

CHILDREN IN HOUSEHOLDS WITH MULTIPLE BIRTHS

A FIRST LOOK AT INCOMES, HOUSEHOLD WORK STATUS AND POLICY IMPLICATIONS

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SUMMARY

This note sets out the findings of a preliminary analysis into the incomes and work statuses of households with multiple births. It is based on analysis of the Family Resources Survey from 2006/07 to 2008/09, the most recent year for which data is available. Intended as a first look at the issues, the note presents a selection of statistics which it then uses to discuss how some recent and possible future changes to the welfare system may affect the incomes of multiple birth households.

The key findings are that

1. The proportion of children in multiple birth households (which we define as any household with two or more children of the same age) who are currently living in poverty is similar to that of other children. However, a higher proportion of such households have below average incomes, and sit just above the poverty threshold.
2. Households with multiple births are larger than other households, and are much more likely to have four or more children.
3. Children in multiple birth households are more likely to live with a working parent than other children. However, among those in working households, fewer live in households where both of the parents work.
4. As a result, children in multiple birth households are more likely to be in a low income, working household ("in work poverty" for short) than other children.

From these observations, we can draw out some key implications of policy.

1. Policies that hit larger families harder, such as the caps on housing benefits and overall benefit levels for the family, are bound to affect a greater proportion of multiple birth households than other types of household.
2. Benefits paid to households in work – working tax credit and child benefit in particular – are particularly vital to multiple birth households as they are more likely to be working, low income households.
3. Policies based on individual income, rather than household income will hit multiple birth households particularly hard as they are more likely to rely on a single earner's income. The proposed changes to child benefit are one example of this.
4. Other forthcoming changes, such as the restriction of the maternity grant to the first child only, will adversely affect households whose second and subsequent children are multiple births.
5. Households with multiple births are more likely to have a working adult but be reliant on one earner's income. As a result, their risk of "in work poverty" is already higher than average under the current benefits system. Furthermore, households with multiple births are also more likely to exist just above the poverty threshold. The combined effect of the changes outlined above will risk driving many more into "in work poverty", and intensify the depth of poverty many already face.

6. The depth of poverty experienced by workless multiple birth households will also be worsened, not least because the capping of benefits will have a disproportionate effect on larger families.

WHAT IS THE POPULATION?

Using the Family Resources Survey, we were able to estimate which households had children from multiple births. The Family Resources Survey is a household survey carried out every year for the Department for Work and Pensions. It is the most authoritative source of household income.

We ascertained whether or not a family had a multiple birth by simply matching ages – if a household had two or more children of the same age, we assumed them to be from a multiple birth. So we may have included some children who are not twins but whose births are separated by less than a year.

On average across the three years of data we looked at, there were some 500,000¹ children (of 12.8m in total) living in households with a multiple birth. These are not just twins and triplets, but also their brothers and sisters. So the analysis that follows considers all those children.

We found that, on average, families with multiple births were likely to be larger than other families. To a certain extent this is obvious – not only does a multiple birth (clearly) result in more children, but the more children a family has the greater the chance that one of the births is a multiple birth. 20% of multiple birth families have four or more children, compared to only 3% of other families.

THE INCOME DISTRIBUTION

The next step in our analysis is to look at the distribution of children in multiple birth households across the income spectrum. Here we take income after tax, but before housing costs are deducted. Income is also adjusted for household size and composition. These adjustments take account of the fact that a larger household requires a higher income to enjoy the same standard of living as a smaller household.

The table below looks at this distribution compared to children in other household types.

Table 1 – The distribution of children across the income spectrum

	<i>Children in multiple birth households</i>	<i>Children in other households</i>
Bottom fifth	27%	27%
Other below average	38%	35%
Above average	35%	38%

¹ Even after aggregating three years' data, the sample size for such children is still quite small (around 500 independent households). So any observed differences should be treated as indicative, particularly as none of them are very large. .

The proportion of children in multiple birth households whose household income is in the bottom fifth is the same as for other children: 27%. So, at the bottom, there is no difference. There is, though, a slightly higher proportion of children from multiple birth households in households with below average incomes compared to children from other households – 38% are in the next three tenths, still below average, compared to 35% of children from other households.²

HOUSEHOLD WORK STATUS

The next step is to look at the work status of the household that the children are living in. The dataset we are using has an 8-way definition of household work status. In the analysis below, we combine these categories. Households where all parents work full time, or one works full time and one part time are classed as “All working”. Households where one adult works and one does not, or the only paid work carried out is part time, or where one earner is self employed are classed as “Part working”. The remaining households make up the “Workless” group.

Average household incomes are inevitably higher in households where more adults are working more hours. So households where all adults work full time would on average have a higher income than a household where one adult works.

The table below looks at the distribution of children in multiple birth households by household work status. Again, it shows the distribution of other children for comparison.

Table 2 – The distribution of children across household work statuses

	<i>Children in multiple birth households</i>	<i>Children in other households</i>
All working	37%	40%
Part working	47%	42%
Workless	16%	18%
Any working household	84%	82%

Children in multiple birth households are slightly less likely to live in an “All working” household than other children – 37% compared to 40%. Conversely, they are more likely to live in a “Part working” household – 47% compared to 42%.

What this means, then, is that among children in working families, those living in multiple birth households are more likely than not to be living in a part working household – and markedly more likely than other children to be in this situation

Previous research suggest that the parents of children in multiple birth households find the costs and organisational difficulties associated with childcare too high to make it worthwhile for both parents to work³.

² It is worth noting that children on average are more likely to be towards the bottom of the income distribution than towards the top, so 27% are in the bottom fifth but only 12% in the top fifth. Conversely, adults without children are over represented at the top of the income distribution.

³ The Effect of Twins and Multiple Births on Families and Their Living Standards, McKay, 2010

THE RELATIONSHIP BETWEEN WORK STATUS AND POVERTY

Having looked at the income distribution and household work status, we now combine the two to look at how work status and low income interact. The table below shows the proportion of children in low income households – poverty for short. A household, and everyone who lives in that household, is in poverty if the household income is below 60% of the national average (median) for the year in question.

In order to compare household incomes across different family types and sizes, these incomes are “equivalised”. This takes into account the fact that while a household with four people in requires more resources to enjoy the same standard of living as a household with two people, it does not require double the resources.

As above, income is measured after taxes but before housing costs have been deducted. This is the definition used by the government to track progress towards its Child Poverty target.

Table 3 – The proportion of children in poverty, 2006/7 to 2008/9

	<i>Children in multiple birth households</i>	<i>Children in other households</i>
All	22%	22%
Of which:		
In working families	61%	55%
In non-working families	39%	45%

On average in the last three years, 22% of children in multiple birth households have been in poverty. This is the same as for other children.

Of those children living in poverty, some 61% of all children in multiple birth households were in households where at least one adult works. This compares with 55% for other children. This situation is commonly referred to as “in-work poverty”. So in-work poverty is more common among children in multiple birth households than other children.

This makes sense, given what we have seen already. Children in multiple birth households are (slightly) less likely than other children to live in workless households. But of those in working households, they are more likely to live with only one working parent, meaning that their household income from work is likely to be lower.

WELFARE POLICY IMPLICATIONS OF THESE FINDINGS

This research has been carried out against a backdrop of planned and mooted changes to the benefit system. Some of these changes will affect households with children from multiple births to a possibly greater extent than others. Here we will discuss “announced” changes and possible other changes separately.

Changes announced

1. ***Freeze on Child Benefit***

Families with multiple births are on average larger, and given that child benefit is paid per child, will be affected in proportion to their family size. Moreover, it will affect the incomes of families in and out of work.

2. ***Cap on housing benefit and the cap on total levels of benefit***

Households with multiple births are likely to be larger and it is larger households, in particular those living in London, who will be most affected by the new cap. The cap takes no account of family size, and may be a particular problem for families whose twins or triplets are the third or fourth born children, and whose family size suddenly grows substantially.

To the extent to which out of work benefits currently take account of the number of children, through various premia, it could be said that multiple birth households are relatively well treated by the current system. Any change to this per capita approach will inevitably affect multiple birth households.

3. ***Restriction of maternity grant to first born children***

The intention behind this change is presumably that the grant is spent on “hard wearing” goods such as buggies, cots and so forth that can be handed down. But if the second or subsequent birth is a multiple birth, there will not be sufficient goods to hand down. Households with multiple births will, unlike other households, have to buy goods anew.

4. ***Removal of Child Benefit for higher rate tax payers***

Changes based on the incomes of individual earners rather than households will impact on multiple birth households disproportionately, as they are more likely to be reliant on a single earner’s salary. One example is the proposed change to Child Benefit, making higher rate tax payers ineligible.

While this will only affect higher earners, the change in principle here is important. Moving away from benefits based on household income to those based on the income of individual earners will hit households with one earner hardest. Multiple birth households are more likely than other households to rely on a single earner’s income.

5. ***Changes in the basis to uprating out of work benefits***

The change in the basis of uprating, from RPI to (the generally lower) CPI will see the incomes of those out of work falling behind in real terms. This will impact on the one in six children in multiple birth households who do not have a working parent.

Other possible changes

6. *Universal credit*

We note above that in work poverty is more common among children in multiple birth households. For this reason, any changes to benefits in work, principally working tax credits, will affect this group. Currently there are plans to replace all in work benefits and some out of work benefits with a Universal Credit. Without the precise details of the levels at which it will be paid it is difficult to ascertain what the implications are. Moreover, it is not planned to be rolled out for several years.

What is clear is that any cuts to working tax credits for so called “middle earners” should be analysed closely. We noted earlier that children in multiple birth families are over-represented in the second bottom quintile – not necessarily poor, but below average.