The private dimension of the generational contract in Europe

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Overview

- The private dimension of the generational contract & its consequences
  - The two dimensions of the generational contract (GC)
  - Some evidence on the (dis)equilibrium of the public GC in Europe
  - The characteristics of the private GC in Europe: transfer regimes
  - Outcomes & policy implications
The generational contract

- The public dimension:
  - Solidarity and support obligations between generations are “embedded” in the welfare system (pensions, education, health care, unemployment benefits, child benefits, etc.)

- The private dimension:
  - Family solidarity: support exchange between generations with the family
The public dimension

Empirical evidence from:

- Generational accountings
- Studies of social policies and their transformation
- Studies of economic well-being of different birth-cohorts

agree:

Western European societies are increasingly unfair to the younger generations (post baby-boomers / working age / children) vis-à-vis older cohorts
The public dimension

Figure 10: Relative Generosity to the Elderly vs. the Young (Social Expenditure Shares to the Elderly divided by Social Expenditure Shares to the Young)

Source: Eurostat Data Archive 2006

Source: A. Boersh-Supan 2006
Research on the private dimension of the GC shows:

- Financial support goes downward along the generational lineage
- Time support goes upward but only at very late ages (70+)
- When adding grand-parenting time support goes downward
The private dimension

Likelihood of making/receiving ft & ss to children

Source: Albertini & Kohli 2013
Transfer regimes - co-res, ft & ss

- Systematic differences across Europe in supporting strategies:
  - The likelihood of parent-child co-residence is markedly higher in Southern than in Continental and Nordic Europe
  - The likelihood of giving FT or SS to a non-co-residing child follows opposite gradient
  - The intensity of transfers is higher in Southern Europe and lower in Nordic Europe
Transfer regimes - ft

When analyzing the relation between likelihood of FT & (selected) children needs:

- The Nordic regime: welfare state and some (small) financial transfers
- The Continental regime: some co-residence and considerable financial transfers
- The Southern regime: co-residence and little else
Everything ok?

One could argue that the private GC compensates the public GC.

In other words: family compensates the “generosity” of welfare towards the elderly.
Everything ok?

It is clear that:

- Family support to children is not necessarily stronger in those countries where public support is weaker
- In some countries (i.e. Continental and Southern Europe) families utilize different support strategies than the welfare state, esp. co-residence
Outcomes & policy implications

- Young people more dependent on family support:
  - Late exit from parental home
  - Children “choices” strongly influenced by parents
- Delaying transition to adult life:
  - Negative impact on fertility
  - Reduced geographical mobility
Outcomes & policy implications

Most importantly, the private generational contract works on different principles than the public one:

- **Within families** (similarly to public welfare) support goes to those more in need
- **Between families** what matters are differences in available resources (e.g. income, wealth)
  - Different support to autonomous life
  - Intergenerational transmission of inequality (not need, not merit)
Income, wealth & co-res

Likelihood of child **not to co-reside** with parents (or, ln eq. hh income; ln per-capita wealth)

Source: Albertini & Kohli 2013
Likelihood of receiving ft from parents (or, ln eq. hh income; ln per-capita wealth)

Source: Albertini & Kohli 2013
### Intensity of ft from parents

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*Source: Albertini & Radl 2012*
... and so what

- Receiving FT from parents has huge effects on inequality among children’s generation.
- This is especially the case when support related to:
  - better educational chances
  - more and better LM opportunities (e.g. boosting geographical mobility)
  - compensatory advantages (e.g. failing at school)
  - ...

Thank you for your attention!