

PF1.7: Intergenerational solidarity

Definitions and methodology

“Intergenerational solidarity” relates to the different types of transfers and/or gifts occurring between persons of different age-groups and creating “social cohesion between generations” (Bengtson *et.al.*, 1976 and Katz *et al.*, 2005). These transfers/gifts are made in two: from older to younger generations and from younger to older generations. A defining feature of transfers is that they involve no explicit *quid pro quo* for the exchange of money, goods, services and time. They are public or private, and private transfers can take place within a family and/or between households.

Public transfers across generations are of 2 kinds (see section on *Comparability and data issues*):

- ***Financial transfers*** include government transfers (cash and tax transfers) to households and include for example, family, care, retirement, and disability benefits, and other types of income support.
- ***In-kind public transfers*** are goods and services provided by general government to households (including earmarked cash transfers or "vouchers", but not the cash transfers referred to above. Chart PF.17A encompasses a broad spectrum of publicly managed programmes and are not restricted to public social services

Private transfers and/or exchanges within and between households can be considered in terms of:

- ***Financial transfers*** include money given or received for general purposes or to cover specific expenditure items, for example, towards medical care or insurance, schooling or the down payment for a house. Loans or donations to charities are not included.
- ***Transfers in time*** are also frequent between family members especially time to care for children or elderly relatives. But this also includes time spent on house maintenance and household chores (e.g repairs, gardening, transportation, or shopping) and administrative issues (such as filling out forms, settling financial or legal matters). Time spent by individuals to maintain contact with relatives or children (such as phone calls, time to write letters, emails, etc.) is not considered here, although it might be considered as a form of intergenerational solidarity.
- ***Asset-based reallocations***: the transfer of assets between different generations, for example, the transfer of gold or houses or other property and capital incomes between generations. More generally asset-based reallocations involve saving (and generating asset income) for retirement as well as borrowing money to finance education (see section on *Comparability and data issues*).

The first indicator (Chart PF.17.A) looks at the combination of public and private transfers across age-groups. The age-specific transfers are averaged per capita and measured in percentage of the aggregated average consumption per capita. Data are taken from *National Account Transfers* database which provides a harmonized framework to compare age profiles of earnings, consumption and transfers (see section on *Comparability and data issues*). This indicator currently covers 9 OECD countries, but the coverage will be extended when data are available.

The indicators shown in Charts PF1.7 C to D focus on private transfers, and provide information for European countries only, based on the *Survey on Health, Ageing and Retirement*. This survey is used as it provides harmonised information on intergenerational transfers.

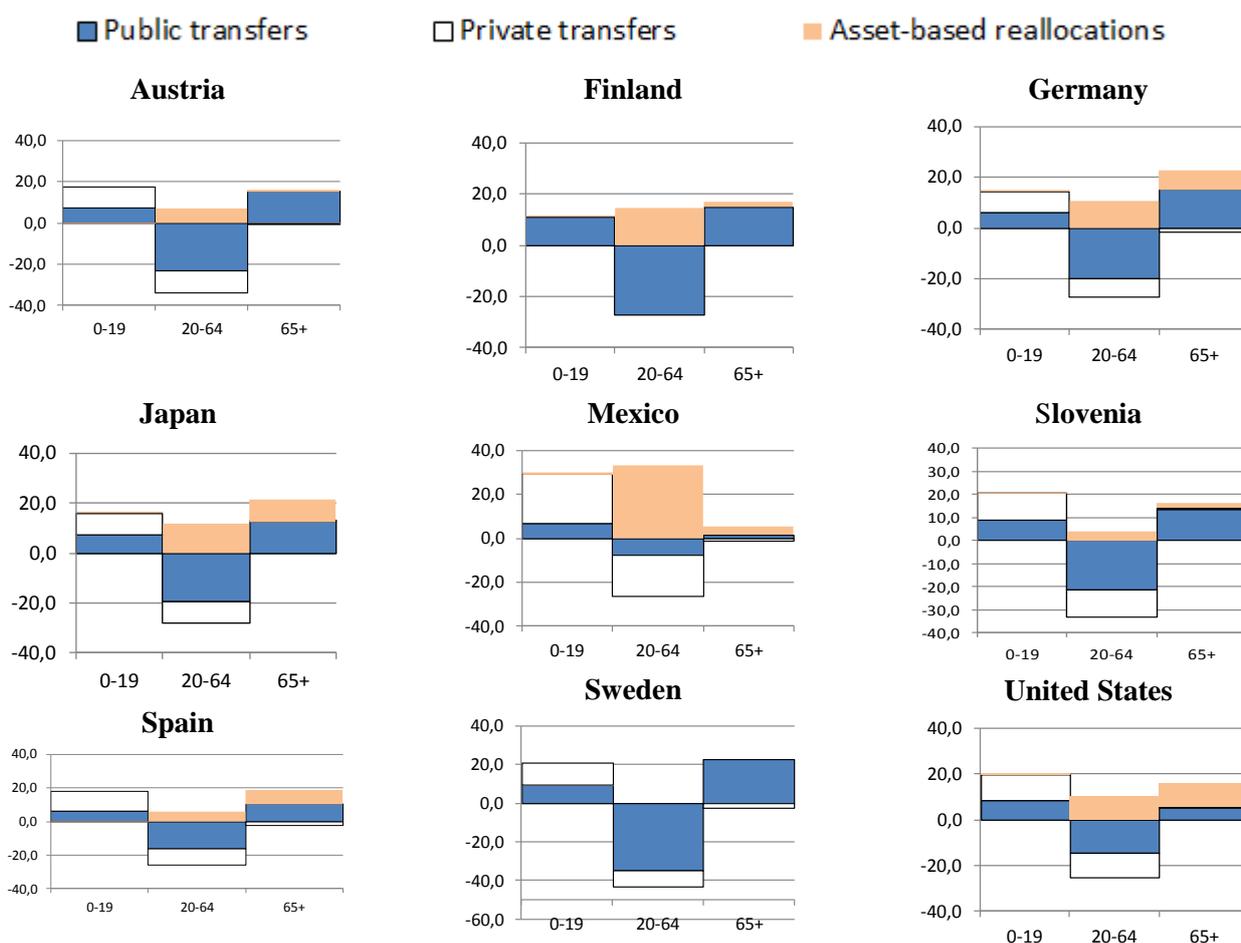
Other relevant indicators: SF1.1 Family size and composition; SF1.4 Population by age of children and youth dependency ratio; PF1.1 Public spending on family benefits; PF1.2 Public spending on education.

Key findings

Chart PF1.7.A shows that on average people of working age (i.e. between age 20 and 64) make more transfers to older and younger generations than they receive: both younger and older individuals are “net” recipients of transfers. There are large cross-national variations in the generosity of the net transfers received by youths and older people, as measured in percentage of the per capita average of consumption. Mexico and Slovenia are the two countries among the nine covered where the private transfers received by children and youths is the highest, while the public transfers for the elderly are highest in Sweden (does blue refer to public transfers). Asset-reallocations particularly benefit to adults of active age, and represent a very high share of consumption in Mexico.

Chart PF1.7.A: Age profile of "net transfers"

Transfers received minus transfers made as a percentage of the average consumption per capita



The transfers included are worth at least EUR 250 in cash or a transfer in-kind of equivalent value, and do not include loans the sharing of living expenses.

Source: National Account Transfers (<http://www.ntaccounts.org/>)

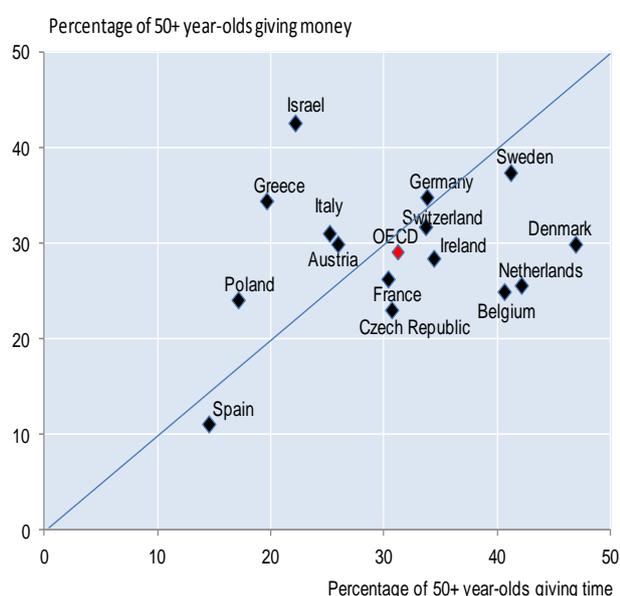
Chart PF1.7.B shows the extent to which people age 50 and over are involved in private transfers over a one-year period. The left-hand panel shows "gifts" by 50+ year-olds and the right-hand panel shows receipts. Clearly, people over age 50 are much more likely to be "givers" than takers. On average, more than 30% of them give time – typically in the form of child care – and the same proportion give money. (Charts PF1.7A and B are based on a definition of monetary transfers worth at least EUR 250 in cash or a

transfer in-kind of equivalent value, and do not include loans the sharing of living expenses.) Less than a quarter of older people benefit from time given by others, and less than 7% receive money.

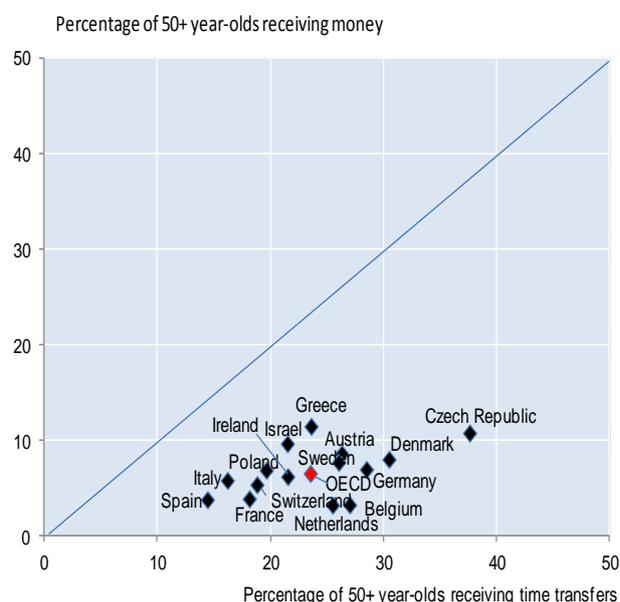
In Australia, over the past 10 years, 5.5% of the population over age 15 have received inter-generational financial assistance to purchase a home or land, and 5.7% have received an inheritance worth at least \$10,000” (Olsberg and Miller, 2005). Estimates for Japan based on the “Household Survey on Family Relationships, Employment, Retirement Payments and Intergenerational Transfers of Assets and Education” conducted in 2010 suggest that 69% of households have not received any private transfer over their lifetime (Hamaaki *et al.*, 2012).

Chart PF1.7.B. Older people are more likely to be "givers" than "takers" of private intergenerational transfers.

Gifts of time and money from 50+ year olds



Time and money transfers to 50+ year olds



Note: The transfers included are worth at least EUR 250 in cash or a transfer in-kind of equivalent value, and do not include loans the sharing of living expenses. Data are averaged across the two waves of data collection (2004 and 2006-7) for the 13 countries that participated in both waves. The data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

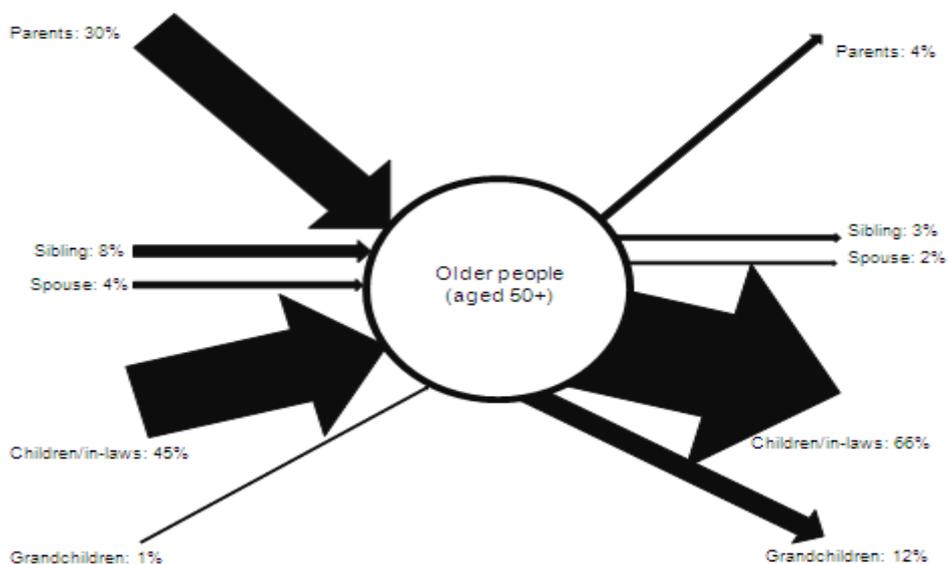
Source: OECD analysis of SHARE data (Survey of Health, Ageing and Retirement in Europe) which covers individuals aged 50 or over.

Gifts of cash are significantly more common than "gifts of time" in Greece, Israel, Italy and Poland. The reverse is true in Belgium, the Czech Republic, Denmark, France, Ireland and the Netherlands. Receipts of cash by are rare: only in the Czech Republic and Greece do more than 10% of 50 year-olds receive money from others. The proportion receiving help in the form of time is much greater, ranging from 14% in Spain to over 30% in the Czech Republic.

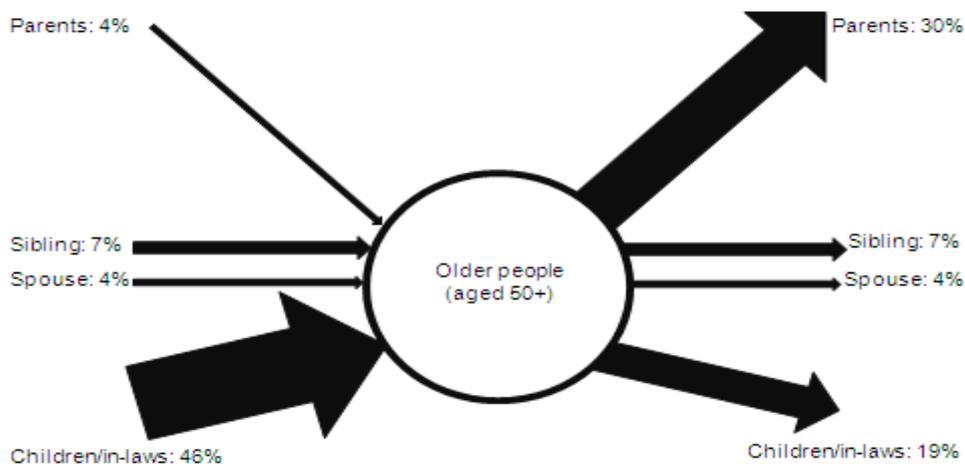
In the United States, 38% of those age 50 and over gave money to children or other relatives, according to the Health and Retirement Study (OECD, 2011), which is higher than most European countries. Only 9% of those age 50 and over received cash support from their relatives. In Korea, by contrast, 41% of older people received cash from their children, much higher than in other countries, while only 9% gave cash. Time transfers in Korea were closer to the international pattern with 18% receiving help from children and 30% providing help.

Chart PF1.7.C. Those who are 50 and older are likely to give money to children and receive support in terms of "care time"

A. Transfers of money, per cent of total receiving or giving



B. Transfers of time, per cent of total receiving or giving

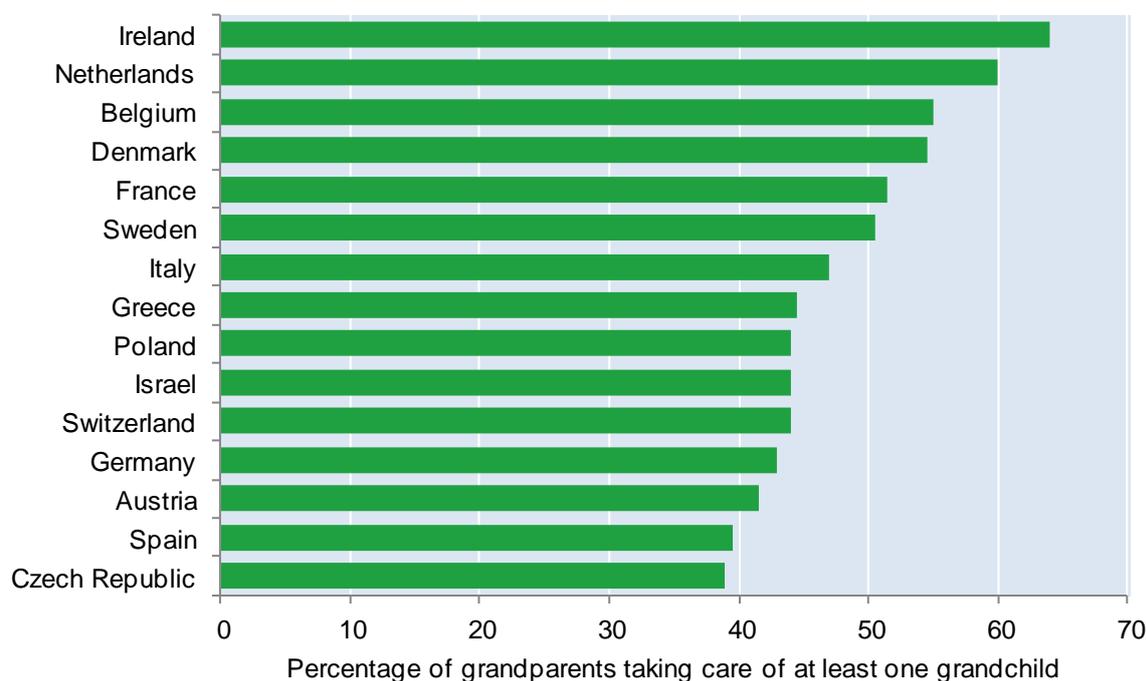


Source: OECD (2011) – Paying for the past, providing for the Future: Intergenerational Solidarity, based on SHARE Survey waves 1 and 2. Numbers are the average for the 13 countries that participated in both waves

Chart PF1.7.C looks in more detail at the family relationships involved in transfers of money (Panel A) and time (Panel B). The left-hand panel of each chart shows transfers made to 50+ year-olds while the right-hand panel shows transfers made by this age-group. The top of each chart shows the in- and out-flows for parents. In the middle are horizontal transfers, to spouses and siblings, who are generally of similar age. At the bottom are vertical transfers to younger generations of the family: children and their partners and grandchildren. The size of the arrows varies with the proportion of total transfers of each type and going in each direction. Older people mainly receive money from their children, although their parents are also a substantial source. People age 50 and over make few financial transfers to their parents or siblings or spouses. Children account for two-thirds of cash transfers made by older people.

A key driver of the amount of time older people give is the presence of grandchildren: nearly 50% of those with grandchildren spent some time caring for them (Chart PF1.7.D). In 2006/7 in Denmark and Sweden, more than half of grandparents looked after their grandchildren, but only 2% did so on a daily basis. By contrast, only around a third of Spanish grandparents provided some care, but a quarter did so each working day. This suggests that grandparents act as a complement to parental and formal childcare in the Nordic countries where public childcare support is widespread. In Southern Europe, by contrast, grandparents are often a substitute for parental care as formal childcare may not be widely available or used. The proportion of grandparents caring for their grandchildren is lower in the United States than in Europe, at 30%, and much lower in Korea, at 9%. However, these data are not directly comparable with Chart PF1.7.D because of the different thresholds of time spent caring for grandchildren are used in the surveys.

Chart PF1.7.D. Many grandparents spend time caring for their grandchildren, 2006-07.



The data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD analysis of SHARE data (Survey of health, ageing and retirement in Europe) for 15 countries (wave 2).

Comparability and data issues

The National Transfer Accounts (NTA) project (www.ntaccounts.org) is developing a system to measure economic flows across age groups in a manner consistent with National Income and Product Accounts. The accounts measure how each age group produces, consumes, shares, and saves resources. Two forms of economic flow are distinguished, transfers between age groups and the use of assets accumulated earlier in life. These flows arise primarily because of a fundamental feature of the economic lifecycle: children and the elderly consume more than they produce through their labour. NTA provides estimates of the components of the economic lifecycle and the inter-age flows that inevitably arise. These flows occur through government programs and through families and other private institutions.

The economic mechanisms used for age reallocations fall into two broad categories: transfers and asset-based reallocations. Resources flow from one party to another either voluntarily, in the case of most private transfers, or not, in the case of public transfers. The transfers of interest in NTA are inter-age or intergenerational transfer.

‘Net’ transfers are defined accordingly with the following flow equation, where the difference between consumption and production, termed life-cycle deficit, must be matched by age reallocations consisting of net transfers and asset-based reallocations:

$$\underbrace{C - Y_l}_{\text{Lifecycle deficit}} = \underbrace{Y_A - S}_{\text{Asset-based reallocations}} + \underbrace{\tau_g^+ - \tau_g^-}_{\text{Net public transfers}} + \underbrace{\tau_f^+ - \tau_f^-}_{\text{Net private transfers}}$$

Net transfers

Asset-based reallocations realize inter-age flows through inter-temporal exchange. For example, an asset such as gold can be acquired in one period, generating an outflow at that age, and disposed of in a subsequent period generating an inflow at an older age. More generally asset-based reallocations involve two kinds of flows – asset income and saving. When individuals accumulate pension funds or personal savings during their working years and rely on asset income and/or “dis-saving” of those assets during their retirement years, they are relying on asset-based reallocations. Or when individuals borrow to finance their education, they are relying on asset-based reallocations to shift resources to young ages, when they are required, from later in life (older ages).

Public transfers include a full accounting of the general government budget (comprising federal, state, and local levels). These transfers include programs regarding public education, public health, and social protection; other government programs are also included, such as general public services, defence, environmental protection, housing and community amenities, recreation, and culture. The age profile of any public transfer outflows depends on the tax incidence – the age of the individual who bears the tax.

Goods and services that are purchased with the benefit of a publicly provided cash subsidy are accounted as financial transfers. However, an exception to this approach is health. National health insurance payments and similar reimbursement programs, e.g., Medicare and Medicaid in the US, are classified as in-kind transfer inflows (and as public consumption).

Private transfers include the transfer of current income across households or from households to non-profit institutions and the transfer of current income within households. Capital transfers such as bequests, dowry, and similar large transfers are not current transfers and are not included. The age profiles of private transfer inflows are estimated using a nationally representative income and expenditure survey. The age profile of transfer outflows is estimated using reported cash and in-kind gifts and donations.

The Survey of Health, Ageing and Retirement in Europe (SHARE) is a cross-national panel database of micro data on health, socio-economic status and social and family networks of more than 55,000 individuals from 20 European countries aged 50 or over. The survey provides information on transfers and support received and given by individuals. Detailed documentation on the survey is available at the following address: <http://www.share-project.org/>

Sources and further reading: Albertini, M. and M. Kohli. The generational contract in the family: An analysis of transfer regimes in Europe. *European Sociological Review* forthcoming. DOI: 10.1093/esr/jcs061.; Bengtson, V. L., Olander, E. B., & Haddad, A. A. (1976). "The "generation gap" an ageing family members: Toward a conceptual model". In J. F. Gubrium (Ed.). *Time, roles, and self in old age*. Human Sciences Press, New York: 237-263; Hamaaki J., Hori M., Murata K. "Intergenerational Transfers and Asset Inequality in Japan: Empirical Evidence from New Survey Data", ESRI Discussion Paper Series N°284, Cabinet Office Tokyo; Katz, R., Lowenstein, A., Phillips, J., & Daatland, S. O. (2005). "Theorizing intergenerational family relations: Solidarity, conflict, and ambivalence in cross-national contexts". In V. L. Bengtson, A. Acock, K. R. Allen, P. Dilworth-Anderson, & D. M. Klein (Eds.). *Sourcebook of family theory and research*. Sage, Thousand Oaks, CA: 393-407; Kim H. (2008), "Intergenerational Transfers and Old-Age Security in Korea", Chapter in NBER-EASE "The economic Consequences of Demographic Change in East Asia", University of Chicago Press; Mason A., Lee R., Tung A-C., Lai M.S., Miller T. (2006), "Population Aging and Intergenerational Transfers: Introducing Age into National Accounts" NBER Working Paper Series 12770; Mason A., Lee R. (eds) (2011) *Population aging and the generational economy: A global perspective*, Edward Elgar Publishing; OECD (2011), "Paying for the past, providing for the Future: Intergenerational Solidarity", Background Paper for the meeting in Employment, Labour and Social Affairs Committee at Ministerial Level; Olsberg D., Winters M. (2005), "Ageing in place: intergenerational and intrafamilial housing transfers and shifts in later life", AHURI Final Report n°88.