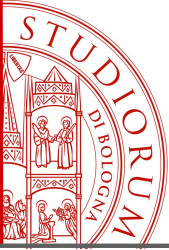




The private dimension of the generational contract in Europe

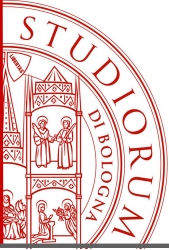
Marco Albertini

20th Queen's International Institute on Social Policy
Kingston, Ontario, August 24-26, 2015



Overview

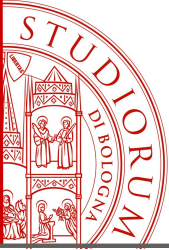
- The private dimension of the generational contract & its consequences
 - ▶ The two dimensions of the generational contract (GC)
 - ▶ Some evidence on the (dis)equilibrium of the public GC in Europe
 - ▶ The characteristics of the private GC in Europe: transfer regimes
 - ▶ Outcomes & policy implications



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

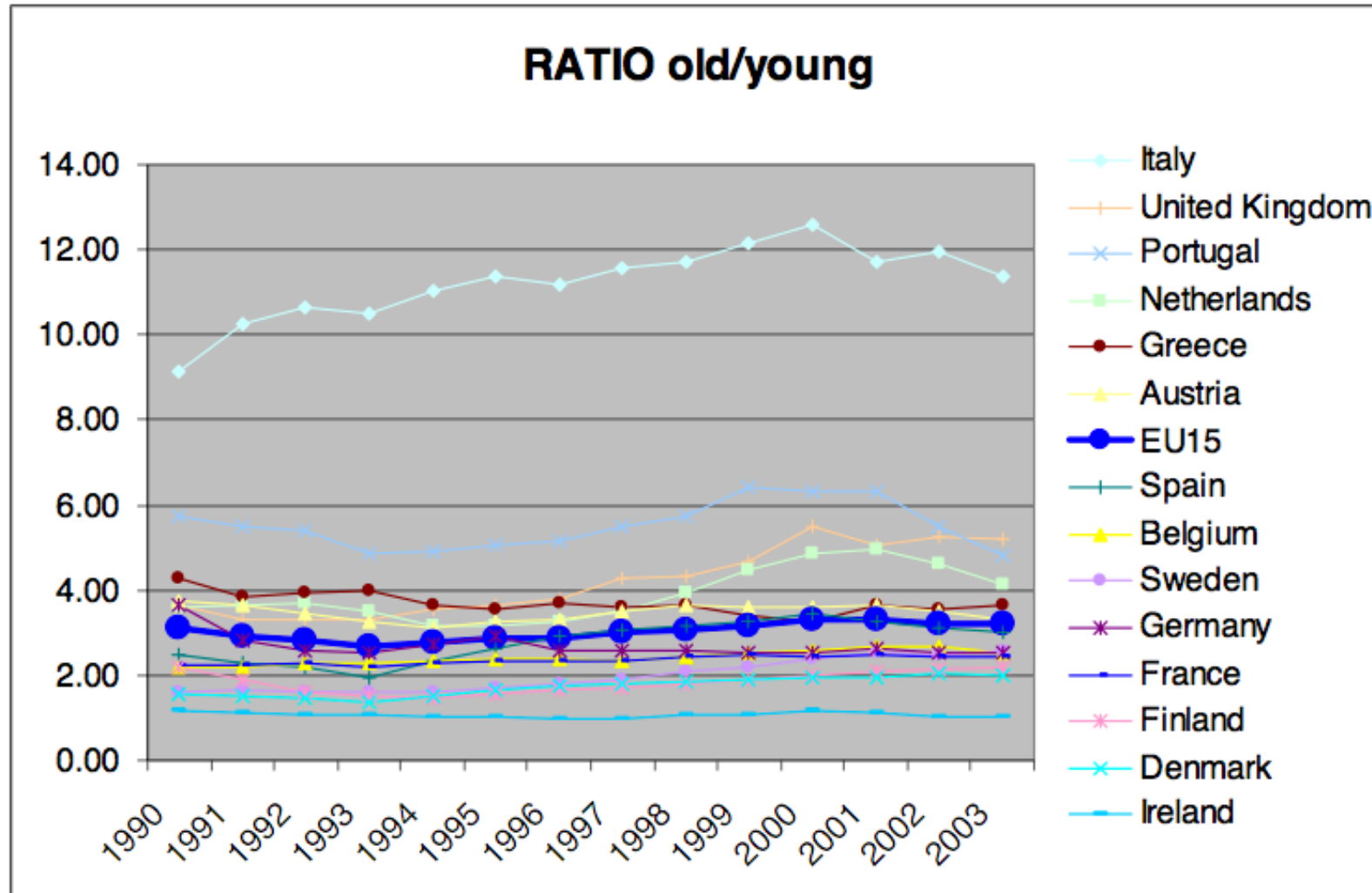
agree:

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

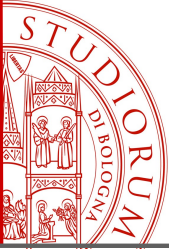


The public dimension

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



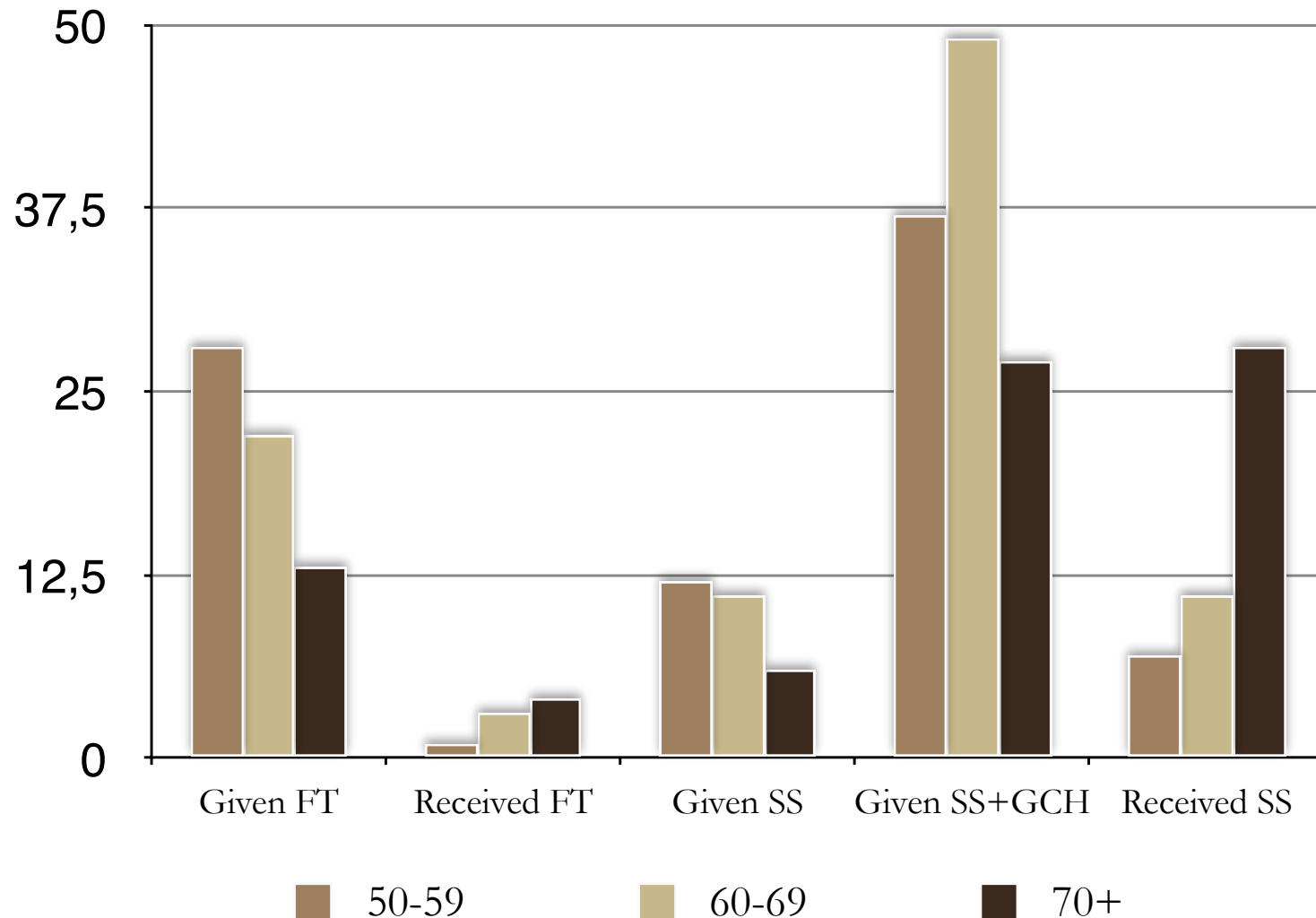
The private dimension

- 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





Transfer regimes - co-res, ft & ss

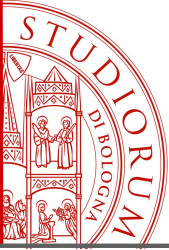
- Systematic differences across Europe in supporting strategies:
 - ▶ The likelihood of parent-child co-residence is markedly higher in Southern than in Continental and Nordic Europe
 - ▶ The likelihood of giving FT or SS to a non-co-residing child follows opposite gradient
 - ▶ The intensity of transfers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



Transfer regimes - ft

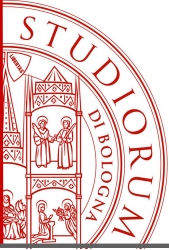
When analyzing the relation between likelihood of FT & (selected) children needs:

- 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

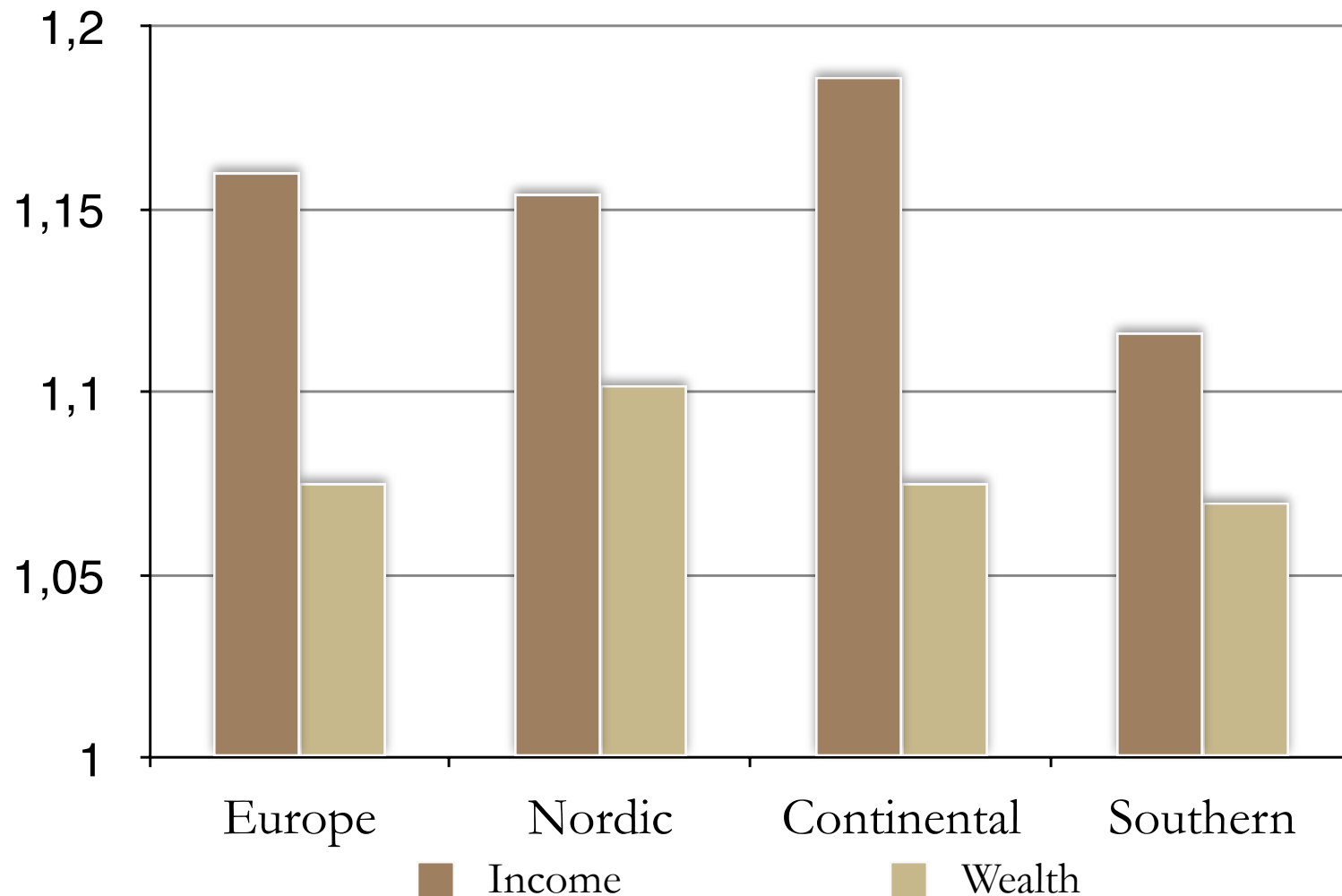
Most importantly, the private generational contract works on different principles than the public one:

- 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

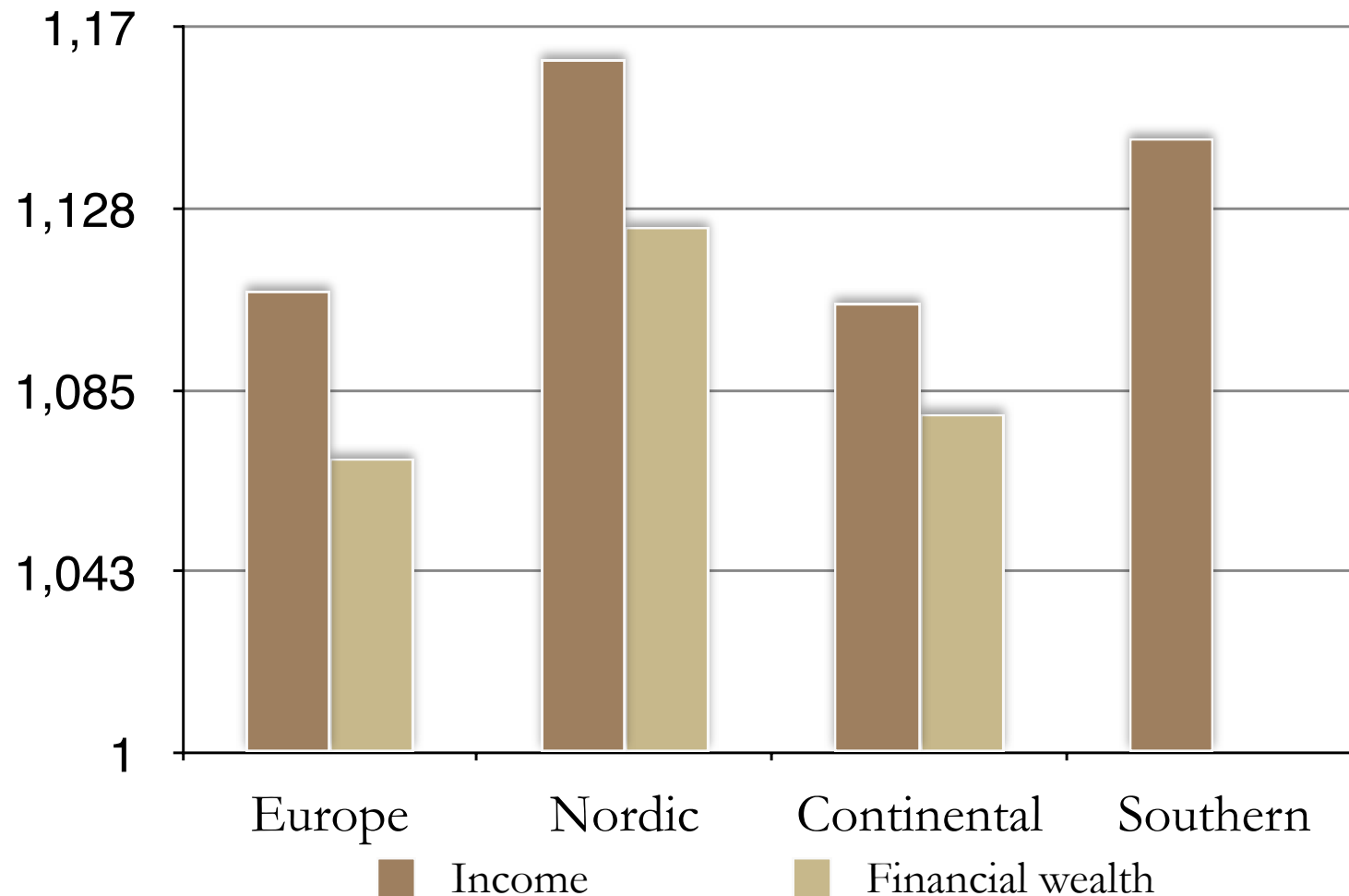
Likelihood of child **not to co-reside** with parents (or, ln eq. hh income; ln per-capita wealth)





Income, wealth & ft

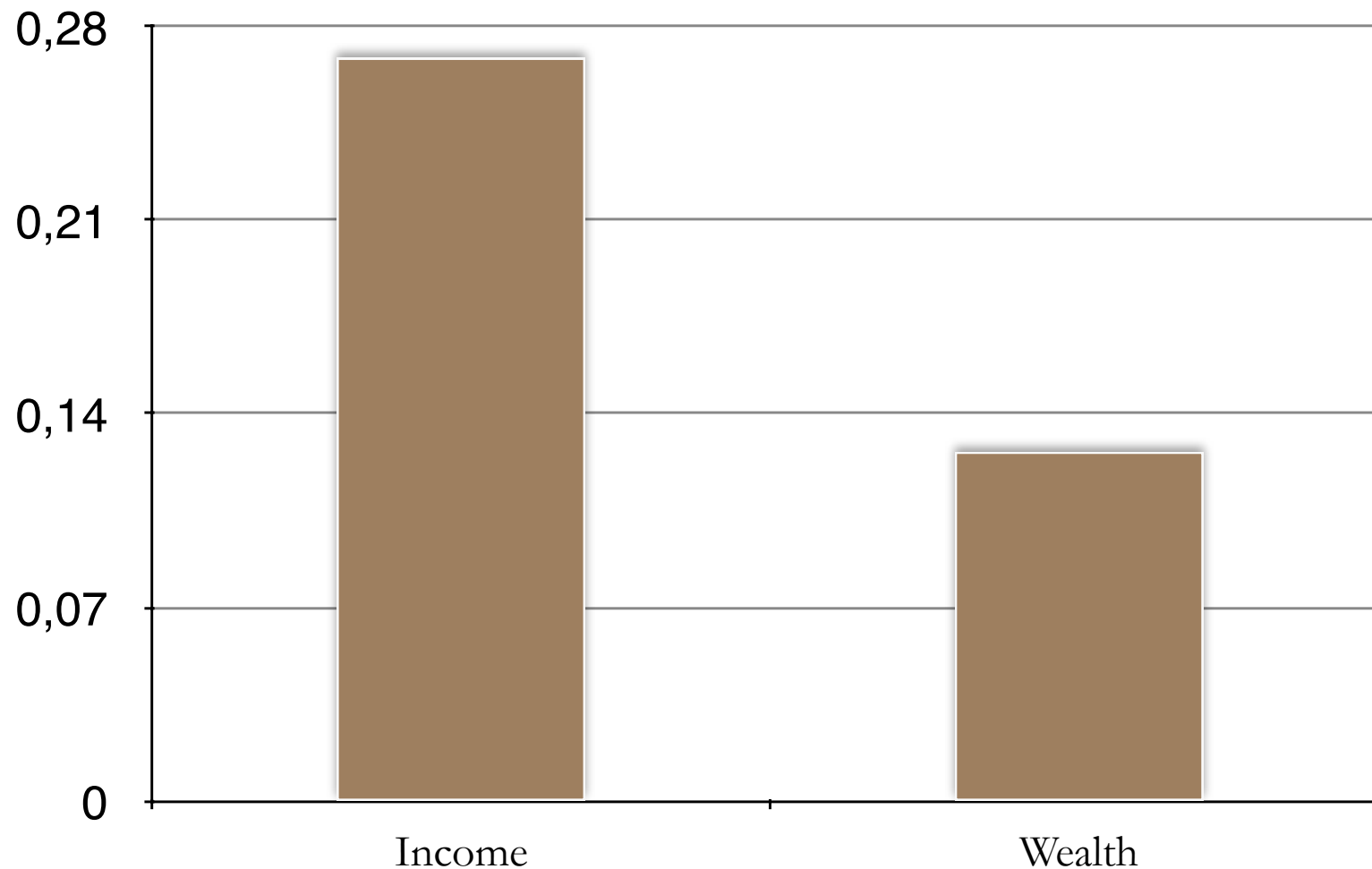
Likelihood of **receiving ft** from parents (or, ln eq. hh income; ln per-capita wealth)





Income, wealth & ft

Intensity of ft from parents (tobit coeff; ln ft in pp; per-capita net hh wealth; ln eq gross hh income)





... 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)
 - ▶ ...



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Thank you for your
attention!