

# Parental wealth and children's outcomes

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# Outline

- Motivation
- Wealth measures at MCS5
  - Information collected
  - Construction of variables
- Research objectives
- Methods
- Results
- Conclusions

# What is wealth and why should we be interested in it?

- Wealth is a **stock** of resources:
  - measured at one point in time
  - but accumulated over time
- 4 components: property, financial, physical, pension
- Wealth could be a more accurate indicator of **longer term economic resources** of the family and a family's access to opportunities and advantages (Oliver and Shapiro, 1995)

# What does wealth capture? (that income might not so well)

- Additional assets = additional resources for children
  - Housing wealth allow families to access higher performing schools or to fund education and resources
- Sense of security and empowerment of holding an asset:
  - Protection from day to day stress and anxiety
  - Income shocks e.g. job loss, health
  - ‘Conspicuous consumption’ – alleviate class anxiety, increase prestige, aspirations and expectations, acceptance peers
- Family characteristics and behaviours:
  - Postponement of consumption, financial discipline, long term planning...
  - Attributed to past generations

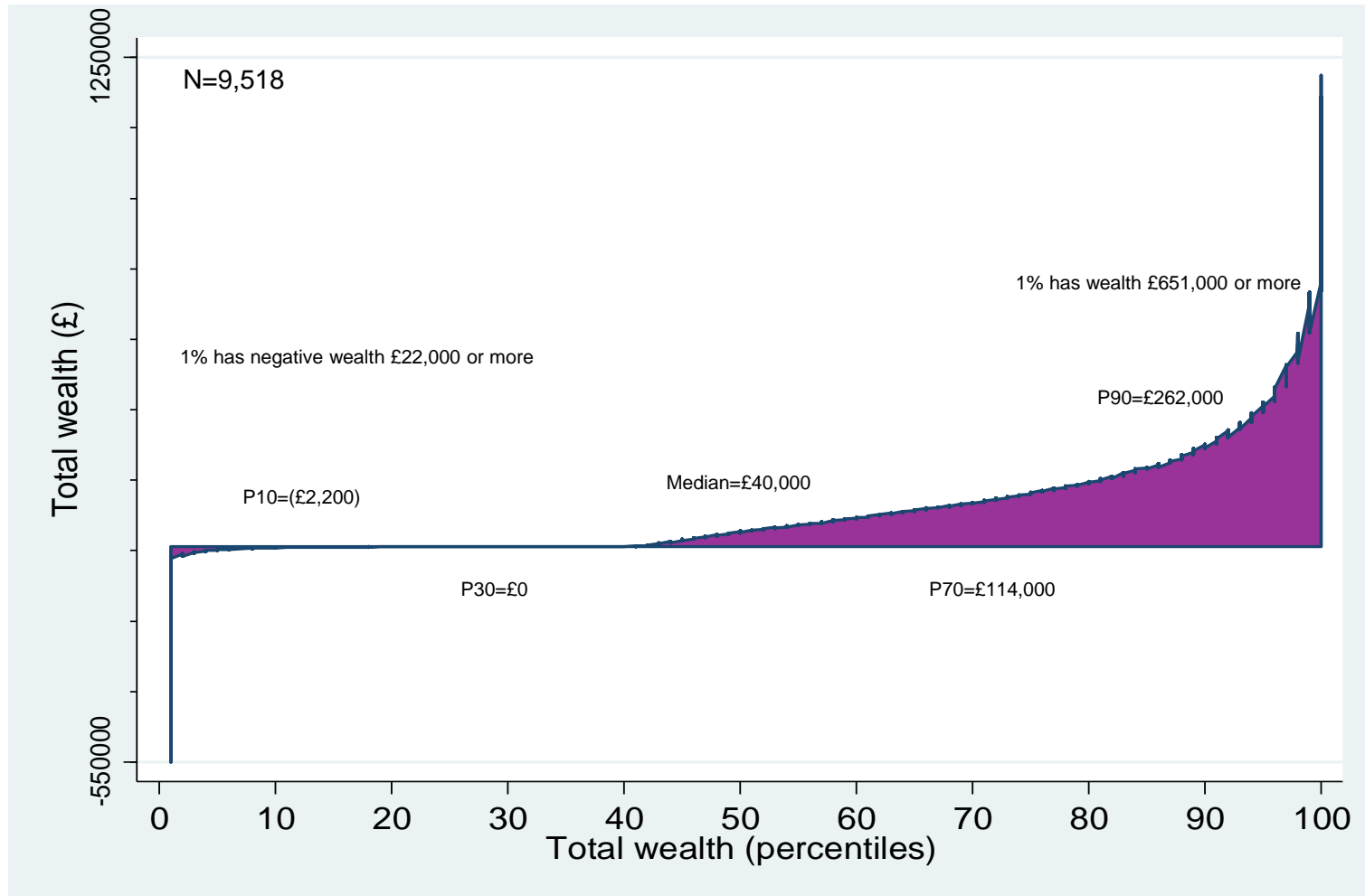
# How do we measure economic resources?

- Family economic resources are usually measured by:
  - Income: current and 'permanent' (=measured at more occasions)
  - Material resources: having or being able to afford certain goods or experiences
- Information on wealth is seldom collected, but questions about wealth are sometimes included in household surveys:
  - BCS, NCDS, MCS, Understanding Society collect information on wealth: some info, not at all waves
  - Wealth and Assets survey (ONS): dedicated to wealth

# MCS5 (age 11) collects information on wealth (2012/13)

- Information on **housing** and **financial** wealth:
- **Housing**: to home owners only
  - The value of their home
  - The amount of their mortgage
- **Financial**:
  - Whether they had savings and investments, if so: what amount?  
Savings= Bank or savings account, Premium bonds/National savings, ISA , stocks & shares, Unit trusts, other property, other savings, investments and assets
  - Whether they had any debt, if so: what amount?  
Debt = credit or store card, hire purchase, personal loans, catalogue or mail order purchase, DWP social fund loan, other loan, student loan, other debt

# Net household wealth in the MCS at age 11 (2012/13)



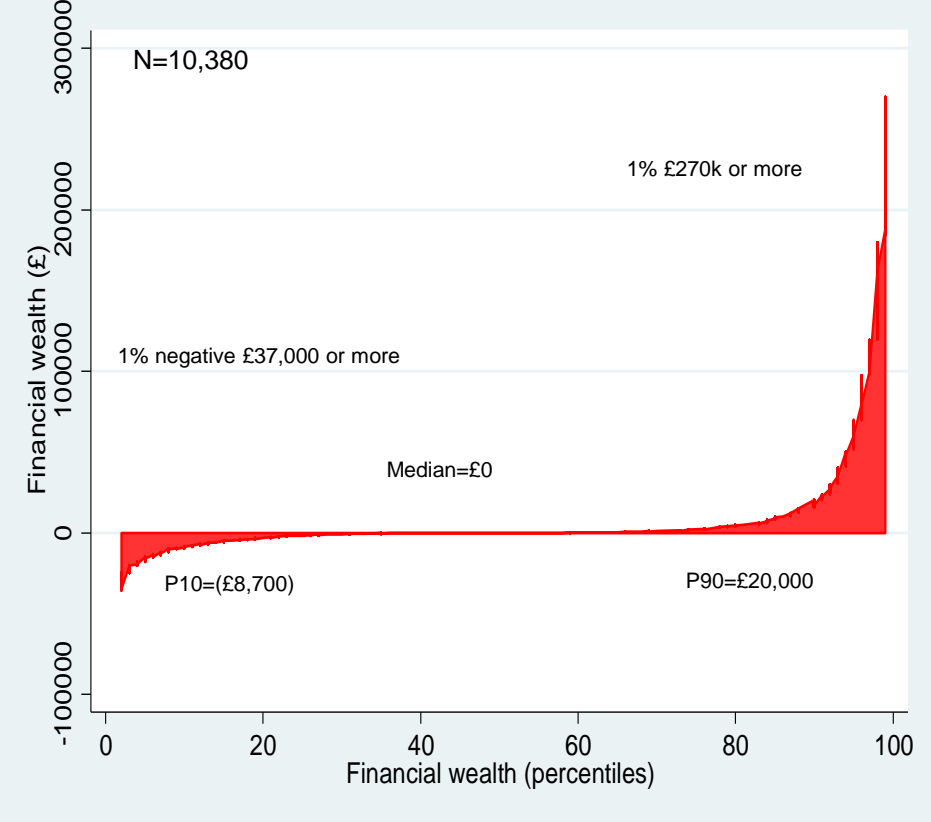
Net total wealth =  
Net housing wealth +  
net financial wealth

Net housing wealth =  
Value of home -  
outstanding mortgage

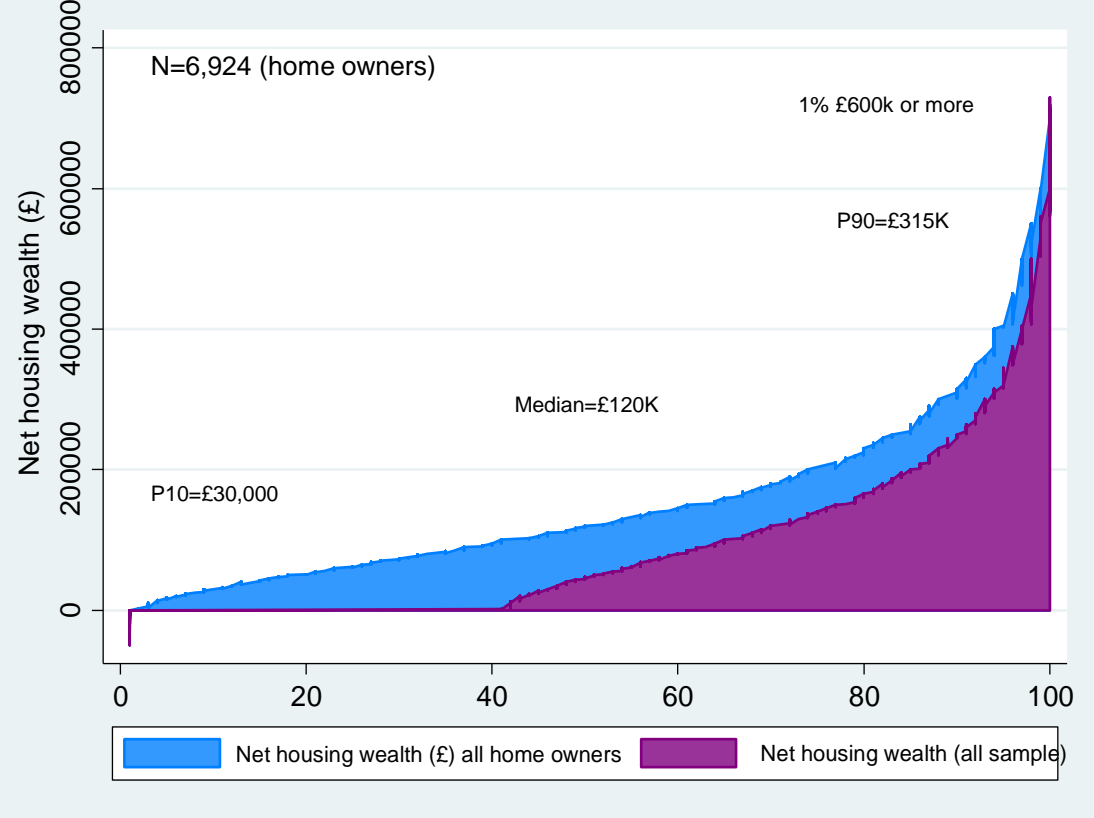
Net financial wealth =  
Savings - debt

# Net financial and housing wealth (MCS age 11)

## FINANCIAL WEALTH



## HOUSING WEALTH: home owners, all sample





# MCS5 Financial wealth (actuals)

	<b>Savings and investments</b> (Including zero)	<b>Debt</b> (Including zero)	<b>Net financial wealth</b> (including zero)	<b>WAS3</b> <b>(2010-12)</b>
	All responding savings and debt			Families with dependent children
	<b>MCS5</b>	<b>MCS5</b>	<b>MCS5</b>	
Base:	10,805	12,377	10,437	5,811
Median	300	200	0	1,493
Mean	31,301	4,397	27,420	33,074
Minimum	0	0	-560,622	-
Maximum	70,000,000	5,000,000	65,000,000	-
Percentiles				
10	0	0	-8,500	-11,229
25	0	0	-1700	-1,985
50	300	200	0	1,493
75	4,000	3,000	2,087	21,351
90	21,000	10,000	20,000	80,450

# MCS5 Property wealth (actuals)

	House value		Mortgage to pay		Net property wealth
	MCS5	WAS3 (2010-12)	MCS5	WAS3 (2010-12)	MCS5
No. households:	8,015	3,196	6,511	3,347	7,334
Median	200,000	200,000	80,000	98,000	120,000
Mean	269,776	253,840	102,296	114,431	176,939
Minimum	0	-	0	-	-1,980,000
Maximum	10,000,000	-	2,200,000	-	10,000,000
Percentiles					
10	95,000	100,000	20,000	29,000	26,000
25	130,000	140,000	48,000	57,500	60,000
50	200,000	200,000	80,000	98,000	120,000
75	300,000	300,000	130,000	147,000	200,000
90	475,000	450,000	200,000	214,000	347,050

# Research objectives

- Is wealth related to children's outcomes?  
Cognitive ability, mental and physical health
- How does this compare to family income?  
(In particular 'permanent income')
- Do these results vary depending on children's outcomes?

# Variables

- Dependent variables: (standardised):
  - Child mental health (Total difficulties: SDQ)
  - Verbal cognition
  - General physical health
  
- Main independent variables:
  - Wealth (natural log standardised and percentiles):
    - Total wealth (housing wealth + financial wealth)
    - Individual wealth components: net housing wealth, house value, financial wealth
  - Income (natural log standardised)
    - Contemporaneous
    - Permanent

# Analytical approach

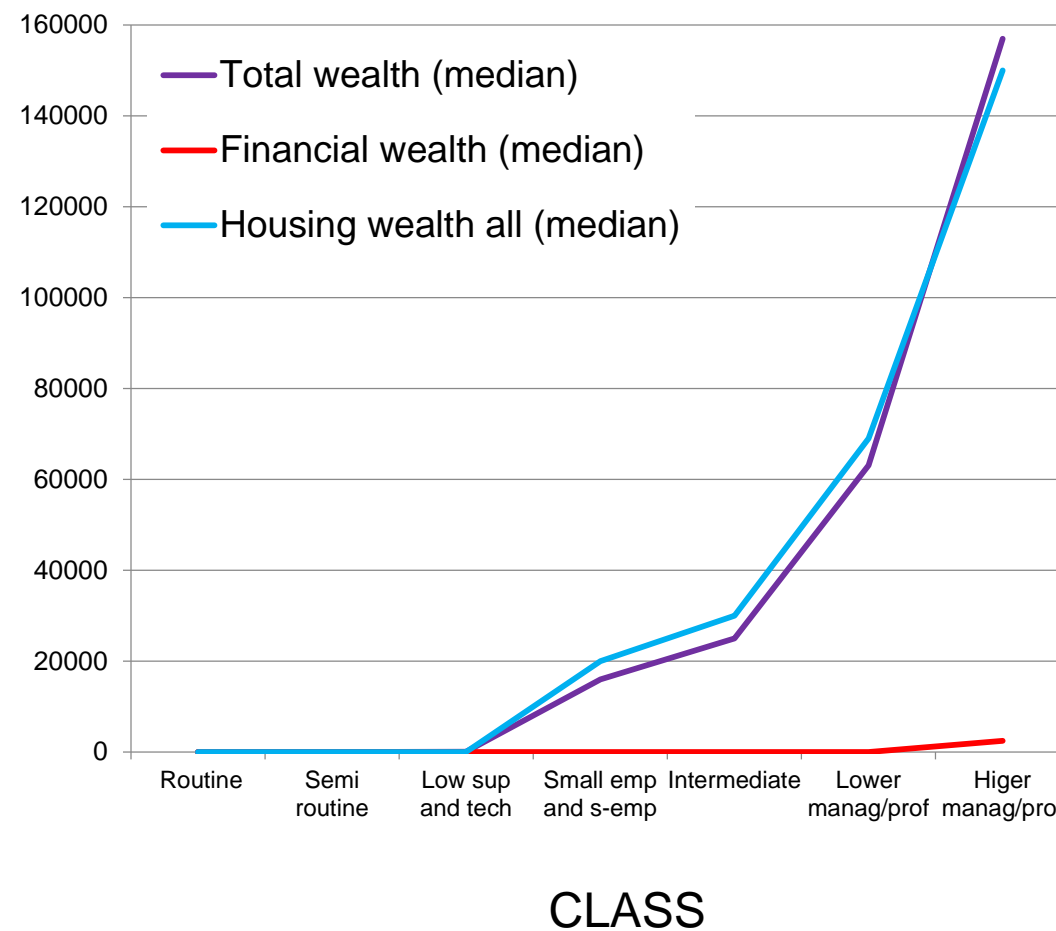
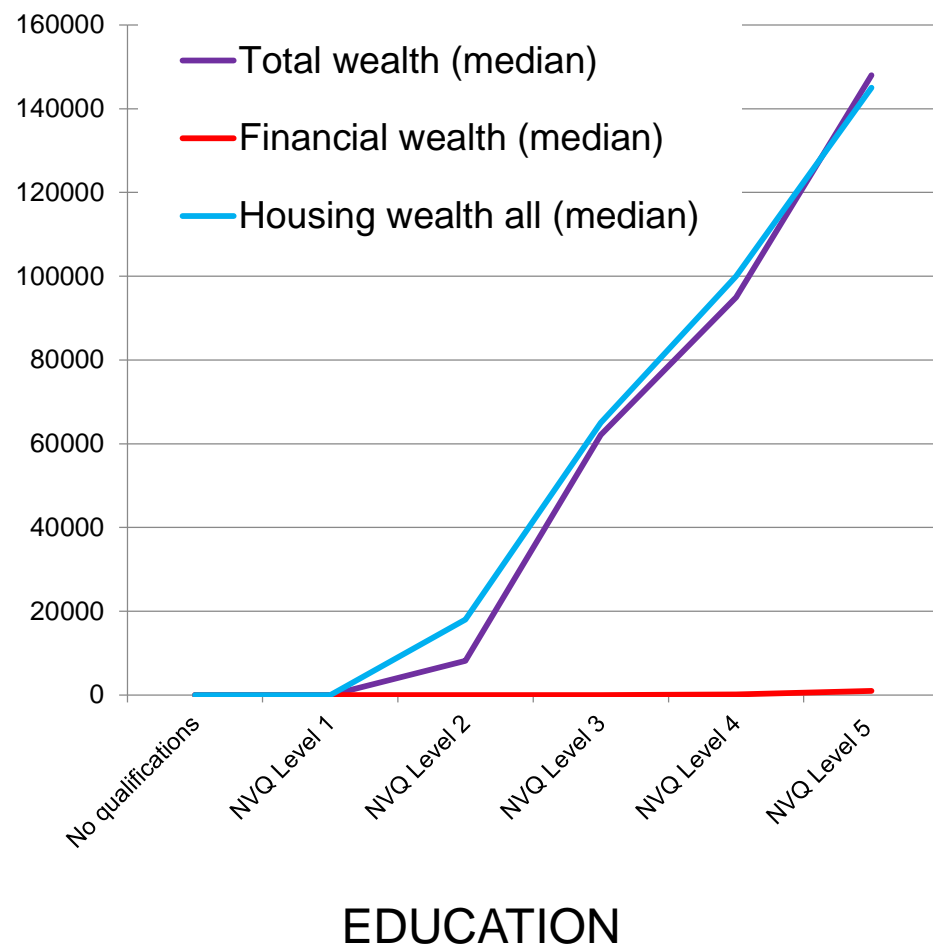
- OLS regression models: for each outcome and types of wealth
  - Model 1: Type of wealth
  - Model 2: + Child factors (age, sex, ethnicity, SDQ / cognition / physical health\*)
  - Model 3: + Household factors (region, age of parents, education, NS-SEC, single family, parity, mother's mental health, IMD)
  - Model 4: + contemporaneous income
  - Model 5: switch contemporaneous to permanent income

# Wealth, income and child outcomes: correlations

	Total wealth	Housing wealth	Financial wealth	House value	Current income	Permanent income	Cognitive ability	SDQ
Housing wealth	.934							
Financial wealth	.609	.285						
House value	.781	.846	.260					
Current income	.537	.556	.207	.394				
Permanent income	.601	.606	.266	.542	.845			
Cognitive ability	.180	.180	.082	.135	.240	.260		
Total difficulties (SDQ)	-.211	-.216	-.089	-.145	-.275	-.277	-.238	
General health	.166	.122	.040	.088	.200	.211	.123	-.295

Source: MCS5 (age 11)

# Wealth (housing) increases sharply with education and class



# Total difficulties (SDQ) – All sample

	<u>Total wealth</u>		<u>Housing and financial (all)</u>	
	Current Income (n=8,704)	Permanent Income (n=8,704)	Current Income (n=8,704)	Permanent Income (n=8,074)
<b>Total wealth (log)</b>	-0.15**	-0.13*		
<b>Housing wealth (log)</b>			-0.07***	-0.06**
<b>Financial wealth (log)</b>			-0.02	-0.02
<b>Permanent income (log)</b>		-0.19***		-0.16***
<b>Current income (log)</b>	-0.22***		-0.19***	

Model controls:

1: Child factors (sex, age, ethnicity, cognition/general physical health)

2: Household characteristics (region, age of parents, education, NS-SEC, single family, parity, mother's mental health, IMD)

3: Household SES (education, NS-SEC)



# Total difficulties (SDQ) – Home owners only

	<u>Housing and financial</u>		<u>House value</u>	
	Current Income (n=4,949)	Permanent Income (n=4,949)	Current Income (n=4,949)	Permanent Income (n=4,949)
<b>Housing wealth (log)</b>	-0.10**	-0.09**		
<b>Financial wealth (log)</b>	-0.02	-0.01		
<b>House value (log)</b>			-0.13***	-0.11**
<b>Permanent income (log)</b>		-0.18**		-0.15*
<b>Current income (log)</b>	-0.30***		-0.30***	

Model controls:

- 1: Child factors (sex, age, ethnicity, cognition/general physical health)
- 2: Household characteristics (region, age of parents, education, NS-SEC, single family, parity, mother's mental health, IMD)
- 3: Household SES (education, NS-SEC)

# Verbal cognitive ability – All sample

	<u>Total wealth</u>		<u>Housing and financial (all)</u>	
	Current Income (n=8,704)	Permanent Income (n=8,704)	Current Income (n=8,704)	Permanent Income (n=8,074)
<b>Total wealth (log)</b>	0.13*	0.09+		
<b>Housing wealth (log)</b>			0.04+	0.02
<b>Financial wealth (log)</b>			0.02	0.01
<b>Permanent income (log)</b>		0.15***		0.15***
<b>Current income (log)</b>	0.09+		0.08	

Model controls:

- 1: Child factors (sex, age, ethnicity, cognition/general physical health)
- 2: Household characteristics (region, age of parents, education, NS-SEC, single family, parity, mother's mental health, IMD)
- 3: Household SES (education, NS-SEC)

# Verbal cognitive ability – Home owners only

	<u>Housing and financial</u>		<u>House value</u>	
	Current Income (n=4,949)	Permanent Income (n=4,949)	Current Income (n=4,949)	Permanent Income (n=4,949)
<b>Housing wealth (log)</b>	0.05+	0.04		
<b>Financial wealth (log)</b>	0.01	0.01		
<b>House value (log)</b>			0.08*	0.05
<b>Permanent income (log)</b>		0.12+		0.10
<b>Current income (log)</b>	-0.12		-0.12	

Model controls:

- 1: Child factors (sex, age, ethnicity, cognition/general physical health)
- 2: Household characteristics (region, age of parents, education, NS-SEC, single family, parity, mother's mental health, IMD)
- 3: Household SES (education, NS-SEC)

# General physical health

	<u>Total wealth</u>		<u>Housing and financial (all)</u>		<u>Housing and financial (home owner)</u>		<u>House value (home owner)</u>	
	Current Income (n=8,704)	Permanent Income (n=8,704)	Current Income (n=8,704)	Permanent Income (n=8,074)	Current Income (n=4,949)	Permanent Income (n=4,949)	Current Income (n=4,949)	Permanent Income (n=4,949)
<b>Total wealth (log)</b>	0.07	0.02						
<b>Housing wealth (log)</b>			0.05*	0.03	0.02	0.00		
<b>Financial wealth (log)</b>			0.03	0.04+	-0.03	0.03		
<b>House value (log)</b>							0.06	0.04
<b>Permanent income (log)</b>		0.19***		0.17***		0.28***		0.27***
<b>Current income (log)</b>	0.08		0.05		0.07		0.07	

Model controls:

1: child factors (sex, age, ethnicity, cognition/SDQ)

2: Household characteristics (region, age of parents, single family, parity, mother's mental health, IMD) 3: Household SES (education, NS-SEC)

# Recap and conclusions

- Wealth seems to be related to child outcomes at age 11
  - Driven by housing wealth: because low financial wealth? Measurement error?
- **Mental health** associated with housing wealth, even after controlling for family SES, including 'permanent income'
  - Fewer peer problems related to greater total and housing wealth
  - Less hyperactivity related to greater total, housing and financial wealth

Family stress model? Conspicuous consumption?

Time invested in children reduces accumulation wealth and vice versa?

# Recap and conclusions

- **Verbal cognitive ability** explained by ‘permanent income’ (and other household SES in particular education) rather than wealth
  - Would the result be different in the case of other cognitive measures e.g. maths?
  - Future work: other abilities and/or educational outcomes
  
- **General physical health** was better explained by ‘permanent income’ than by wealth:
  - At age 11 few children were children in poor health
  - Future work: investigate specific health issues (e.g. asthma)

Thank you