Taking the Long View 2018-2019
Institute for Social and Economic Research
Celebrating 30 years of world-leading social science

In the late 1980s Professor David Rose had the idea to create an international survey and research centre at the University of Essex. Thirty years later, that seed of an idea has grown into the world-class Institute for Social and Economic Research, garnering millions of pounds of grants for a continually evolving and inventive programme of policy-relevant and eminently useful multi-disciplinary research. The award of The Queen’s Anniversary Prize recognised the huge contribution of ISER’s research output over the last 30 years, to the improvement of people’s lives, through the evidence we provide to governments.

About ISER

The Institute for Social and Economic Research at the University of Essex encompasses the highly-regarded ESRC Research Centre on Micro-Social Change, the successor to the British Household Panel Survey, Understanding Society – the UK Household Panel Study and the internationally-renowned Microsimulation Unit, producing EUROMOD, the tax-benefit microsimulation model, originally developed for the European nations but now the basis of policy testing in 48 countries worldwide.

ISER is home to a team of world-leading survey experts and interdisciplinary researchers, and is part of the University of Essex’s proud tradition of excellence in the social sciences.

The University of Essex is the UK’s University of the Year (Times Higher Education Awards 2018). We’re home to a truly global community for original thinkers who seek to change the world for the better.
From the Director

Welcome to our annual review, highlighting some of the recent new research undertaken at ISER. It’s a special year for us as we celebrate our 30th anniversary, but as the studies illustrate here, our work remains hugely pertinent to the current political agenda and continues to lead the way in innovative interdisciplinary social science research.

It’s been an important year for us with the announcement of new funding for the next five-year programme of our ESRC Research Centre on Micro-Social Change, led by Professor Mike Brewer, and continuing funding for the next waves of our huge panel study, Understanding Society, directed by Professor Michaela Benzeval. Our microsimulation team, under new EUROMOD Director Professor Matteo Richiardi, are continuing to export their expertise around the world, helping governments and researchers in Africa, Asia and South America, as well as closer to home in the devolved nations of the UK and elsewhere in Europe, to test policies to combat poverty and inequality. Our world-leading survey methods experts have been helping to design a new Europe-wide survey of wellbeing among young people, and continue to pioneer methodological innovations using new technology and new forms of data.

I would like to pay special tribute to our long-serving research leaders, Professor Heather Laurie MBE, former Director of ISER, and Professor Holly Sutherland, former Director of EUROMOD, who both retired this year. We are all immensely grateful for the huge contribution they have made to ISER’s success over very many years, as inspirational leaders who influenced and nurtured generations of students and young researchers, whilst developing really important social science infrastructures – the microsimulation model EUROMOD and our panel studies, BHPS and Understanding Society – in addition to making their own important and policy-relevant research contributions.

ISER’s greatest strength is our multi-talented, multi-national, multi-disciplinary research team – combining forces to create new and innovative work, collaborating with the best social science researchers around the world. Our 30th anniversary year is a great moment to reflect on the many and significant achievements by all the researchers who have worked for us and with us, and to thank our funders, the Economic and Social Research Council, and the University of Essex, the European Commission, the Nuffield Foundation, the Joseph Rowntree Trust and other grant-giving bodies for their continuous and steadfast support for our innovations and ideas.

Our next ten years will be full of challenges – more grant applications, more research innovations, more technological changes – as we watch and analyse how our world is turning and society shifting. ISER, with a strong history in rising to such challenges, remains firmly committed to providing first-class research evidence to policy makers, and to the public.
ECONOMIC INSECURITY: more worrying than inequality?

Professor Matteo Richiardi questions the impact of sudden changes in fortune and highlights a gap in current research that can be addressed by ISER’s microsimulation model, EUROMOD.

“I shall not today attempt further to define it, and perhaps I could never succeed in intelligibly doing so. But I know it when I see it.”

These were the words of US Supreme Court Justice Potter Stewart, describing his threshold test for obscenity in the Jacobellis v. Ohio case (1964).

Probably the same thing could be said of economic insecurity. This is everywhere in our life, in the media, it is perhaps one of the defining sentiments of our time – think of the gig economy, the debate on automation, the nostalgic views of a golden age when work was for life.

But how to measure economic insecurity is quite unclear. Many commentators relate economic insecurity to the uncertainty surrounding individual trajectories over time, associated with risks like unemployment, illness, widowhood, disability and old age – the concerns identified in Clause 25 of the UN Universal Declaration of Human Rights.
So, shall we treat economic insecurity as income volatility? This seems to diverge from the intuitive understanding of the term. Elon Musk might experience high income volatility, but defining him as ‘economically insecure’ misses the point. Is economic insecurity related to social mobility? Yes, for sure, but social mobility typically compares income at two points in time. We probably have a more comprehensive view when we look at our future, considering not only the start and the end points, but also the trajectory throughout.

The OECD provides an index of economic insecurity (OECD, 2018). This measures the expected cost of job loss, by looking at (i) the probability of becoming unemployed, (ii) the expected duration of unemployment, and (iii) the degree to which unemployment benefits compensate for lost earnings during unemployment. As such, the OECD index is unsatisfactory in many respects: it only looks at the short term, it is computed only on the unemployed, it considers only a small number of individual profiles, it treats high earners and low earners alike, it disregards the risk of long-term unemployment, or the risks associated with changes in household characteristics, which affect the equivalised disposable income.

New work conducted using EUROMOD, the tax-benefit microsimulation model developed at ISER, follows a radically different approach. We simulate life course trajectories, obtained for each individual a distribution of possible outcomes in terms of equivalised disposable household income. These are affected by what happens in the labour market, but also by other life course events, such as marriage, divorce, birth of children, etc. We then summarise the uncertainty surrounding these hypothetical trajectories with a single number. Hence, our measure of economic insecurity is individual-based and forward looking, and allows us to identify the importance of the main barriers against economic insecurity, namely job security (how continuous employment is), wage security (how adequate income in employment is), and social security (how adequate is income when not in employment). Through the use of the EUROMOD tax-benefit calculator, embedded in a dynamic microsimulation framework, we can also identify the long-term impact of different policy instruments.

With this measure of economic insecurity in place, we will be able to analyse how insecurity is related to a number of individual and societal outcomes, from health to postponed fertility, from home ownership to cultural attitudes and political outcomes. This has been done extensively for inequality, but so far very limited research exists on the determinants and the effects of economic insecurity, for lack of an appropriate analytical framework. We are providing such a framework. And our guess is that, because insecurity is defined at an individual level while inequality only exists at a population level, economic insecurity might be an even bigger social concern than inequality. After all, who cares about the Bill Gates in our society, when the mortgage repayment is at risk?
Food bank use in the UK has risen dramatically – the Trussell Trust (which runs about two-thirds of UK food banks) reported a 21-fold increase in demand for food assistance between 2010/2011 and 2017/2018.1 The cause of this increase has been disputed, although the government is increasingly recognising the role that austerity and welfare reforms have played.2 Housing support has been particularly hard hit by these changes, and concerns about a housing crisis have been raised alongside concerns about food bank use. However, a relative lack of data means that little is known about how concerns about housing relate to concerns about food insecurity and dependence on food banks.

A large survey of food bank users across Great Britain was conducted in 2016/2017. We used data from this survey to explore the housing situations of people using food banks and compare this where possible to the housing of the overall population. The findings were stark. 82% of food bank users who took part in the survey were living with at least one serious housing issue, including current rent arrears, difficulty affording rent, poor housing conditions, or homelessness.

Nearly 17% of survey respondents were homeless, and an additional 15% had slept rough in the past 12 months. By comparison, estimates suggest about 0.005% of the population are homeless. Renters were also overrepresented in the data.
Approximately 18% of British households live in the social rented sector (e.g., local authority or housing association homes), and 20% in the private rented sector. However, among food bank users these figures are much higher, at 57% and 38% respectively. Just 4% of respondents lived in owner-occupied homes.

The overrepresentation of renters likely has a number of causes. In order to access a food bank, users must first be referred. Social housing providers have the ability to make these referrals, while private landlords and mortgage providers do not. Social housing is also highly residualised, reserved only for those most in need (although this varies across the UK somewhat as housing is a devolved matter). Because of this the social rented sector is home to a high number of very low-income households and a higher proportion of households which include disabled people. Disability is a risk factor for deep poverty, particularly following government changes to disability support. Support for renters in social housing has also been affected by the ‘bedroom tax’, which penalises those deemed to be ‘underoccupying’ their home.

On the other hand, private renters face higher housing costs (averaging £193 per week in England in 2017-18 compared to £103 in the social rented sector) and have experienced significant and ongoing reductions in housing benefit – housing benefit now covers the full rent for just 10% of low-income private renters. A survey by Shelter found that 20% of low-income private renters had cut back on food in order to afford their rental costs.

However, affordability issues were widespread among the survey respondents. A third had experienced an increase in their housing costs (including utility bills) in the three months prior to attending the food bank, with approximately a quarter of renters (both social and private) finding it very difficult to pay their rent. Nearly 60% couldn’t afford to adequately heat their home, an indicator of destitution.

Respondents were also concerned about the security of their housing, particularly private renters. Nearly one third of private renters thought they “might or would definitely” be forced to move out of their home in the coming 12 months, whereas over 60% of social renters were confident that they would be able to stay in their home. Yet, frequent moves were a feature for many of the survey respondents: 42% of all respondents had moved in the last 12 months (rising to nearly 47% for private renters) compared to approximately 9% of households in England overall.

Housing conditions were also found to be very poor among food bank users, particularly those living in owner-occupied homes who are responsible for their own maintenance. It is estimated that 15% of households in the UK are living with leaks, damp or rot. We found that the levels experienced by food bank users are considerably higher than this national average, affecting 55% of owners, 26% of social renters and 39% of private renters.

The results of this study demonstrate the significant difficulties faced by food bank users in two vital areas of their lives and illustrate the inadequacy of food banks as a means of tackling these issues. Instead, policy makers must recognise the extent of hardship faced and move to ensure that people are able to meet their fundamental needs. A good place to start would be to realign housing benefits with housing costs, remove the benefit cap, and ensure that housing is safe and secure.
GROWN UPS: GROW UP!
Understanding Children’s Happiness and Wellbeing across Europe

Professor Peter Lynn and Dr Gundi Knies are helping to design a major new longitudinal survey which will track the wellbeing of children and young people across Europe.

ISER researchers are leading a programme of research to develop the methodology for a major new EU-wide longitudinal survey of children and young people (CYP), focusing on happiness and wellbeing. The new survey, known as EuroCohort, is designed to fill a major information gap. Many aspects of social policy have implications for CYP wellbeing and yet surprisingly little is known about the determinants of CYP wellbeing or its longer-term effects on adult outcomes. Even less is known about how and why these processes may differ between EU member states. This makes it hard to develop effective EU policies or to identify how national policies should vary.

Recognising the information gap, the EU called for proposals to establish a business case for EuroCohort. The work was awarded to the MYWeB consortium (https://fp7-myweb.eu), of which ISER was a member. It was concluded that there was indeed a strong business case, so the EU then commissioned the development work in which ISER is currently involved. ISER's role, in collaboration with our international partners, is to develop the survey methodology, including the procedures that will be used to determine the specific design in each country.

The survey will initially be based on two age cohorts, one aged 0 (the "birth cohort") and one aged 8 (the "child cohort"), who will then be followed up at 3-year intervals until the participants are in their early twenties. The survey data will be collected through a mix of online questionnaires and face-to-face interviews. From the age of 8, the sample members will complete questionnaires themselves, while at younger ages data will be provided by parents and guardians. The extent to which online participation can be relied on is expected to vary greatly between countries. Managing such variation in survey practices and survey constraints will be one of the main challenges for EuroCohort.

Another major source of variation will be the nature of available sampling frames. Many countries have central population registers or education registers that can be used to select samples of children or young people of any given age, but others will have to rely on the collaboration of schools to provide the sample of 8 year-olds and will select the birth cohort sample from birth registrations or health service registrations. A key aspect of the guidance that ISER researchers have been developing is to specify processes that will ensure these samples, selected and administered in different ways, will all provide comparable data.

The prospect of comparable longitudinal data on CYP across Europe, and covering the period from birth until early twenties, is an exciting one. It has been welcomed by policy analysts across Europe and by the European Commission. The standardised methodology of EuroCohort represents a powerful tool in being able to separate the effects of demographic explanations from national policy contexts. The study will bear fruit for many years to come and will have a direct impact on better targeting of social policies.

ISER is proud to have helped create EuroCohort.

Further details:
http://www.eurocohort.eu/
https://twitter.com/EuroCohort
After the annual spectacle of the Chancellor presenting his Budget to the UK Parliament, one of the most asked questions is which groups in society have gained or lost from the tax and benefit changes, or (to paraphrase George Osborne) whether the burden of austerity is indeed falling on those with the broadest shoulders.

This is precisely the sort of question that tax and benefit microsimulation models are designed to answer. These models allow researchers to ask “what if” questions about the effects of tax and benefit reforms. Calculations are carried out for each household in a large dataset that is representative of the population, and this allows researchers to estimate the impact on the overall public budget, as well as how households will win or lose across the distribution of income, and by household characteristics. Such analysis is also highly relevant when designing alternative reforms.

There are several UK tax-benefit models that are regularly maintained – TAXBEN at the Institute for Fiscal Studies; IGOTM at HM Treasury; PSM at the Department for Work and Pensions; and a model initially commissioned by the ippr – but they are not widely available outside the organisation that owns them. The main exception is the UK component of the EU model, EUROMOD, the tax-benefit microsimulation model based at ISER, which has always been available, free of charge, for researchers to download, and to modify.

ISER has now been awarded funding by the Nuffield Foundation to develop a new UK model using EUROMOD as a reliable, flexible, accessible and transparent tax-benefit model, and to adapt and extend it to increase its relevance for UK policy analysis. The aim is to meet the demand for tax-benefit modelling capacity among organisations and individuals outside academia, and to promote the use of microsimulation as a way to improve the evidence base to inform policy debates – to democratise, as it were, the use of tax and benefit microsimulation models.

This involves applying the highest academic standards, sharing the model with many users in different contexts, providing appropriate training, support and documentation. It builds on ISER’s experience of working closely with a range of policy-interested organisations on their specific modelling needs, and our extremely strong background in microsimulation skills. An important development of the model, given the trend towards devolving tax and benefit power, will be to produce stand-alone models for the devolved nations of the UK.

The first major release of the UK model will be in September 2019; with this model, any organisation could potentially undertake the sort of analysis of the impact of the Autumn Budget that we are used to seeing from the IFS or the Resolution Foundation.
The project team are also providing training courses on the UK model, free of charge: the first course earlier this year was aimed at participants from public sector and parliamentary bodies (including the House of Commons Library and their devolved equivalents, and civil servants from national and local governments), and the autumn 2019 course will be targeted at third sector organisations wanting to use tax and benefit microsimulation to inform their policy work. Later in the project, the researchers will be using the UK model to assess different forms of Basic Income scheme for the UK, and a workshop will show how others can use the UK model to design and test their own schemes.

To find out more about the project, visit https://bit.ly/2KSmPEU
Anyone can download EUROMOD software now from https://www.euromod.ac.uk/
HOW DO STUDENTS WANT TO FUND HIGHER EDUCATION?

Dr Angus Holford describes ISER’s innovative study of a unique cohort of current students to find out how much they understand about our complex student funding system and what they think would be fair for future students.
Undergraduate students in England are charged tuition fees and receive support for living costs primarily through a complex system of income-contingent loans. The Department for Education is conducting a Review of Post-18 Education and Funding, with a view to reforming this system for new undergraduates. We sampled a cohort of third-year Home undergraduates at one UK higher education institution to collect evidence on their understanding of the current system; what changes to the system they would favour; and what trade-offs they would be willing to accept if the system were to change in a fiscally neutral way.

These were our main findings:

- Some features of the current system are well understood by the majority of students, such as that they will need to repay the loan using a proportion of their income above a certain threshold and that the duration of the repayment will be limited to 30 years. Other features are less well known with most confusion being generated by the different interest rates charged during and after studying.

- In April 2018 the Government raised the repayment threshold from £21,000 to £25,000. Awareness of this change was weak. Students show little desire to revert to the lower threshold even when this would be associated with a reduction in the proportion of income going towards the repayment.

- Students are collectively against different fees being charged for different subjects, especially where this would entail lower fees for courses in Science, Technology, Engineering and Maths (STEM).

- Students appear to be unhappy that their debt will continue to grow after graduation and would trade off a higher interest rate during study instead.

- Students favour those from lower-income households receiving larger maintenance loans than those from higher-income households, even when shown that this results in higher debt for the latter group.

- Although all students would strictly prefer to receive more support for living costs through the re-introduction of grants, they are not prepared to trade off higher fees or higher repayment rates after graduation to obtain this.

- Students seem prepared to trade off higher debt at graduation in exchange for (i) a higher repayment threshold and (ii) less steep interest rates after graduation. This possibly reflects the fact that they expect to face substantial uncertainty about their earnings during the first few years after finishing their studies.

Taken together, these results could support a simplified system in which all graduates would pay in proportion to their income above a threshold for a limited (albeit long) time after they have graduated. Such a move would enable some changes to the language associated with Higher Education funding. In general, such a system could be well described as a ‘time-limited income-linked graduate contribution’. The terms ‘debt’ and ‘loan’ could cease to play a role, and all maintenance support could be reframed as ‘grants’ or ‘allowances’, with students’ future obligations at the time of graduation depending only on their future earnings and not their parental background.

Reference:
‘Student preferences over fees, grants and loans’, by Adeline Delavande, Emilia Del Bono and Angus Holford: MiSoC Explainer HE18/ E01 https://tinyurl.com/y7bhffnh, ISER Report HE18/ R01 https://tinyurl.com/yaaoor38p
FLEXIBILITY OR INSECURITY: ARE JOBS WITH NO OR FEW GUARANTEED HOURS REALLY DESIRABLE FOR WORKERS?

Dr Silvia Avram’s study funded by the Nuffield Foundation looks at the impact of pay insecurity on employment.
This year the UK employment rate reached 75.6%, the joint highest figure on record (ONS, 2019). Strong employment growth occurred partly on the back of self-employment and 'atypical' jobs that lack the worker rights and security that were the norm in the past. The gig economy and zero hours contracts have received the most attention in public debate. However, insecure employment is much more widespread and can take many forms. A study by the Resolution Foundation estimates that over 70% of employees do not receive the same pay each month (Tomlinson, 2018).

Are zero hours jobs and other 'atypical' jobs with highly fluctuating pay 'bad jobs'? Business organisations such as the British Chamber of Commerce have strongly argued against such a view, claiming that they are a vital part of a successful labour market. From the employer's side, the benefits are obvious. Zero hours contracts and other forms of atypical employment allow employers to reduce their staffing cost and to avoid paying their workers during periods when demand is weak. But public arguments in favour of zero hours jobs have often focused on workers rather than employers. The claim is that these jobs offer flexibility not just to employers but also to workers, allowing them to combine work with other commitments such as parenthood, study or semi-retirement. Yet, in practice, the worker's flexibility needs are unlikely to exactly match those of the employer. As the employer usually holds more bargaining power in an employment relationship, flexibility can easily become one-sided.

When zero hours jobs are a way to top up household incomes, their flexibility might be welcome. But when they are a major income source, the lack of a guaranteed level of pay is likely to generate significant income instability. We know from previous research that unstable income is associated with many negative outcomes such as clinical depression (Prause et al., 2009), poor health (Halliday, 2007), food insecurity (Dahl et al., 2014, Leete and Bania, 2010), and problem behaviour in adolescents and children (Gennetian et al., 2015, Hill et al., 2013).

So, how can we tell whether zero hours jobs are really desirable or not? One way is to ask workers on zero hours whether they would prefer a different type of contract. Nikhil Datta, Giulia Giupponi and Stephen Manchin (2018) have done precisely that. In an online survey of the UK working age population, they found that 45% of workers on zero hours contracts would prefer to work more regular hours.

A different, indirect, approach is to look at the extent to which workers avoid taking up zero hours jobs. In a study funded by the Nuffield Foundation (https://www.nuffieldfoundation.org/risk-aversion-earnings-uncertainty-and-labour-supply), Dr Avram examined the links between pay insecurity and labour supply and found that individuals in local labour markets (measured by occupation and region) with a higher share of jobs with variable pay have, on average, significantly longer unemployment spells.

It could be argued that workers avoid variable pay jobs because they tend to be lower paid. A Resolution Foundation study found that zero hours workers earn on average around £1,000 less per year compared to workers on regular contracts doing the same type of work (https://www.resolutionfoundation.org/media/pres-releases/zero-hours-contract-workers-face-a-precarious-pay-panalty-of-1000-a-year/). Dr Avram’s work has similarly shown that workers in jobs with variable pay earn less than the rest and that the gap widened considerably between 2009 and 2017. However, low pay and worker characteristics are not enough to explain patterns in the data. Using Understanding Society, a large-scale panel survey of the UK population, she found that women facing a local labour market with a higher share of jobs with variable pay are less likely to move from non-employment into paid work, even when controlling for differences in wages, demand and worker characteristics such as age, education, number of children, health status, household income and previous non-employment spells. These findings suggest that pay variability is potentially a significant cost for workers that they try to avoid by waiting for jobs with more stable pay.

The UK labour market’s flexibility has long been considered a major strength and a crucial feature underpinning high employment levels. However, it is important to recognise that this flexibility not only has advantages but also costs and these tend to fall disproportionately on workers, especially the low-paid. Whether by direct regulation or by imposing a higher minimum wage for zero hours workers as the Taylor Review has suggested, policy makers need to address the power imbalance at the heart of insecure and precarious employment.

References:
ISER’s Nuffield Foundation-funded study looks at the impact of the controversial Government policy on the rising levels of childhood obesity.
Since September 2014 all infants in state-funded English schools (those in the first three years in school, or children aged 4-7) have been eligible to receive a free school meal at lunchtime under the Universal Infant Free School Meals policy (UIFSM).

The Department for Education’s stated aims for the policy are to improve children’s educational attainment; to help families with the cost of living; and to ensure children have access to a healthy meal a day and develop long-term healthy eating habits. It costs £437 per child per year, and over £15m was spent in the first year on improving school kitchens to meet the increased demand. This is a costly policy, and it is important to know whether it has delivered on its aims.

Angus Holford and Birgitta Rabe evaluated the effect of UIFSM on the bodyweight outcomes of English children in their first year of school (aged 4-5). Specifically they looked at the probability that children are of healthy weight, overweight or obese, and their body mass index (BMI). They used school-level data from the National Child Measurement Programme (NCMP) from the 2007/08 to 2017/18 academic years. The data come from trained nurses who visit each primary school in England, once per year, to measure children’s heights and weights.

They found that even before UIFSM was introduced, the bodyweight outcomes of children measured later in the school year tended to be healthier than those measured earlier. For example, the prevalence of obesity among those measured in June and July was around 1 percentage point lower than those measured in September and October, and the proportion at a ‘healthy weight’ accounting for their age and sex around 3 percentage points higher. A similar improvement could still be seen after controlling for other characteristics of the pupils and the schools. In other words, a combination of seasonal effects and the school environment appears to be beneficial for children’s bodyweight outcomes even without UIFSM.

The researchers went on to show that children exposed to UIFSM but measured in the first half-term of the school year had very similar bodyweight outcomes to those who never received UIFSM, other things being equal. This was expected, as they will have eaten few Free School Meals by that time, and any daily difference in calorie intake would not have had time to accumulate and make a noticeable difference to BMI. However, those measured later in the school year did show significantly improved bodyweight outcomes compared with those measured at the same time of the school year but who never received UIFSM. For example, the “treatment effect” of a whole academic year of exposure to UIFSM (i.e. for a child measured in June or July) was a 1 percentage point increase in their probability of being a healthy weight, and 0.5 percentage point decrease in probability of being obese.

These effects are large compared with other school-based interventions to improve bodyweight outcomes, delivered either in the classroom (education-based) or playground (physical activity-based), but so are the comparative costs of UIFSM. The results suggest that UIFSM is unlikely to be cost-effective solely for improving this measure of child health, but the authors are continuing to research the effects on school performance, attendance and absences.

Reference:
WHAT DO WE KNOW AND WHAT SHOULD WE DO ABOUT INEQUALITY?

Professor Mike Brewer, Director of the ESRC Research Centre on Micro-Social Change at ISER, has written a new book about economic inequalities in the UK, presenting new analysis of the top 1% and 0.1% in the UK, and summarising the causes and consequences of high levels of inequality.
Never before have economic inequalities been so high up the news agenda. Not only campaigning organisations like Oxfam but also international organisations like the OECD say that inequality is too high. The economist Thomas Piketty toured the chat shows in 2014 with a book that analysed the causes of inequality. Mainstream politicians in the United States are now advocating wealth taxes and new high rates of income tax.

Concern is high now partly because economic inequality is at historically high levels: the OECD says that income inequality in developed countries is at its highest level for the past half century. We also know more about how much inequality there is thanks to many researchers’ hard work in uncovering and processing new sources of data, giving us estimates from many countries over many years of the fraction of national income that goes to the very rich, and of how unequally distributed household wealth is.

But there is also an increasing amount of research on the harmful impacts of inequality. As first shown by Richard Wilkinson and Kate Pickett, unequal societies seem to be less healthy, less trusting, and tend to have more crime and violence. Many economists now recognise that a high level of inequality is not a natural consequence of a vibrant economy; instead, key international organisations are worried that inequality is a drag on economic growth. We know (partly due to work by ISER researchers using the BHPS and Understanding Society data) that a great deal of income mobility is short range and that, far from living in a world where all young people have equal chance to shine, where people end up in society is heavily influenced by where they started from. Indeed, there is a suggestion that high levels of inequality reduce social mobility, perpetuating divisions between families that have and those that have not. And there is a fear – as set out by economists Joseph Stiglitz, Thomas Piketty and most recently Angus Deaton – who is chairing a major review into inequalities based at the Institute for Fiscal Studies – that the world will soon see economies with the sorts of gaps between the elites and the masses last seen in the early twentieth century.

In a new book for SAGE, Mike Brewer, Professor of Economics at ISER, sets out what we know about, and what we should do about, the high levels of economic inequalities in the UK. He shows that income inequality in the UK is one of the highest among comparable rich countries, second only to the United States among major economies, and beaten only by Lithuania elsewhere in Europe. But it has also become clear that the main data used to estimate the shape of the UK income distribution does a bad job at reflecting the circumstances of the very rich. New analysis for the book shows that, although the very rich in the UK did get hit by the financial crisis, they have now recovered, and the fraction of national income going to the richest 0.01% has almost regained its historical high point. The book also shows that wealth is even more unequally distributed in the UK than is income, with the wealthiest 10% owning between 44% and 52% of all household wealth (depending on which estimate you believe). Household wealth is growing in importance, and there is no sense in which the gap between the haves and the have-nots is shrinking in any practical sense.

There is an argument that we in the UK should not be overly concerned about inequality, because it has been over 30 years since the UK saw a concerted rise in income inequality. But every year of high inequality is another year that strains our sense of fairness and of social justice, and another year where equality of opportunity becomes harder to achieve. The UK is still one of the most unequal of all rich, developed economies, and it does not need to be this way. Because of this, the book sets out what we could do to reduce inequality in the UK, with a set of policy proposals to help make the labour market fairer, curb excessive remuneration at the top, redistribute wealth and inheritances, provide security and opportunity to all, and promote social mobility. If implemented, these will both directly reduce economic inequalities but also move us closer to a level playing field for the next generation, offsetting some of the damaging aspects of inequality.

What Do We Know And What Should We Do About Inequality? by Mike Brewer. It can be ordered from https://uk.sagepub.com/en-gb/euровwhat-do-we-know-and-what-should-we-do-about-inequality/book262943. The work was supported by the ESRC through the Research Centre on Micro-Social Change (MiSoC) at ISER.
STRESS LEVELS OF WORKING MOTHERS

WHAT COULD HELP IMPROVE THEIR HEALTH?

Dr Cara Booker explains the findings of a pioneering new study using biological markers collected in blood samples alongside socio-economic data, to understand how working patterns exacerbate or alleviate stress in working mothers.
‘Working mothers disproportionately more stressed’, ‘Working mothers ‘up to 40% more stressed, study finds’’ and ‘Full-time working moms with two kids are highly stressed: Study’ were just a few of the headlines from a piece of research that explored the relationship between provision of childcare, flexible working arrangements and biological markers of stress.

While these headlines pointed to the finding that working mothers showed higher levels of stress compared to women with no children, they did not focus on the subsequent finding on use of flexible working arrangements and stress levels among working mothers.

Flexible working arrangements are designed to allow employees to have a say in when and where they work. One of the benefits of flexible working arrangements is thought to be increased work-life balance. Questions remain however about whether use of flexible working arrangements actually allows workers to adequately tackle their stress or may actually increase stress levels due to increased blurring of roles or multi-tasking.

Compared to childless workers, those with children may be under additional stress, particularly if they are responsible for child caring. The availability and use of flexible working arrangements may allow parents to reduce some of the biological effects of stress resulting from being primary carer for their children.

Most of the research on flexible working arrangements and stress or work-life conflict has used subjective measures of stress or conflict as more objective measures have not been available. While subjective measures of stress may give a good picture of perceptions of stress, objective measures are able to show the biological effects of prolonged exposure to stress.

The aim of this research project was to explore the relationship between different types of flexible working arrangements and allostatic load, an index of biological markers that cover several physiological systems.

The findings from data on over 3,000 women showed that those who had two or more children under the age of 15 and worked full-time (30 or more hours) had higher levels of allostatic load compared to women with no children and who worked part-time (less than 25 hours). Further analyses showed that stress related to working and caring did not differ amongst women who worked less than 37 hours per week. However, amongst women who worked 37 or more hours per week, levels of allostatic load were greater for women with two or more children compared to women with no children.

Researchers then looked at availability and use of reduced working hours arrangements to explore how markers of stress may differ between use and non-use among working mothers. The findings showed that markers of stress amongst women with two or more children and who worked reduced hours were lower compared with women with two children but who did not have reduced working hours arrangements available to them.

The findings of this study suggest that while parents, specifically mothers, may be more stressed when they work greater number of hours and have more children, that this stress may be mitigated by use of reduced working hours arrangements. Thus employers should offer these arrangements and parents should be encouraged to use them as this may lead to reduced biological impact on the body due to longer exposure to stress and increased work-life balance.

References:
2. Barr S. Full-time working mothers are 40% more stressed, study finds. Independent. Sunday 27 January 2019.
THE SURPRISINGLY NEGATIVE IMPACT OF GOOD NEWS FROM OFSTED

Dr Birgitta Rabe and a team of researchers from the Institute for Fiscal Studies, the University of Bristol, the University of Sussex and UCL have examined a range of data sets to understand how parents react to a better-than-expected school inspection report.

Ofsted, the Office for Standards in Education, regularly inspects around 26,000 schools in England and rates their quality from ‘outstanding’ to ‘inadequate’. Existing evidence shows that these school ratings affect households’ school choices and local house prices, but we know very little about how the large group of parents with children already at school react to ratings, if at all. The published rating can provide news for parents if their school is judged to be of better or worse quality than they anticipated.

The study looked at how parents react when they receive good or bad news about the quality of their child’s school. Specifically, do parents increase or decrease the time they spend helping with homework at home? Families may increase their time investments in their children if they feel more motivated by the fact that their child’s school is better than they had previously thought. On the other hand they might feel they can afford to reduce such investments if they feel the school is doing a better job than anticipated.

This research is based on a unique combination of survey data from the UK Household Longitudinal Study with administrative data on Ofsted inspections and school performance between 2009 and 2015. We use households that received an Ofsted inspection in the same academic year as their survey interview, specifically comparing households that know the outcome of the inspection when interviewed to those where the outcome is still unknown.

The researchers find that parents typically reduce help at home when perceived school quality increases. Parents receiving good news are around 20 percentage points more likely to reduce help with homework, for example. While parents’ reaction to good news is pronounced, their reaction to bad news about school quality is much more muted. That is, parents who receive bad news do not respond by significantly increasing their help at home. Taken together,
parents who receive good rather than bad news about the quality of their child’s school are 24 percentage points more likely to reduce the help they give their children with homework and 14 percentage points less likely to increase it.

The research further shows that providing information through Ofsted inspections is likely to reduce overall parental investments, because parents in schools that receive good news react more strongly than parents in schools with bad news. Information provided by Ofsted inspections is also likely to increase equality in how much parents help their children across schools in England. This is because good schools (often with highly motivated parents) are more likely to receive more good news about school quality, leading to lower investments by parents. This makes the help received by children in good schools more similar to that received in bad schools.

They find that the shifts in help provided at home are reflected in children’s test scores: children whose families received good news early in the academic year performed significantly worse in the GCSE exams than those where good news was more recently revealed, suggesting that the reduced help by parents lowered children’s exam performance. This is despite children’s own time investment in schoolwork increasing in response to the same information.

The research shows that parents’ responses to information on school quality are large and meaningful. This may explain why previous research has found it hard to pinpoint the benefits of attending high-performing schools. The significant change in how much parents help their children at home after receiving news about their child’s school quality affects important test score outcomes and the inequality in parents’ investments across schools. This suggests that much more thought should be given to the specifics of how school quality information is provided and how it can be framed and possibly targeted to prevent adverse effects.

References:
REDUCING CHILD POVERTY IN SCOTLAND: THE CHALLENGE AHEAD

Dr Paola De Agostini has been working with researchers at the Scottish Parliament to test policy scenarios which might make a difference to Scotland’s rising levels of child poverty
In Scotland, depending on the measure used, up to a quarter of children (240,000) are living in poverty. According to the Scottish Government, if no action is taken, then this figure could increase to one in three children living in poverty by 2030.

In December 2017 the Scottish Parliament passed the Child Poverty (Scotland) Act 2017, which sets targets for four income-based measures of child poverty to be achieved by 2030/31. It also states interim targets to be achieved by 2023/24. In April 2018, the Scottish Government announced its first five-year delivery plan to reduce child poverty in Scotland (http://www.gov.scot/Resource/0053/00533606.pdf).

Since 2015, Dr Paola De Agostini has been supporting the Scottish Parliament Information Centre (SPICe) in using EUROMOD – the tax-benefit microsimulation model for the EU – to provide impartial evidence-based analyses to inform the Members of the Scottish Parliament (MSPs) and the Scottish parliamentary committees as well as answer to political parties’ inquiries on a range of issues including in some cases analysis of the costs and effects of proposed policy reforms.

Dr De Agostini and Nicola Hudson, from SPICe, have produced analyses that enable the Scottish Parliament to assess if and how well the policy reforms proposed by the Government will contribute to meeting the final child poverty targets and make informed suggestions of policies that may perform more effectively and efficiently. This work was supported by the University of Essex ESRC Impact Acceleration Account fund.

In common with previous research on this area (Reed and Stark, Resolution Foundation and IPPR Scotland), the analysis (https://digitalpublications.parliament.scot/ResearchBriefings/Report/2019/4/9/Child-poverty-in-Scotland--forecasting-the-impact-of-policy-options) shows that, if no action is taken, child poverty will continue to rise through to 2023/24 due to measures such as the freeze in certain benefit payments and the introduction of the two child limit within universal credit, combined with forecast economic performance. Child poverty would be expected to rise from 23% in 2016-17 to 27% in 2023-24 (on a relative poverty measure). This compares with the interim target of 18%.

The analysis provides further evidence to inform the debate around child poverty by considering how an illustrative sum of £0.8 billion could be used to fund a range of changes to the tax-benefit system and assesses the potential impact on child poverty in Scotland in the next five years. On the basis of current policy plans and economic forecasts, the analysis shows that even with a substantial investment, none of the policy measures considered alone would achieve the relative child poverty (interim) target level of 18% by 2023-24.

Although a higher level of investment might achieve a bigger impact, non-linear interactions in the tax-benefit system mean it is not guaranteed that (for example) doubling spending would double the number of children taken out of poverty.

As the Scottish Government is implementing its Child Poverty Delivery Plan and exploring options for introducing an income supplement for children and families that need it most, results from this analysis highlight that it is important to consider how such policy would interact with the rest of the tax and benefit rules and whether it would create any disincentive to work or other behavioural responses that may intensify or offset the expected outcomes. Consideration should be given to how the reform may interact with other policy interventions and with the rest of the economy. And given that April 2023 is only four years away: how long such policy would take to become effective and how quickly it would reduce child poverty would affect the ability of Scotland to meet its targets.

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**Relative Poverty**

<table>
<thead>
<tr>
<th>Year</th>
<th>No change</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>Interim Target</th>
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<td>2016-17</td>
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<td>18%</td>
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<tr>
<td>2018-19</td>
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<td></td>
<td></td>
<td>18%</td>
</tr>
<tr>
<td>2023-24</td>
<td>27%</td>
<td></td>
<td></td>
<td></td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: EUROMOD. Notes: Yellow line: no changes; Scenario A: Reduce Income tax; B: Increase child benefit; C: Alter Universal Credit child-related elements.
ARE ATYPICAL WORKERS PROTECTED IN EUROPE?

Dr Holguer Xavier Jara Tamayo describes new work using microsimulation to assess the social protection provided to non-standard employees and the self-employed.

Non-standard forms of work, such as temporary jobs, part-time work and solo self-employment, have become increasingly prevalent across European countries. This changing nature of jobs has put pressure on existing welfare systems to reconsider the protection provided to all types of workers. The design of tax-benefit systems has traditionally met the needs of standard full-time employees. Despite being subject to the same eligibility rules, atypical workers are in many countries de facto excluded from social protection, failing to meet the required conditions. Self-employed workers are, on the other hand, usually excluded or only able to opt in voluntarily.

The importance of providing adequate social protection to all workers in the EU has been reaffirmed with the proclamation of the European Pillar of Social Rights in November 2017. The Pillar states that ‘Regardless of the type and duration of their employment relationship, workers, and, under comparable conditions, the self-employed, have the right to adequate social protection.’

Our work contributes to the debate on the adequacy of social protection provided by welfare systems in the EU. In particular, EUROMOD is used to assess the level of income protection provided by the tax-benefit systems in the event of unemployment for three groups of workers in Europe, namely: standard employees, non-standard employees and the self-employed.*

Our results show that the share of atypical workers (i.e. non-standard employees and the self-employed) potentially covered by existing unemployment insurance schemes in the event of unemployment is considerably lower than that of traditional employees.† The lack of coverage is particularly important in the case of the self-employed, as in most countries this category of workers is not eligible for unemployment insurance. Moreover, non-standard employees and the self-employed are also more exposed to the risk of poverty than standard employees. On average, around 25% of non-standard employees and 20% of the self-employed are at risk of poverty while in work, compared with only 5% of traditional employees.

In the event of unemployment, 76% of standard employees would be protected from risk of poverty, whereas this share drops to 61% for non-standard employees and 54% for the self-employed.

Our work also aims to shed light on the effect of enforcing the principles of the European Pillar of Social Rights on the equal treatment of different types of workers regarding access to adequate social protection, in particular unemployment insurance. More precisely, our study analyses the effects of a hypothetical reform which would extend eligibility to unemployment insurance benefits to self-employed workers, under the same rules as employees, in countries where they are not compulsorily covered. The results show that extending unemployment insurance coverage to the self-employed would increase their level of income protection, which would prevent a larger share of self-employed workers from falling into poverty in the event of unemployment.

References:

*Low values on a work intensity index, based on months and hours worked, was used to identify non-standard employees, as they are typically employed in part-time or temporary posts.
† ‘Potential coverage’ measures the share of workers who would be covered by unemployment schemes in the event of unemployment based on their previous work history.
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