Pro-Elderly Welfare States within Child-Oriented Societies: evidence and policies for Europe

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What resources do generations (age groups) allocate to each other?
A growing sense of alarmism about aging ➔ gerontocratic democracies

• Roman Herzog (2008): ‘we are seeing a foretaste of a pensioner democracy... It could end up in a situation where older generations plunder the younger ones’

• Sinn (2005): ‘Europe’s fun society is aging...fast. .... Hordes of pensioners, using the income received from the European PAYG systems, cruise the seven seas on luxury liners and jet off to the remotest beaches of our planet. ... seaside resorts and leisure centres from the Canaries to the Maldives and the beautiful Pacific Islands.’


*III* as a pragmatic, empirical

**cross-national snapshot today**

(synchronic not diachronic; unit= rich democracies; moral baseline: *sustainability*)

**4 core dimensions**

**Policy outcomes**: legacies for tomorrow

1. **Ecological**: footprint produced currently
2. **Economic-fiscal**: Debt weighing on young
3. **Social**: child poverty levels rel. to elderly

**Policy effort**: bias today

4. **EBiSS**: welfare state spending bias towards old
Pro-elderly welfare bias


• Southern welfare regimes (and JA) very pro-elderly biased; Nordic regimes more age-balanced

EBiSS
An Elderly-Bias Social Spending indicator

Overall elderly-oriented state spending, per person 65+

/ /

Overall non-elderly state spending, per person 15-64

Vanhuysse, P. (2013), Intergenerational Justice in Aging Societies
EBiSS: numerator

Spending on the ELDERLY:

• All **old age** related benefits in cash (pensions) and in kind (residential care/home-help services)

• All **survivors** benefits in cash (pensions) and in kind (funeral expenses)

• All **disability** pensions

• All **occupational injury and disease** related pensions

• All **early retirement** for labor market reasons

Vanhuysse, P. (2013), *Intergenerational Justice in Aging Societies*

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EBiSS: denominator

Spending on the NON-elderly:

- All **family** benefits in cash (family allowances, maternity/parental leave) and in kind (day care/home-help services)
- All **ALMPs** (employment services and administration, LM training, youth measures, subsidized employment, employment measures for disabled)
- All **income maintenance** cash benefits
- All **unemployment** compensation/severance pay
- All **education** spending

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Demography is not destiny

Legitimate & sustainable rolling contract differences?

IE, BE, EST, NL, Nordics

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The EBiSS 2009-2010 or latest

‘Spartan-childhood-for-luxury-old-age’ tradeoffs agreed to by successive cohorts?

NZ, KO, CA, IE, DK, NL, BE, NO, UK, SE

PL, ....., GRE, IT, SK, CZ, SL, JA
IJI rectangle: Estonia

Vanhuysse, P. (2013), *Intergenerational Justice in Aging Societies*

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IJI rectangle: USA

Vanhuysse, P. (2013), *Intergenerational Justice in Aging Societies*
IJII rectangle: South Korea

Vanhuysse, P. (2013), *Intergenerational Justice in Aging Societies*

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IJII rectangle: Japan

Vanhuysse, P. (2013), *Intergenerational Justice in Aging Societies*

[www.sdu.dk/staff/vanhuysse](http://www.sdu.dk/staff/vanhuysse)
IJI rectangle: Germany

Vanhuysse, P. (2013), Intergenerational Justice in Aging Societies

www.sdu.dk/staff/vanhuysse
IJI rectangle: Italy

Vanhuysse, P. (2013), *Intergenerational Justice in Aging Societies*

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Spanish and Portuguese versions at the Inter-American Conference on Social Security: http://www.ciss.net/wps/papers/justicia-intergeneracional-y-politicas-publicas-perspectivas-europeas/
So far so good...

But...
This is a very *partial* picture

- Biased, since limited to the “visible world” of public transfers
- Largely ignores intra-familial transfers (*cash*) & the household economy (*time* - care)

- Once we use more complete data on the value of all forms of resources transferred across generations, a radically different picture emerges on what generations give each other

Gal, Vanhuysse, Vargha (2018)
Two key asymmetries: 1

Asymmetric *socialization* of care:
working-age people pay taxes and social security contributions to care for the elderly *as a generation* -- but they privately contribute cash & time to raise their own children

• Resource transfers flowing upward from the currently active to the elderly are *socialized* to a much larger extent than those flowing downward to children

Gal, Vanhuysse, Vargha (2018)
Two key asymmetries: 2

Asymmetric statistical visibility:
resources flowing to the elderly are near-fully observed in National Accounts, but inter- and intra-household transfers are not (or barely) registered
→ Lion’s share of resources transferred to children is just not visible in NA statistics
≈ looking for lost car key only where the streetlight shines

Gal, Vanhuyse, Vargha (2018)
Empirical contributions: 1

We apply NTA (Lee & Mason 2011) to look not just at the allocation of primary income and its secondary distribution (taxes and benefits) but also at tertiary redistribution of after-tax revenues within households (e.g. parents paying consumption of their children) and between households (e.g. retired parents supporting non-cohabiting adult children)
Data

• NTA data can be downloaded from www.ntaccounts.org

• Country teams: Reijo Vanne, Risto Vaittinen (FI), Bernhard Hammer (AT), Marina Zannelli (IT), Katharina Lisenkova (UK), Fanny Kluge (GE), Joze Sambt (SL), Thomas Lindh et al. (SE), Ció Patxot et al. (ES), Róbert I. Gál, Endre Szabó, Lili Vargha (HU)
Empirical contributions: 2

• We provide calculations for a key variable mostly missing from studies of intergenerational transfers: unpaid household labor
• Based on time use survey data we estimate the value of production and consumption of unpaid household labor and the resulting transfers: National Time Transfer Accounts (henceforth NTTA)
1. Identify from HETUS the average time spent on various household production activities on an average day, by age and per country. Activities are deemed unpaid household labor if they can be done by someone else (third person principle).

2. Assign home production to household members; equally in case of most activities, but exclusively to children in case of child care activities.

3. Assign wages to impute the value of time spent on unpaid household activities by using the Eurostat SES regular market wage of the person whose job is done (specialist replacement wage approach).

Gal, Vanhuysse, Vargha (2018)
Generations in Europe

10 countries, 5 welfare state regime models, 70% of EU population, around 2005

- FR, AT, GE (Continental regime)
- IT, ES (Southern regime)
- HU, SL (Post-Communist regime)
- FI, SE (Nordic regime)
- UK (Anglo-Saxon regime)

Gal, Vanhuysse, Vargha (2018)
(1) All European welfare states, as welfare states, indeed devote significantly more resources per capita to the currently elderly than to the currently young
(2) But: once we take into account private transfers and unpaid household labor (time), the picture changes radically.

All European societies, as *societies*, transfer more per capita resources to *children* than to the elderly.
3. Defining lifecycle stages according to total resource dependency

- **Europe is an idle continent:** long periods of childhood and of old age; a short productive life stage

- TLCD childhood lasts until 25; old age starts at 60

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Gal, Vanhuysse, Vargha (2018)
Europe is a *child-oriented* continent

- Children 0-9 receive between **129** and **92%**: more than even the very oldest old – those 90+
- Young Europeans still receive on average more than 70% right *until they reach age 17*
- Elderly Europeans start receiving the same 70% share only *after 80*

Gal, Vanhuysse, Vargha (2018)
• European welfare states are pro-elderly oriented
• Highest net public transfer in childhood around age 12-13, but is less than 1/4 of prime-age earnings. Europeans aged 65+ receive more
• Welfare state dependency adulthood only betw. ages 21 - 61

Gal, Vanhuyssse, Vargha (2018)
The visibility asymmetry

Gal, Vanhuysse, Vargha (2018)
Why not *more* socialization of child investment?

- The puzzle of primary theoretical interest is why child investment has not been socialized much *more* than we can observe in reality.
- Traditional private model of child *rearing* has reasserted itself even in communities originally set up explicitly to deny or modify it:
  - US egalitarian collective childrearing (Cohen & Eiduson 1976)
  - IL kibbutzim (Aviezer et al. 1994, Beit-Hallahmi & Rabin 1977)
Why not more socialization?

Public spending on child care and preschool edu, **av. 1998-2009** (% of GDP)

Even state investment in child programs with astonishing social rates of return (Heckman 2003, 2013) has remained marginal across advanced societies.

Thanks.


Summaries at:

World Economic Forum
The Independent