranged from £20 to £200 in a year, for some respondents, "transfers reached such an extent as to cast doubt on household income figures".[55] Our own interviews showed a similar variation: the norm was small amounts across the year which amounted to anything between £100–£1,000. However, there were a small number of households who receive large amounts of money. In one exceptional case, it was more than the amount they received in a year from salary and benefits. Though the overwhelming majority in our polling received £2,000 or less in the past five years, 10% of low income households had received £10,000 or more (see Chart 3.11).

54 Karagiannaki, "The magnitude and correlates of inter-vivos transfers in the UK", 12.

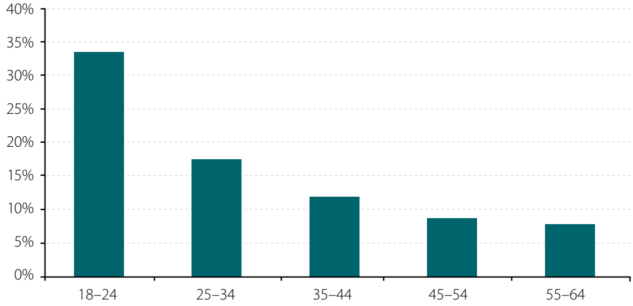
55 Sarah Taylor and Chris Warburton Brown, "The contribution of gifts to the household economy of low income families", Paper to Social Policy Association Conference 2009 (Oxford: University of Oxford and University of Glasgow, 2009). 55

Age as a characteristic

So far we have established that the most common form of transfer is likely to be between higher income donors to lower income recipients. Lifecycle theory goes a long way to explaining this. The evidence suggests strongly that the most common form of inter-vivos transfer is from more affluent parents to young adult children. Though their incomes may grow as they age, recipients may be on low incomes now because they are in education, unemployed or at the start of their earnings trajectory.

Our analysis of the BHPS Social Support Module data as demonstrated in Chart 3.5 shows that the peak age for receiving transfers from one's parents is between 18 and 24 years of age, with 34% of individuals in this group receiving such support regularly. This share drops to 17% for the group of individuals aged 25–34.

Chart 3.5. Share of individuals receiving regular financial help from non-resident parents, by age group, according to the BHPS (2006–07)



Age is also a key factor for donors: our polling reveals that the older the person, the more likely they are to have ever transferred financial support to their adult children. A straightforward explanation is that such parents have had a much longer period to help their children through different life stages.

The UK and US literature reveal there are other factors – which are smaller in significance than age and income – affecting the likelihood of receiving or donating a financial transfer. For example, the literature shows that being unmarried, in full-time education, having fewer siblings and holding a degree is positively related with receiving. Having higher education levels, being married, being white and a home-owner are positively related with donating.[56] It is also worth noting that, especially as immigration has increased to the UK in recent decades, some ethnic and migrant families may be sending remittances to their family in their country of origin.

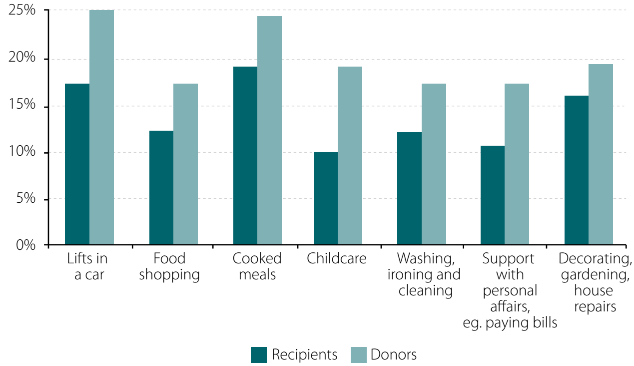
IN-KIND SUPPORT

People in our poll were much less likely to say they received practical support as an adult child from a parent (35%) than financial support (55%). However, the proportion of people saying they had given practical support to their adult children (41%) was similar to the proportion saying they given financial support (43%).

The different types of in-kind support are detailed in the "Social Support Network" of the BHPS, and we used this categorisation in our polling. As Chart 3.6 below shows, the regular receiving and giving of different forms of practical support was common for a significant minority of households. The most prevailing forms of support are lifts in a car, cooked meals, and decorating, gardening and house repairs.

56 See Karagiannaki, "The magnitude and correlates of inter-vivos transfers in the UK", 13; McCarry and Scheoni, "Transfer behaviour within the family"; Cox and Mark R.Rank, "Inter-vivos transfers and intergenerational exchange"; Thomas Emery, "Intergenerational transfers and European families: Does size matter?", *Demographic research* 29 (2013), 247–274.

Chart 3.6. Levels of practical support received and donated by activity, according to SMF polling



Bases range from 2446 to 2461 respondents from the CATI and online survey, excluding those who responded 'Don't know'

While similar results emerge from the BHPS survey, there are a number of notable differences. ‘Help with children’ is the most reported form of activity in the BHPS. A possible explanation for this is that 'help with children' is quite broad, whereas our polling specifically referred to 'childcare' and some people may not treat infrequent and short periods of time looking after grandchildren as childcare. Indeed, if our polling and the BHPS had only asked respondents with dependent children, we would expect the proportion reporting 'childcare' or 'help with children' to be much higher. More focused polling on grandparents by the British Social Attitudes (BSA) Survey suggests that 63% of grandparents provide childcare for children under the age of 16.[57]

It is also worth noting that these answers do not include non-dependent children who are still living at home with their parents. Co-residency is a form of in-kind support offered by parents, since it provides rent, food and other living costs at a discounted price or for free. Over half of 20–24 year old men, and a quarter of 25–29 year old men, now live at home with their parents: and the proportion

57 Sarah Wellard, *Doing it all? Grandparents, childcare and employment* (London: Grandparents Plus, 2011), 12.

experiencing what sociologists have labelled 'boomeranging' has been rising in recent decades.[58] Those on lower incomes are significantly more likely to be living with their parents: if you raise a recipient's income by £10,000, for instance, this decreases the probability of living with parents by two percentage points.[59]

It is much harder in instances of in-kind support rather than financial support to calculate the degree of support provided. Evidence on grandparental childcare support suggests that it varies significantly. According to the British Social Attitudes survey, 19% of grandmothers and 14% of grandfathers provide at least ten hours of childcare a week.[60]

VARIABLES AFFECTING THE LIKELIHOOD OF GIVING OR RECEIVING PRACTICAL SUPPORT.

Unlike with financial transfers, the income of the donor or recipient is not statistically significant as a variable explaining the probability of giving or receiving practical support.[61] Those with higher educational qualifications are less likely to give practical support to their adult children. However, the same group are also more likely to give financial transfers, suggesting they may prioritise giving money over time. Indeed, Dench and Ogg find that affluent grandparents are more likely to provide material support than practical support.[62] As with financial transfers, analysis of the BHPS shows that age is a significant variable. Younger adults are much more likely to receive practical support – probably in large part due to the bringing-up of children.

58 Ryan Shorthouse, "Home truths on the boomerang boys", *The Guardian,* December 15, 2009.

59 Karagiannaki, "The magnitude and correlates of inter-vivos transfers in the UK", 15.

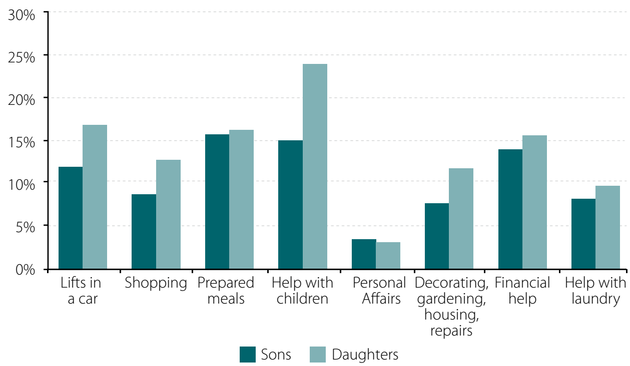
60 Wellard, *Doing it all?*, 12.

61 Karagiannaki, "The magnitude and correlates of inter-vivos transfers in the UK", 14.

62 Geoff Dench and Jim Ogg, *Grandparenting in Britain: A Baseline Study,* (London: Institute of Community Studies, 2003).

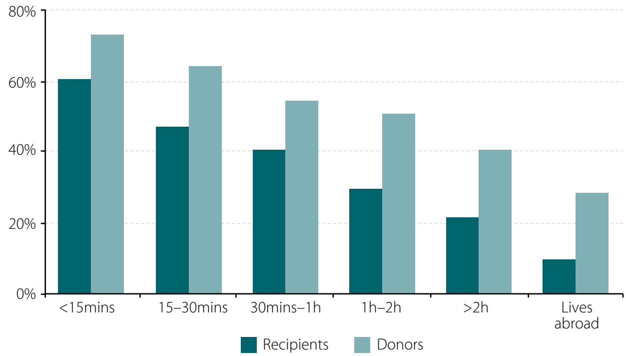
The gender of the recipient and the distance between parent and adult child also appear important. Analysis of the BHPS finds that in almost all categories of in-kind support, daughters are more likely than sons to receive help. This difference is particularly pronounced for childcare, which is likely to reflect numerous issues: including that a high proportion of families are single parents headed by a mother, and that child-rearing is still gendered with responsibility often sitting with the women.

Chart 3.7. Percentage receiving practical help – by gender, according to BHPS (2006–07)



Greater geographic distance between the recipient and donor is correlated with lower prevalence of in-kind support. While 60% of individuals living less than 15 minutes away from a parent receive regular practical help, only 30% of those living between 1 and 2 hours away from their parents receive such aid. This could be because physical distance prevents support from being provided. Alternatively, the physical distance could reflect the fact that the relationship between the parent and child is weak.

Chart 3.8. Percentage of individuals receiving or giving practical support – by distance, according to BHPS (2006–07)



TRANSFERS WITHIN LOW INCOME HOUSEHOLDS

The research above has already shown that income can have an important effect on the likelihood of receiving and donating, and on the amount of intergenerational support received and donated. This final section provides a summary of the prevalence of intergenerational transfers in lower-income households. It uses SMF's polling and a definition of households on lower than £20,000 per annum.

Our polling demonstrated that 52% of those on low incomes providing an answer said that they had received financial support as an adult from a parent compared to 55% across the whole population surveyed. Similarly, 42% of those on low incomes said they given financial support to an adult child, compared to 43% across the whole population.

Likewise, 35% of low income people said they had received practical support, the same as across the whole population. Forty percent of low income people reported that they given practical support, compared to 41% of those people surveyed that provided an answer.

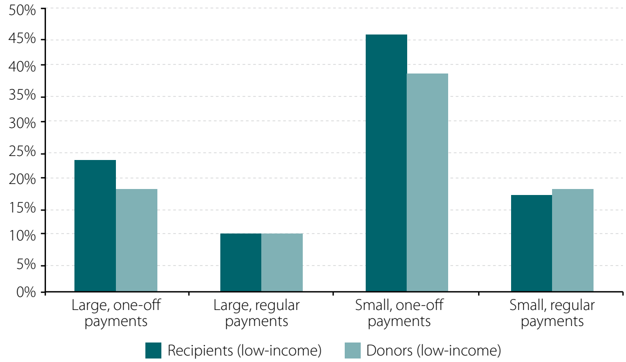
Notice that these responses are little different to the proportion of people across the whole population that say they received or gave financial or practical support. The secondary literature, however, clearly demonstrates that those on low incomes are much less likely to donate and much more likely to have received recently. There are two reasons why this differentiation does not appear in our polling. First, the income ceiling is high relative to the income thresholds used in national surveys such as the BHPS. Second, the comparison is between low income households and the whole population, rather than different income groups across the whole income spectrum.

How many low income households are recipients and donors of financial support?

As Chart 3.9 indicates, the most common form of financial support that people on low incomes received from their parents are small, one-off payments: 46% of those on lower incomes had received small, one-off payments from their parents. The second most common transfer among people on lower incomes was large, one-off payments (24% of respondents). A significant minority (17%) of those on lower incomes had received small, regular payments from a parent; one in ten received large, regular payments from a parent.

For donors, small, one-off payments was most common with 38% of donors reporting they had given this to an adult child; 19% reported that they had given large, one-off payments, and 18% reported that they given small regular payments. One in ten said they gave large, regular payments.

Chart 3.9. Proportion of those on low incomes who receive and give financial support, according to SMF polling

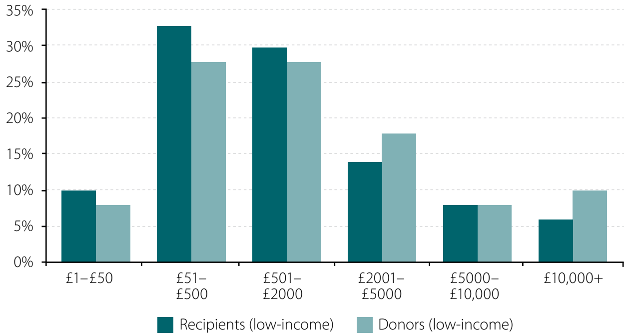


Bases range from 1225 to 1236 who are on low incomes from the CATI and online survey, excluding those who responded 'Don't know'

How much is given and received?

As Chart 3.10 shows, a higher proportion of low income people (73%) has received £2,000 or less in the past five years compared to people across the whole population surveyed (66%). Similarly, a lower proportion of low income donors reported transferring £10,000 or more (10%) compared to donors across the whole population (15%).

Chart 3.10. Distribution of transfers in low income families in the past five years by amounts, according to SMF polling

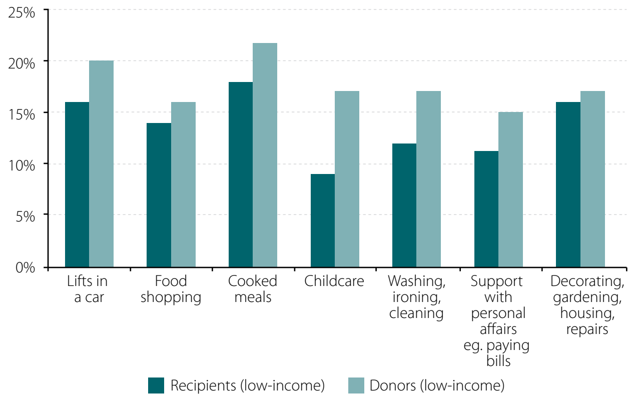


Base: All 500 recipients and 456 donors who are on low incomes from the CATI and online survey, excluding those who responded 'Don't know', '£0 'or 'Not applicable'

What level of practical support is received and given?

Low income recipients are most likely to say that they receive from a parent lifts in a car (16%), cooked meals (18%) and support with decorating, gardening and housing repairs (16%). Low income donors also report providing this support, although there are many more reported donors than reported recipients. Box 3.2 outlines the possible reasons for these discrepancies.

Chart 3.11. Proportion of those on low incomes who receive and give practical support by activity, according to SMF polling



Base: All 1236 recipients who are on low incomes from the CATI and online survey, excluding those who responded 'Don't know'

CHAPTER 4: FACTORS AFFECTING INTERGENERATIONAL EXCHANGE

Chapter Three illustrated the amount of financial transfers and in-kind support taking place between parents and their adult children in the UK. But why do these transfers take place?

Drawing on depth interviews and polling with low income households, as well as an extensive literature review, this chapter seeks to explore the underlying reasons that determine whether or not financial and practical support is given and received among low income families.

There are three broad factors that affect why transfers do and do not occur:

1. **Internal factors.** Parents and their adult children are affected by intrinsic personal attitudes, such as altruism or the prizing of independence.
2. **Cultural factors.** Intergenerational exchange can be boosted or undermined by particular cultural norms, such as the importance of families or gendered assumptions about which types of support donors should engage in.
3. **Circumstantial factors.** Specific circumstances, such as availability of time or a household's financial situation may determine the prevalence and level of transfers.

INTERNAL FACTORS

Why do donors support their children after they are no longer dependent? For decades, the academic community have wrestled with whether donors are motivated by altruism or exchange. Do transfers take place out of love and altruism and so as to support children in times of need? Or does the donor expect something in return, such as companionship or assistance now or in the future?

Altruism or exchange?

The eminent sociologist Gary S.Becker argued that parents give to their children because they care about their utility, even when they have grown up. In which case, we might expect those in need of more support to receive more generous support. Two findings from Chapter Three support this theory: first, adult children who have lower incomes were shown to receive more in the past 12 months; second, people who are younger – and more likely to be in education or on low earnings – receive more. These findings indicate that parents give to their children on the basis of need, supporting the altruist model.

Although many studies support the altruist model, some reports show that a certain reduction in the income of the recipient does not lead to the necessary increase in support from parents that would be predicted under the altruist model. Other research has found positive evidence for the exchange model: that parents give in the expectation of receiving back, such as practical support. Indeed, an evaluation of the National Survey of Families and Households by Cox and Rank, which was conducted in the US in the late 1980s, concludes: "Contact and help are positively related to the probability of transfer receipt". Analysis of the Assets and Health Dynamics Survey (AHEAD) survey in the USA finds that when parents think they will get help from their children at a future date, they are more likely to donate. This suggests the exchange is long-term: parents are investing now, with the hope of getting support at a later date when they are less able to fend for themselves.

Our interviews reveal that both the altruistic and the exchange motivation are common and not necessarily mutually exclusive.

A majority of parents displayed altruistic motivations. Children in the most difficult or time-pressed circumstances often received more; transfers were often distributed unevenly among siblings.[63] This shows that it is common for parents to allocate resources based on need. Distribution on the basis of need can act as a redistributive and equalising force within the wider family.[64]

> *"I say more so for my eldest daughter…she's got a disability as well because she suffers with bipolar so, obviously, I have to help her with the kids a lot when she has a bad spell"*
>
> 48 year old female donor, Single household

> *"My mum helps my sister a lot going places with her because she has really bad panic attacks. So she'll go in the shops and things for her sometimes if she's not feeling like she can brave it"*
>
> 20 year old female non-recipient, Single household

Many donors also gave because of their emotional affection to their children and grandchildren. It is clear from our interviews and our polling that giving support to adult children and their family was a source of happiness. The most common effect of giving cited by survey respondents to our polling was "It has brought me a lot of happiness". 45% of low income donors in our polling cited this.

> *"Nobody provided for me and I just wanted to do it…I know it sounds silly, I do get a lot of joy spending on them"*
>
> 54 year old female donor, Couple household

However, some interviewees referred to the importance of exchange after support had been given.

---

63 This is different to what the literature shows on inheritance, which tends to be divided equally among siblings.

64 Altonji, Hayashi and Kotlikoff, "The effects of income and wealth on time and money transfers between parents and children".

> *"It's a tradition that I grew up with, you take things to people's houses but generally people give you something to take home as well"*
>
> 57 year old female donor, Single parent household

The types of exchange mentioned included: treating parents to a meal now and then, cleaning, helping parents getting to grips with computers, or helping carry heavy items in their house.

Box 4.1. When the going gets tough?

Just how compelling is altruism as a motivation for intergenerational exchange? We can test this by examining whether parents respond by providing additional support when their children face more difficult times in their lives. The research revealed that many families experience an increase in support because of personal circumstances: when children are born, or following divorce or separation. As the next chapter will show, parents often step in to provide a financial buffer during these difficult transitory periods where people are experiencing circumstantial poverty, suggesting altruistic motivations.

> *"When my marriage split up they were in the process of wondering what to do and they decided they would come here to basically help me, support me"*
>
> 40 year old female recipient, Single household

Particularly in the current economic climate, where living standards have been squeezed as a result of unstable employment, stagnant wages and inflation, SMF wanted to find out whether – as a result of altruism – parents were providing more support. We tested this in our polling. Roughly a quarter of low income households reported that it stayed the same. Many (32%) reported that the support had changed, but did not provide a reason for this. The most common reason for an increase in parental support among low income households over the past five years among low income recipients is unemployment or loss of earnings (13% of low income respondents reported this), showing that the recessionary climate put additional demand on parental resources for some households. Ultimately, it shows that shocks to a person's life – personal and economic – change the way the family is used as a welfare unit. This suggests that parents do respond to the needs of their children, underlying the predominance of altruism as a motivation.

Thinking only about altruism or exchange is restricting, and a heterogeneous model is more helpful. Certainly, other models have been proposed by experts, including: the insurance model (where parents give support to help children smooth their consumption across time), and the access to credit model (where parents act as a substitute credit market when children have low incomes). The depth interviews revealed other motivations.

In the interviews, for instance, we found some parents actually gave on the basis simply of who asked for support the most.

> *"My son who's got the eight children, actually I give him the least help only because he's the one who asks the least"*
>
> 57 year old female donor, Single parent household

Beyond these internal motivations, the depth interviews revealed how important cultural norms can be in shaping decisions on intra-family support.

CULTURAL FACTORS

It is impossible to delineate perfectly between internal and cultural factors. For instance, internal motivations such as altruism may be shaped in part by cultural norms. But, cultural reasons are identified here as motivations that interviewees referred to as applicable not only to themselves as individuals, but also generally to those in their social networks.

The academic literature suggests that different cultures across Europe have differing attitudes towards family responsibilities, especially towards how family members should look after the aged and adult children. As such, patterns of caring fluctuate across Europe partly because of different cultural norms.[65]

Two such cultural factors emerged most strongly from our interviews:

- The assumption that families look out for each other
- The assumption that individuals should be financially independent as adults

Families looking out for each other

Many interviewees believed that supporting one another within the wider family was just what families did. It was, therefore, a norm for families to support one another financially and practically. In particular, practical support was seen as common. Even comparatively old recipients believed that support from parents was common. One 52-year old recipient with two teenage children said:

> *"A lot of my friends do receive help, a lot of them are receiving inheritance now as well…My best friend she always had to get help from her mum so it's not really anything new to me".*
>
> 52 year old female recipient, Single parent household

This sentiment was especially strong in families of Asian and Afro-Caribbean ethnicity. In such instances, there was a strong sense that familial support was expected of them. This is well illustrated in the quote below.

65 Herlofson, Hagestad, Slagsvold, Sorensen, "Intergenerational family responsibility and solidarity in Europe", 45.

"I think that the role of grandparent is such that we shouldn't be seen to be not providing"

57 year old female donor, Single parent household

You should be financially independent as an adult

In clear contrast, a minority of families believed strongly in financial independence; being a non-recipient was an active choice for some. Such individuals professed that it was wrong to be dependent on other people and that people should only spend what they have. They valued independence, self-sufficiency and thrift. Some even turned down requests for childcare help because they did not believe it was right to take advantage of others.

"If my mum and dad did offer me money, I think I would say no anyway, just because I like to be independent and not rely on them for things"

27 year old female non-recipient, Couple household

"I just think it's up to you to make your own way through life and that's how I would feel about asking my own parents as well".

46 year old female non-recipient, Couple household

However, this self-reliance was also informed by perceptions of the parents' circumstances and their capacity to donate. Non-recipients often cited that they did not believe their parents had the money or the time to support them, so did not even ask them.

"I think it's just that you don't like to put on people, asking them to do things when they've been working all week"

27 year old female non-recipient, Couple household

"I look around and I think to myself, I feel sorry sometimes for some grandparents because they do get put on a lot, some of

> *them do…They'll say 'he's going to Nana's again', it's constant and I think poor Nana. Because they obviously need a break"*
>
> 39 year old female non-recipient, Couple household

Some donors were also sceptical of giving support to their adult children, particularly financial help. This was informed by a similar belief in self-sufficiency and personal responsibility. Some donors were of the opinion that their children would never learn to be independent if they continued to receive support. However, even in these instances, if their children needed support, the tendency was to say they would be there to help.

> *"I'm there for a back-up but I'm not telling them I'm going to be a back-up…It would have to be something major, say they were losing their house for some reason…"*
>
> 27 year old female non-recipient, Couple household

Our polling reflected the prevalence of these two, perhaps conflicting, norms: that supporting each other is what families do, and being financially independent as an adult is desirable. Eighty one percent of low income families agreed that providing financial and practical support to adult members of the family is "just what families do". Nonetheless, a similar proportion of respondents from low income backgrounds agreed with the statement that "It is wrong to be financially dependent on your parents as an adult" (73%).

Gift or loan? Conditions attached to transfers

Cultural norms influenced not only whether people gave and received, but also the conditions attached to any support that was provided. In particular, the interviews revealed the following cultural assumptions that affected the type of support that was given:

- Parents preferred giving their children loans
- Certain activities are gendered

Box 4.2. Is it a gift or a loan?

Donors were keen to emphasise that money given was a loan, but in reality it was usually a gift. Even if it was initially a loan, it was often not paid back in full. This was typically because the donor did not want to pursue the repayments but sometimes because the donor found it difficult to extract the money owed or because the recipient found it difficult to pay the money back.

> *"It's usually a loan…but I'm not going to hassle her unless I need it"*
>
> 59 year old male donor, Single household

> *"I've loaned him money, which I don't know if you understand that, when you lend children money it's a gift, they think…I wanted him to pay it back and he still owes but it's like trying to get blood out of a stone"*
>
> 57 year old female donor, Single parent household

Loans were more common if the money had been requested by the recipient rather than offered by the donor. Larger financial transfers also tended to be loans, although there were cases when large amounts of financial support were given to help with new items for the house, such as carpets or white goods. In the latter instances, repayment was not expected. If the transfer was initiated by the donor, most typically for presents or treats for children, it was not expected that the money should be paid back.

There were a minority of households, however, where donors and recipients adhered strictly to the idea that the transfer was a loan and that repayments should be made regularly. One recipient had in fact kept a written record of her repayments to ensure she was up to date.

> *"She's quite strict…she would borrow it me and she'll say 'I'm borrowing it to you, you have to give it back' so she makes sure that she does take it"*
>
> 29 year old female recipient, Couple household

Our polling aimed to quantify whether financial support was typically perceived to be a gift or a loan. For those on low incomes who have given small and regular amounts to an adult child, they overwhelmingly reported that it was a gift and they didn't want the recipient to pay them back: 74% of donors who have provided small, regular transfers to an adult child said that it was a gift which did not need to be returned. It was more mixed for large, one-off payments. However, a majority (58%) of donors still reported that these larger, one-off transfers were a gift that did not need to be paid back. Interestingly, this did not mirror findings from the depth interviews, where interviewees tended to report loans (even when repayment terms were flexible) much more.

Gender influenced the support given to adult children, with men more likely to provide practical support that was centred around advice and maintenance, whereas women were more likely to do ironing and cooking. This corroborates the quantitative evidence in Chapter Three.

> *"Household maintenance, my dad's very good at doing stuff like that…He was down today, we were chopping part of a tree down this morning…. If the children stay overnight, my mum always washes their clothes and irons them"*

40 year old female recipient, Single household

> *"My mum will pop in an hour and so a week and if I've got a bit of ironing she'll do my ironing… X's dad came and laid the floor for us"*

24 year old female recipient, Couple household

Grandparents and grandmothers were just as likely to give childcare, often together. But grandmothers were more likely to be providers of regular childcare for longer periods of time and to step in in cases of emergencies. This bears out other evidence: generally grandfathers are just as likely to provide childcare as grandmothers, but grandmothers are much likely to provide care for longer periods of time: 19% of grandmothers provide childcare for more than ten hours a week, compared to 14% of grandfathers.[66]

CIRCUMSTANTIAL FACTORS

So far, the chapter has explored internal and cultural factors that shape whether and how people give and receive intergenerational transfers. But there are specific circumstances relating to families which also affect whether such exchanges take place, namely:

- The finances and availability of the potential donor and recipient
- The distance between the potential donor and recipient
- The relationship between the potential donor and recipient

The finances and time of the potential donor and recipient

The previous chapter showed that recipients on lower incomes, particularly when young, are more likely to receive; and donors with higher incomes are more likely to provide financial support to their adult children.

Many recipients claimed their parents were much more financially comfortable and thus in a better position to donate. This is probably because, since they were older, they had accrued greater savings. In some cases, parents were much more affluent so were in a position to provide significant support to enhance the standard of living of their children.

> *"I think she's more comfortable because she gets a rebate and she doesn't pay Council Tax or anything and her rent's quite low…My mum has got money in the bank. Probably about £25,000 or something, she's got a good bit"*
>
> 52 year old female recipient, Single parent household

66 Wellard, *Doing it all?*, 12.

> *"They're quite well off, compared to us anyway, they have three holidays a year, they've got a time share, they've got another property that they rent out as well…X's parents, again, also his dad's a dentist, he's just coming up to retirement, very wealthy"*
>
> 34 year old female recipient, Couple household

However, while this was the case for many recipients, the donors that were interviewed were on low incomes themselves, and sometimes in debt. They described how it was more difficult for their children to manage because of having young children. Therefore, even though the parent was in a difficult financial position, they typically considered that their adult children faced more severe financial challenges.

> *"She doesn't really have anything…they're in kind of serious trouble"*
>
> 59 year old male donor, Single household

Some donors lacked the finances to support their children as much as they would have liked. However, more commonly, donors were ready to squeeze their own standard of living and financial situation in order to provide for their children and grandchildren. Supporting their children came at the expense of managing their own budget. For some this worsened their levels of debt.

> *"I feel really pressured, it's like running a house with loads of kids in it, that's how it feels. Because not only am I supporting my two sons that live with me, I'm now supporting two young children and an older daughter. The financials are killing me"*
>
> 48 year old female donor, Single household

Turning to practical support, the last chapter demonstrated that the income of the donor is not related to the likelihood of transfers taking place. More important factors that emerged in the interviews included the distance from potential recipients and the time that donors had or did not have to support their adult children.

As regards the latter, some donors felt that their time was pressured because of the support they gave. Some, contrastingly, did not provide as much support as they have would liked because they were working. Recipients also mentioned that their parents could not support them because they were in full-time jobs.

The interviews indicated strongly that those with young children were in need of more support. Many interviewees described how adult children with young children typically got the greatest financial and practical support. Likewise, those who were working needed more support than those who were not. So, adults with young children who were working were the most likely to be recipients of practical support. As such, this practical support facilitated the involvement of the adult child in the labour market.

The geographical distance between the parent and the adult child

Both practical and financial transfers were more likely to occur when recipients and donors lived nearer each other. Some non-recipients mentioned that the distance between them and their parents meant it was difficult, and sometimes impossible, for regular practical support to be provided. One single parent, for example, had her whole family in Jamaica and could only speak to her mother twice a year. Although parents lived far away, they sometimes provided support: but it was less frequent.

> *"I've got one sister…she lives in Germany…Mum goes over at least twice a year and when she's over there she helps her"*
>
> 44 year old female recipient, Single parent household

The strength of the relationship between the parent and adult child

All our recipients had to have living parents; this meant people were not included in the study who were not receiving inter-vivos transfers as a result of their parents no longer being alive.

Since altruism is a strong motivating explanation for the provision of intergenerational support, it is unsurprising that greater transfers of money and practical support take place in families where the relationship between parents and their adult children is stronger.

Some non-recipients cited that their relationship with their parents was poor and, as such, there were very low levels, or no levels of, support offered.

> *"She wasn't supportive when she found out that I was pregnant, she didn't really want anything to do with me for a while or to even acknowledge it was happening"*
>
> 34 year old female non-recipient, Couple household

But it was interesting that even if the relationship was strained, families did mention that support was offered from time to time for grandchildren, if the grandparents lived nearby.

CONCLUSIONS

This analysis shows that the motivations and external factors affecting the propensity to give or receive transfers are multiple and complex. However, there are some important patterns that emerge and that have policy relevance.

First, wider families often recognise the needs of specific individuals. These needs may be long-term (such as a disability), circumstantial (such as when the household is struggling financially due to a crisis), or they may occur at certain points of the life-cycle (such as the common emphasis on providing help to adults with young children). All these indicate how the wider family unit is used as a welfare system. However, it should also be noted that, at times, resources across the generations may be distributed by more arbitrary concerns such as which sibling is most vocal in demanding help.

Second, lack of time, geographic distance and lack of access to money also acted as significant constraints in some instances. Chapter Six will explore in greater detail how these constraints can be lifted where possible. Before this, Chapter Five sets out the impact that intergenerational transfers have on recipients and donors and whether and how non-recipients feel the absence of the support they do not receive.

CHAPTER 5: THE IMPACT OF THE BANK OF MUM AND DAD

As Chapter Three demonstrated, many parents on low incomes are stepping in to support their adult children and grandchildren. Chapter Four outlined the underlying factors that affect whether or not intergenerational transfers take place in low income households.

But, what impact do these transfers have on recipients? How does giving financial and practical support affect donors? And, how do non-recipients cope in the absence of support? This chapter looks in turn at the impact of intergenerational transfers on three different groups of recipients, non-recipients and donors.

1. Impact on recipients: Social mobility vs day-to-day living

The impact of financial and practical support can be divided into two broad categories: supporting day-to-day living and aiding social mobility. The interviews reveal that intergenerational transfers predominantly help low income families with day-to-day living. Whilst support to aid social mobility was present in some cases, it was much less common. Chart 5.1 illustrates the varying impact of transfers on the recipient's household.

Chart 5.1. The impact of different financial support

Box 5.1 Entrenched and circumstantial poverty

There is real diversity in the circumstances of families on low incomes. Households move in and out of poverty, often recurrently, over long periods of time: research by the Joseph Rowntree Foundation found that, over an eight year period, a third of households experience poverty.[67] Researchers describe three types of poverty: persistent, transitory and recurrent. Recurrent poverty did not emerge strongly from our interviews, but households fell into two broad groups: those in entrenched (persistent) poverty – experienced for a long time with little prospect of change; and those in circumstantial (transitory) poverty – a transitory circumstance caused by events, ordinarily job loss, relationship breakdown or having children. Just as these situations differ markedly, so does the impact.

One principal difference between these types of recipients identified through the interviews was the length of time over which intergenerational support had occurred. Those in entrenched poverty often reported how they had received small amounts of support (financial and childcare) for a sustained period, particularly since grandchildren were born.

Those in circumstantial poverty typically had received much more support in a recent period in response to the more pressured circumstances they faced. In addition, those in transitory poverty tended to have wealthier parents who could provide larger amounts.

Helping with essential living expenses

Households frequently relied on financial support for essential living expenses, ranging from small day-to-day expenses to larger items.

Often transfers were sought and provided for specific purposes such as food shopping, a new washing machine, a fridge or a pram. The amounts given varied from items in the weekly shop through to very expensive goods, such as a new wall or carpets. In some cases, parents provided financial support to pay council tax

67 Noel Smith and Sue Middleton, *Poverty dynamics research in the UK* (York: Joseph Rowntree Foundation, 2007).

or income tax (if self-employed) bills. For these larger items, they were more likely to be seen as loans: but the repayment terms were usually flexible.

In particular, much of the assistance helped families cope with the costs associated with having young children. Donors frequently sought to improve the lives of grandchildren directly by paying for treats and clothes, as well as paying for essential items such as nappies and baby formula.

In other cases, financial support was more hidden and often recognised less by recipients. For instance, one family had bought a car from their parents at a heavily discounted price. Money was also often attached to in-kind support such as childcare, shopping and cooking, especially when donors were with their grandchildren. Examples included paying for the hairdressers, transportation costs associated with lifts and trips out; admission fees for day trips. One young woman regularly borrowed food from her parents who lived a few floors up on her council estate. In another instance, one retired man was transporting his grandchildren to various different activities, and incurring high transportation costs.

> *"I've been putting more petrol in my car now than I did for work"*
>
> 61 year old male donor, Couple household

These contributions to the household living expenses often only occurred to interviewees during the process of talking through the practical assistance that they received. Often, they were surprised by how much they had received in one year and had not previously reflected on how much this support added up to. Despite being less recognised by recipients, it was clear that these transfers were playing a significant role in subsidising household expenditure.

Box 5.2. It all adds up

A 54-year old woman worked weekends at the bank and received carers allowance to look after her husband who has dementia. She had two children: a son who had a little girl, and a daughter who was childless. She had dipped into her savings to provide for her son in particular, buying him new radiators, a washing machine and a new front door all in one year. On top of that, she paid for coffees if they went out and also paid for some food shopping. When the interviewer asked her to tally it all up, she then remembered other items she had paid for: a new bed, for example. Overall, she says "they've probably had about £6,000 or £7,000".

Coping with emergencies

Support was sometimes crucial in helping recipients cope with unexpected expenditure. Notable examples were when the boiler or car needed repairing.

Experience of this type of support meant many recipients felt that their parents were there as a safety net. This provided reassurance and comfort. Even if money was not currently being transferred, there was a feeling among some that it could if needs be.

> *"I just think that when you're in dire emergency they're there for you, you can call them up at any time without worry about anything else, they're there for you"*
>
> 52 year old female recipient, Single parent household

Helping families avoid debt

The financial transfers for daily expenses and emergencies were valued highly by recipients, principally because it enabled them to avoid other costlier forms of credit. This echoes the findings from SMF's report last year, *Sink or Swim,* which found that respondents favoured parents above any other form of credit, including credit cards and overdrafts.[68] However, it must be noted that receiving support did not necessarily mean these families did not have debt; merely that being a recipient reduced vulnerability to indebtedness.

> *"Gosh, we would be in debt, we would definitely be in debt. I know for a fact we'd have had to have got loans and credit cards and all kinds of things"*
>
> 34 year old female recipient, Couple household

> *"It's stopped me from going overdrawn for one, it's helped to maintain a decent quality of life and just peace of mind, knowing that there's not any debt around"*
>
> 52 year old female recipient, Single parent household

> *"It would have been a lot harder, a lot harder, especially when he was on short times and things like that. I think if the support hadn't been there we would have been hungry or in a lot of debt or losing the house, if it went that far down"*
>
> 30 year old female recipient, Couple household

Many interviewees recognised the importance of intergenerational support in allowing them to avoid building up expensive formal debt. Some had previously had bad experiences with high cost credit and were very averse to using it.

Maintaining previous living standards

As demonstrated earlier in the chapter, many interviewees were living in transitory poverty, caused by unpredictable life events such as unemployment or separation. These families typically received larger sums of money than those who were in entrenched poverty, which allowed them to get closer to maintaining their previous – higher – standard of living. In part, the larger contributions were

68 Keohane and Shorthouse, *Sink or swim?*

explained by the fact that their parents were often more financially stable and comfortable.

As Table 5.1 shows, while the amount being transferred varies significantly, even at the lower end, when parents pay for small trips and holidays, substantial sums of money were transferred.

Table 5.1. Maintaining living standards for those in circumstantial poverty

Type of recipient	Amount transferred	Purposes
Recipient	Over £1,000 in the last year; but significant amounts (over £500) in the past	Holidays, presents, maintenance of house
Recipient	£20,000 one-off; no other financial support	To buy a house
Recipient	£15,000 over last ten years	Cash for clothes and furniture
Recipient	£16,000 in last year; £30,000 one off a few years ago	Tax bills, holidays; to help set up a business

Social mobility

A small number of households received significant amounts of money that facilitated social mobility, matching much more the experience of those from higher-income backgrounds. As can be seen from Table 5.1, these tended to be those in circumstantial poverty whose parents were richer or who had received significant support prior to their fall in income. In our interviews with donors and recipients, large sums of financial support were provided for: a car, which enabled the interviewee's son to be mobile for work and other reasons; help with buying a house; and help to set up a business. These sums of money, well into their thousands, were very unusual among the households included in this research.

> *"The house was on the market for a lot more than we could afford and my dad dropped it by £20,000...there was no way we could have afforded it for the price it was on"*
>
> 24 year old female recipient, Couple household

In-kind support

The practical support provided by parents for their adult children supported both day-to-day living as well as social mobility.

The childcare grandparents provided was, in particular, highly valued. It enabled recipients to pursue leisure activities such as going out. But, more fundamentally, it often enabled them to juggle work and looking after children. The on-call support was noticeable: grandparents stepped in at the last minute, ensuring their adult children did not miss out from socialising, training or working.

Thus, childcare had social mobility benefits. First, it enabled young parents to pursue activities such as work or training that could boost their standard of living now or in the long-run.

Second, parents valued the emotional support grandparents provided for their grandchildren through childcare. In common with findings from other studies, there was unease about using formal childcare among our low income families, centred on suspicion of strangers and quality of caregiving. In the absence of this grandparental care, it was not clear that some working parents would have been ready to trust formal childcare.

> *"I'm a nursery nurse and I will quite openly say that I wouldn't put my children in a Nursery…I've seen babies have their bottles forgot to be given because the rooms are too busy, accidents happen and it shouldn't…At the end of the day, them little people that you're looking after is the most important people…*

and you're trusting their lives yet you're paid such a rubbish wage and the quality of care is shocking"

24 year old female recipient, Couple household

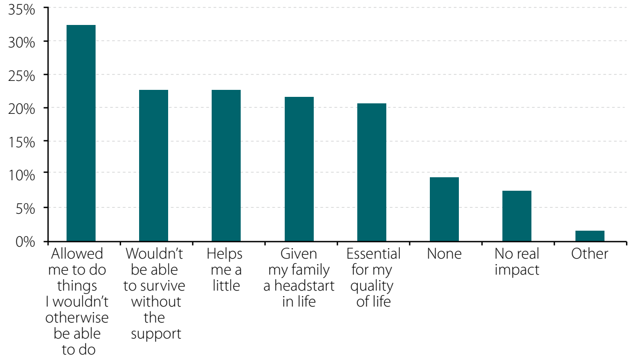
Parental employment is associated with several public and private benefits, most notably reduced propensity to child poverty and higher economic growth. Grandparents therefore play a critical role in achieving key social goals.

Other in-kind support was also beneficial for emergencies. The giving of lifts for grandchildren to different social activities was crucial, especially with all the chores and unpredictable problems that parents may encounter. In addition, many households, even non-recipients, referred to the importance of the emotional and informational support provided by parents.

Findings from our polling

Our polling aimed to quantify the impact of all financial and practical support. As Chart 5.2 demonstrates, the polling suggests that a majority of low income households report positive experiences from receiving transfers: ranging from significant impact on both day-to-day living and social mobility (33% of all respondents who answered say it has allowed them to do things they wouldn't otherwise be able to do, 22% said it had given them a head start in life, 21% said it was essential for their quality of life) to minor impact (23% said it supported them a little). Interestingly, a higher proportion of low income households (23%) than across the whole population surveyed (19%) say they wouldn't be able to survive without the support. Only 7% of low income households said it had no real impact.

Chart 5.2. Impact of receiving financial and practical support for those on low incomes, according to SMF polling



Base: All 759 low income respondents who have received either financial or practical support from a parent from the CATI and online survey, excluding those who responded 'Don't know'

Negative impact from receiving parental support

Unsurprisingly, most respondents were overwhelmingly positive about the financial and practical support they received. However, problems did arise. First, some interviewees expressed guilt at having to rely on their parents or their inability to pay their parents back. This was especially true of practical support, where respondents did not want to hassle their parents too much. Those reliant on older or disabled parents felt this more acutely.

> *"I wouldn't say that we've ever fallen out or anything like that... it's just hard for them, I suppose, to know that they have to worry about me as a grown up when they probably shouldn't have to be…I don't like asking them for things, I try not to"*
>
> 25 year old female recipient, Single household

> *"I'll be honest, sometimes it's on the borderline of being embarrassing… Sometimes I wish I could get a better job that pays a lot more money and then me take them out for meals or things like that on birthdays"*
>
> 45 year old male recipient, Couple household

Although the positives of receiving support outweighed the negatives, a minority of recipients noted that their parents could be interfering when it came to how children were brought up, for instance in giving children treats.

2. Impact on non-recipients

Families not in receipt of parental support had frequently found imaginative and resourceful ways of coping. Non-recipients often relied on friends or siblings for financial or practical support, for example. Or they referred to innovative ways of saving money: selling clothes on ebay, using hand-me-down clothes from friends or buying cheap goods from Gumtree. Other qualitative studies confirm the regularity and importance of hand-me-down gifts and clothes from friends for low income households.[69]

> *"I have friends around me that either have huge incomes coming into the house or just spend way over what they earn. I think a lot of people look around and think 'how do you afford it', because I'm bloody good with money"*
>
> 46 year old female non-recipient, Couple household

Some non-recipients were proud of their financial independence and did not have to rely on family members for support. As noted in Chapter Four, this prizing of independence is a common social norm. These interviewees felt that people generally spend too much. However, some were also nervous and embarrassed about asking others for help.

> *"If you're just given stuff you don't appreciate it so you save up and you get what you can because you've earned it"*
>
> 20 year old female non-recipient, Single household

69 Taylor and Warburton-Brown, "The contribution of gifts to the household economy of low income families".

Many non-recipients felt that those in receipt of parental support were fortunate compared to themselves. They pointed to friends, neighbours and colleagues who received and had things a little easier, and had more disposal income.

> *"Some people are lucky because they do have help from parents…Where I work there are girls and they go away three or four times a year on holidays and their kids are grown up and I think that's nice and I do think to myself I wish we can do that one day but you just have to manage with what you've got"*
>
> 39 year old female non-recipient, Couple household

> *"I did know another girl…she split from her husband and her parents used to come over to her house every Wednesday and take her shopping, pick her kids up from school and things like that…Perhaps I felt a bit resentful that I didn't have that"*
>
> 34 year old female non-recipient, Couple household

Though impressive coping strategies were employed by some non-recipients, others were struggling to varying degrees because of a lack of support. Most said they had to make sacrifices as a result of the lack of support. Interviewees cited their inability to go on holidays and day trips with their children. The absence of practical support limited their opportunities to socialise.

> *"I don't really go out anymore, I don't really see that many people…we just tend to get on and do things ourselves"*
>
> 27 year old female non-recipient, Couple household

For a small minority, the absence of support from parents – particularly practical support – was leading to isolation. Some could not work – as much as they would want, or at all – because the grandparents could not provide the childcare, with formal options too expensive and inflexible. A disabled woman was housebound because she did not have anyone to give her lifts.

"You do miss out and the children do as well. Because I'd be able to do a lot more things like work full-time and my mum could take them and pick them up"

26 year old female non-recipient, Single parent household

"I can't get a job because I have no family to look after my kids so it's difficult, it's very, very difficult…my life never really worked out the way I wanted it to be"

28 year old female non-recipient, Single household

Our polling showed that low income households generally (63%) tended to think that people struggle when they don't receive financial or practical support from their parents.

Box 5.3. Effect of not receiving

A 28-year old woman with four children, three of whom are below the age of five, is cut off from her family who live in Jamaica and the father of her children has left. She is stuck on welfare because she cannot afford childcare and cannot find a suitable job. She is in serious debt and is ignoring requests for repayment that are coming, not only in the post but from bailiffs. She has an income of between £13,000 and £14,000 a year.

"A part of me I'd say it is really really depressing, it is really stressful…it just sounds grim because the reality of it is, life is hard already and its going to get harder"

28 year old female non-recipient, Single household, Non-Recipient

The impact on donors

As noted in Chapter Four, many donors have altruistic motivations for giving to their adult children. Interviewees often reported that they got significant enjoyment and joy from helping their children financially and practically, especially from spending time with their grandchildren. For some it helped keep them active and was an enormous source of pride.

> *"I feel like I'm a great mum, I feel like I'm a great Nan…I just feel like I'm doing the right thing, that's all that's really important"*
>
> 48 year old female donor, Single household

Interviewees were overwhelmingly positive about the intergenerational transfers they were giving. However, a number of caveats emerged. First, it was clear that some donors continued to give support to their adult children for longer than they initially intended or thought necessary. This tended to stimulate resignation rather than resentment. Second, donors at times felt that their support was taken for granted.

> *"My youngest one, well the last two, they're not so dependent even though they're literally dependent on me, but they actually seem to be more independent than the bigger ones"*
>
> 57 year old female donor, Single parent household

> *"Sometimes I just think I want somebody to do something for me and nobody does anything, it does get you down every so often"*
>
> 54 year old female donor, Couple household

Third, stress and tension also emerged as negative consequences. One man felt that he had to sacrifice his social life and that requests for help were constant. A woman lamented that she wanted to enjoy her retirement but could not do so because of the demands from her children. For those who had given financial help, they sometimes needed the money back in the long-term and were stressed with having to ask their children for the money back. As such, the intergenerational transfers were causing tension.

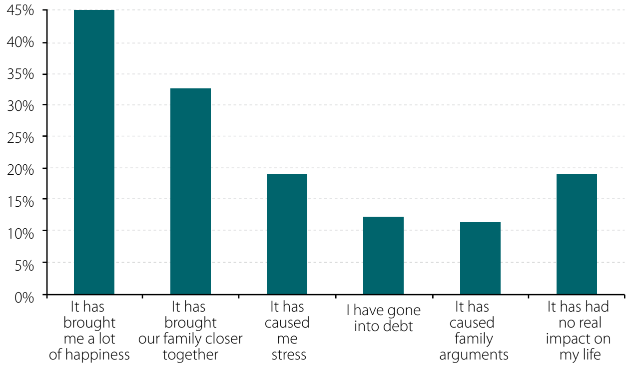
As the case study in Box 5.4 illustrates, donors sometimes suffered financially. One woman claimed that her mother had given up on holidays and investing in property because of the amount of financial support she had received. Some had to use their savings to support their adult children. The disadvantages for donors were sometimes much more serious, as Box 5.2 demonstrates.

Box 5.4. In debt

A single 48-year old woman with a household income of £16,000–£17,000 a year has five children and works as a part-time learning assistant in a school. Two of her children are twin boys aged 17. Her eldest two daughters, both in their late twenties, have young children. The oldest one is single and has bipolar disorder. She also has another daughter who is childless. Over the past year, she has provided about £500 to her eldest daughter and £150 to her second daughter. On top of this, she provides childcare and shopping for her eldest daughter, as well as managing her bills and sorting appointments for her. Only in 10% of instances does she ask for the money back that she gives to her daughters. Yet, she is seriously in debt: she pawns goods, refuses to run the central heating and is on a debt consolidation plan, on the verge of being declared bankrupt. She says: "The financials are killing me, if I'm going to be honest with you. That's why a lot of the time I don't eat so I can feed them. That sounds awful doesn't it? Oh God, I feel like crying".

Our polling sought to find out the impact that the giving of financial and practical support to adult children is having on parents. We asked all donors which of a number of positive and negative statements best described the impact that this had had on their life. The results across all income groups are demonstrated in Chart 5.3 below. The polling results mirror the findings from the depth interviews: for the majority of households (78%), donating has been generally a positive experience. But a significant minority report negative experiences, ranging from stress (19%) and arguments (11%) to going into debt (12%).

Chart 5.3. Impact of giving of financial and practical support on low income donors, according to SMF polling



Base: All 635 low income respondents who had given either practical or financial support to an adult child from the CATI and online survey, excluding those who responded 'Don't know'

Conclusions

This chapter suggests that the impact of receiving intergenerational support can be very significant for low income households and that it is viewed overwhelmingly positively. For many recipients, transfers were fundamentally important in helping them keep their heads above the water and manage day-to-day living costs. Parental support also boosted the financial resilience of recipient households, providing an additional buffer in times of difficulty and ensuring that households relied much less on formal debt. Larger investments to boost the social mobility of individuals (through support for training or asset investment) were much less common. However, grandparental childcare was a major facilitator enabling recipients to enter the labour market or do training.

In contrast, non-recipients had often developed coping strategies including relying on other networks or building cost-saving measures. However, some non-recipients felt that the absence affected them severely: limiting their opportunities in the labour market and leaving them isolated.

For donors, the story was often a more straightforwardly positive one. However, a minority were sacrificing their own quality of life and financial security for their children.

CHAPTER 6: POLICIES TO HELP FAMILIES

We have seen that intergenerational transfers of money and in-kind support are common among low income households. As Chapter Five demonstrated, transfers have an overwhelmingly positive effect on recipients, significantly boosting living standards and enhancing opportunities in life such as retaining and sustaining work.

We have established three important sources of welfare for households: the state (through benefits and tax breaks), the market (through wages and the provision of employment benefits) and the wider family. This chapter examines the implications of this third source for policymakers. The policy considerations below discuss how government can intervene more intelligently to direct help to those without support networks and to facilitate intergenerational support where constraints exist.

IMPLICATIONS FOR POLICY

The research and analysis conducted has raised several issues for policymakers about:

1. **How poverty is measured: knowing who to help.** As our research shows, some low income families receive a substantial amount of financial and practical support from their non-resident parents, usually during periods of transitory poverty. Others do not, generating significant inequalities. This puts the spotlight on how accurately current indicators measure and capture poverty in different households. Families officially on the same level of income diverge markedly in their experiences, quality of life and labour market opportunities as a result of the support they receive from their wider family.

2. **How you support intergenerational exchange among low income families.** Most recipients and donors reported positive experiences from the exchange of financial and especially practical support. Non-recipients frequently felt they missed out on a range of experiences and opportunities because of a lack of parental support. This raises the issue of whether policy can ease the constraints that prevent more exchange from taking place.
3. **The impact of welfare reform.** There are questions about whether the Government's welfare reforms are likely to facilitate or undermine familial support. Interviewees were asked about their attitudes towards different elements of the Government's on-going welfare reform programme which continues to be implemented. Policymakers need to think creatively about how welfare policy can be adapted to support rather than undermine intergenerational exchange.

1. HOW POVERTY IS MEASURED: KNOWING WHO TO HELP

How do we provide additional help to those without parental support and who are in need of more? The aim should be to improve opportunities for those who receive less or no informal support at all. A wide range of policy interventions could help, including welfare, education and labour market policies. Unfortunately, this report simply does not have the space to explore the vast number of areas where policy could help. But, as a first step, it can suggest ways to better understand who needs more support.

The standard measurement of income poverty used by government is a household whose income is below 60% of the median household income for the year in question. This is equivalised to take account of the size of the household. The Coalition Government is keen to widen the indicators for measuring poverty and disadvantage. The Government holds that the current prioritisation on the income indicator is insufficient and distortive:[70] insufficient, because poor health, education, life chances and family security are also determinants of poverty;[71] distortive, because it incentivises policy makers to focus on those nearest the poverty line who can be lifted out of poverty. It has suggested a multidimensional approach which measures the level of income, worklessness, unmanageable debt, poor housing, parental skill level, access to quality education, family stability and parental health.

Our research shows that the receipt or non-receipt of financial or in-kind support from family can drive significant differences in quality of life. Recipients reported that they could afford essentials with greater ease, were able to take on jobs more easily and a handful had more opportunities to buy a house or a car or make improvements to their house.

Our understanding of poverty should better reflect these differences in support from the wider family, to enable policymakers and practitioners to respond to those in greatest need. This can be achieved in two ways.

First, the way that income poverty – 60% of median income on an equivalised basis – is currently measured should be changed. The Family Resources Survey (FRS) on which the Households Below Average Income (HBAI) analysis is based is an annual survey that measures the net disposable income of a large sample of households and does take into account income from the wider family. A question is asked of survey respondents whether they get "a regular allowance from a friend/relative outside the household". But, as shown in Chapter Three with the differences between the results on prevalence of intergenerational transfers in different parts of the BHPS, how the transfer is defined produces different

70 HM Government, *Measuring child poverty: a consultation on better measures of child poverty* (London: HMSO, 2012).

71 Claudia Wood et al, *Poverty in Perspective* (London: Demos, 2012).

results. An allowance implies regularity and formality. But many financial transfers, both large and small, can be irregular, one-off or unplanned. These types of transfers, which our research has shown can be common and large, would be missed.

Recommendation: Official measures of income poverty should try to capture all the different forms of financial support households could receive.

Second, the strength of familial support should be taken into account in the wider definitions of poverty currently being sought by government.[72] Our research has illustrated the effects financial and practical support can have: helping avoid debt, a psychological comfort, enabling the sustainment of work. This intergenerational support often helps those on low incomes feel less pressured, alone and impoverished.

Recommendation: Any new indicators of poverty should take into account the familial support households receive.

Official measures of poverty do not give sufficient regard to the financial and practical support households receive from their wider family. This is problematic for two reasons. First, it is inefficient: a finite amount of resources are being directed to a less needy recipient at the expense of a needier one. Second, it is inequitable: many of those with no or low parental support are struggling and require further support, yet they are receiving the same amount of needs-based benefit as those whose standard of living is greatly enhanced from the support of their parents. Whilst it would be undesirable for state assistance to crowd out informal support, national and local policy makers need a fuller awareness of where additional support is necessary. Policymakers and practitioners

72 HM Government, *Measuring child poverty: A consultation on better measure of child poverty* (London: HMSO, 2012).

ought to prioritise mitigating the inequalities that emerge between recipients and non-recipients of familial support.

Recommendation: Those who are non-recipients of financial and practical support from parents should be deemed an at-risk group requiring additional support by public services. Various public services provide additional support for at-risk groups. Health Visitors, for example, provide more targeted support above and beyond the universal offer to, among others, teenage mothers and families who have suffered substance abuse.[73] When local authorities provide additional support for households, for example through the Social Fund, they will apply different eligibility criteria. Measures should be taken to ensure that different public services treat non-recipients of parental support as an at-risk group requiring special consideration, so public service organisations and professionals can provide additional support if necessary. Common guidelines could be drawn up by government or representative bodies.

2. FACILITATING INTERGENERATIONAL EXCHANGE AMONG LOW INCOME FAMILIES

This research has demonstrated the significant positive outcomes where intergenerational support exists: it can help people keep their heads above the water financially and, in some cases, provide opportunities that significantly change their life chances. However, the research also revealed there were several factors explaining why parents do not support their adult children financially or practically. Aside from personal reasons – such as the prizing of self-sufficiency, or a poor relationship – there are three broad constraints that prevent inter-vivos transfers taking place: financial, time and geographical. The next section proposes ways to mitigate the first two constraints:

73 Department for Health, *Health visitor implementation plan 2011–2015* (London: HMSO, 2011).

the third requires greater exploration and discussion about, among other things, housing policy.[74]

2.1 Financial constraints

The Government could take steps to enable more low income families to provide financial and practical support to one another, or indeed to enable those that do to provide more to maximise the positive benefits. A key policy goal should be to make more intergenerational exchanges among low income families engines of social mobility, providing capital for significant investments or enough practical support to help parents sustain work and give children good-quality childcare, not just for day-to-day living, important as that is.

Recommendation: Establish tax-efficient multi-generational Family Trust Funds. Government could help establish tax-efficient savings accounts for multi-generational families, called Family Trust Funds. Banks already offer similar opportunities for families to save for different generations. In 2011, the Government enabled banks to provide Junior ISAs, where parents save into a cash or stocks and shares account on a tax-free basis for up to £3,720 per year for each dependent child.[75] The children can access their Junior ISA account from aged eighteen. However, the number of beneficiaries is limited to one. Equally, banks offer trust funds which enable families to save money for future generations in a way that is tax efficient, especially in regards to Inheritance Tax, and sets rules for when and how beneficiaries receive money. But these funds can be expensive and complicated to establish.

This new proposal is to allow different generations of a family to invest in the trust, which is tax efficient and possibly supported through government contributions (for low income families). The trust would be managed by a representative from each household

74 See the forthcoming SMF report on the history of housing policy.

75 See: www.gov.uk/junior-individual-savings-accounts/overview.

participating in the trust. Decisions on distribution would be determined by all the trustees, with pre-set rules for the trust to support households who go below a certain income threshold. Government could consider prompting enrolment when people first receive Child Benefit. A certain portion of a household's Child Benefit and Universal Credit could automatically be allocated into the Trust.

The Trust could encourage families to collaborate more by pooling resources and managing finances. Families on low incomes could have an asset to draw on which complements government support through benefits and tax credits. Having access to these pooled savings would allow families to make more active decisions about increasing the living standards and earning potential of family members, whether that is being able to afford more travel for work or paying for skills training. As a result, these trusts are likely to provide a strong candidate for future public spending.

Many grandparents would like to look after their grandchildren but it would require losing income because of reduced hours or lost employment. Policy could help here, providing recompense for caring for grandchildren and allowing their children to move into, or increase their hours of, employment. The Government has introduced National Insurance Credits for, among others, grandparents (and other family members) who provide childcare support to children under the age of twelve.[76] Box 6.1. addresses whether government could go further and enable grandparents to be paid via the childcare element of the Working Tax Credit for providing childcare.

76 Department for Work and Pensions, *National Insurance credits changes Starting Credits and National Insurance credits for specified adults caring for a child under 12: Equality Impact Assessment* (London: HMSO, 2011).

Box 6.1. Government support for grandparents who look after their grandchildren

Many interviewees suggested that it would be a good idea if grandparents were paid by government for providing childcare. Basically, this would mean parents claiming the costs and possible fees of grandparental care through the childcare element of the Working Tax Credit. While this is an understandable request, it would be extremely problematic to deliver:

- Much of the expenditure would be deadweight, paying people who would have provided the support anyway.
- Where it did have an impact, it could lead to an older person dropping out of the labour market, which is associated with increased vulnerability to poverty.
- It would be susceptible to fraud since it would be difficult, or else excessively intrusive and expensive, to monitor whether grandparents are providing the level of childcare that they cite.
- In the absence of additional money, the existing pot of funding for childcare would have to be shared among a greater number of recipients, reducing the support available to pay for formal childcare, which is expensive and proven to be generally higher in quality.[77]

Nevertheless, there are alternative ways grandparents could be compensated for the caring they provide.

- **Allow grandparents who leave the labour market to look after grandchildren to transfer their personal tax allowance to their adult children.** In 2015, the Government will introduce a Transferable Tax Allowance for basic rate taxpayers who are married and where one person is not working worth £1,000 a year. This is intended in part to recognise the value of care

77 Ryan Shorthouse, Jeff Masters and Ian Mulheirn, *A better beginning: easing the costs of childcare* (London: Social Market Foundation, 2012).

provided by parents for young children. The same logic could be extended to grandparents who leave the labour market to look after grandchildren if their adult children are both in work. This would provide a signal that grandparental care is valued, as well as some modest financial support for the whole family.

2.2 Time constraints

Many grandparents work themselves as well as provide childcare and other in-kind support on a regular basis. With the default retirement age rising and eventually being phased out, alongside improvements in quality of life among older people, grandparents are more likely to be in work. From April 2014, the Government will extend the right to request flexible working to all employees not just those with dependent children; more flexible working hours may remove a constraint preventing some grandparents from providing childcare. The following policy may also help them better balance work and family commitments:

Recommendation: Unpaid grandparental leave should be available to grandparents when their grandchildren are under the age of 5. In addition to their paid maternity and paternity leave, parents are entitled to 18 weeks of unpaid leave when they have children under the age of five, with a maximum of four weeks per year. This right should also be extended to grandparents. Many grandparents are increasingly being expected to work longer because the default retirement age is being phased out and the state pension age is rising. Enabling such grandparents to balance their work and family commitments may strengthen their connection with the labour market, thus helping to reduce their chances of living in poverty in old age. This would be costless to Government, although it would mean more businesses would be required to grant leave to a wider number of people.

3. THE IMPACT OF WELFARE REFORM

The research suggests that welfare reform could affect on intergenerational exchange, worsening the financial, time and geographical constraints that currently prevent or lessen transfers. Reductions in benefits are likely to affect how financially and practically reliant low income households become on their parents, whilst imposing additional constraints on the ability of some to continue to provide the financial or practical support to their adult children. In one instance the below-inflation rises in benefits and tax credits was cited as a reason why one grandfather would in future be unable to provide the level of support to his son and grandson that he had previously.

Box 6.2. Changes to welfare policy and to benefit levels

As part of its fiscal consolidation, the Government is undertaking the following changes:

- A 1% rise in working-age benefits and tax credits each year, which amounts to a reduction in support in real terms.
- A cap on the amount of working-age benefits and tax credits claimants can receive of £500 per week.
- A reduction in the amount of support claimants can receive through the childcare element of the Working Tax Credit from 80% to 70% of weekly costs.
- A reduction in Housing Benefit for those in social housing who have one or more spare bedrooms.
- The localisation of Council Tax Benefit which means claimants in most areas will receive less financial support.

Under its Universal Credit policy, which is gradually being implemented between now and 2017, major changes will take place. Some will be welcomed by claimants but others have the potential to undermine intergenerational transfers, including:

- Six benefits will be replaced by a single combined benefit, paid monthly rather than weekly or fortnightly.
- The Housing Benefit element of the Universal Credit will be paid direct to claimants rather than to landlords.
- For those working part-time and receiving benefits, there will be increased obligations to increase their hours or look for additional hours.

There was concern among many interviewees that changes to the benefits system would impact badly on their lives. The following reforms were mentioned most frequently:

- The removal of the subsidy in Housing Benefit for those in social housing who have one or more spare bedrooms
- The payment of Universal Credit on a monthly basis and the payment of the housing element of the Universal Credit direct to claimants rather than via landlords
- In-work conditionality for both claimant and partner

Removal of the spare room subsidy

Some interviewees opposed this policy strongly. For some the policy equated to a significant reduction in benefits. The Government has calculated that it means an average loss of £14 a week for council tenants and £16 a week for those renting from housing associations.[78] One interviewee had to find £19 more a week as a result of its recent implementation.

> *"They're actually cutting benefits by 20% for me with this Bedroom Tax, it is absolutely massive. I can't believe they've got away with it"*
>
> 56 year old male donor, Couple household

78 BBC News, "How do the housing benefit changes work?", *BBC News,* July 30, 2013, www.bbc.co.uk/news/business-21321113.

Initial evaluations of this policy suggest it is contributing to an increase in rent arrears and unoccupied larger properties.[79] For a small number of interviewees, the policy specifically affected the childcare that they provided for their grandchildren. These individuals were reliant on a spare room for their grandchild when they came to stay. As such, the policy may undermine important childcare contributions by grandparents.

Recommendation: Grandparents who are Housing Benefit claimants in the social rented sector should get automatic exemption for reduction in the subsidy for spare rooms if a grandchild is staying for a prolonged period of time or on a regular basis. Currently, certain groups of people are exempt from the reduction in the subsidy for spare rooms in the social rented sector, including those with dependent children, disabled claimants who need a non-resident overnight carer, and foster carers. This exemption should be extended to grandparents who provide overnight childcare at their home. Local authorities have been given additional funding to use at their discretion support those affected by the removal of the spare room subsidy.[80] Central Government should provide the necessary funding for local authorities to guarantee that grandparents have a subsidy for their spare bedroom for childcare responsibilities.

Changes through the Universal Credit

A new benefit – combining six existing benefits and tax credits – is gradually being introduced for those on low incomes both in and out of work. Among several other changes, Universal Credit will be paid monthly and the housing element of the benefit for those in the social rented sector will be paid to the claimant rather than direct to the landlord. As in the SMF's *Sink or Swim*, many were

79 Michael Buchanan, "Impact of housing benefit changes 'worse than feared'", *BBC* News, July 1, 2013, www.bbc.co.uk/news/uk-23122369.

80 Department for Work and Pensions, "Spare room subsidy: funding update", July 30, 2013, www.gov.uk/government/news/spare-room-subsidy-funding-update.

extremely concerned about the shift to monthly benefits and of housing benefit payments being paid to social tenants rather than the landlord.[81]

Pilots from the Universal Credit show an increase in the amount of rent arrears, as previous research from when Local Housing Allowance (Housing Benefit for those in private rented sector) was paid direct to tenants rather than landlords also showed.

Some interviewees expressed concern that they would have to rely more on their parents because of these changes to the Universal Credit.

Recommendation: The DWP should introduce SMF's previous proposal for a budgeting portal before Universal Credit hits the bank account of claimants. SMF wants to introduce an online budgeting portal that claimants could access before the Universal Credit hits their bank accounts to give them greater flexibility over the frequency and distribution of payment. Claimants would be able to opt in to this Budgeting Portal and access it online as an offshoot of the main Universal Credit website and claims channel. It would not be a bank account, but would allow claimants to tailor their payments to help them manage their money more effectively. Different generations of the same family could apply to combine their Universal Credit claim and jointly control the Budgeting Portal. Also, households could direct a proportion of their income to the multi-generational Family Trust Fund.

In-work conditionality

Under Universal Credit, those who do not earn the equivalent of 35 hours at the minimum wage will be required to increase their earnings by increasing their hours or their hourly-rate with their current employer, finding one or more additional jobs or finding

81 Keohane and Shorthouse, *Sink or swim?*, 10–12.

a new job with a higher income.[82] Respondents believed that new rules around in-work conditionality could lead to growing demand on grandparents to deliver more childcare.

The policy also has the potential to inhibit childcare provided by working-age grandparents as the latter will be required to work additional hours in order to receive their full Universal Credit payment. This is undesirable because childcare provided by a grandparent can enable their adult to participate in the labour market. While lone parents with young children will only be expected to work part time, there is no protection for wider family members.

Recommendation: Grandparents who provide childcare over a prolonged period of time or on a regular basis should be treated as special cases under the Universal Credit in regards to the rules around in-work conditionality. Government will need to define eligibility in regards to the nature of childcare offered by grandparents. It could stipulate that only grandparents receiving Class 3 National Insurance credits for caring responsibilities are eligible. Since April 2011, grandparents – or other family members – who care for children under the age of 12 usually when the main carer is working have been eligible for National Insurance Credits that build entitlement for state pension.[83]

---

82 Department for Work and Pensions, *Universal Credit Policy Briefing Note 13: Extending conditionality under Universal Credit to working claimants: safeguards within the new regime* (London: HMSO, 2011).

83 Department for Work and Pensions, "Specified adult childcare credits", (London: HMSO, 2013), www.gov.uk/government/uploads/system/uploads/attachment_data/file/237239/specified-adult-childcare-credits.pdf.

ANNEX: POLLING QUESTIONS

1. Thinking about the role that families can play in supporting adult children and adult grandchildren during times of financial difficulty, to what extent, if at all, do you agree or disagree with each of the following statements?

Strongly agree | Tend to agree | Tend to disagree | Strongly disagree | Don't know

a. Providing regular financial and practical support to adult members of the family is just what families do
b. It is wrong to be financially dependent on your parents as an adult
c. Some people get an unfair head start in life from the amount they receive from their parents
d. People tend to struggle when they don't receive financial or practical support from their parents
e. Adults should look to their families before government for financial and practical support

2. Thinking about the different kinds of *financial support* that you have ever received from a parent or given to an adult child, which, if any, of the following apply to you?

a. Large, one off payment (e.g. deposit for a flat, a wedding, a car, a holiday)
2. Large regular payments (e.g. regular, large cash transfers and/or regular payment of utility bills, insurance, phone bills, driving lessons etc)
3. Small, one off payment (e.g. cash in hand to buy something)
4. Small regular payments (e.g. regular payment for essential items like nappies, food, transport)

3. Thinking about the different kinds of *practical support* that you regularly receive from a parent or give to an adult child, which if any of the following apply to you?

Regularly receive from a parent | Regularly give to an adult child | Neither receive from a parent or give to an adult child | Don't know

a. Lifts in a car
b. Food shopping
c. Cooked meals
d. Childcare
e. Help with washing, ironing, cleaning
f. Support with personal affairs e.g. paying bills, writing letters
g. Help with decorating, gardening, house repairs

4. Thinking about the financial support that you have *received from* a parent over the past *5 years* approximately how much do you think that this is worth in total? Please do not include inheritance from deceased family members

a. £0
b. £1 – £50
c. £51 – £500
d. £501 – £2000
e. £2001 – £5000
f. £5001 – £10,000
g. £10,000 +
h. Not applicable
i. Don't know

5. Thinking about all of the different kinds of financial support that you have *given to* an adult child over the past *five years,* approximately how much do you think this is worth in total?

a. £0
b. £1 – £50

c. £51 – £500
d. £501 – £2000
e. £2001 – £5000
f. £5001 – £10, 000
g. £10, 000 +
h. Not applicable
i. Don't know

6. For each of the different kinds of financial support that you have given to an adult child or children, which, if any of the following statements best describe that support?

a. It is a gift and I don't want them to pay me back
b. It is a gift but I'd like them to pay me back
c. It is a loan and they will pay me back in regular instalments
d. It is a loan and they will pay me back if and when they can
e. Other
f. Don't know

7. Thinking about the variety of support that you have received from a parent which one, of the following has had *the most significant impact* on your life?

a. Large, one off payment (e.g. deposit for a flat, a wedding, a car, a holiday)
b. Large regular payments (e.g. regular, large cash transfers and/or regular payment of utility bills, insurance, phone bills, driving lessons etc)
c. Small, one off payment (e.g. cash in hand to buy something)
d. Small regular payments (e.g. regular payment for essential items like nappies, food, transport)
e. Lifts in a car
f. Food shopping
g. Cooked meals
h. Childcare

i. Help with washing, ironing, cleaning
j. Support with personal affairs e.g. paying bills, writing letters
k. Help with decorating, gardening, house repairs
l. None of these
m. Don't know

8. Thinking about all the various financial and practical support that you have received from a parent, what impact has it had upon your life?

a. I wouldn't be able to survive without their support
b. Their support allows me to do things that I wouldn't otherwise be able to do
c. Their support is essential for my quality of life
d. Their support has given my family a head start in life
e. Their support has had no real impact
f. Their support helps me a little
g. Other
h. None of these
i. Don't know

9. Which, if any, of the following, best describes the amount of financial support that you have received from a parent over the past five years and the main reason for this?

a. It has increased because of unemployment or reduced earnings
b. It has increased because benefits from Government have gone down
c. It has increased because of divorce, separation or bereavement
d. It has increased because of a new born child or children
e. It has increased because of improved relationships between me and my parent or parents
f. It has decreased because earnings from work have gone up
g. It has decreased because my children have got older

h. It has decreased because the relationship between me and the family member has deteriorated
i. It has stayed the same
j. Other
k. None of the above
l. Don't know

10. **Thinking about all of the different kinds of financial and practical support that you have *given to* an adult child or children which, if any of the following, best describe the impact that this has had on your life?**

a. I have had to leave my job or reduce my working hours
b. I have gone into debt
c. It has caused me stress
d. It has brought me a lot of happiness
e. It has brought our family closer together
f. It has caused family arguments
g. It has had no real impact on my life
h. None of these
i. Don't know

Social characteristics explored

- Gender
- Age
- Social grade
- Employment sector
- Region
- Work status
- Ethnicity
- Type of area (urban/rural)
- Household income
- Tenure
- Number of children under 18

When policymakers try to boost living standards and mitigate poverty, they traditionally reach for the state (through benefits or tax cuts) or the market (through wage or price regulation). This report explores a third source of welfare for low income families: their wider family, specifically the support from the bank of mum and dad.

This report examines in detail the prevalence, nature and impact of intergenerational transfers in low income families. Such support generally generates positive financial and emotional benefits for both donors and recipients. So new, imaginative policies are suggested to help low income families provide support for one another, and to better help those who cannot rely on familial support.

Kindly supported by

PFG | Provident Financial Group

£10.00

SOCIAL MARKET FOUNDATION
11 Tufton Street | Westminster | London SW1P 3QB
Phone: 020 7222 7060 | Fax: 020 7222 0310
www.smf.co.uk